



[via e-mail](#) - March 7, 2013

**Testimony of James O'Reilly, Director of Public Policy
Northeast Energy Efficiency Partnerships (NEEP)
On HB 6360 - An Act Concerning Implementation of
Connecticut's Comprehensive Energy Strategy**

Chairman Duff, Chairwoman Reed, and members of the Committee: On behalf of Northeast Energy Efficiency Partnerships (NEEP)¹, thank you for the opportunity to provide comments in support of HB 6360, An Act Concerning Implementation of Connecticut's Comprehensive Energy Strategy.

NEEP was founded in 1996 as a non-profit organization whose mission is to serve the Northeast and Mid-Atlantic states 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.

To echo what we offered as comment on the Draft Comprehensive Energy Strategy (CES) for the State of Connecticut back in December, NEEP commends Governor Dannel Malloy, DEEP Commissioner Dan Esty, and the entire DEEP staff for their leadership in developing the Strategy, which clearly defines and prioritizes energy efficiency as a first order energy resource for the state. We, therefore, are strongly supportive of the effort to codify the provisions of the CES through this legislation.

There are two major policy initiatives this bill supports that we'd like to call out in particular to highlight their importance and benefit to the residents and businesses of Connecticut:

1. Connecticut has for several years had a policy, established legislatively, that requires its distribution utilities to procure **all cost-effective energy efficiency** on behalf of their customers. However, regulatory implementation of that policy has never been wholly realized, mainly because the former Department of Public Utility Control never fully implemented decoupling mechanisms required by law, and also because the Department was never willing to authorize Conservation and Load Management (C&LM) budgets that would fully fund a program strategy that captured all cost effective energy efficiency. In addition, recent orders from the Public Utilities Regulatory Authority were ambiguous in their requirement of additional information from the utilities and additional proceedings in order to establish a new funding mechanism to ensure the full funding of all cost effective energy efficiency.

HB 6360 would address both of those shortcomings to the benefit of Connecticut's energy consumers.

Section 1 orders the electric and gas utilities to **decouple their distribution revenues from their sales value**, effectively eliminating any ambiguity regarding the need for decoupling, thus removing for those utilities any disincentives to promoting greater levels of energy efficiency for their customers. As Connecticut Light and Power and United Illuminating have been committed and effective administrators of the state's energy efficiency programs, it is important that their interests are aligned with the state's

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



public policy objectives to capture higher levels of energy efficiency, and thus ensure a cooperative and mutually beneficial pursuit of energy savings.

Further, section 3 requires PURA to ensure that the balance of revenues required to fund a C&LM budget that captures all cost-effective energy efficiency is made possible through “a **fully reconciling conservation adjustment mechanism,**” or CAM. This practice would be consistent with that of other states that have recognized the economic, environmental and energy system benefits of capturing for their residents the highest amounts of the least-cost energy resource available, namely: energy efficiency. As volumes of data, analysis and highly-scrutinized program evaluation reports have continually shown, energy efficiency meets consumer energy needs at generally one-third the cost of traditional energy supply (generation, transmission and distribution), while providing the added benefits of lessening strain on overtaxed energy grids and reducing harmful emissions associated with electricity generation or the burning of heating fuels.

2. The Comprehensive Energy Strategy acknowledges in numerous instances the need to leverage private financing to supplement the Connecticut Energy Efficiency Fund programs in order to maximize energy savings in homes and buildings. However, for financing opportunities to be realized, financial markets need to be able to recognize and value energy performance in those homes and buildings. Right now, there are no ready mechanisms that would allow for a value to be placed on building energy performance. Thus, we are strongly supportive of DEEP’s recommendations on **building energy rating/labeling and disclosure**.

Specifically, sections 10 and 15 set requirements for the benchmarking and disclosure of energy use for commercial buildings in the state, both on a regularly scheduled basis and at the time of sale or lease. These requirements are imperative to provide information to consumers that will allow them to make informed choices regarding energy performance in real estate transactions. Armed with this information potential buyers will come to give preference to energy efficient properties, in turn enabling markets to value energy performance and providing a greater return on investment for projects that improve energy efficiency.

Commercial real estate studies, including analysis from Co-Star and Jones Lang LaSalle, among others, have illustrated the positive market impacts of energy performance on commercial properties. Higher performing properties demonstrate both lower operating costs and higher sale prices and rental rates. ENERGY STAR office buildings, for example, use 40 percent less energy and command 13 percent higher rental rates compared to non-ENERGY STAR peer properties.

Building rating and disclosure provides multiple benefits to multiple stakeholders: *property owners* are made aware of cost-effective energy savings opportunities, enabling continuous improvements and benefiting from a more secure return on investment; *buyers and renters* avoid costly surprises; and *financial lenders* are afforded better information regarding building operating costs, limiting their exposure and risk. With this proposed law, Connecticut will join a number of jurisdictions in the region that have in recent months adopted or are moving to adopt commercial building energy benchmarking policies. As Washington, D.C., Philadelphia, New York City and Boston, among others, have learned, consumers are coming to expect that since energy consumption information is made available regarding virtually every major purchase decision, they should also be provided similar information regarding real estate transactions, which represent the most significant financial commitment any of us will ever make.



In addition to the commercial benchmarking provisions in HB 6360, we also support the proposed **residential energy labeling voluntary pilot program** provided for in section 11. This program will employ the Home Energy Scoring tool being developed by the U.S. Department of Energy, allowing the state to leverage DOE's research and development, as well as educational and outreach resources. Because this program will be synched with the utility administered energy efficiency programs, it provides a natural linkage to the retrofit programs and incentives available to consumers, enhancing the program's reach and effectiveness.

Lastly, section 12 will require building owners who require tenants to pay for their heat as part of a lease agreement to provide potential new tenants with **statements of prior information regarding heat expenses** for the unit under consideration for at least the preceding year. This provision is consistent with the general benefits inherent in the other provisions of this bill regarding building rating and disclosure. Taken together, these provide consumers with information regarding a building's energy performance, which helps markets place a value on better performing buildings, which in turn helps to drive building energy efficiency improvements. We strongly support these provisions.

As the public policy director for a regional efficiency organization that tracks efficiency policies in 11 states and the District of Columbia, I can testify to the fact that the Comprehensive Energy Strategy represents exemplary leadership in a state that is clearly committed to harnessing the numerous benefits of energy efficiency. That credit should be shared with the members of the Connecticut General Assembly, who have, on numerous occasions, provided the state with the policy framework needed to build a sustainable energy future. We'd ask you now to join your commitments with those of Gov. Malloy and Secretary Esty to help Connecticut's residents and businesses better manage their energy costs by codifying these vital provisions of the Comprehensive Energy Strategy. We look forward to a continuing collaboration with Connecticut's leaders and are willing and able to assist you in any way we can to make your clean energy future a reality. Thank you.

Contact Information:

James O'Reilly
Director of Public Policy
781-860-9177 ext. 118
Email: joreilly@neep.org