



**Comments of the State of Connecticut  
Energy Conservation Management Board (ECMB)  
on the Connecticut Energy Advisory Board (CEAB)  
Draft Report on the Connecticut Electric Conservation Programs Study**

**January 22, 2008**

The Energy Conservation Management Board (ECMB) appreciates the opportunity to review and comment on the Connecticut Energy Advisory Board (CEAB) Draft Report on the Electric Conservation Programs Study (Draft Report). The CEAB conducted the Electric Conservation Programs Study pursuant to Section 59 of Public Act 07-242, An Act Concerning Electricity and Energy Efficiency.

The ECMB respectfully submits the following comments on the CEAB Draft Report.

- 1. The Draft Report confirms that the Connecticut electric conservation programs are effective, cost-effective, and comprehensive, and it concludes that the Connecticut programs rank among the best in New England and the country.** This should be a primary finding of the Draft Report, which should be included in the Executive Summary and in the Findings section.<sup>1</sup>

The Draft Report analyzes energy efficiency programs in Connecticut and other New England states by calculating and comparing key indicators of performance such as kWh energy savings as a percent of total retail sales (an indicator of the amount of energy savings), kW peak demand reductions as a percent of total peak load (an indicator of the amount of summer peak demand reductions),<sup>2</sup> and total program cost per kWh of energy savings (an indicator of cost-efficiency). The Draft Report concludes that Connecticut programs rank high in all of the performance indicators employed in the Draft Report. The Connecticut programs are achieving high levels of energy savings, at a low cost per unit of savings. In addition, the Draft Report finds that the Connecticut programs have exceeded their energy savings goals in 2005 and 2006 (Table 1.1).

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<sup>1</sup> The ECMB recommends that a summary list of key findings be included at the end of the Executive Summary.

<sup>2</sup> Figure 2.5 (p.12) shows that the Connecticut energy efficiency programs rank very high on the indicator of kW peak demand reductions as a percent of total peak load. The CEAB should consider placing this figure in the Executive Summary, following Figure 1-1.

The Draft Report also cites several independent studies conducted by the American Council for an Energy Efficient Economy (ACEEE). One ACEEE study in 2007 ranked Connecticut, California, and Vermont as the leading states in energy efficiency,<sup>3</sup> and another recent ACEEE study ranked several Connecticut electric energy efficiency programs as “exemplary.”<sup>4</sup>

2. **The Draft Report states, in its discussion and in citing other independent reports, that no single approach to program administration is convincingly superior to all other administrative alternatives.** This should also be a primary finding of the Draft Report.

The Draft Report stated that there did not appear to be any clear cut ‘best’ approach to administer energy efficiency funds and programs, successful examples are found with each type of administrative approach (utilities, state agencies, and independent organizations), and the preferred approach in any particular state seems to depend very much on the particular situation in that state. The Draft Report also cited Blumstein et al.<sup>5</sup> who found that *no single administrative structure for energy efficiency programs has emerged in the U.S. that is convincingly superior to all of the other alternatives.*

Also note that several of the perceived disadvantages of utility-administered programs identified in the Draft Report have been addressed and mitigated by the DPUC and the ECMB. In particular, the Connecticut programs are statewide (not utility service territory specific), they address the Connecticut statewide market as well as local markets, and the design, marketing, and implementation of the programs are overseen by the DPUC with assistance from the ECMB (which is also statewide), thereby reducing utility control over the programs.

3. **The ECMB cautions against considering a change in program administration at this time.** The ECMB cautions against a change in administration at this time because the Connecticut programs are effective and cost-effective, they are performing very well, and they are among the leaders compared to programs in other states. A change in program administration does not appear to be warranted.

Further, the increase and expansion of conservation efforts and programs is a higher priority in Connecticut than a change in administrative approach (which has taken significant effort in other states). This is especially true given the directive in Public

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<sup>3</sup> [www.aceee.org/press/e075pr.htm](http://www.aceee.org/press/e075pr.htm)

<sup>4</sup> [www.aceee.org/utility/exemplary\\_programs/0709exemplary-programs.pdf](http://www.aceee.org/utility/exemplary_programs/0709exemplary-programs.pdf)

<sup>5</sup> Blumstein, C., C. Goldman, and G. Barbose. 2003. Who Should Administer Energy-Efficiency Programs? CSEM WP 115. Berkeley, CA: University of California Energy Institute.

Act 07-242 to procure all cost-effective energy efficiency, and considering the Companies' recently-submitted procurement plan, which concluded that Connecticut could acquire large amounts of cost-effective energy efficiency resources, significantly above the level of energy savings being achieved in current programs.

The top priority in Connecticut should be to increase and expand the energy efficiency programs to provide additional cost-effective savings and benefits to consumers and businesses.

4. **The Draft Report found that customer awareness of Connecticut energy efficiency programs has increased.** This is also confirmed by very strong customer response to and participation in the existing programs. Additional marketing and outreach is being planned and implemented in 2008, led by the DPUC with assistance from the ECMB and the program administrators.
5. **CEAB should clarify several statements in the Draft Report about performance incentives and lost revenues.**

First, a performance-based incentive can be a useful and effective tool for encouraging high-performing programs and focusing management attention on achieving results. Performance incentives are used in many states with high-performing energy efficiency programs, including in California, Massachusetts, and Vermont, in addition to Connecticut.

Second, performance incentives can be effective tools for any and all types of programs administrators. They are not limited solely to utility administration.

Third, performance incentives for energy efficiency programs in Connecticut are intended to be just that – performance-based incentives.<sup>6</sup> Performance incentives in Connecticut are not intended to be an offset or compensation for lost revenues. In its Decision in Docket No. 99-09-30 (May 10, 2000), the DPUC stated: “The Department does not view the management performance incentive as a means to make the Company whole for lost revenues.” Therefore, related statements in the Draft Report about performance incentives, lost revenues, and decoupling (such as on pgs. 6 and 7) should be corrected and clarified.

Therefore, the ECMB recommends that the discussions in the Draft Report regarding performance incentives, lost revenues, and decoupling should be clarified consistent with the comments above.

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<sup>6</sup> Connecticut uses a performance-based incentive, not a performance management fee. The terminology in the Draft Report text should be corrected accordingly.

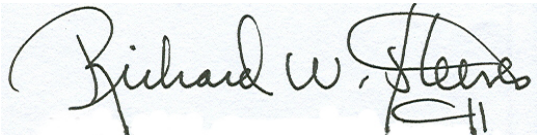
**6. The Draft Report should clarify the recommendation that the Companies be required to track and report actual participant costs, and that each year a Total Resource Cost (TRC) test benefit/cost ratio, based on actual costs, be reported to the DPUC for each Connecticut energy efficiency program.**

Connecticut (per DPUC directive) uses the Electric System test<sup>7</sup> as the approved and primary cost-effectiveness test. The Total Resource Cost test (TRC) is not the primary test in Connecticut, though it is the primary test in some other New England states. The Electric System test does not use participant costs, and that is the reason actual participant costs are not reported in Connecticut.<sup>8</sup> Therefore, the reporting in Connecticut is consistent with the DPUC-approved Electric System test. The ECMB has used the TRC test (in addition to the Electric System test) in its planning processes, and TRC numbers are included in the annual program plans. However, the annual reports to the DPUC provide the Electric System test numbers.

If the CEAB and Connecticut stakeholders would like to see the energy efficiency program results reported using both the Electric System test and the TRC, and the DPUC so authorized, the reporting procedures could be modified to report the results using both cost-effectiveness tests.

Thank you for the opportunity to review and comment on CEAB's Draft Report, and for the ongoing coordination between CEAB and the ECMB.

For the ECMB,

A handwritten signature in black ink that reads "Richard W. Steeves". The signature is written in a cursive style with a large, stylized "R" and "S".

Richard W. Steeves  
Chairman

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<sup>7</sup> The Electric System test was formerly known as the Utility Cost test.

<sup>8</sup> Note that when other states indicate that they are “reporting actual participant costs” this commonly is done by tracking the number of participants or measures times a standard participant cost per unit. Rarely are actual costs for individual participants tracked and reported.