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**Comments of Natalie Hildt, Manager of Public Policy Outreach
Northeast Energy Efficiency Partnerships (NEEP)
On the Proposed Determination to Approve the 2012 C&LM Expanded Budget**

Tracy Babbidge, Interim Bureau Chief
Department of Energy and Environmental Protection
Bureau of Energy and Technology Policy
Ten Franklin Square
New Britain, CT 06051

Dear Ms. Babbidge,

On behalf of Northeast Energy Efficiency Partnerships (NEEP)¹, thank you for the opportunity to provide comments relative to the DEEP's Proposed Determination to Approve 2012 C&LM Expanded Budget. NEEP has been particularly engaged in Connecticut's energy efficiency policy developments in this period of transition and growth, as the state contemplates policy changes that will help fulfill the mandate of pursuing "all cost-effective" energy efficiency (ACE-E) called for under Public Act 07-242.

We strongly urge the PURA to approve disbursement of electric program funding at the level recommended by the Bureau of Technology and Policy, and to make every effort in the future to work with parties to ensure strong, sustained and coordinated funding for energy efficiency programs as well as a regulatory framework that facilitates a construct for the state's utility companies to be strong drivers of efficiency. It is essential that the state takes steps to align interests so that all parties – including residential and business customers, utility companies, efficiency professionals, and the broader public – can benefit from the efficiency value proposition.

Commendations for Connecticut

In NEEP's estimation, the Bureau has produced a well-considered and balanced document in the Proposed Determination, including addressing input and concerns from a variety of stakeholders. We commend the DEEP for its recommendation that Connecticut pursue an expanded efficiency budget, and also its recognition that such a ramp-up should be careful and controlled. Connecticut has long had an all cost-effective policy directive, but has lacked the administrative leadership and regulatory implementation framework to truly advance this goal. The leadership of Governor Malloy and Commissioner Esty, together with the efforts of the Energy Efficiency Board and the electric and gas distribution utilities, is bringing this vision closer to reality.

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



In such an expansion, it is important that numerous parties cooperate on areas including marketing and communications, program implementation and evaluation. Additionally, this is the time to leverage complementary public policies on buildings and products, as well as efforts involving education and training that will help the state meet its energy savings goals. Increased funding for Operations and Maintenance is a very smart step, in NEEP's estimation. It is also encouraging to see progress on residential and commercial financing solutions, as well as collaboration with the Clean Energy Finance and Investment Authority (CEFIA). Financial products can help customers overcome barriers to investing in efficiency, but they are not a replacement for incentives and technical support. It is NEEP's hope that Connecticut continues to be a leader in developing such innovative strategies.

Support for CAM, Recovery of Lost Sales

Developing appropriate funding mechanisms to support an expanded energy efficiency portfolio is important to both successful program implementation and to instill public confidence in the process. NEEP supports the implementation of a Conservation Adjustment Mechanism (CAM) to allow the utilities to procure efficiency as a resource through rates in a manner similar to generation. The CAM seems to be a well-considered and flexible tool to match customer demand for efficiency with a stable funding source.

To the point of alignment, NEEP supports appropriate performance incentives together with full decoupling to remove the disincentive for utilities to be drivers of efficiency goals. As Connecticut Light and Power is currently disallowed from any rate adjustments under the terms of the recent merger agreement, we support lost revenue recovery or a lost sales adjustment based on the reduced profits that will come as a result of increased savings from energy efficiency.

Consideration of Rate Impacts

We appreciate the Bureau's attention to rate impacts, and the recognition that wide-scale investments in electric efficiency can play an important role in price suppression. We are glad to see that a full report on rate components is being developed. We would again note that Massachusetts is giving considerable study to this issue as well, and has recently convened a study group on bill impacts as the state prepares for its second three year efficiency plan under the Green Communities Act.²

Opt-Outs Would Undermine Programs

Relative to the petition of CIEC in favor of self-directed programs for large customers, we appreciate the Bureau's guidance about finding ways to make the existing programs work better for all customers rather than allowing opt-outs. The electric and gas energy efficiency programs work in Connecticut because of the unified and coordinated funding, marketing, operation and evaluation. Any proposal exempting the largest commercial and industrial users would not represent the best use of ratepayer dollars to advance energy efficiency. Where opt-outs have been allowed in other states, the results are spotty at best, with the state running a genuine risk

² For more information on the Bill Impact Working Group, Jeffrey Leupold, the Massachusetts Department of Public Utilities hearing officer assigned to rate impacts, can be reached at jeffrey.leupold@state.ma.us.



of invalidating much-needed energy savings. Opt-outs would also present issues of equity, with one rate class being treated vastly different from others. Such projects or programs would still require independent and rigorous evaluation, measurement and verification, posing costs and responsibilities not currently encountered and removing the opportunity to leverage common funds. The jointly administered state-wide efficiency programs work because of the technical expertise and verified savings of the regulated programs. For these reasons, NEEP believes that exempting certain businesses from the state-wide efficiency programs is not a sound idea in policy or practice.

Addressing Oil Heat

NEEP holds that a whole building approach to energy efficiency offers better opportunities for substantial savings *and* better customer service, and, thus, we urge DEEP, PURA, and leadership in the State Assembly to work across lines and develop solutions to help people who heat with oil use less energy. While the legislature has approved lifting the \$500,000 cap on what the EDCs can spend on oil heated homes by passing SB 501, this is a temporary fix.

Indeed, in his remarks at NEEP's Regional Efficiency Summit held in Stamford June 14, Governor Malloy noted that: "We need to make certain all home owners in Connecticut are able to participate in energy efficiency programs, including those who heat with oil. We must develop a permanent solution," the governor said, noting that a large percentage of the state's residents depend on fuel oil.

NEEP has been working across the region to encourage development of efficiency funding sources from fuel oil at the wholesale level.³ Connecticut is not alone in its efforts to extend thermal efficiency opportunities to customers regardless of fuel type. We encourage parties to work together and to look to neighboring states as policy solutions emerge on this crucial but challenging issue.

Multi-Year Plan, Flexibility are Key

We applaud the Bureau's recommendation that Connecticut move toward a multi-year planning cycle. In our estimation, based on the experiences of neighboring states and the need to take a longer view and reduce administrative burdens while ensuring program quality and flexibility, we believe the optimal time frame is three years. Certainly, the program administrators and regulators will need and want the ability to make changes along the way. We again point to the experiences of states like Massachusetts, Vermont and Maine that have undertaken multi-year planning cycles.

The opportunity to carry ahead or move a certain percentage of budgets based on the programs and market sectors with greatest demand, as well as the ability for the program administrators to make certain mid-term modifications without triggering a significant PURA review, would streamline the process while ensuring ongoing oversight by the EEB and DEEP.

³ See NEEP's opinion piece that recently ran in the *Boston Globe*: <http://www.energyefficiencymatters.org/bay-state-needs-oil-heat-efficiency-fund/>



On EM&V and EEB Consultant Support

We believe it is crucial to devote adequate resources toward counting the real impacts of efficiency through evaluation, measurement and verification (EM&V). This is increasingly important as states meet greater and greater percentages of demand with efficiency resources, and regional forecasters seek to understand and plan for the impact that efficiency will have on generation and transmission projects. NEEP encourages an open and collaborative EM&V process both within and among states, and applauds the work on the Evaluation Roadmap. While evaluation is extremely necessary, it is also very technical, time and labor-intensive, and costly.

To that end, we thank Connecticut for its leadership and involvement in the Regional Evaluation, Measurement and Verification Forum since the Forum's inception in 2008, and encourage the state's continued participation. The Forum has made important progress to date to develop and support the use of consistent protocols to evaluate, measure, verify, and report the savings, costs, and emission impacts of energy efficiency and has leveraged funds to conduct valuable regional research. The New England Conference of Public Utilities Commissioners (NECPUC) recently demonstrated its continued support of the Forum by reaffirming its 2008 resolution supporting the Forum. Additionally, the Forum is supported by a complementary Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC) resolution.

The work of the consultants to the Energy Efficiency Board has been invaluable as the state navigates this ramp-up and tests new policies and programs. The consultant team brings some of the premier expertise found anywhere in the country, and has worked tirelessly with the state, utilities and other stakeholders to develop thoughtful and pragmatic approaches to harnessing the power of energy efficiency. NEEP recommends that DEEP and PURA work with the Board to approve adequate and sustained funding for the consultants.

Further Comments

Again, NEEP stresses the importance of strong and stable funding for Connecticut's demand reduction programs, avoiding gaps, uncertainty and delays in program funding that can be extremely disruptive to customers and the market. This point cannot be overemphasized, as the entire efficiency sector – from program administrators to contractors to customers – are dependent upon the viability of the state's energy efficiency programs, and, thus, the decision by PURA to release funding consistent with the proposed program expansion for the remainder of 2012 and beyond.

While the messages from the Malloy administration supporting new and enhanced commitments to energy efficiency are very encouraging, until the actual funding levels and mechanisms are settled, Connecticut's policy goals and the potential of the energy efficiency resource are still to be determined.

NEEP also urges PURA to reconsider its January ruling that gas and electric plans be filed separately. In a time when leading states are moving towards greater coordination across fuel types and market sectors to take a whole-building approach, we believe it is in the greatest interest of customers and savings targets to approve these plans contiguously.



Thank you for considering our input during this important period of planning for Connecticut's energy future. We are very encouraged by all of the commitment to improving the state's energy programs and policies with an eye to maximizing energy efficiency, and look forward to continued collaboration with all parties to that end.

A handwritten signature in blue ink that reads "Natalie Hildt".

Natalie Hildt
Manager of Public Policy Outreach
781-860-9177 ext. 121 or nhildt@neep.org