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## OLR Bill Analysis

### sHB 5356

#### ***AN ACT CONCERNING MODIFICATIONS TO THE RENEWABLE PORTFOLIO STANDARD.***

#### **SUMMARY**

This bill expands the type of projects considered Class I renewable energy sources to include certain fuel cell, hydropower, and nuclear facilities. By reclassifying these facilities as Class I, the bill allows electric distribution companies (EDCs, i.e., Eversource and United Illuminating) and electric suppliers to use the renewable energy certificates (RECs) generated by these technologies to meet their Class I renewable portfolio standard (RPS) requirements. It also allows these technologies to (1) participate in certain power procurements administered by the Department of Energy and Environmental Protection (DEEP); (2) qualify for certain property tax exemptions (except for nuclear facilities); and (3) when applicable, be exempt from municipal building permit fees (see BACKGROUND).

Existing law requires EDCs, for their standard service procurement, and suppliers to obtain at least 5% of their total output from Class III sources (e.g., certain combined heat and power systems and waste heat recovery systems, see BACKGROUND). Under current law, this requirement sunsets on December 31, 2024. The bill removes this sunset date, allowing the requirement to continue in perpetuity.

Lastly, the bill requires the DEEP commissioner to study the state's natural gas capacity and report her findings and recommendations to the Energy and Technology Committee by January 1, 2025. The study must evaluate the state's natural gas capacity and examine ways to expand it, including any needed regulatory or legislative changes.

EFFECTIVE DATE: October 1, 2024, except the natural gas study requirement takes effect upon passage.

## **CLASS I EXPANSION**

### ***Fuel Cells***

By law, fuel cells are Class I energy sources. The bill specifies that these include a fuel cell power plant that is an integrated system comprised of a fuel cell stack assembly, and associated balance of plant components that converts fuel into electricity using electrochemical or electromechanical means (42 U.S.C. § 48(c)(1)(C)).

### ***Hydropower Facilities***

Under current law, a hydropower facility is a Class I renewable energy source if it is a run-of-the-river hydropower facility that (1) is not based on a new dam or a dam that DEEP identifies as a candidate for removal and (2) meets applicable state and federal requirements, including state dam safety requirements and applicable site-specific standards for water quality and fish passage. Under current law, to be a Class I energy source, these facilities must also either be a facility that:

1. began operating after July 1, 2003, and has a generating capacity of up to 60 megawatts; or
2. received a new license after January 1, 2018, under Federal Energy Regulatory Commission (FERC) rules.

The bill instead makes all hydropower facilities Class I renewable energy sources.

(By law, for purposes of RPS compliance, no more than 2.5% of a supplier's or EDC's output may be generated from a Class I hydropower facility that received a new license under FERC rules (CGS § 16-245a(b)(2)). The bill retains this provision but deletes the category of hydropower to which it applies.)

### ***Nuclear Facilities***

Under current law, nuclear facilities constructed on or after October 1, 2023, are Class I renewable energy sources. The bill makes all nuclear facilities Class I renewable energy sources, regardless of when they were constructed. While certain Class I renewable energy sources are eligible

for property tax exemptions, existing law, unchanged by the bill, excludes Class I nuclear facilities from this exemption.

## **BACKGROUND**

### ***Related Bill***

sSB 385, favorably reported by the Energy and Technology Committee, allows the EDCs to request authorization to use energy or related products purchased under the zero-carbon procurement authorized under PA 17-3, June Special Session, (e.g., nuclear energy produced by the Millstone Power Station) to provide standard service.

### ***DEEP Procurements***

The law requires the DEEP commissioner, under certain conditions, to solicit proposals from Class I renewable energy sources built on or after January 1, 2013. It also allows her, under certain conditions, to solicit proposals from (1) Class I resources built before January 1, 2013, or large-scale hydropower and (2) Class I run-of-the-river hydropower. It additionally requires her to solicit proposals from operational Class I providers if she finds that a material shortage of Class I resources caused an EDC or electric supplier to fail to meet its RPS obligations (CGS §§ 16a-3f, -3g, -3h & -3i).

By law, if the commissioner finds that any of the above solicited proposals meet certain criteria, she may (or, in the case of an RPS-related shortage, must) direct the EDCs to enter into agreements with the providers to purchase energy, generating capacity, and RECs, subject to the Public Utilities Regulatory Authority's approval.

### ***Property Tax Exemption***

The law exempts from the property tax any Class I renewable energy sources, other than a nuclear power generating facility, installed for generation or displacement of energy if it (1) is installed on or after January 1, 2014; (2) is for commercial or industrial purposes; and (3) has a nameplate capacity that does not exceed its location's load or, if it is a virtual net metering facility, the aggregated load of its beneficial accounts (CGS § 12-81(57)).

***Municipal Building Permit Fees***

By law, a municipality may, by ordinance adopted by its legislative body, exempt Class I renewable energy source projects from paying municipally imposed building permit fees (CGS § 29-263).

***Class III Sources***

By law, the following energy sources are Class III sources:

1. the electricity output from combined heat and power systems with an operating efficiency level of at least 50% that are part of the customer-side distributed resources developed at commercial and industrial facilities in the state on and after January 1, 2006;
2. a waste heat recovery system installed on or after April 1, 2007, that produces electrical or thermal energy by capturing preexisting waste heat and pressure from industrial or commercial processes; or
3. electricity savings created in this state from conservation and load management programs begun on or after January 1, 2006, excluding ratepayer-supported programs, except that a demand-side management project awarded a contract in a procurement to reduce federally mandated congestion charges is eligible for the contract's term (CGS § 16-1(a)(38)).

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable Substitute

Yea 20 Nay 0 (03/21/2024)