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UPDATE
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2013 Connecticut Legislative Session Energy Update

Below are summaries of some of the key pieces of legislation affecting the energy industry in Connecticut passed during the 2013 legislative session. This summary is not a comprehensive review of all energy-related laws passed during the session.

REDEFINING RENEWABLE ENERGY SOURCES AND VALUES

Public Act 13-303 expands the definition of Class I Renewable Energy Sources (RES) to include geothermal, anaerobic digestion, or other biogas derived from biological sources, as well as thermal electric direct energy conversion. The act also increases the capacity of hydropower facilities that can be classified as Class I RES from 5 megawatts (MW) to 30 MW. Hydropower facilities applying for certification after January 1, 2013, will not be qualified if they are based on a new dam or a dam identified by the Department of Energy and Environmental Protection (DEEP) as a candidate for removal and do not meet applicable state and federal requirements, including applicable site-specific standards for water quality and fish passage.

In addition, beginning January 1, 2014, conservation and load management projects supported by ratepayer funds, with the exception of demand-side management projects already awarded a contract under a program meant to reduce federally mandated congestion charges, will no longer be eligible as Class III RES. Public Act 13-303 also directs DEEP to establish a schedule in the Integrated Resources Plan, effective January 1, 2015, to gradually reduce, with certain limited exceptions, the Class I Renewable Energy Credit (REC) values for biomass or landfill methane gas facilities.

LARGE-SCALE HYDROPOWER TO MEET THE RPS

Pursuant to Public Act 13-303, in 2014, or any subsequent calendar year, if an electric distribution company (EDC) or electric supplier makes an Alternative Compliance Payment (ACP) in lieu of meeting the Renewable Portfolio Standard (RPS), then a presumption will be raised that there is an insufficient supply of Class I RES. Once this presumption has been established, DEEP may determine if such payments are due to a material shortage of Class I RES by considering whether the payments result from intentional or negligent action by an electric supplier or EDC not to purchase RECs available in the New England Power Pool Generation Information System (NEPOOL GIS) market. If DEEP determines that the ACPs are due to a material shortage of Class I RES, then it must determine whether there are, or are expected to be, adequate Class I RES to meet the succeeding years' RPS.

Once DEEP determines that there is a material shortage of Class I RES and that there are inadequate resources to meet the RPS in succeeding years, then DEEP is directed to solicit

proposals from Class I providers that are operational at the time the proposal is issued. If DEEP finds such proposals to be in accordance with the policy goals outlined in the Comprehensive Energy Strategy (CES), consistent with the requirements to reduce greenhouse gas emissions and in the interest of the ratepayers, then DEEP may select proposals from such sources to meet up to the amount necessary to ensure an adequate incremental supply of Class I RES to rectify any projected shortage.

If the selected projects are insufficient to rectify any projected shortage, then beginning January 1, 2016, DEEP may solicit proposals from "verifiable large-scale hydropower" but may not allow more than 1 percent of the Class I RPS effective for the succeeding and subsequent years to be satisfied by such large-scale hydropower. DEEP may not allow a total of more than 5 percent of the Class I RPS to be met by large-scale hydropower by December 31, 2020, and any large-scale hydropower used to meet the Class I RPS will not be eligible to trade in the NEPOOL GIS REC market.

RENEWABLE SOLICITATIONS

Public Act 13-303 gives DEEP the power to solicit proposals for new Class I facilities, constructed on or after January 1, 2013, to meet up to 4 percent of the load of the EDCs. DEEP may also solicit proposals from large-scale hydropower facilities or Class I sources to meet up to 5 percent of the load of the EDCs. Finally, DEEP may solicit proposals from run-of-the-river hydropower, landfill methane gas, or biomass facilities, provided they are Class I RES, to meet up to 4 percent of load of the EDCs.

PROPERTY TAX EXEMPTIONS

Public Act 13-61 creates varying property tax exemptions for Class I RES, hydropower facilities, and solar thermal or geothermal RES that are installed for commercial or industrial purposes for generation or displacement of energy and that have a nameplate capacity that does not exceed location load. For assessment years commencing on or after October 1, 2013, municipalities may elect to abate up to 100 percent of the property taxes on any such facility installed between January 1, 2010, and December 31, 2013; however, in a distressed municipality with a population between 125,000 and 135,000, beginning October 1, 2013, all such facilities installed after January 1, 2010, are fully exempt from taxation without the need for specific municipal action. In addition, for assessment years starting on October 1, 2014, this automatic 100 percent property tax exemption will be extended to all municipalities for qualifying facilities installed on or after January 1, 2014.

ELECTRIC SUPPLIERS

Effective October 1, 2013, Public Act 13-119 requires that between 30 and 60 days, inclusive, prior to the expiration of a fixed-price term for a residential customer, an electric supplier must provide written notice to such customer of any change to the customer's electric generation price. Beginning January 1, 2014, electric suppliers, aggregators, and their agents must indicate, in a conspicuous part of an ad or disclosure that includes an advertised price, the advertised price's expiration term in at least 10-point font.

The act also clarifies that an electric supplier may only advertise Class I, II, or III renewable energy products that exceed the RPS requirements for the respective class. Effective October 1, 2013, electric suppliers offering any services or products containing renewable energy attributes other than those used to meet the Class I and II RPS requirements must now disclose the service's or product's renewable energy content in marketing materials and customer contracts. In addition, information sufficient to substantiate an electric supplier's renewable energy content claims must be made available on its website.

VIRTUAL NET METERING

Effective July 1, 2013, Public Act 13-298 broadens eligibility for "virtual net metering" to include state and agricultural customers, expands the maximum size of eligible generating units to 3

MW, expands the number and type of eligible beneficial accounts, and allows the customer host to aggregate all electric meters that are billable to it. Public Act 13-298 also extends the virtual net metering credit beyond the Generation Service Charge and applies it against a declining percentage of the distribution and transmission charges. As a result of Public Act 13-247, the applicable percentage is dependent upon the commercial operation year of the net metering facility.

SUBMETERING

Effective July 1, 2013, Public Act 13-298 expands the circumstances where electric submeters may be installed. EDCs must now permit submetering at commercial, industrial, multifamily residential, or multiuse buildings where the electric power or thermal energy is provided by a Class I RES or a combined heat and power system. The Public Utilities Regulatory Authority (PURA) may also now permit submetering at any other location when the state's energy goals, as described in the CES, are promoted and consumers are protected against termination of residential utility service.

MICROGRIDS

Effective July 1, 2013, Public Act 13-298 permits PURA to authorize any municipality, state, or federal governmental entity that owns, operates, or leases any Class I RES, Class III RES, or generation source under 5 MW to distribute independently electricity generated from any such source across a public highway or street. Such entities must ensure any such source is connected to a municipal microgrid.

NATURAL GAS EXPANSION PLAN

By June 15, 2013, gas companies were required, pursuant to Public Act 13-298, to have jointly submitted to DEEP and PURA an expansion plan designed to provide natural gas service to customers currently on and off distribution mains, consistent with the goals of the 2013 CES. Such plan must include, among other things, steps to expand the natural gas distribution network, increase the rate of cost-effective customer conversions, provide natural gas access for industrial facilities in Connecticut to the greatest extent feasible, lower the costs of adding new customers, ensure the reliability and timely addition of the natural gas supply, and limit the risk to existing gas customers by incorporating mechanisms to increase or decrease the rate of conversions over time in response to changes in energy prices.

COMBINED HEAT AND POWER PROGRAM

Public Act 13-298 directs DEEP to establish a pilot program to promote large combined heat and power systems for up to an aggregate limit of 20 MW by limiting the demand charge EDCs impose on them. Eligible systems must have a nameplate capacity between 500 and 5,000 kilowatts; provide both electricity and heat to a commercial, industrial, or residential facility; have been placed in service between January 1, 2012, and January 1, 2015; and be ineligible under the condominium renewable energy grant program. Selected projects must also become operational within one year of their selection or that capacity will be offered to another qualified project that participated in the solicitation.

CONNECTICUT COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY PROGRAM

Public Act 13-116 adds district heating and cooling, as well as solar thermal or geothermal system projects, to the types of energy improvements that may be eligible for the commercial property assessed clean energy (C-PACE) program. Public Act 13-298, as part of the C-PACE program, permits a municipality, at the direction of Connecticut Energy Finance and Investment Authority, to levy the benefit assessment and to file a lien on the land records based on the estimated costs of the energy improvement prior to or upon completion. To the extent benefit assessments are paid in installments, when an installment is not paid when due, the benefit assessment lien may now be foreclosed to the extent of any unpaid installment payments and any penalties, interest, and related fees. If a benefit assessment lien is

foreclosed, it will survive the judgment of foreclosure to the extent of any unpaid installment payments of the benefit assessment secured by such lien not subject to such judgment.

ON-BILL FINANCING

Public Act 13-298 expands the residential heating financing program to include the installation of ductless heat pumps to replace burners, boilers, and furnaces that are not less than seven years old with an efficiency rating of not more than 75 percent or to replace electric heating systems. By April 1, 2014, Public Act 13-298 requires Energy Conservation Management Board and CEFIA to establish an on bill repayment program to finance clean energy improvements.

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