

Date: June 18, 2025

Submitted electronically via: <u>DEEP.EnergyBureau@ct.gov</u>

Kate Donatelli Connecticut Department of Energy and Environmental Protection Bureau of Energy and Technology Policy 79 Elm Street Hartford, CT 06106-5127

#### Re: Draft Determination for the 2025 - 2027 Conservation and Load Management Plan

Dear Ms. Donatelli,

On behalf of Northeast Energy Efficiency Partnerships (NEEP)<sup>1</sup>, I am pleased to submit comments relative to the Draft Determination for the 2025-2027 Conservation and Load Management (C&LM) Plan. NEEP is a non-profit whose mission is to accelerate regional collaboration to promote advanced energy efficiency and related solutions in homes, buildings, industry, and communities.

NEEP appreciates the opportunity to provide comments to the Department of Energy & Environmental Protection (DEEP) on the Draft Determination for the 2025-2027 Conservation and Load Management Plan (Draft Determination). NEEP appreciates the effort CT DEEP has extended to solicit stakeholder feedback and incorporate it into the C&LM Plans. The Findings and the Conditions of Approval identified present a transformative step to prioritize climate and affordability in the state's energy efficiency programs for the residents of Connecticut.

The 2025-2027 C&LM Plan estimates \$3.87 in benefits to Connecticut's economy for every \$1 invested in energy efficiency, and \$2.8 billion in economic lifetime benefits. The Plan also estimates a reduction in annual energy consumption of 3.2 million MMBtu and lifetime energy consumption of 44.4 million MMBtu, both of which include electric, gas, oil, and propane savings. Additionally, the C&LM Plan will provide peak demand reduction, GHG emissions reduction, and workforce opportunities.

The following comments are intended to provide technical assistance and resources to help execute the Draft Determination's Findings and Conditions of Approval. First, we outline the Draft Determination proposals that NEEP supports. Second, we highlight recommendations for four specific topics: gas incentives, equitable distribution practices, cost-benefit testing, and emergency replacements.

### NEEP supports the following Draft Determination proposals.

The following Draft Determination proposals are aligned with best practices that we see other leading states adopt. NEEP supports the adoption of these proposals.

• **Phaseout of New Gas Equipment Incentives:** NEEP supports the Draft Determination's proposal to eliminate direct rebates for new gas combustion equipment for market-rate residential customers while prioritizing affordability for income-qualified houses. NEEP also supports the prioritization of weatherization with energy efficiency funds paid by gas customers and the use of a limited number of

these funds to support heat pump rebates. The section below on gas incentives provides more information on how other states are tackling these policy issues and additional recommendations for Connecticut DEEP.

- **Moderate Income Tier:** NEEP supports the establishment of the moderate-income tier (60% SMI to 80% AMI) for customers who are just over the income-qualification threshold. Further, NEEP supports DEEP's determination to leverage only federal or pilot funds for these programs, as utilities evaluate and monitor the projects and customers that fall within this tier. This will ensure customers who may need the additional incentives can have access to them, while also being prudent about C&LM funding.
- Equitable Distribution: NEEP supports DEEP's efforts to ensure that the benefits of energy efficiency programs are shared equitably among residents and businesses. As highlighted in the Draft Determination, DEEP is pursuing a few strategies to enable equitable distribution and program engagement. NEEP has provided additional recommendations on this topic below.
- Weatherization Definition: NEEP supports DEEP's Draft Determination to update and formally adopt a weatherization standard to measure progress toward achieving state goals. To set a baseline weatherization definition, Connecticut could define a weatherized, retrofitted building shell by establishing technical goals or required components. Technical or performance goals can be set through industry standards such as <u>Home Energy Score</u>, which assesses the efficiency of a home on a scale of 1 to 10, or <u>Energy Use Intensity Index</u>, which measures energy use per square foot. To define an enhanced standard, Connecticut could require specific upgrades or measures including HVAC system upgrades, energy efficient electric appliances and certain weatherization measures. To see more on setting standards for and implementing deep energy efficiency retrofits, DEEP can reference <u>NEEP's Implementation Guide for Statewide Deep Energy Efficiency Retrofits</u>.
- Electrification and Weatherization: NEEP supports tracking the pairing of electrification and weatherization measures and establishing a PMI focused on co-installation to maximize the impact of all measures. In the Massachusetts 2022-2024 Plan, Mass Save utilities could only earn performance incentives tied to electrification if they could verify that the customer had weatherized prior to or within six months after the installation of a heat pump. In addition to implementing a PMI dedicated to the pairing of electrification and weatherization and providing a bonus incentive to customers that do both, DEEP might consider following up with educational materials and/or advertisements after a home has received a heat pump. NEEP recently published Co-Promotion of Weatherization and High Performance HVAC in Programs Best Practice Guide and is available to provide additional guidance in this space.
- **Demand Response:** NEEP supports DEEP's continuation of active demand response programs to reduce the cost of peak generation, suppress wholesale power prices, and reduce the need for transmission, distribution, and generation investments. NEEP has provided additional recommendations on this topic below.
- Emergency Replacements: NEEP supports DEEP's determination to ask the Companies and EEB Technical consultants to design a proposal for addressing emergency equipment replacements. In the section below, NEEP provides additional information on a program that provides HPWHs to customers that need an emergency replacement that DEEP could replicate.
- **Cost-Sharing with Weatherization Assistance Programs:** NEEP supports the efforts to coordinate and combine the weatherization (WAP) and Home Energy Solutions Income Eligible Program (HES-IE) because doing so provides streamlined funding access for low-income programs. NEEP recommends that the coordinated program offerings be required to provide regular reporting, be held to

performance metrics, and provide opportunities for stakeholder input. Other states across the country have delivered these programs together as well. In <u>Oregon</u> and <u>Illinois</u>, agreements were reached where the program administrator would be allocated 100 percent of savings for any measures that combine funding for limited income energy efficiency programs. In Illinois, combining utility energy efficiency programs with the state WAP program helped reduce the need for duplicative administrative costs for the Illinois Home Weatherization Assistance Program (IHWAP). As a result of a stakeholder process, utility program administrators receive 100 percent of savings that stem from IHWAP projects that they help to implement, provided utilities meet certain conditions in implementation. For more details, DEEP can refer to NEEP's report <u>Expanding the Energy Savings Pie: Attribution Frameworks to Align IRA Home Energy Rebates and State Programs</u>.

- **Cost Benefit Testing:** NEEP supports the continued use of the Connecticut Efficiency Test (CTET) and encourages DEEP to consider additional inputs to the test to ensure it remains in alignment with state policy goals. Below, NEEP highlights additional metrics to be included in the test to better capture the societal and low-income benefits that flow from energy efficiency programs. Including these metrics and updating inputs to the test can ensure that it accurately reflects state policy and enables program administrators to design programs that fit state goals.
- Workforce Development: NEEP supports DEEP's recommendation to enhance existing contractor networks with opportunities for continuous engagement and education. One way to accomplish this is increased support, training programs, and guidance for contractors, distributors, and manufacturers. Both Maine and Vermont manage qualified contractor networks that provide contractors with continuous opportunities to attend workforce training courses, which keeps them appraised of the best practices in the field. Efficiency Maine offers its <u>Residential Registered Vendors</u> weatherization training in addition to heat pump installation training, as well as training scholarships of up to \$500. Efficiency Maine's commercial contractors, the <u>Qualified Partners</u>, gain access to project assistance from field personnel and networking opportunities. Vermont's <u>Efficiency Excellence Network</u> provides free training and networking opportunities to contractors. Both states have targeted training and engagement to help upskill existing contractors that DEEP can replicate.
- Performance Management Incentives (PMI): NEEP supports DEEP opening a proceeding to consider changes to the primary and secondary PMI metrics. NEEP has researched these approaches and would be happy to provide technical assistance or research as DEEP pursues this proceeding. Across the region, PMIs have been used to encourage various goals and drive program design. For example, <u>New York, Vermont, and DC</u> provide examples of PMIs directly tied to GHG emissions reductions. Other states like Hawaii and Massachusetts have looked to <u>embed equity in their PMIs</u>. NEEP's <u>Regional Roundup</u> provides information on all the different PMIs utilized in the NEEP Region.
- Electric Resistance Conversions: NEEP supports DEEP's proposal to target electric resistance heating systems for high-efficiency heat pump system conversions for customer affordability. Heat pumps cut electricity usage by <u>50 percent</u> when compared with electric resistance heating. Targeting this sector will not only result in usage reduction benefits for the electric grid but will improve energy affordability for customers as electric resistance is one of the most expensive ways to heat a home. Connecticut could also consider conducting a gap analysis to understand the size of the electric resistance heating market and sector-specific barriers to conversion to heat pump systems.
- Implementation of IRA Programs: IRA Home Energy Rebates provide an opportunity for state energy
  offices to work with current energy efficiency program administrators to streamline program offerings
  and coordinate all available resources. In states like Connecticut, current program administrators may



<u>already run programs</u> similar to what the state is considering and have knowledgeable staff and resources that can be used. Pulling all available funds under one program can <u>save consumers money</u> through lowering upfront costs and provides opportunities to streamline involvement for administrators, contractors, distributors, and other market actors, as all programs operate under the same structure. This can create partnerships and resources that would still be available after the state has spent down DOE funding, <u>ensuring stability and long-term market transformation</u>. One question to tackle when designing these types of programs is how to attribute savings from IRA Home Energy Rebate Program dollars. NEEP released a report last year that breaks down the various options and provides examples of the types of coordination that DEEP can explore during this process.

### Additional recommendations for Draft Determination:

NEEP has identified five key areas and has provided additional recommendations for DEEP to consider as the Conservation & Load Management Plan is finalized: Gas Incentives, Equitable Distribution, Demand Response, Cost-Benefit Testing, and Emergency Replacements.

#### **Gas Incentives**

For residential customers, DEEP has determined that direct incentives for natural gas combustion equipment will be phased out for market-rate customers but will continue for low-income and environmental justice communities to ensure affordability. Weatherization upgrades are prioritized for gas program dollars, but some heat pump rebates will be allowed for market-rate customers. For the C&I sector, DEEP has asked that the companies maintain a level of flexibility allowing incentives for gas equipment if: electrification is not technically feasible, customer costs will increase after electrifying, or electrification is not cost-effective for the program. Below are some recommendations as DEEP navigates next steps with the phaseout of incentives for gas equipment.

- Consider a process for the phaseout of direct incentives for gas equipment, prioritization of weatherization, and co-funding of heat pumps. NEEP would like to provide additional examples for DEEP to consider at the C&LM program considers next steps for gas incentives. This phaseout is in line with other states' plans: California has set a ten-year phase out for gas incentives with viable electric alternatives, while Massachusetts has eliminated residential incentives for replacement gas equipment and requires all-electric as the default for new construction. Rhode Island has adjusted budgets to shift away from incentivizing gas equipment. Connecticut's decision to eliminate market rate funds but continue to process rebates for low-income customers can also ensure affordability, while enabling expansion of heat pump equipment through the program. This targeted approach strikes a balance between the urgency to transform the market and the need to ensure customers can still afford their energy bills. Connecticut might consider establishing a firmer phaseout schedule for incentives for new gas equipment. Additionally, Connecticut could require that contractors serving low-income customers with new gas equipment provide heat pump cost and energy use comparisons.
- Consider implementing a formal statewide program to focus gas program dollars on weatherization and heat pump rebates. NEEP also supports a focus for gas program dollars on weatherization upgrades and heat pump rebates, which will target energy efficiency, energy affordability, and alignment with the state's climate and weatherization goals. As a similar example, Mass Save PAs will implement the "Mass Save Electrification" umbrella program in the 2025-2027 cycle that provides heat pump rebates regardless of whether the customer has a gas or electric utility. This program is an innovative statewide

<u>electrification program</u> offered by both the electric and gas PAs that uses a single statewide touchpoint, reducing confusion for customers and streamlining participation. While innovative, this approach is not a new method of savings allocation. Past and current efficiency programs have <u>allocated a proportion</u> of savings across various actors to encourage coordination and cooperation when two or more parties come together to deliver one program. For example, in Vermont, Green Mountain Power and the Vermont statewide energy efficiency utility, Efficiency Vermont, employ a similar attribution method to allocate savings from its jointly funded heat pump rebate program. Prior to each cycle, both parties sign a memorandum of understanding, which allocates savings and outlines the roles and responsibilities of each party. Connecticut could consider creating a similar program to Massachusetts or Vermont that coordinates multiple parties on the back end to present a seamless customer experience.

### **Demand Response**

NEEP supports DEEP's continuation of active demand response programs to reduce the cost of peak generation, suppress wholesale power prices, and reduce the need for transmission, distribution, and generation investments. Current C&LM offerings include incentives for residential customers to enroll in qualifying connected devices, including thermostats and battery storage systems. Below is a recommendation to increase access to these programs for low-income customers.

• Consider incorporating programs that enable low-income residents to participate in C&LM demand response offerings. Active demand response programs, such as time-of-use programs or appliance-based offerings, are a great way to engage a wider swath of customers at a lower cost. Further, these programs educate consumers about their energy habits and empower them to have more control over their power bill. Finally, as more utilities begin offering time-of-use rates, utilities can employ this data to offer more customer-centric programs. The 2025-2027 Draft Plan notes that there are unique challenges for income-eligible residential customers to participate in the thermostat-based demand response program, including the purchase cost of the smart thermostat. To increase low-income participation, DEEP can encourage the utilities to consider programs that do not require the purchase of equipment to participate, such as DTE Energy's <u>SmartCurrents</u> program, which provides customers with smart thermostats at no cost if they agreed to participate in active demand response programs.

#### **Equitable Distribution**

NEEP supports DEEP's efforts to determine equitable distribution and looks forward to the 2019 – 2023 report being published this year. Equitable distribution is designed around community needs and ensuring purposeful investment that builds wealth. In the past cycle, DEEP found that a smaller proportion of incentives were distributed than were received in bill collections from distressed census tracts. DEEP should address this disparity going forward. While not mandated by statute, in the <u>2025-2027 Draft Plan</u>, 13 percent of the electric budget is targeted toward income-eligible residents, and 25 percent of the gas budget. 5 percent of electric savings and 17 percent of gas savings are also targeted to come from the income-eligible sector.

DEEP's efforts so far have contributed to some changes in portfolio design and delivery. The E3 proceedings, which were a collaboration between DEEP, the utilities, the EEB, and stakeholders, outlined strategies for the state to ensure program benefits accrue equitably to residents and businesses across the state. DEEP has stated it will issue the Equitable Distribution Report for 2019-2023 in 2025, which will track distribution of benefits based on racial diversity, income on a more granular level (adding moderate-income level tracking), and the

prevalence of high energy burdens or high arrearages or shut offs. Further, the utilities plan to explore adding renter protection language for programs that include federal funds and to promote participation in the Multifamily Initiative. Finally, DEEP is exploring a three-part Performance Management Incentive (PMI) emphasizing renter participation, supplier diversity, and Environmental Justice Community (EJC) involvement, as well as directing utilities to propose renter-focused PMIs.

DEEP defines equitable distribution as comparing a customer segment's revenue contributions to the program incentives available, but with a focus on the most at-risk census tracts in the state. The Draft Determination further notes that equitable distribution is an important granular analysis of access to programs, but it does not fully capture the entire scale of the program reach. Below are additional recommendations to improve the equitable distribution goals of the C&LM Plan.

- **Continue robust, program-informing stakeholder engagement.** Equity-related tracking efforts, whether in the energy efficiency space or beyond, are important ways to better understand current practices, identify gaps, see trends over time, and provide accountability. First, DEEP could track whether inclusive, accessible, authentic engagement and representation are embedded in its processes, by tracking opportunities for inclusive public comment. DEEP can refer to NEEP's <u>report Centering Equity with</u> <u>Metrics, Creating a Process for Meaningful Stakeholder Engagement</u> for additional discussion.
- Track metrics for workforce programs. Underpinning all energy efficiency programs is a community of companies and workers who face numerous new opportunities as these programs grow. Without accountability, this workforce could perpetuate inequities as well. However, metrics that track workforce growth and hiring practices can provide accountability and access to help undo these barriers. For example, public-facing reporting on transactions with women-owned or minority-owned businesses (WMBE) can encourage companies to expand their relationships with businesses. For more information on workforce best practices, see NEEP's Equitable Workforce Best Practice Guidance.
- Create a Connecticut Strategic Renter Plan. The <u>Massachusetts Strategic Renters Plan</u> was a result of outreach and stakeholder engagement with renters, landlords, and the Equity Working Group in Massachusetts. The plan includes three key strategies: community partnerships (partnering with local housing and healthcare organizations), marketing (addressing language barriers and providing targeted outreach to communities), and program delivery strategy (online and virtual assessments and additional enhanced incentives). Additionally, it established participation goals and metrics, as well as exploring ways to use datasets to target outreach and ensure successful implementation. Connecticut can learn from this process and recommendations and look to replicate similar efforts in the state.
- Establish a one-stop-shop dedicated multifamily program offering. The multifamily sector faces specific challenges, including renter/landlord split incentives, longer project timelines, a need for engagement and communication with renters, and workforce needs. Large building owners may not be familiar with the benefits of energy efficiency improvements, nor with the available options for energy efficiency technologies and programs. A one-stop-shop offers a single point of entry for large building owners to access energy assessments, C&LM funds, and qualified building contractors for various types of upgrades. Connecticut could refer to the LEAN Multifamily Program in Massachusetts, which delivers complete energy efficiency measures for affordable multifamily buildings across the state, including building assessments, project management, and post-project inspections.

• Utilize performance incentives that measure progress toward the state equity goals. As the state considers performance incentives for equity, we wanted to highlight two key examples CT DEEP could look at. Hawaii features a performance incentive that includes <u>two performance metrics</u>: a "savings" metric that measures the delivery of energy savings to LMI customers, and a "participation" metric that measures increased participation by LMI customers. Hawaiian Electric can receive up to two million dollars as a reward. In Massachusetts, <u>Mass Save</u> utilizes an equity goal to encourage equitable and cost-effective program implementation. The equity goal is a net-benefit goal applied on the community level to encourage program implementers to design programs that will deliver benefits to historically marginalized and/or excluded communities. This component is unique in that it is measured on the community level, which requires it to be broken down by zip code. To earn incentives for achieving the low-income goal, program administrators must deliver 85 percent of planned net benefits to historically marginalized and/or excluded communities.

### Cost Benefit Testing

A key part of ensuring cost-effective climate energy policies is acknowledging the environmental and societal impacts of our energy system and aligning the cost-effectiveness test with state climate and equity policy. Creation of the Connecticut Efficiency Test (CTET) has helped Connecticut continue to excel in energy efficiency and give program administrators the ability to innovate as they design programs that move beyond energy savings and incorporate state climate and equity policies.

NEEP encourages DEEP to build on the CTET test in the coming years, updating the test with each C&LM cycle through an inclusive stakeholder process. This can ensure the test continues to include the proper inputs and provide any updates that align with policy goals of the state in a predictable manner and forum. For example, other metrics could be added to the test to consider the real time costs of energy and additional non-energy benefits conferred to participants, such as comfort, health and safety. DEEP can reference <u>NEEP's</u> <u>Implementation Guide</u> and <u>NEEP's Non-Energy Impacts Approaches and Values: An Examination of the</u> <u>Northeast Mid-Atlantic, and Beyond</u> for additional metrics. Below are additional metrics to use:

• Use a low-income proxy value to drive equitable program design. The social, health, and economic burdens created by our energy system disproportionality fall on poor communities and communities of color. A low-income proxy should be used to quantify the disproportionate impacts and benefits felt by these communities without needing to identify precise numbers for each benefit. Some states refer to these proxy values as "adders." These proxies represent a range of benefits including reduced energy burden, increased comfort from more controlled indoor climates, investment in homes, and health and safety for participants and communities. Below is a table highlighting programs that incorporate proxies to account for low-income non-energy benefits:

Proxy or Adder	50%	25% - 20%	15%	10%
Percentage				
States	<u>Colorado</u>	<u>New Mexico</u> <u>Nevada</u>	<u>Vermont</u>	<u>New Jersey</u> <u>Utah</u>



• Add proxies to value participant non-energy benefits. To <u>align the cost benefit analysis with state clean</u> <u>energy goals</u>, such as electrification and weatherization efforts, NEEP encourages the addition of participant NEIs to the BCA via a proxy value. This metric can recognize the additional benefits of energy efficiency programs for participants beyond bill reduction and encourage program administrators to design programs that align with state goals. Many states currently use a base proxy to quantify nonenergy impacts that range from 5-20 percent. These proxies recognize benefits including: home value and comfort, economic benefits of programs, public health, energy security, legislative or regulatory mandates, support for regional market transformation programs, experimental and pilot programs, water, and sewer benefits, and other hard to quantify benefits.

Proxy or Adder	20%	15%	10%	5%
Percentage				
State	<u>Colorado</u>	<u>New Mexico</u> <u>Vermont</u> <u>Nevada (Residential)</u>	Illinois (7.5% for gas) Iowa (7.5% for gas) Washington Oregon Idaho Montana Nevada (Commercial)	<u>New Jersey</u>

Increase the cost of carbon to align with state policy goals. Additionally, Connecticut should align the cost of carbon with neighboring states. Accurately capturing avoided greenhouse gas emissions will help to align the test with state goals by quantifying economic harm from carbon and climate change impacts such as extreme weather events, rising sea levels, food insecurity, and other disasters that are typically not included in the analysis. The CTET accounts for the cost of carbon emissions, as based on the 2024 Avoided Energy Supply Component Study (AESC), using \$173/ton (or \$157/short ton), whereas <u>Massachusetts</u> uses \$393/short ton (in 15-year levelized terms, in 2021 dollars), with a 1% discount rate. To see more on additional metrics DEEP can reference <u>NEEP's Implementation Guide</u> and <u>NEEP's Non-Energy Impacts Approaches and Values: An Examination of the Northeast Mid-Atlantic, and Beyond</u>.

### **Emergency Replacements**

As highlighted in the Draft Determinations, a functioning heating system is essential to human health and safety, particularly during cold weather periods. In these draft determinations, DEEP directs the utilities and EEB Technical Consultants to develop a proposal for limited emergency replacements, potentially using energy-efficient heat pumps and water heating equipment.

• **Create an emergency replacement heat pump water heat program.** In California, Barnett Plumbing developed a <u>HPWH loaner program</u> in 2022, in which customers with a failed gas heater were offered a no-cost temporary "loaner" gas water heater if they committed to fuel-switching. This loaner water heater approach eliminated the barrier of customers needing to be without hot water while getting retrofitted with a HPWH. As a result, customer conversions from gas water heaters to HPWH increased from 1 percent to 17.1 percent. The program also provided a supplemental contractor payment of



approximately \$975 to cover the additional installation cost of the loaner gas water heater. For phase 2 of the project, Barnett Plumbing added 120V HPWHs as an alternative to the gas loaner option. 120V or plug-in heat pump water heaters (HPWH) present an untapped opportunity to replace failed gas or electric resistance water heaters. Installation of these HPWHs does not require an electric panel upgrade, so this provides an immediate or same-day emergency replacement solution. Barnett Plumbing's combined strategy increased the conversion rate to around 52 percent.

#### Conclusion

We thank the Connecticut Department of Energy and Environmental Protection for the opportunity to provide comments. These comments are intended to support the work currently underway with the implementation of the 2025-2027 Conservation and Load Management Plan. In addition to these comments, NEEP is available to provide technical assistance to DEEP on the C&LM and other energy efficiency policies and programs. If you have questions or would like additional information, please reach out to Erin Cosgrove, <u>ecosgrove@neep.org</u>.

Sincerely,

Erin Cosgrove

Erin Cosgrove Director, Policy and Programs Northeast Energy Efficiency Partnerships ecosgrove@neep.org