



**Comments of Northeast Energy Efficiency Partnerships (NEEP)
To the Connecticut Department of Energy and Environmental Protection
Regarding the Draft Decision on the 2013-15 Conservation and Load Management Plans**

September 19, 2013

Debra Morrell, Administrative Coordinator
Bureau of Energy and Technology Policy
Connecticut Department of Energy and Environmental Protection (DEEP)
10 Franklin Square, New Britain, CT 06051

Dear Ms. Morrell:

On behalf of Northeast Energy Efficiency Partnerships,¹ I am pleased to offer comments on DEEP's Draft Decision on the 2013-15 Conservation and Load Management (CL&M) plans being developed through the Connecticut Energy Efficiency Fund (CEEF).²

NEEP is a regional non-profit whose mission is to serve the Northeast and Mid-Atlantic to accelerate energy efficiency in the building sector through public policy, program strategies and education. Our vision is that the region will fully embrace energy efficiency as a cornerstone of sustainable energy policy to help achieve a cleaner environment and a more reliable and affordable energy system.

Overall, NEEP approves of DEEP's draft decision, and the thoroughness with which staff reviewed the proposed plans. As tentatively approved, this three-year plan could help save about 2% of electric and .6% of natural gas energy use through efficiency. In general, this draft decision is consistent with what was called for by statute,³ as it would approve increased funding for electric and gas by about 40 percent over current funding levels. While DEEP's recommended budget is significantly less than what the electric and gas distribution companies originally proposed, we understand the importance of a smooth transition and consistency of program offerings, as well as maintain concern for ratepayer impacts.

This plan and Connecticut's other initiatives in energy efficiency and clean energy will help stabilize energy costs and create jobs in the building sector and beyond. Investing in efficiency as a first order resource can help mitigate future energy cost increases from generation and transmission, and meet customer demand at a far more economical rate than purchasing new supply. In addition, wide-scale investments in efficiency help suppress wholesale electric prices for all, as demand is decreased.

As Environment Northeast Executive Director Bill Dornbos mentioned in his public comments on September 10, Connecticut wastes about \$400 million a year on energy. That is energy that isn't being used for its intended purposes, but instead leaking through walls, or turning into waste heat from inefficient motors, appliances,

¹ These comments are offered by NEEP staff and do not necessarily represent the view of NEEP's Board of Directors, sponsors or underwriters.

² <http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/48ae57ef4823e0af85257bd00082e14e?OpenDocument>

³ Conn. Gen. Stat. § 16-245m(d), as amended by Public Act 13-298, An Act Concerning Implementation of Connecticut's Comprehensive Energy Strategy and Various Revisions to the Energy Statutes

lighting and the like. These energy dollars would far better serve the state if they could be reinvested for more productive purposes, rather than "going up the chimney."

The state's aim is to do all cost-effective energy efficiency, thus reaching as many businesses and residents as possible with the programs. We agree with DEEP's draft decision, as it works to ensure that there is equitable distribution of energy efficiency funds across customer types, and that electric and gas programs share a proportionate cost for marketing and education.

As efficiency budgets grow, the need to better coordinate marketing, customer service and tracking become increasingly important. We support continuous improvements in tracking which customer are served, and encourage the EDCs and LDCs (electric and gas utility companies) to continue advances in both targeting specific customer types (e.g. low-income residential, small and medium businesses) and be able to report out more granular data on the types and locations of customers served.

Comments on Specific Program Areas

Northeast Energy Efficiency Partnerships is home to a number of subject experts on energy efficiency policies, programs and technologies. Following is input for the Department on behalf of our team:

- **Better engagement and certification of Home Energy Services contractors** - NEEP agrees with some of the comments made by residential efficiency partners at the September 10 public meeting. As the program budgets grow, it is important that quality, consistency and customer service remain high. Better training for contractors as well as a greater role for the contractor community in program planning can only improve the programs. Connecticut could look to the residential Best Practices Working Group that Massachusetts has implemented in the last year, as a source of ideas.
- **Look at benefits as well as costs** - We do have some concern with cost effectiveness testing, in particular with the residential Home Energy Services program. We agree with DEEP that both the costs and the benefits of things like oil savings should be included in future submissions. In an ideal world, some of the funds to help oil heat customers undertake efficiency should come from heating oil revenues. Until then, NEEP supports finding creative ways to help customers take a whole-building approach to efficiency, even if it means some electric dollars are used.
- **Applaud integration of building energy codes, appliance standards into the programs** - We were pleased to see DEEP's emphasis on building code compliance as a pathway to drive energy savings, as the program administrators have made this a focus. NEEP's EM&V Forum recently published a report⁴ on attributing energy savings from codes to efficiency programs. We would also support this initiative to include activities that support the development/adoption of minimum efficiency appliance standards. Massachusetts, Rhode Island and New York have all begun implementing these types of building energy code/ appliance standards initiatives.
- **Continue efforts on building rating and disclosure** - Likewise, NEEP is pleased to see the state's interest in building energy rating and disclosure policies as a way to value efficiency at the time of

⁴ <http://www.neep.org/emv-forum/forum-products-and-guidelines/index#codes>

market transaction. We support any efforts for these practices to be integrated with the ratepayer-funded efficiency programs, and remind the Department that NEEP is an expert on these policies.

- **Forge ahead with behavioral programs** - While we certainly support integration of behavioral programs with the coming enhanced customer engagement platform, we hope that the PAs will not have to wait until that portal is complete before expanding these valuable programs to customers. These programs can make customers more aware of energy in the home and induce changes in how they use energy. More importantly, they can drive them to other programs, and should be fully leveraged as a gateway to things like Home Energy Services, and incentives for efficient HVAC replacement.

Oppose Self-directed Programs

We are concerned about the Draft Decision's call for the EDCs to develop "self-directed" programs for large customers (p. 66). The statewide electric and gas energy efficiency programs run under the Energy Efficiency Fund work because of the unified and coordinated funding, marketing, operation and evaluation. They work because system benefit charge and related funds are pooled together and available for customers to tap when they are ready to undertake an efficiency project.

Taking resources away from the Energy Efficiency Fund could undermine the programs for all other customers, by tying up funds and depleting administrative resources, while placing more of a burden on those customers who decide to go it alone. These customers may in fact be eligible for *smaller* incentives and would receive far less support for their efficiency projects than if they stayed in the EEF programs. However, we agree with DEEP's position that any such self-directed programs should be held to the same rigor as far as documented energy savings as the EEF programs. If companies want to "opt out," there should be a level playing field.

NEEP has followed developments with these types of opt-out programs in neighboring states such as Vermont and Massachusetts.⁵ The reality is that even in states where businesses are allowed to self-direct energy efficiency measures, very few decide this is the best route for them, generally because most recognize that the public benefit fund programs offer far greater expertise and support for such activities. Moreover, such self-directed programs increase risk by forcing efficiency funds to be held aside at the expense of other potential customers, as well as compromise the strength of the programs as a whole.

In Massachusetts, one large customer of National Grid has already tied up half a million dollars in program funds over three years, with no guarantee as to when they would use it for efficiency projects. Opting out also

⁵ Information on VT's self-directed programs: <http://psb.vermont.gov/projects/eeu/selfadministeredefficiency>, and MA: <https://malegislature.gov/Laws/SessionLaws/Acts/2012/Chapter209/Print>

Presentation on MA self-direct programs: http://ma-eeac.org/Docs/3.1_Council%20Meeting%20Minutes/2013%20Minutes/3.13.2013/Accelerated%20Pilot%20Program%202013.pdf

ACEEE Resource on Opt-outs: <http://aceee.org/sector/state-policy/toolkit/industrial-self-direct>

increases the program costs for all other commercial and industrial (C&I) customers that remain in the program – and this is true for all business customers, not just the largest ones.

From discussions with C&I program staff at the Massachusetts electric and gas utilities regarding how that state's opt-out provision has worked since it went into effect in January of 2013, it is evident that only a handful of the eligible customers (the five largest users in each territory) have decided to opt out for the available one, two or three years. This path allows them to access 90 percent of the funds they would pay in over a three year period, and use it to do their own efficiency programs with minimal cost-effectiveness oversight. But opting out comes at a cost.

When faced with the choice, most customers have realized there is far greater value in staying in the Mass Save® programs, having the technical support of the program administrators, rather than the burdens and uncertainties of running their own programs. Many also realize that they stand to gain even more efficiency incentives than what they pay into the funds. In fact, one gas utility reported that they used the opt-out provision as a point of engagement with their largest customers, as an entrée to talk about efficiency. As a result, none opted out of the utility programs, and three out of five of those customers are undertaking significant efficiency projects that will save large amounts of natural gas.

Rather than syphoning away funds for large commercial and industrial customers, we believe **it would be more helpful to get at the root cause of the call for self-directed programs**. If customers are not participating, it would be better for the Energy Efficiency Fund to understand customer needs and address those issues. Indeed, Efficiency Vermont also reports that they have used the call for self-directed programs as a point of customer engagement – improving relationships and account management protocols, and understanding how to better serve customers. In the end, only one customer is enrolled in their Energy Savings Account program.

Any examination of self-directed programs also needs to look at issues of equity between customer classes in relation to the overall goals and objectives of ratepayer-funded energy efficiency programs. One reason pooling efficiency funds for deployment by one entity – in this case, the Energy Efficiency Fund – is the most equitable solution is that there are clearly program benefits that more broadly accrue to society than just the energy savings realized at the end-user level. In looking at the broader array of benefits, and specifically the energy system and environmental benefits, allowing self-directed programs is essentially allowing a double-benefit to those large corporate users who are able to sway public policy, since they end up not contributing to the overall program activities, yet still benefit from those program results.

Ultimately, allowing the largest commercial and industrial users to opt out of efficiency programs does not represent the best use of ratepayer dollars to advance energy efficiency, or allow the best service to customers. NEEP urges the Department in the strongest possible terms to reconsider this directive to establish corporate self-directed programs.

Residential Lighting

Analysis from the forthcoming 2013-2014 Update to the Residential Lighting Strategy⁶ supports significantly increased budgets in 2014 and 2015 to account for an increased promotion of LEDs. The research does support

⁶ <http://www.neep.org/efficient-products/high-efficiency-lighting/residential-lighting-strategy/northeast-residential-lighting-strategy/index>

a mild reduction in program spending in 2016, though opportunities to gain significant savings still exists until 2020 and program spending will need to continue. A key element to the success of increasing program spending in 2014-2015 and decreasing in 2016 depends on the heavy incentivizing of high-quality, ENERGY STAR certified LEDs.

As lower-cost high-quality ENERGY STAR certified products enter the market, increased support for these products will help Connecticut programs have continued success with decreased spending levels after 2016. It is also very important for significant increases in funding to push the market in 2014 and 2015 as the rulemaking for EISA⁷ phase 2 will begin in this time frame, and if Connecticut is able to contribute to a higher efficiency baseline in the short-term, a higher standard will be set when EISA phase 2 takes effect in 2020.

NEEP agrees with the Lighting Evaluation findings regarding socket saturation and commends the high-efficiency lighting socket saturation levels that the state has achieved. Increasing promotion of LEDs should be part of the targeted marketing approach, as there are specific applications where LEDs can replace incandescents with much higher consumer satisfaction than what CFLs has been able to do. NEEP encourages the state to use new educational resources from ENERGY STAR to help find the best use for different products.

NEEP encourages Connecticut to stay engaged with regional residential lighting efforts, including the recommendations and strategies outlined in the forthcoming Residential Lighting Strategy Update, as well as to participate in NEEP Working Groups and workshops.

Products and Appliances

NEEP again thanks the Department for their thoughtful program review and openness to targeting new areas in appliances and electronics. Following are some areas where we see particularly promising opportunities for cost-effective savings going forward:

- **Business and Consumer Electronics** NEEP supports the EDCs and LDCs' exploration of cost-effective rebates for electronics. Savings potential exists within the Business and Consumer Electronics space, and NEEP has several targeted recommendations and strategies for program success in the August 2013 report, *Business and Consumer Electronics: A Strategy for the Northeast*.⁸

Additionally, NEEP will be continuing work in this space and invites Connecticut to participate in working groups, workshops, and discussions. As the state considers electronics, NEEP also recommends considering including an Advanced Power Strip (APS) component into programming. In the fall 2013, NEEP will be releasing an APS testing protocol to help programs determine which APS products to incent. This protocol will help APS programs succeed and NEEP can be a continued resource.⁹

- **TopTen USA helps drive consumers to most efficient products** - We were surprised that the draft decision made no mention of Connecticut's involvement with TopTen USA. Connecticut was a flagship member of TopTen USA, and currently offers rebates on several appliances on that list of super-efficient products. DEEP claims that there are limited energy savings between baseline appliances and

⁷ Lighting standards under the Federal Energy Independence and Security Act, <http://www.gpo.gov/fdsys/pkg/BILLS-110hr6enr/pdf/BILLS-110hr6enr.pdf>

⁸ <http://www.neep.org/efficient-products/business-consumer-electronics/BCE-Strategy/index>

⁹ <http://www.neep.org/efficient-products/business-consumer-electronics/produ/Plug-LoadAdvanced-Powers-Strips>

more efficient models. Yet we have seen the power of TopTen USA to call out these products and help educate consumers.

- **Support heat pump technologies** - DEEP's review made no mention of the existing heating, cooling and hot water programs. Our team strongly supports the continued promotion of heat pump and heat pump water heaters through qualifying product rebates, installer training and consumer education. NEEP currently convenes regional working groups that focus on the accelerated market uptake of these particular technologies, and recently released regional strategies on these products.
- **Support Super-Efficient Dryers** - Lastly on products, we note that a new generation of high efficiency dryers will be available on the market in 2014. Connecticut should consider providing rebates for the various tiers of high efficiency dryers. We hope that the programs will continue their support of the Super-Efficient Dryer Initiative (SEDI).

In closing, we see this draft determination as cautious and prudent, yet these programs will deliver great benefits to the state's economy, by helping to stabilize energy costs and create jobs. Thank you for the opportunity to comment on the Draft Decision on the 2013-15 C&LM Plan. NEEP stands ready to provide advice and support to the state as you pursue clean, efficient energy solutions for Connecticut's long-term future.



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