



General Assembly

February Session, 2020

Raised Bill No. 5350

LCO No. 2199



Referred to Committee on ENERGY AND TECHNOLOGY

Introduced by:

(ET)

AN ACT CONCERNING NATURAL GAS INFRASTRUCTURE.

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

1 Section 1. (NEW) (*Effective October 1, 2020*) (a) For purposes of this
2 section, "anaerobic digestion facility" means a facility that obtained a
3 permit pursuant to section 22a-208a of the general statutes and produces
4 by-products that provide biogas derived from the decomposition of
5 farm-generated organic waste or source-separated organic material.

6 (b) The Commissioner of Energy and Environmental Protection, in
7 consultation with the Office of Consumer Counsel, and the Attorney
8 General, may solicit proposals, in one solicitation or multiple
9 solicitations, from anaerobic digestion facilities that will make biogas of
10 a quality suitable for injection into the natural gas distribution system
11 in the state. The commissioner may select proposals from such
12 anaerobic digestion facilities that do not exceed by-product that is
13 generated by three hundred thousand tons of organic waste annually.

14 (c) In making a selection of such proposals, the commissioner shall
15 consider factors including, but not limited to, (1) whether the proposal

16 is in the best interest of natural gas ratepayers; (2) whether the proposal
17 promotes the policy goals outlined in the state-wide solid waste
18 management plan developed pursuant to section 22a-241a of the general
19 statutes; (3) any positive impacts on the state's economic development,
20 including any positive impacts on the state's agricultural industry; (4)
21 whether the proposal is consistent with the requirements to reduce
22 greenhouse gas emissions in accordance with section 22a-200a of the
23 general statutes; (5) the characteristics of a relevant facility that produces
24 renewable natural gas, including whether the proposed gas
25 conditioning system or systems and the biogas complies with the
26 interconnection standards developed in accordance with section 18 of
27 public act 19-35; and (6) whether the proposal promotes natural gas
28 distribution system benefits.

29 (d) The commissioner may direct the gas companies, as defined in
30 section 16-1 of the general statutes, to enter into gas purchase
31 agreements for biogas suppliers selected pursuant to this section for
32 periods of not more than twenty years on behalf of all customers of the
33 state's gas companies.

34 (e) Any gas purchase agreement entered into pursuant to this section
35 shall be subject to review and approval by the Public Utilities
36 Regulatory Authority. Such review shall be completed not later than one
37 hundred twenty days after the date such agreement is filed with the
38 authority. The authority shall review and approve such gas purchase
39 agreement if it meets the solicitation proposal criteria pursuant to this
40 section.

41 (f) (1) The reasonable costs incurred by the gas companies in
42 negotiating and executing such gas purchase agreements and the net
43 costs for the supply of biogas under any such gas purchase agreement
44 shall be recovered from all customers of such company through the
45 purchased gas adjustment clause pursuant to section 16-19b of the
46 general statutes. Any net revenue from the sale of products purchased
47 in accordance with the gas purchase agreement entered into pursuant
48 to this section shall be credited to customers through the same fully

49 reconciling rate component for all customers of the contracting gas
50 company. Any such net costs or net revenues, as applicable, of any such
51 gas purchase agreement shall be apportioned in proportion to the
52 revenues of each contracting gas company as reported to the authority
53 pursuant to section 16-49 of the general statutes for the most recent fiscal
54 year.

55 (2) The gas companies shall recover any costs incurred related to
56 constructing, operating and maintaining the infrastructure arising from
57 such gas purchase agreement from the biogas supplier through a
58 contribution in aid of construction, or other provision, of the gas
59 purchase agreement. Any incurred costs not recoverable from the
60 biogas supplier shall be identified and approved by the authority at the
61 time the authority approves any such gas purchase agreement. Such
62 incurred costs shall be recovered in any existing rate tracking
63 mechanism for the recovery of natural gas infrastructure investments,
64 or, if no mechanism currently exists, a newly established rate tracking
65 mechanism established by the authority.

66 (g) A gas company may elect to (1) use any renewable natural gas
67 procured under this section to meet the needs of its customers, or (2) sell
68 any such renewable natural gas into applicable markets or through
69 bilateral contracts with third parties with the net benefits or costs
70 reflected in the purchased gas adjustment clause pursuant to section 16-
71 19b of the general statutes.

72 (h) The commissioner may retain consultants to assist in
73 implementing this section, including, but not limited to, the evaluation
74 of proposals submitted pursuant to this section. All reasonable costs
75 associated with the commissioner's solicitation and review of proposals
76 pursuant to this section shall be recoverable through the same fully
77 reconciling rate component for all customers of the gas companies. Such
78 costs shall be recoverable even if the commissioner does not select any
79 solicitation proposals pursuant to this section.

80 (i) (1) Any dispute arising from a contract that is approved by the

81 authority pursuant to this section shall be brought to the authority. A
82 party may petition the authority for a declaratory ruling or make an
83 application for review pursuant to this subsection. Notwithstanding
84 subsection (a) of section 4-176 of the general statutes, the authority may
85 not on its own motion initiate a proceeding to review a contract entered
86 into pursuant to this subsection.

87 (2) The authority shall review any contract dispute brought pursuant
88 to subdivision (1) of this subsection. The authority shall decide any such
89 contract dispute by issuing a declaratory ruling or a final decision in a
90 contested case proceeding, and may order legal and equitable remedies.
91 Any party to the contract shall have the right to appeal to the Superior
92 Court from any such declaratory ruling or final decision issued
93 pursuant to this section.

94 Sec. 2. Section 16-34a of the general statutes is amended by adding
95 subsections (c) and (d) as follows (*Effective October 1, 2020*):

96 (NEW) (c) On or before January 1, 2021, the Public Utilities
97 Regulatory Authority shall reopen or initiate a docket for the sole
98 purpose of evaluating whether a gas company should accelerate its
99 existing schedule for the repair and replacement of aging infrastructure
100 in order to mitigate, among other things, methane emissions and issue
101 orders consistent with such evaluation. All costs a gas company
102 prudently incurs to comply with any such order shall be timely
103 recovered from all customers of such gas company through the existing
104 Distribution Integrity Management Program cost recovery and
105 reconciliation mechanisms, or through the successor program.

106 (NEW) (d) In reviewing the natural gas infrastructure expansion plan
107 pursuant to subsection (c) of this section, in order to protect the interests
108 of ratepayers and ensure revenue recovery for gas companies, and
109 consistent with the recommendations of the Comprehensive Energy
110 Strategy, the authority shall, in accordance with section 16-190o, (1)
111 establish a hurdle rate utilizing up to a twenty-five-year payback period
112 to compare the revenue requirement of connecting new customers to the

113 gas distribution system to determine the level of new business capital
114 expenditures that will be recoverable through rates, provided the
115 authority shall develop a methodology that reasonably accounts for
116 revenues that would be collected from new customers who signaled an
117 intention to switch to natural gas over a period of at least three years
118 within a common geographic location, (2) establish a new rate for new
119 customers added pursuant to the natural gas infrastructure expansion
120 plan to offset incremental costs of expanding natural gas infrastructure
121 pursuant to such plan, (3) establish a rate mechanism for the gas
122 companies to recover prudent investments made pursuant to the
123 approved natural gas infrastructure expansion plan in a timely manner
124 outside of a rate proceeding, provided such mechanism shall take into
125 consideration the additional revenues that gas companies will generate
126 through the implementation of such plan, and (4) notwithstanding the
127 provisions of section 16-19b, effective for the period of the natural gas
128 expansion plan, (A) assign at least half of the nonfirm margin credit to
129 offset the rate base of the gas companies, and (B) assign the lesser of (i)
130 an amount equal to half of the nonfirm margin credit, or (ii) an amount
131 equal to fifteen million dollars from the nonfirm margin credit annually
132 for all gas companies in the aggregate, apportioned to each gas company
133 in proportion to revenues of the existing and new capacity contracted
134 for by each gas company, to offset expansion costs, including, but not
135 limited to, the costs of adding new state, municipal, commercial and
136 industrial customers.

137 Sec. 3. (NEW) (*Effective October 1, 2020*) (a) On and after the effective
138 date of each gas company's first rate case, in which a final decision is
139 issued by the Public Utilities Regulatory Authority after July 1, 2021, for
140 each new contract executed between a construction contractor and a gas
141 company in which the construction contractor agrees to engage in the
142 replacement of the gas company's natural gas distribution infrastructure
143 within the state pursuant to the gas company's Distribution Integrity
144 Management Program, as required pursuant to 49 CFR 192.1015 and as
145 approved by the authority, the construction contractor shall pay not less
146 than the prevailing rate of wage, as described in section 31-53 of the

147 general statutes, to individuals who perform construction activities with
148 respect to such replacement.

149 (b) (1) Not later than fifteen months after the effective date described
150 in subsection (a) of this section, each gas company shall file a report with
151 the authority detailing the impact that the prevailing wage provisions
152 of subsection (a) of this section have on:

153 (A) The cost of the replacement of gas companies' natural gas
154 distribution infrastructure in the state;

155 (B) The forecasted or actual rates charged to customers of gas
156 companies in the state;

157 (C) The number of qualified individuals available to perform the
158 replacement of gas companies' natural gas distribution infrastructure in
159 the state, including any shortage of the availability of such qualified
160 individuals and any impact on the scheduling or timing for the
161 performance of such replacement; and

162 (D) The quality, reliability and safety of the replacement of gas
163 companies' natural gas distribution infrastructure in the state.

164 (2) Such report shall be based on data from the twelve-month period
165 after the effective date described in subsection (a) of this section and
166 shall include recommendations concerning whether the requirements in
167 subsection (a) of this section that construction contractors pay not less
168 than the prevailing rate of wage should be amended, and, if so, the
169 report shall include a description of any such amendments.

170 Sec. 4. Subsection (d) of section 16a-3j of the general statutes is
171 repealed and the following is substituted in lieu thereof (*Effective October*
172 *1, 2020*):

173 (d) In any solicitation for natural gas resources issued pursuant to this
174 subsection, the commissioner shall seek proposals for (1) [interstate
175 natural gas transportation capacity, (2)] liquefied natural gas, [(3)] (2)
176 liquefied natural gas storage, and [(4)] (3) natural gas storage, or a

177 combination of any such resources, provided such proposals provide
178 incremental capacity, gas, or storage that has a firm delivery capability
179 to transport natural gas to natural gas-fired generating facilities located
180 in the control area of the regional independent system operator.
181 Proposals under this subsection shall not have a contract term exceeding
182 a period of twenty years.

183 Sec. 5. Subsections (g) and (h) of section 16a-3j of the general statutes
184 are repealed and the following is substituted in lieu thereof (*Effective*
185 *October 1, 2020*):

186 (g) If the commissioner finds proposals received pursuant to this
187 section to be in the best interest of electric ratepayers, in accordance with
188 the provisions of subsection (e) of this section, the commissioner may
189 select any such proposal or proposals, provided the total capacity of the
190 resources selected under all solicitations issued pursuant to this section
191 in the aggregate do not exceed three hundred seventy-five million cubic
192 feet per day of natural gas capacity, or the equivalent megawatts of
193 electricity, electric demand reduction or combination thereof. Any
194 proposals selected pursuant to subsections (b) and (c) of this section
195 shall not, in the aggregate, exceed ten per cent of the load distributed by
196 the state's electric distribution companies. The commissioner may, on
197 behalf of all customers of electric distribution companies, direct the
198 electric distribution companies to enter into long-term contracts for
199 passive demand response measures, electricity, electric capacity,
200 environmental attributes, energy storage, [interstate natural gas
201 transportation capacity,] liquefied natural gas, liquefied natural gas
202 storage, and natural gas storage, or any combination thereof, from
203 proposals submitted pursuant to this section, provided the benefits of
204 such contracts to customers of electric distribution companies outweigh
205 the costs to such companies' customers.

206 (h) Any agreement entered into pursuant to this section shall be
207 subject to review and approval by the Public Utilities Regulatory
208 Authority. The electric distribution company shall file an application for
209 the approval of any such agreement with the authority. The authority

210 shall approve such agreement if it is cost effective and in the best interest
 211 of electric ratepayers. The authority shall issue a decision not later than
 212 ninety days after such filing. If the authority does not issue a decision
 213 within ninety days after such filing, the agreement shall be deemed
 214 approved. The net costs of any such agreement, including costs incurred
 215 by the electric distribution company under the agreement and
 216 reasonable costs incurred by the electric distribution company in
 217 connection with the agreement, shall be recovered on a timely basis
 218 through a fully reconciling component of electric rates for all customers
 219 of the electric distribution company. Any net revenues from the sale of
 220 products purchased in accordance with long-term contracts entered into
 221 pursuant to this section shall be credited to customers through the same
 222 fully reconciling rate component for all customers of the contracting
 223 electric distribution company. For any contract for [interstate natural
 224 gas transportation capacity,] liquefied natural gas, liquefied natural gas
 225 storage or natural gas storage entered into pursuant to this section, the
 226 electric distribution company may contract with a gas supply manager
 227 to sell such [interstate natural gas transportation capacity,] liquefied
 228 natural gas, liquefied natural gas storage or natural gas storage, or a
 229 combination thereof, into the wholesale markets at the best available
 230 price in a manner that meets all applicable requirements pursuant to all
 231 applicable regulations of the Federal Energy Regulatory Commission.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2020</i>	New section
Sec. 2	<i>October 1, 2020</i>	16-34a
Sec. 3	<i>October 1, 2020</i>	New section
Sec. 4	<i>October 1, 2020</i>	16a-3j(d)
Sec. 5	<i>October 1, 2020</i>	16a-3j(g) and (h)

Statement of Purpose:

To (1) allow the Commissioner of Energy and Environmental Protection to solicit proposals for the supply of biogas for injection into the natural gas distribution system in the state, (2) require the Public Utilities Regulatory Authority to reopen or initiate dockets for the sole purpose of evaluating whether a gas company should accelerate its existing

schedule for the repair and replacement of aging infrastructure, (3) allow the Public Utilities Regulatory Authority to set rates to protect the interests of ratepayers and ensure revenue recovery for gas companies, and (4) require construction contractors to pay not less than the prevailing rate of wage to individuals who perform construction activities with respect to the replacement of a gas company's natural gas distribution infrastructure.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]