



Connecticut Department of  
**ENERGY &  
ENVIRONMENTAL  
PROTECTION**

### SMALL BUSINESS IMPACT

Prior to adopting a new section or amendment, section 4-168a of the Connecticut General Statutes (CGS) requires that each state agency consider the effect of such action on small businesses as defined in CGS section 4-168a. When such regulatory action may have an adverse effect on small businesses, CGS section 4-168a directs the agency to consider regulatory requirements that will minimize the adverse impacts on small businesses if the addition of such requirements (1) will not interfere with the intended objectives of the regulatory action and (2) will allow the new section or amendment to remain consistent with public health, safety and welfare.

State Agency Submitting Proposal: Energy and Environmental Protection (DEEP)

Subject of the Proposal: Amendments of RCSA Section 22a-174-31

In accordance with CGS section 4-168a, staff analyzed the effect on small businesses of the proposal and determined the following:

Check all appropriate boxes:

- The proposal will not have an effect on small businesses.
- The proposal will have an effect on small businesses, but will not have an adverse effect on such small businesses.
- The proposal may have an adverse effect on small businesses, and no alternative considered would be both as effective in achieving the purpose of the action and less burdensome to potentially affected small business. Alternatives considered include the following:
- (1) The establishment of less stringent compliance or reporting requirements for small businesses;
  - (2) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
  - (3) The consolidation or simplification of compliance or reporting requirements for small businesses;
  - (4) The establishment of performance standards for small businesses to replace design or operational standards required in the new section or amendment; and
  - (5) The exemption of small businesses from all or any part of the requirements contained in the new section or amendment.
- The proposal will have an adverse effect on small businesses that cannot be minimized in a manner that is consistent with public health, safety and welfare.

## **Explanation:**

### **A. Overview**

The proposal makes changes to the existing Section 22a-174-31 of the Regulations of Connecticut State Agencies.. The amendments will continue to apply to, fossil fuel electricity generators operating in the State of Connecticut. However, the program proceeds that will continue to be used to support energy efficiency programs and renewable energy sources will also create downward pressure on electric rates and energy consumption for consumers, far outweighing the initial cost to consumers.

### **B. Rate Impact**

The nine Regional Greenhouse Gas Initiative (RGGI) states jointly hired a consulting firm, ICF, to use its Integrated Planning Model (IPM) to project the economic impacts of RGGI under a variety of scenarios. The scenarios differ in factors such as national market prices for fossil fuels, growth in electricity demand, whether or not a federal cap on emissions comes into being, and how much funding is made available for electric efficiency programs. The IPM model produced results for wholesale electric rates, which were used as input to Regional Economic Models, Inc. (REMI) to determine regional macroeconomic impacts and also translated into retail rates and customer bill impacts. These results are available on the RGGI website, at [http://www.rggi.org/design/program\\_review](http://www.rggi.org/design/program_review) , in the final program review materials section.

For Connecticut, macroeconomic impacts of RGGI are projected to be neutral to slightly positive in terms of impacts on employment, income, and gross state product. This is due to the relatively minor impact of RGGI in relation to the size of the regional economy of New England.

IPM modeling of electric bills, for all classes of consumers, predicts that market forces induced by the revised RGGI rule could cause monthly electric bills to rise as described in Table 1, between 2012 and 2020. However, the increased RGGI Auction revenue is also projected to have positive net economic benefit to Connecticut and the region. The increased revenue will fund new and existing energy efficiency and renewable energy initiatives that could reduce electricity demand and costs for most customers. Cumulative Connecticut projected revenues are \$100.32 Million (2010\$) for the IPM Reference case and \$256.22 Million (2010\$) for the revised rule, representing an additional \$155.91 Million (2010\$) in proceeds compared to the current RGGI rule. Furthermore, the RGGI states are committed to further program review in 2016, offering the opportunity to review and make necessary program revisions.

**Table 1. Estimates of Total Bill Impact for CT CO<sub>2</sub> Trading Program**

**CT Monthly Bill Impact for years 2012-2020**

<u>Customer Class</u>	<u>Reference Case</u>	<u>91 Cap Bank MR</u>	
	Average	Monthly	Percent
	Monthly	Difference	Difference
	<u>Bill (\$2010)</u>	<u>(\$2010)</u>	
<b>Residential</b>	\$ 98.76	\$ 0.71	0.7%
<b>Commercial</b>	\$ 848.31	\$ 8.01	0.9%
<b>Industrial</b>	\$ 6,748.09	\$ 74.45	1.1%

**C. Small Business Impact**

The proposed amendments' effect on the cost of electricity will affect small businesses as seen in Table 1 above. It is unknown how many small businesses this may effect. The amended Section 22a-174-31 of the RCSA is not expected to have any other adverse impacts on small businesses.

To the extent that small businesses take advantage of enhanced energy efficiency or renewable energy programs supported by RGGI auction proceeds, these businesses will benefit from the program far in excess of the marginal rate impacts.

If you should have any questions on the attached information, please contact Jaimeson Sinclair at 860.827.2642.