



# House of Representatives

## File No. 515

General Assembly

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February Session, 2022 (Reprint of File No. 330)

House Bill No. 5327  
As Amended by House Amendment  
Schedule "A"

Approved by the Legislative Commissioner  
April 18, 2022

### **AN ACT CONCERNING ENERGY STORAGE SYSTEMS AND ELECTRIC DISTRIBUTION SYSTEM RELIABILITY.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 16-244e of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective October*  
3 *1, 2022*):

4 (c) (1) The Public Utilities Regulatory Authority [may] shall authorize  
5 an electric distribution company to recover its prudently incurred costs  
6 and investments, which shall be determined by the authority in a  
7 contested case, for any energy storage system such electric distribution  
8 company builds, owns or operates [through a fully reconciling  
9 component of electric rates for all customers of electric distribution  
10 companies, until] to enhance distribution reliability or resiliency at the  
11 time of the electric distribution company's next rate case, at which time  
12 such costs and investments shall be recoverable through base  
13 distribution rates consistent with the principles set forth in sections 16-

14 19 and 16-19e.

15 (2) For any completed energy storage system, the company shall  
16 maximize the value from the system's participation in wholesale  
17 electricity, capacity or other markets, as applicable, while maintaining  
18 distribution system reliability. Any net revenues from such  
19 participation shall be credited to ratepayers to offset the cost of the  
20 completed system in rates.

21 Sec. 2. (NEW) (*Effective from passage*) (a) The Public Utilities  
22 Regulatory Authority shall direct each electric distribution company, as  
23 defined in section 16-1 of the general statutes, to submit on or before  
24 January 1, 2023, no more than three proposals to the authority for a pilot  
25 program for the company to build, own and operate energy storage  
26 systems, as defined in section 16-1 of the general statutes, for the  
27 purpose of demonstrating and investigating how energy storage  
28 systems can improve resiliency of critical infrastructure and improve  
29 reliability of the electric distribution system.

30 (b) The authority shall approve or modify a proposal if it concludes  
31 that investment in such energy storage systems is reasonable, prudent  
32 and provides value to ratepayers.

33 (c) An electric distribution company may recover its prudently  
34 incurred costs made pursuant to this section through a fully reconciling  
35 component of electric rates for all customers until the electric  
36 distribution company's next rate case, at which time such costs and  
37 investments shall be recoverable through base distribution rates  
38 consistent with the principles set forth in sections 16-19 and 16-19e of  
39 the general statutes.

40 (d) For any completed energy storage system, the company shall  
41 maximize the value from the system's participation in wholesale  
42 electricity, capacity or other markets, as applicable, while maintaining  
43 distribution system reliability. Any net revenues from such  
44 participation shall be credited to ratepayers to offset the cost of the  
45 completed system in rates.

46 (e) The provisions of this section shall not be construed to impose any  
47 limitations or caps upon section 16-244e of the general statutes, as  
48 amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2022</i>	16-244e(c)
Sec. 2	<i>from passage</i>	New section

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

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### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

### **Explanation**

The planning and regulatory provisions of the bill have no direct fiscal or ratepayer impact.

House Amendment "A" made a minor change that has no fiscal impact.

### **The Out Years**

**State Impact:** None

**Municipal Impact:** None

**OLR Bill Analysis****HB 5327 (as amended by House "A")\******AN ACT CONCERNING ENERGY STORAGE SYSTEMS AND ELECTRIC DISTRIBUTION SYSTEM RELIABILITY.*****SUMMARY**

This bill sets more requirements for electric distribution companies (EDCs, i.e., Eversource and United Illuminating) seeking to build, own, or operate energy storage systems (see BACKGROUND). It also requires the Public Utilities Regulatory Authority (PURA) to direct the EDCs to submit up to three proposals for an energy storage pilot program.

Current law generally allows (1) EDCs to build, own, or operate storage systems and (2) PURA to authorize an EDC to recover from ratepayers prudently incurred costs and investments related to these systems, first through a fully reconciling component of ratepayer bills, and then, at the company's next rate case, through base distribution rates. The bill limits this provision to energy storage systems that enhance distribution reliability or resiliency. It also requires, rather than allows, PURA to authorize EDCs to recover their prudently incurred costs and investments for these systems. Under the bill, PURA must do so through a contested case during the company's next rate case, rather than allowing the company to recover its costs through a fully reconciling rate component.

For completed systems, both generally and under the pilot program, the bill requires the company to maximize the value from the system's participation in wholesale electricity, capacity, or other markets, as applicable, while maintaining distribution system reliability. Under the bill, companies must credit any net revenues the system generates

through market participation to ratepayers to offset the completed system's cost.

\*House Amendment "A" (1) eliminates provisions in the underlying bill (a) requiring the Division of Emergency Management and Homeland Security to include emergency or backup power for critical infrastructure facilities in its civil preparedness plan and (b) creating a preauthorization process for utility-owned energy storage systems; (2) requires, rather than allows, PURA to authorize EDC cost recovery for energy storage systems; (3) extends the requirement that EDCs maximize an energy storage system's value to apply to the pilot program; and (4) caps the number of pilot programs proposals at three per company.

EFFECTIVE DATE: October 1, 2022, except provisions on the pilot program are effective upon passage.

### **ENERGY STORAGE PILOT PROGRAM**

The bill requires PURA to direct each EDC to submit up to three proposals by January 1, 2023, for a pilot program for each company to build, own, and operate energy storage systems to demonstrate and investigate how these systems can improve critical infrastructure resiliency and electric distribution system reliability. It requires PURA to approve or modify an EDC's proposal if it concludes that investment in energy storage systems under the proposal is reasonable, prudent, and provides value to ratepayers.

The bill allows EDCs to recover prudently incurred costs associated with the pilot program, first through a fully reconciling component of electric rates for all customers and then, at the company's next rate case, through base distribution rates. The bill specifies that the pilot program requirements do not limit or cap provisions described above generally allowing EDCs to build, own, or operate energy storage systems.

### **BACKGROUND**

#### ***Energy Storage Systems Defined***

By law, an “energy storage system” is any commercially available technology capable of absorbing energy, storing it for some time, and then dispatching it (e.g., a battery). It must also be able to:

1. use mechanical, chemical, or thermal processes to store electricity generated at one time for use later on;
2. store thermal energy for direct use for heating or cooling at a later time in a way that avoids the need to use electricity later on;
3. use mechanical, chemical, or thermal processes to store electricity generated from renewable energy sources for use later on; or
4. use mechanical, chemical, or thermal processes to capture or harness waste energy and store this electricity generated from mechanical processes for delivery later on (CGS § 16-1(a)(48)).

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable

Yea 26 Nay 0 (03/22/2022)