



CLEAN WATER ACTION

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Comments by Roger Smith, Clean Water Action Campaign Director
on *Draft Report to the Connecticut Energy Advisory Board: Connecticut Electric Conservation Programs Study*

Clean Water Action is an environmental non-profit with 11,000 Connecticut members and has worked on energy related issues in Connecticut since 1998. Since 2003 Clean Water Action staff have promoted clean energy to town officials and individual town residents across the state through the 20% by 2010 clean energy initiative. As Campaign Director I direct our global warming, energy, and air pollution work which seeks to promote energy efficiency at the state and local.

Clean Water Action would like to commend GDS for the overall quality of the conservation study and thank the Connecticut Energy Advisory Board (CEAB) and Energy Conservation Management Board (ECMB) members who took the time to provide comment to improve the study.

The comments below follow the order of the draft report:

Who Should Administer Efficiency Programs?

Clean Water Action believes that the success of efficiency programs depends on a number of factors. Cost-effectiveness, consumer satisfaction, responsiveness of customer service, transparency, and creativity of approach should be included in the metrics used to independently assess the administrators of the state efficiency programs. There should be a mechanism to poll and gain feedback from everyone served by programs- households, educational institutions, municipalities, manufacturers, and others. So long as the program administrators are responsive, accountable, and efficient in their use of ratepayer money, Clean Water Action can justify to our members and volunteers either utility or non-profit program oversight.

When comparing state programs, the draft report summarizes an American Council on an Energy Efficient Economy (ACEEE) report which states:

Successful examples were found with each type of approach (utilities, state-run, independent organizations), and the preferred approach in any particular state seems to depend very much on the particular situation in that state. Each administrative type experienced varying levels of success when measured against program spending, program savings, emissions reductions, and overall cost-effectiveness, with no approach appearing to dominate the top tier programs (Draft Report 4)

Given Connecticut's successful decade-long track record with utility-run programs we would not support a sudden change in program administration. Today's programs are cost-effective in their savings to ratepayers and the report demonstrates that our administrative costs are lower than state and non-profit entities including NYSERDA and Efficiency Vermont (Draft Report 11).

We have significant concerns over the effectiveness of any new administrator, the uncertainty arising from the transition from old to new providers, and the opportunity cost of delayed (or missed) efficiency investments. The draft CEAB Integrated Resource Plan relies on the continued operation and expansion of Connecticut's efficiency programs, and we do not support any changes that threaten these programs.

We would support a non-profit or state entity overseeing additions or expansions to today's programs if there were a particular role where this made sense and did not create unnecessary duplication of efforts or undue administrative burdens.

Program Administration and the Proper Role of Incentives

This report spends a large amount of time reporting on performance incentives and the potential to avoid spending ratepayer money to increase utility profits. We think that is an overly narrow framing of the issues. The key question is whether the efficiency programs are effective in promoting energy efficiency, are as cost-effective as they could be, whether consumers are satisfied with the programs, and whether the oversight we have today is adequate to ensure accountability.

There seems to be little question as to whether the programs are effective in reducing demand—they are. Whether the efficiency program administrator is a utility, non-profit, or state entity we support having some sort of performance-based system that aligns the interests of the administrative entity with those of ratepayers. With our current utility-run structure we support incentives where the more residents save money through cutting energy use the more the utilities benefit. Whether these bonuses are lower or higher than a non-profit or state entity would get, and whether this would be offset or augmented by overall higher or lower administrative costs is a significant unknown. According to the draft report, Efficiency Vermont, for example has a 2% incentive bonus versus up to 8% for Connecticut but yet “Program Administrator Cost per Lifetime kWh Saved” is higher than either CT utility (Draft Report 11, 14).

We also support a system where not only would the utilities be rewarded with an increase in profits for exceeding targets for demand cuts- we support penalties for demand increases. Performance will become increasingly important as Connecticut moves beyond low-hanging fruit. Whereas California is painting roofs white to cut cooling costs, we are incentivizing compact fluorescent bulbs. This is still a good thing to do, of course, but we need incentives and requirements to spur the creativity needed to go beyond the obvious solutions.

Finally, the discussion of decoupling mechanisms, which if done properly end utility disincentives to conservation and incentives to increase sales, wrongly conflated it with performance incentives. We should join California in offering incentives for cutting demand *in addition to* decoupling to better align utility and consumer interests in reducing energy use.

Moving Beyond Low-hanging Fruit and the Question of “Cost-Effectiveness”

In discussing future Connecticut Energy Efficiency Fund (CEEF) programs, the draft report tellingly described the upcoming air conditioner replacement program:

The Room Air Conditioner Replacement program is a result of recent Connecticut legislation that was passed in 2007. Public Act 07-242, Section 3, *An Act Concerning Electricity and Energy Efficiency*, provides rebates for

customers to replace window air conditioners that do not meet federal ENERGY STAR® standards with units that do meet these standards... The Companies have issued a Request for Proposal (“RFP”) to retailers, distributors and disposal/recycling vendors, and are currently awaiting responses... **In situations where the Companies and ECMB determine that the “best” proposal is too expensive and not cost-effective, the rebate amounts or program implementation design will be adjusted to reach a cost-effective solution. If the Companies and ECMB determine there is no cost-effective solution, they plan to notify the DPUC and reallocate the dollars to other approved programs.** (Draft report 24, emphasis added)

While this report did a number of things well, it could have done a better job in connecting its findings. The report concludes with an important opinion and attitudes survey which demonstrates that the public is clearly becoming more aware of the need for efficiency (85% say efficiency is “very important”), and which demonstrates a tie between individual concern over energy costs (68%) with a sense that efficiency has broader societal benefits (37% cite environmental benefits as a reason to be efficient).¹

Returning to the question of air conditioners, what is “cost-effective” depends on how the program is implemented. The traditional business outreach models of Request for Proposals and mass media advertisements must be augmented by models of earned (i.e. free) publicity or there is a real possibility that many otherwise worthwhile programs will be discarded as no longer “cost-effective.”

The section on Home Energy Solutions hints at this retreat from serving ordinary working-class and middle-class customers, which bodes poorly for the political future of the programs. This problem should be explicitly addressed in the report, and not just in passing.

HES serves both single family and multi-family homes. In order to ensure cost-effectiveness, the In-Home Energy Services component of the program will be offered only to high-use electric and gas heating customers. Eligible high-use customers will typically have electric space and water heat, or central air conditioning with natural gas heat. The Companies will establish high-use eligibility criteria that will look to incorporate normalized electric and/or natural gas consumption. (Draft Report 30)

New Program Issues: As the Companies look to target high-use customers, it is important that those who do not meet these eligibility criteria are not overlooked. (Draft Report 33, Emphasis Added)

For the residential market in particular, outreach has significant costs and the challenges range from increasing awareness of programs, and creating and implementing strategies to reach different communities and types of people to ultimately identify receptive individuals and households. **This approach may seem difficult, possibly even overwhelming, but the political will to continue high levels of investment in energy efficiency depend upon the satisfaction of residents with the programs. Legislators and the governor cannot point to**

¹ The “verbatim comments” section of the survey strongly supports the idea of both personal and social drivers for energy efficiency. One respondent wrote efficiency was important because: “Well obviously the environment and what people can afford. I try to hang my clothes outside if possible, I try to conserve because I know resources are limited, and if each person can save a little bit it will make a huge difference. My aunt brought to my attention if we add a dollar to the electric bill for people who can’t afford it. My uncle is older and struggling to make ends meet, older people on fixed income.” Another wrote: “Major benefits of energy efficiency for the purpose of global warming and saving money for my grandchildren’s future. I think it would be in our best interest if we didn’t depend on foreign supplies for energy.” (Draft Report 173,174)

CEEF programs to demonstrate how they are working to reduce energy costs if the programs are seen as ineffective or not accessible to ordinary citizens.

As the ECMB and utilities look to move beyond low-hanging fruit and reach more residential customers in a cost-effective manner, they must examine new models of outreach, including community engagement. This report should recommend an investigation of efficiency outreach programs in comparable states and towns, and that the efficiency programs begin to challenge Connecticut residents to solve these outreach problems. We recommend the ECMB coordinate efforts with non-profits including seniors groups, service organizations, environmental groups, town officials, local neighborhood associations, leaders of the faith community, and more.

Programs which challenge municipal leaders and non-profits to enlist volunteers in peer outreach efforts will create new opportunities for Connecticut efficiency programs while winning over key local opinion leaders and potentially earn unpaid media. A model very similar to this one was successfully used by the Connecticut Clean Energy Fund to significantly bring down the acquisition costs of residential customers to the Connecticut Clean Energy Options program and not simply put the burden on the two clean energy companies to do all their own marketing, as happened and failed five years ago.

In contrast with that failure, Connecticut now has over sixty 20% by 2010 towns, where receptive citizens and public officials are signing up *to pay more* to support clean energy. This is due to widespread concern over global warming, air quality, and energy issues, and public outrage over rising fossil fuel costs. These towns and citizens are already supportive of clean energy and with goals, direction and new programs to support them could do the same for efficiency. In 2006, for clean energy sign-ups, 20% by 2010 towns outpace non-20% by 2010 towns by more than 70% despite similarities in overall media exposure, and the same mailings by the utilities. Personal contact is a proven means of moving people from awareness to action.

A strategic efficiency outreach campaign run by the utilities, a new non-profit efficiency entity, or a RFP seeking creative community-based ideas could build upon widespread public concern and a sense of civic duty, and make use of community networks created by Clean Energy Fund-supported initiatives. Any new residential efficiency outreach should be coordinated with the Clean Energy Fund to capitalize upon synergies between the programs.

No Ratepayer Left Behind

Connecticut's energy efficiency programs need to become more flexible and creative to fulfill the mandate in Public Act 07-242 to maximize investments in cost-effective efficiency to meet our energy needs. The popularity and success of the Connecticut Energy Efficiency Fund ultimately depends upon it remaining equitable for the ordinary ratepayers who support it every month, and who also vote.

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JUNE 2, 2006

Technology

By Christopher Palmeri

Energy: Wiser on the West Coast From "smart meters" to white roofs, California is putting its crisis behind it

It was six years ago this summer that the great California energy crisis began. The state hadn't built enough power plants to meet demand. Rogue energy traders swooped in, prices soared, and the state's largest utility went bankrupt.

The crisis branded the nation's most populated state as a energy-industry basket case. "What's the difference between California and the Titanic?" recently convicted former Enron CEO Jeffrey Skilling once joked. "The Titanic went down with the lights on."

Now, as temperatures creep up in much of the country and the peak air-conditioning season begins, it's worth noting that from an energy perspective, there's much good happening in California. More than 30 new power plants have come online in the past six years, generating 12,000 megawatts. The California Energy Commission estimates that it will have generation reserves of more than 20% this August, nearly three times what's required should power usage spike.

The better story, though, lies on the demand side of the equation, or what the state's fitness-focused governor might call portion control. Since California began aggressively pursuing energy efficiency in the mid-1970s, the state's per-capita electricity usage has remained flat at around 6,500 kilowatt-hours per person. In the rest of the country, consumption has risen from 8,000 to 12,000 kilowatt-hours in the same time frame. In terms of carbon emissions, that's the equivalent of keeping 12 million cars off the road.

UTILITIES ON BOARD. How does California do it? Here's one way: The state requires that fluorescent bulbs be used in new construction or major remodels in many rooms of the house. Fluorescent lights are more than four times more efficient than incandescents, so if you're remodeling a kitchen, laundry, or bathroom in the Golden State, you have no choice. The standards are part of a massive set of statewide building codes called Title 24 that was passed in 1978. They get toughened every couple of years or so, and consumers get used to them. "They kind of accept it and move on," says Santa Monica architect Aleks Istanbulu.

California has also succeeded by getting utilities involved in conservation. The state's big electric distributors shell out hundreds of millions of dollars every year in rebates to consumers who install more energy-efficient air conditioners, refrigerators, and heating systems. The rebates, budgeted at \$2 billion between now and 2008, are intended to save \$5 billion in power purchases. "Before we invest in traditional pipes and wires, we have to implement these programs," says Anne Shen Smith, senior vice-president for customer relations at San Diego Gas & Electric. "It's the equivalent of avoiding three new power plants."

Utilities are also required to get more of their power from renewable sources, such as wind, solar, biomass, and geothermal. In 2002, California instituted one of the most extensive renewable programs in the country, requiring 20% of power from such sources by 2010, up from 10% today. The utilities are also being allowed to earn their regulated rate of return on new "smart meters" that collect customer-usage information in real time, allowing the energy providers to recommend ways for them to cut costs. **"California's unique," says Greg Ander, chief architect for Southern California Edison. "Utilities have gotten very aggressive since the meltdown."**

WHITE-ROOF INITIATIVE. Politicians have gotten into the game, too. Governor Arnold Schwarzenegger, who is campaigning for reelection in November, has jumped on the green bandwagon, earmarking \$2.8 billion over 10 years to put small solar systems in place. His "Million Solar Roofs" program, started in January, provides cash to homeowners who choose to install such systems.

The state has other initiatives in the works. California Energy Commissioner Arthur H. Rosenfeld, who has been called the father of energy conservation in the state, says his office is now working on regulations that would require all new roofs in the state to be white, because they absorb less heat and cut air-conditioning bills. "The pharaohs and the Greeks have known this for 5,000 years," he says. **Regulations presently call for flat roofs to be white. The state is working with roofing manufacturers who have created pigments that mimic the energy-saving nature of white so that the regulations can be extended to sloped roofs and tiles by 2008.**

It may seem goofy, but what happens in California usually doesn't stay there. In the mid-1970s, California was a leader in pushing for more efficient appliances. Similar federal standards came into effect in 1992. The result is that even as the average size of refrigerators has increased, the power they use has fallen 75%, to roughly 400 kilowatt-hours per year. It's funny how fast things can turn around. It's not California that's sinking anymore.