

# Public Policy Components of Electric Bills

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## Issue

This report describes the public policy components of electric bills. More specifically, it describes the Combined Public Benefits Charge and the Federally Mandated Congestion Charge on typical residential electric bills and the components of those charges that stem from public policy decisions. It updates OLR Report [2020-R-0344](#).

## Summary

When a typical residential customer in Connecticut pays his or her electric bill, much of the bill covers the costs of making the electricity (the supply charge) and delivering it to the customer (the transmission and local delivery charges). A portion of the bill, however, stems from various state-level public policy decisions that require the electric distribution companies (EDCs, i.e., Eversource and United Illuminating (UI)) to either (1) collect charges used to fund various state-mandated programs or (2) incur certain expenses, which they can subsequently recover from ratepayers. These public policy costs feature most prominently in the Combined Public Benefits Charge and the Federally Mandated Congestion Charge (FMCC) components of a typical residential electric bill.

The Combined Public Benefits Charge consists of three separate charges: the Renewable Energy Investment Charge, the Conservation and Load Management (C&LM) Charge, and the Systems Benefit Charge (SBC). In 2024, the Combined Public Benefits Charge for Eversource's residential customers ([Rate 1](#)) is \$0.04026 per kilowatt-hour (kWh), which would cost \$28.18 on an average monthly bill (for 700 kWh usage). The charge for UI customers ([Residential Rate R](#)) was \$0.034419 per kWh and would cost \$24.09 on an average monthly bill.

The FMCC allows the EDCs to recover their costs for numerous expenses, many of which stem from state public policy decisions and laws that have generally required the EDCs to enter into various contracts with generators to help ease congestion on the transmission system or procure renewable or clean energy. In 2024, Eversource’s FMCC for residential customers is \$0.04362 per kWh, which would cost \$30.53 on an average monthly bill. For UI’s residential customers, the FMCC was \$0.027359, which would cost \$19.15 on an average monthly bill.

Together, the Combined Public Benefits Charge and the FMCC (together categorized as “Public Benefits” on residential electric bills) currently comprise 27.7% of the costs charged on an average Eversource bill and 17.9% of an average UI bill. The exact amount each customer pays for these charges varies and ultimately depends on the customer’s electricity usage.

These rates may change again soon. According to the Public Utilities Regulatory Authority (PURA), recent decisions setting these rates included additional rate adjustments that will be effective September 1, 2024. PURA will vote on these adjustments at its regular meeting on August 14, 2024.

Beyond these rate components, other public policies, such as renewable portfolio standards or participation in the Regional Greenhouse Gas Initiative (RGGI) may indirectly impact a customer’s bill. However, not all costs and revenues associated with these policies are recovered through discrete rate components on electric bills and, in some cases, it is difficult to estimate energy prices that would occur in absence of a given policy. For these and other reasons, bill impacts resulting from these policies are outside the scope of this report.

By law, the customers of the state’s municipal electric companies do not have to pay most of the public policy costs paid by EDC customers.

## **Combined Public Benefits Charge**

The Combined Public Benefits Charge combines the following three charges: (1) the Renewable Energy Investment Charge, (2) the C&LM, and (3) the SBC. Overall, the combined charge currently makes up about 13.3% of an average Eversource bill and 10% of an average UI bill.

### ***Renewable Energy Investment Charge***

The Renewable Energy Investment Charge funds the Connecticut Clean Energy Fund, administered by [the Connecticut Green Bank](#). By law, the charge is at least \$0.001 per kWh for all EDC customers, which would cost \$0.70 on an average monthly bill ([CGS § 16-245n](#), as amended by [PA 23-170](#), § 20).

The Green Bank is a quasi-public agency tasked with, among other things, (1) developing programs to finance and support clean energy investment; (2) fostering the growth, development, and commercialization of clean energy sources and related enterprises; and (3) stimulating demand for clean energy and the deployment of clean energy sources within the state. Among other things, the bank administers [the Smart-E loan program](#) and [the Commercial Property Assessed Clean Energy program](#).

### ***Conservation & Load Management Charge***

The C&LM Charge helps fund the state’s energy efficiency and load management programs for homes and businesses. Generally, energy efficiency programs seek to reduce energy consumption by weatherizing buildings or upgrading appliances, among other things. Load management programs shift electricity use to off-peak periods. By law, the charge is up to \$0.006 per kWh for all EDC customers, which would cost \$4.20 on an average monthly bill ([CGS § 16-245m](#)). (Natural gas customers also pay a conservation charge as part of their rates.)

Every three years, the law requires the EDCs and gas companies to prepare a C&LM plan for implementing energy efficiency and demand management programs. Once the state’s Energy Conservation Management Board and the Department of Energy and Environmental Protection (DEEP) review and approve the plan, the companies administer the programs under it using funds collected through the C&LM Charge. Current programs include (1) [the Home Energy Solutions program](#), which provides home energy audits and efficiency services for residential customers; (2) [the Energy Opportunities program](#), which provides commercial, industrial, and municipal customers with financial incentives and technical assistance with energy efficient equipment upgrades; and (3) [rebate and incentive programs](#), which provide residential and commercial customers with financial incentives to purchase various energy efficient products.

### ***Systems Benefit Charge***

The SBC reimburses the EDCs for a variety of public policy mandates generally related to protecting customers having difficulty paying their bills ([CGS § 16-245l](#)). These include (1) hardship protection measures, (2) certain low-income conservation programs, (3) payments to Operation Fuel, and (4) the matching payment program.

Unlike the other components of the Combined Public Benefits Charge, the SBC varies over time and by EDC, depending on the EDC’s expenses for the covered costs. PURA sets this rate (and the FMCC described below) through an annual rate adjustment mechanism proceeding, in which the EDCs submit (1) their actual costs for the previous year and (2) an estimate of “known and measurable” changes to revenues or expenses that are reasonably expected to accrue in the current calendar

year and would significantly depart from the costs of the prior year. PURA reviews and provisionally approves rates for a 12-month period effective May 1 using the actual costs from the previous calendar year and adjusting for “known and measurable” changes. Later, PURA performs a prudence review of actual revenues and approved expenses from the prior calendar year and approves rates effective September 1 to make adjustments as needed.

Currently, the SBC for an Eversource residential customer is \$0.03326 per kWh, which would cost \$23.28 on an average monthly bill. The SBC for a UI Customer is currently \$0.027419 per kWh, which would cost \$19.19 on an average monthly bill.

## Federally Mandated Congestion Charge

The FMCC allows the EDCs to recover numerous expenses. The FMCC was established in state law in 2003 to include (1) increased transmission costs that the Federal Energy Regulatory Commission assigned to Connecticut ratepayers in response to congestion on the transmission system at that time and (2) certain generation projects or actions approved by the public utility commission that would lower these costs ([PA 03-135](#)). In subsequent years, transmission congestion and related charges declined, and state laws authorized generation projects for other reasons (e.g., to encourage renewable or zero-carbon energy sources). As a result, currently, the FMCC includes some federal costs, but the large majority of costs recovered through the FMCC stem from state-level public policy decisions.

Federal costs recovered through the FMCC include costs imposed by the regional grid operator ([ISO-New England](#)). For example, [ISO Schedule 2](#) pays ISO-New England to administer the wholesale energy market and the [Open Access Transmission Tariff \(OATT\) Schedule 2 Volt Ampere Reactive \(VAR\)](#) compensates companies for providing reactive power to maintain transmission voltages for the transmission system that serves New England. [Through or Out Service \(TOU\)](#) generally pays for the service to move power through or out of New England.

State-authorized costs recovered through the FMCC include the following:

1. energy procurements resulting from requests for proposals (RFP) administered by DEEP to procure energy and related products from renewable or zero-carbon energy sources, as authorized under various public acts (e.g., [PA 15-107](#) or [PA 17-3, June Special Session \(JSS\)](#));
2. compensation for energy produced by customers, authorized under renewable energy tariffs ([Residential Renewable Energy Solutions \(RRES\)](#), [Non-Residential Renewable Energy Solutions \(NRES\)](#), [Shared Clean Energy Facility \(SCEF\)](#)), and their predecessors (e.g., [Low-](#)

[Emissions Renewable Energy Credit and Zero-Emissions Renewable Energy Credit \(LREC/ZREC\)\)](#)); and

3. other miscellaneous costs.

A full list of FMCC components for Eversource and UI is included in the tables below.

Like the SBC, the FMCC varies over time and by EDC depending on the EDC’s expenses. PURA determines the FMCC in the same manner as the SBC, described above.

### ***Eversource 2024 FMCC Components***

In [an interim decision](#), PURA approved an FMCC rate that allows Eversource to collect approximately \$653.4 million from July 1, 2024, to April 30, 2025 (Docket 24-01-03). This amount is based on (1) 2023 actual expenses (\$368.8 million); (2) a 2023 under-collection (\$264.9 million); (3) adjustments for “known and measurable expenses” (\$28.7 million); and (4) FMCC revenues collected in the two months before the decision (\$9 million), as shown in Table 1 below.

As described in PURA’s interim decision ([p. 6](#)), Eversource stated that the largest part of the 2023 under-collection resulted from the increase in net costs for the Millstone power purchase agreement. This contract went from providing over \$234 million in net revenues in 2022 to a net cost of over \$64 million in 2023.

**Table 1: Eversource’s 2024 FMCC Components (2023 actual expenses are shaded)**

Category	Expense	Cost (\$)
2023 Expenses	ISO Schedule 1	7,761,544
	ISO Schedule 2	2,969,433
	ISO Schedule 5	270,136
	OATT Schedule 2 - VAR	3,053,706
	OATT Schedule 16 - Black Start	6,710,116
	ISO OATT Schedule 17	78,027
	ISO Miscellaneous	(165,418)
	Other ISO Revenues	23,153
	<a href="#">PA 05-01, JSS, § 8, Energy Independence Act Costs</a>	19,892,799
	<a href="#">PA 11-80, § 107, Net LREC/ZREC Costs</a>	16,740,707
	<a href="#">PA 11-80, § 107, LREC/ZREC Administrative Costs</a>	501,735
	<a href="#">PA 11-80, § 127</a>	8,080,570

**Table 1 (continued)**

<b>Category</b>	<b>Expense</b>	<b>Cost (\$)</b>
<b>2023 Expenses (continued)</b>	<a href="#">PA 13-303</a> , § 6, Class I Renewables Project	983,509
	<a href="#">PA 13-303</a> & <a href="#">PA 15-107</a> , §§ 6 & 7	522,507
	<a href="#">PA 13-303</a> , § 8, Class I Renewables Project	(93,157)
	<a href="#">PA 13-303</a> , § 8, & <a href="#">PA 17-144</a> , § 10	2,913,866
	<a href="#">PA 15-107</a> , § 1(b)	14,566,912
	<a href="#">PA 15-107</a> , § 1(b), Project Costs	978,875
	<a href="#">PA 15-194</a> , Solar Home Renewable Energy Credits (SHREC) Program Costs	1,294,163
	<a href="#">PA 15-194</a> , SHREC Administrative Costs	525
	<a href="#">PA 17-3, JSS</a> , Millstone	64,378,206
	<a href="#">PA 17-3, JSS</a> , Seabrook	(4,245,924)
	<a href="#">PA 18-50</a> , § 3, Plainfield Project 150 EPAs	19,573,809
	<a href="#">CGS § 16-244y</a> , Fuel Cell Electricity Generation	(54,798)
	Alternative Compliance Payments	(631,022)
	<a href="#">PA 05-01, JSS</a> & <a href="#">PA 07-242</a> , Contracts for Differences	85,238,219
	Non-Contract Qualifying Facilities	121,334,491
	<a href="#">CGS § 16-243a</a> , Public Utility Regulatory Policy Act (PURPA) Contracts	10,117
	Distributed Energy Resources (DER) Portal ( <a href="#">Docket 17-06-02</a> )	250,788
	DER Map ( <a href="#">Docket 17-06-02</a> )	115,901
	SCEF Program ( <a href="#">Docket 19-07-01</a> )	686,858
	RRES ( <a href="#">Docket 20-07-01</a> )	1,058,567
	NRES ( <a href="#">Docket 20-07-01</a> )	453,721
	Electric Storage Solutions	1,076,971
	Innovations Pilot	14,752
	Cancelled Units/Nonrefundable Payments	(2,360,110)
	Consulting Fees	2,295,071
	Regional Greenhouse Gas Initiative	(7,408,479)
<b>Total 2023 Expenses</b>	<b>368,824,430</b>	
<b>2023 Under-Collection</b>	<b>264,877,387</b>	
<b>2024 Known and Measurable Expenses</b>	<b>28,684,000</b>	

Table 1 (continued)

Category	Cost (\$)
Revenues Collected in May and June 2024	(8,990,454)
Total 2024 FMCC Revenue Requirement for July 1, 2024, to April 30, 2025	653,395,363

Source: Eversource, [Exhibit F-1 NBFMCC Summary](#), [PURA Interim Decision, p. 7 Table 2](#), [Docket 24-01-03](#)

### ***UI 2024 FMCC Components***

In [an interim decision](#), PURA approved an FMCC rate that allows UI to collect approximately \$84.5 million from July 1, 2024, to April 30, 2025 (Docket 24-01-04). This amount is based on (1) 2023 actual FMCC expenses (\$50.8 million); (2) a 2023 under-collection (\$13.2 million); (3) adjustments for “known and measurable expenses” (\$21 million); and (4) FMCC revenues collected in the two months before the decision (-\$681,796), as shown in Table 2 below.

Similar to Eversource, UI attributed the 2023 under-collection to power purchase agreements with Millstone and Seabrook nuclear power plants. UI noted that lower energy market resale prices result in higher net expenses for these agreements ([p. 6](#)).

Table 2: UI’s 2024 FMCC Components (2023 actual expenses are shaded)

Category	Expense	Cost (\$)
2023 Expenses	<a href="#">New England Power Pool (NEPOOL) Budget</a>	172,085
	ISO Schedule 1	2,013,389
	Schedule 16 Black Start	1,724,582
	Schedule 2 VAR Support	803,329
	Schedule 5 <a href="#">New England States Committee on Electricity (NESCOE)</a>	70,007
	TOUT	(36,206)
	Contracts for Differences	21,646,658
	Project 150	4,816,047
	<a href="#">PA 11-80</a> , § 127, EDC Ownership of Renewable Energy Projects	276,449
	<a href="#">PA 13-303</a> , § 6, Fusion Solar Project	216,396
	<a href="#">PA 13-303</a> , § 8, DEEP 8 Biomass Contracts	(21,687)
	<a href="#">PA 15-107</a> , § 1(b) & (c), Small Scale and Three-State RFP Project	608,449

**Table 2 (continued)**

Category	Expense	Cost (\$)
2023 Expenses (continued)	<a href="#">PA 17-3, JSS</a> , Millstone	9,840,438
	<a href="#">PA 13-303</a> , § 8 & <a href="#">PA 17-144</a> , § 10, Best in Class RFP Project	663,197
	Zero Carbon Emissions Generation Unit	(2,387,089)
	LREC/ZREC Payments	8,668,435
	LREC/ZREC Revenue	(6,186,834)
	RRES Program	160,501
	NRES Program	(51,900)
	SHREC Program	387,041
	Virtual Net Metering	3,003,822
	SCEF Program Administration	147,655
	SCEF IT System Changes	3,135
	SCEF Subscriber Bill Credit	8,000
	Consulting Fees	177,356
	Alternative Compliance Payments	(7,031,923)
	Storm Resiliency Allocation	1,347,296
	Wholesale Power Administration	792,371
	Energy Independence Act Costs	3,855,168
	CT Yankee AG Accrual	34,419
	Renewable Connections Program	6,400,715
	Nuclear Electric Insurance Limited (NEIL) Insurance Credit	(96,274)
	Non-service Pension, Other Post-Employment Benefits	44,404
	RGGI Ratepayer Relief Threshold	(1,852,120)
	Battery Storage	511,696
Bill Inserts ( <a href="#">Docket 17-12-03RE08</a> )	7,275	
Innovative Energy Solutions	104,882	
Non Wires Alternative	15,797	
<b>Total 2023 Expenses</b>		<b>50,856,962</b>
<b>2023 Under-Collection</b>		<b>13,232,761</b>
<b>Known and Measurable Expenses</b>	2024 Proposed Known and Measurable Expenses	<b>27,716,274</b>
	Adjustment for Innovative Energy Solutions	<b>(6,597,200)</b>
<b>Revenues Collected in May and June 2024</b>		<b>(681,796)</b>



Table 2 (continued)

Category	Cost (\$)
Total 2024 FMCC Revenue Requirement for July 1, 2024, to April 30, 2025	84,527,001

Source: UI, [24-03-01 Exhibit F NBFMCC p. 2](#); PURA, [Interim Decision, p.9, Table 3](#), [Docket 24-01-04](#)

## Comparison of All Rate Components

The table below shows the various residential rate components and their average monthly costs for Eversource and UI for July 2024.

Table 3: Eversource and UI Residential Rate Components, July 2024

Rate Component	Eversource		UI	
	Rate	Average Residential Customer Monthly Cost (700 kWh)	Rate	Average Residential Customer Monthly Cost (700 kWh)
Supply Charge (Standard Service)	\$0.0899/kWh	\$62.93 (29.8% of the total bill)	\$0.119101	\$83.37 (34.5% of the total bill)
Transmission Charge	\$0.03401/kWh	\$23.81 (11.3%)	\$0.046445	\$32.51 (13.5%)
Customer Service Charge	\$9.62/month	\$9.62 (4.6%)	\$11.34/month	\$11.34 (4.7%)
Electric System Improvements	\$0.01967/kWh	\$13.77 (6.5%)	N/A	N/A
Local Delivery Charge	\$0.05844/kWh	\$40.91 (19.4%)	\$0.100714	\$70.50 (29.2%)
Revenue Decoupling Mechanism	\$0.00195/kWh	\$1.37 (0.6%)	\$0.000518	\$0.36 (0.2%)
Competitive Transition Assessment Charge	\$0.00038/kWh	\$0.27 (0.1%)	N/A	N/A
FMCC	\$0.04362	\$30.54 (14.4%)	\$0.027359	\$19.15 (7.9%)
Combined Public Benefits Charge	\$0.04026	\$28.18 (13.3%)	\$0.034419	\$24.09 (10%)
<b>Total</b>		<b>\$211.38</b>		<b>\$241.33</b>

Source: [Eversource](#), [UI](#)

## **Municipal Electric Utilities**

By law, separate requirements generally apply to municipal electric utilities. As a result, their customers generally do not pay most of the public policy costs that EDC customers pay.

Of the three components of the Combined Public Benefits Charge, municipal electric customers must pay \$0.0025/kWh to support municipal energy conservation and load management programs, rather than the \$0.006/kWh C&LM charge paid by EDC customers ([CGS § 7-233y](#)). Municipal customers do not pay the \$0.001/kWh renewable energy investment charge that EDC customers must pay. The law does not require municipal electric companies to charge the SBC to their customers or to implement most of the public policy mandates supported by it. However, neither EDCs nor municipal electric companies may terminate service to low-income and other “hardship” customers from November 1 to May 1, and both must offer certain payment programs to affected customers ([CGS § 16-262c](#)). EDCs recover their related costs through the SBC, but municipal electric companies presumably incorporate them into their generation rates.

Municipal electric customers do not pay any of the public policy costs that the EDCs recover through the FMCC.

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