



House of Representatives

General Assembly

File No. 363

February Session, 2024

Substitute House Bill No. 5356

House of Representatives, April 9, 2024

The Committee on Energy and Technology reported through REP. STEINBERG of the 136th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING MODIFICATIONS TO THE RENEWABLE PORTFOLIO STANDARD.

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

1 Section 1. Subdivision (20) of subsection (a) of section 16-1 of the 2024
2 supplement to the general statutes is repealed and the following is
3 substituted in lieu thereof (*Effective October 1, 2024*):

4 (20) "Class I renewable energy source" means (A) electricity derived
5 from (i) solar power, (ii) wind power, (iii) a fuel cell, including a fuel cell
6 power plant, as defined in 26 USC 48(c)(1)(C), (iv) geothermal, (v)
7 landfill methane gas, anaerobic digestion or other biogas derived from
8 biological sources, (vi) thermal electric direct energy conversion from a
9 certified Class I renewable energy source, (vii) ocean thermal power,
10 (viii) wave or tidal power, (ix) low emission advanced renewable energy
11 conversion technologies, including, but not limited to, zero emission
12 low grade heat power generation systems based on organic oil free
13 rankine, kalina or other similar nonsteam cycles that use waste heat

14 from an industrial or commercial process that does not generate
15 electricity, (x) [(I) a run-of-the-river] hydropower_z [facility that began
16 operation after July 1, 2003, has a generating capacity of not more than
17 sixty megawatts, is not based on a new dam or a dam identified by the
18 Commissioner of Energy and Environmental Protection as a candidate
19 for removal, and meets applicable state and federal requirements,
20 including state dam safety requirements and applicable site-specific
21 standards for water quality and fish passage, or (II) a run-of-the-river
22 hydropower facility that received a new license after January 1, 2018,
23 under the Federal Energy Regulatory Commission rules pursuant to 18
24 CFR 16, as amended from time to time, is not based on a new dam or a
25 dam identified by the Commissioner of Energy and Environmental
26 Protection as a candidate for removal, and meets applicable state and
27 federal requirements, including state dam safety requirements and
28 applicable site-specific standards for water quality and fish passage,]
29 (xi) a biomass facility that uses sustainable biomass fuel and has an
30 average emission rate of equal to or less than .075 pounds of nitrogen
31 oxides per million BTU of heat input for the previous calendar quarter,
32 except that energy derived from a biomass facility with a capacity of less
33 than five hundred kilowatts that began construction before July 1, 2003,
34 may be considered a Class I renewable energy source, or (xii) a nuclear
35 power generating facility_z [constructed on or after October 1, 2023,] or
36 (B) any electrical generation, including distributed generation,
37 generated from a Class I renewable energy source, provided, on and
38 after January 1, 2014, any megawatt hours of electricity from a
39 renewable energy source described under this subparagraph that are
40 claimed or counted by a load-serving entity, province or state toward
41 compliance with renewable portfolio standards or renewable energy
42 policy goals in another province or state, other than the state of
43 Connecticut, shall not be eligible for compliance with the renewable
44 portfolio standards established pursuant to section 16-245a;

45 Sec. 2. Subsection (a) of section 16-243q of the general statutes is
46 repealed and the following is substituted in lieu thereof (*Effective October*
47 *1, 2024*):

48 (a) On and after January 1, 2007, each electric distribution company
49 providing standard service pursuant to section 16-244c and each electric
50 supplier, as defined in section 16-1, as amended by this act, shall
51 demonstrate to the satisfaction of the Public Utilities Regulatory
52 Authority that not less than one per cent of the total output of such
53 supplier or such standard service of an electric distribution company
54 shall be obtained from Class III sources. On and after January 1, 2008,
55 not less than two per cent of the total output of any such supplier or
56 such standard service of an electric distribution company shall, on
57 demonstration satisfactory to the Public Utilities Regulatory Authority,
58 be obtained from Class III sources. On or after January 1, 2009, not less
59 than three per cent of the total output of any such supplier or such
60 standard service of an electric distribution company shall, on
61 demonstration satisfactory to the Public Utilities Regulatory Authority,
62 be obtained from Class III sources. On and after January 1, 2010, not less
63 than four per cent of the total output of any such supplier or such
64 standard service of an electric distribution company shall, on
65 demonstration satisfactory to the Public Utilities Regulatory Authority,
66 be obtained from Class III sources. On and after January 1, 2022, [until
67 December 31, 2024,] not less than five per cent of the total output of any
68 such supplier or such standard service of an electric distribution
69 company shall, on demonstration satisfactory to the Public Utilities
70 Regulatory Authority, be obtained from Class III sources. Electric power
71 obtained from customer-side distributed resources that does not meet
72 air and water quality standards of the Department of Energy and
73 Environmental Protection is not eligible for purposes of meeting the
74 percentage standards in this section.

75 Sec. 3. (*Effective from passage*) The Commissioner of Energy and
76 Environmental Protection shall study natural gas capacity in the state.
77 Such study shall include, but need not be limited to: (1) An evaluation
78 of natural gas capacity in the state; and (2) an examination of ways to
79 expand natural gas capacity, including any necessary regulatory or
80 legislative changes. Not later than January 1, 2025, the commissioner
81 shall report, in accordance with the provisions of section 11-4a of the
82 general statutes, the results of the study, including any

83 recommendations, to the joint standing committee of the General
84 Assembly having cognizance of matters relating to energy and
85 technology.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2024</i>	16-1(a)(20)
Sec. 2	<i>October 1, 2024</i>	16-243q(a)
Sec. 3	<i>from passage</i>	New section

ET *Joint Favorable Subst.*

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.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Department of Energy and Environmental Protection	GF - Cost	Up to 500,000	None

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 25 \$	FY 26 \$
Various Municipalities	Grand List Reduction	None	See Below
All Municipalities	Potential Revenue Loss	See Below	See Below

Explanation

This bill (1) expands the type of projects considered Class I renewable energy sources to include certain fuel cell, hydropower, and nuclear facilities; and (2) removes the sunset requirement on electric distribution companies purchasing 5% of their power from Class III renewable resources resulting in the impacts described below.

The bill exempts certain renewable energy technologies from: (1) property tax, and (2) building permit fees. This result in a grand list reduction from the property tax exemption beginning in FY 26 and a potential revenue loss from the building permit fee exemption beginning in FY 25.^{1,2} Any impact to municipalities is dependent on the

¹ In FY 24, certain tax-exempt renewable energy and pollution control equipment results in a grand list reduction of approximately \$625.1 million to all municipalities cumulatively.

² Each municipality sets its own fee amounts for building permits. Building permit fees often range from \$10 to \$15 per \$1,000 of construction.

amount of qualifying property and the number of approved building applications.

The bill exempts certain renewable energy technologies from: (1) property tax, and (2) building permit fees. This result in a grand list reduction from the property tax exemption beginning in FY 26 and a potential revenue loss from the building permit fee exemption beginning in FY 25.^{3,4} Any impact to municipalities is dependent on the amount of qualifying property and the number of approved building applications.

The bill requires the Department of Energy and Environmental Protection (DEEP) to report on natural gas capacity in the state, including ways to expand such capacity. This is expected to result in a one-time cost of up to \$500,000 for a consultant in FY 25.

Ratepayer Impact Statement⁵

This bill results in a minimal ratepayer impact. The prioritization of purchasing from one source or another may have a limited⁶ impact on the cost to ratepayers however the effect is indeterminate.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

³ In FY 24, certain tax-exempt renewable energy and pollution control equipment results in a grand list reduction of approximately \$625.1 million to all municipalities cumulatively.

⁴ Each municipality sets its own fee amounts for building permits. Building permit fees often range from \$10 to \$15 per \$1,000 of construction.

⁵ The state and municipalities are ratepayers and therefore may be impacted by policy changes that affect electric rates

⁶ [There is currently a capacity of 2,100 MW in Class I renewable energy sources.](#) (DEEP Report p.6)

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)