

COMMENTS TO:
CONNECTICUT DEPARTMENT OF PUBLIC UTILITY CONTROL

COMMENTS REGARDING
CONNECTICUT ENERGY ADVISORY BOARD'S DRAFT ELECTRIC
CONSERVATION PROGRAM STUDY AS PART OF ITS REQUIREMENT IN CT
PUBLIC ACT 07-242, SECTION 59

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COUNCIL

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The Connecticut Chapter of the Northeast Energy Efficiency Council (CT-NEEC) is a subchapter of the Northeast Energy Efficiency Council which is a regional coalition of businesses and people involved in the energy efficiency marketplace. We appreciate the opportunity to provide these comments.

Energy policy, both in its supply and demand - in the short and long term - is under increased scrutiny. The responsible use of our resources through innovative and sound management has reached a critical level.

CT-NEEC wants to applaud the Connecticut Department of Public Utility Control (DPUC) and the legislators on their desire to continue to monitor and evaluate the best approach to service the Connecticut Rate Payers through the most effective expenditure of the Connecticut Energy Efficiency Fund (CEEF).

CT-NEEC recognizes the current administrative structure as a highly competent and effective platform for the cost effective and efficient oversight and delivery of programs that maximizes the resulting savings. We recommend that program administration remains as is.

CT-NEEC is encouraged to find that this Electric Conservation Program Study supports the findings of the “Review of Connecticut’s Conservations and Load Management Administrator Performance, Plans and Incentives” initiated by the Office of Consumer Council (OCC) in 2003.

This Study concluded that “Connecticut consistently scored well on both productivity and depth of efficiency investment compared to the other jurisdictions. This finding applies both for the entire portfolio, for the residential and C&I sectors, and for the individual markets examined in each sector.”

CT-NEEC also finds this consistent with the American Council for an Energy Efficient Economy’s (ACEEE) 2003 and 2007 awards for the best programs throughout the United States where Connecticut won 7 exemplary or honorable mention awards in 2003 and 6 exemplary or honorable mention awards in 2007.

In addition in 2006 the ACEEE Study titled “State Energy Efficiency Scorecard for 2006,” ACEEE ranked Connecticut as number one in the country for energy efficiency programs and policy tied with Vermont and California.

Following, CT-NEEC would like to address specific elements of the Connecticut Electrical Conservation Programs Study.

Section 1.3 Page 5 Second Paragraph:

States that Massachusetts is one of the states that have changed energy efficiency structures over time and that Massachusetts has evolved from utility-administered energy efficiency programs to programs administered by a government public benefits organization or agency...

CT-NEEC submits that this is incorrect information. Massachusetts’ programs are still run by the utilities.

Section 2.1 - Methodology for Comparing Connecticut’s Programs to other Electric Energy Efficiency Programs in the Northeast.

In regards to the metric:

Percent of total annual utility retail revenues spent on energy efficiency programs – this metric measures the level of spending on electric energy efficiency programs relative to utility electric retail revenues in a specific area, state or region.

CT-NEEC submits that this metric is actually out of the control of The Connecticut Light and Power Company (CL&P) and United Illuminating (UI) (CT-IOUs). The amount of dollars spent, especially in recent years, has been at the mercy of the Connecticut

Legislative Body and its actions upon the CEEF. Additionally, going forward the mil rate for efficiency programs is set by the legislature.

Section 2.2 - Comparison of CL&P and UI 2006 programs to Other Jurisdictions

This section compares the spending in Connecticut with other program administrators in the Northeast ranking CL&P fourth and UI ranking sixth.

CT-NEEC submits that this is not an accurate characteristic or representation of the spending or subsequent ranking of the programs or funding in Connecticut. The CEEF was greatly impacted and reduced by the dollars utilized to cover the costs of previous administration's requirement for securitizing the CEEF. This dollar; amount is estimated at thirty millions dollars annually,

Had the thirty million dollars been reinstated to the CEEF funding level would have provided both CL&P and UI with a higher ranking. Additionally, the percentage amount of annual revenues spent on energy efficiency programs would have been increased. Perhaps since the thirty million dollars spent to securitize the CEEF was to keep the programs intact – those dollars should be included in these calculations.

Again and even though the estimated programs administrator costs of both CL&P and UI are on the lower (better) end of the scale, those additional incremental dollars could have proved significantly beneficial in lowering these costs even further.

Furthermore CT-NEEC submits the same dynamic as immediately above applies to the kWh saving as a percentage of 2006 kWh Sales and the kW savings as a percentage of 2006 System Peak Load.

Section 2.3 - Comparison of Energy Efficiency Shareholder Incentives in the New England States

CT-NEEC as a business community, understands performance related structures and agrees that incentives (Performance Management Fee) should be awarded to the CT-IOWs for achieving or exceeding pre-set energy saving goals.

This study outlines and clearly implies that this is a common and easier methodology than other mechanisms. Additionally, that most other structures in other jurisdictions have incentive based platforms.

The table 2-1 Summary of Shareholder Incentive Payments to Utilities for Energy Efficiency Programs – New England show that the State of Maine does not have any incentives for the successful implementation of it's programs. A close look at this would identify that the State of Maine elected to accept a proposal for one entity to administer all of its programs. CT-NEEC submits that the successful candidate has profits built into its contract and that those profits are in one form or another similar to the Performance Management Fee (PFE) provided to the CT-IOWs.

CT-NEEC disagrees with the argument of the OCC that the performance incentives should be decreased and the reduction amounts made available for program expenditures.

The study cites that in 2006 the total combined performance incentives paid to CL&P and UI was just under \$3 million. The combined efficiency spending for both companies for this same period was \$63.9 million (incentives equaled approximately 4.7% of total funding). This is not out of line with what other administrators in other jurisdictions are receiving.

CT-NEEC submits that the most effective way to increase benefits to the ratepayer is to incrementally increase the dollars available for the CEEF.

Section 2.4 - Connecticut Utility Performance Compared to 2005 and 2006 Goals for Electricity Savings

CT-NEEC submits that this demonstrates the success of the current structure and that this structure should continue on as is so long as these types of results are being achieved.

Section 2.5 Connecticut Program Offerings Compared to Other States

GDS's comparative analysis "showed that the CL&P and UI program portfolios are comprehensive and cover most markets and energy efficient technologies except solar water heating and refrigerator turn-in (no longer cost effective).

For clarification purposes, this statement seems to directly conflict with the statement found on page 92 where GDS states "Other states have assigned the administration of energy efficiency programs directly to a state agency. Similar to independent organizations, state administered programs can often be run on a larger scale than utility-based efficiency programs..."

CT-NEEC submits that the Connecticut programs are as large and comprehensive as other program portfolios administered throughout the country.

Section 2.7 Marketing Conservation Programs

CT-NEEC does not understand why this information is included in this study. It is "old News" that has been addressed, new strategies have been implemented and the situation corrected.

Section 2.8 Findings

CT-NEEC disagrees with the statement:

"The first conclusion is that if Connecticut were to adopt a non-profit administration mechanism, the "performance management fee" issue would go

away and the dollars currently distributed to the utilities through the fee would be allocated back to the conservation initiatives. In 2006, a non-profit administrative structure would have resulted in an additional \$5 million (2006 was actually \$2.9 million) toward conservation and efficiency programs for customers.”

There is no data to support this statement. The non-profit administrative structure would entail hiring one or several implementation entities that are for profit where the incentive costs would be installed within the pricing submitted to contract for the program implementation. Additionally, the costs for administration could actually increase due to attendant benefits associated with the “non-profit” administrator.

CT-NEEC also questions the validity of the following statement:

In addition, non profit administration of conservation and efficiency programs would eliminate the potential issue associates with utilities received (receiving) the benefit of merchant generator dollars through RGGI and issues surrounding utility self-promotion and dedicate advertising benefits specifically to the state funded non-profit programs.

First, a structural process for the potential dollars coming from RGGI to the administrator would have to be developed regardless of who is administering the program.

Second, the issues surrounding “self-promotion” of the utilities are already being addressed through actions by the ECMB and the DPUC and the advertising benefits are specifically targeted to the CEEF.

Section 3.0 Residential Electric Energy Efficiency Programs – Specifically Table 3.2 Programs at CL&P and UI.

In this table, the report states that the “Start Date of Program” lists the start date for all of the programs as 1999. CT-NEEC would like to present, as a case in point, that the programs transitioned over to this process were actually started in the late 1980’s or early 1990’s. These programs were designed, modified and proven to work, well prior to the 1998 legislation that incorporated a fully matured portfolio of programs into the CEEF.

Section 9.0 Consumer Awareness of Energy Efficiency

In this section, GDS states that 76% of the residential consumers were aware of the ENERGY STAR logo. CT-NEEC submits that this is one of the highest percentages in the country and that this is something on which the CT IOUs should be applauded. Additionally, 61% of businesses were aware of the electric conservation programs offered by CL&P. Again, this is a very high number due in no small part to the marketing avenues employed by the businesses involved with delivering the programs and the efforts of the CT-IOUs.

Section 10.2 Alternative Funding and Delivery Mechanisms

In section 10.2 GDS' report references the 2004 ACEEE study titled "Five Years In: An Examination of the First Half Decade of Public benefits Energy Efficiency Policies." The ACEEE study concluded that there is not any single best approach to administration of public benefits energy efficiency programs.

CT-NEEC submits that many of the reasons for the design of programs structures adherent to the particular state are due intricacies and unique parameters within each state. For instance, in Vermont the consolidation of programs from the utilities to the Efficiency Vermont platform was heavily dependent on the fact that some 50% of the states residences are serviced by small wholesale electric providers who, on their own, did not have the where with all to implement programs. There are other areas where utility programs were not effective or not reaching the potential the regulatory body felt they could achieve.

In this instance, in Connecticut, we have nationally acclaimed programs, policies rated number one in the country, with some of the lowest administrative costs and high savings results. There is no reason to change the structure – it is working.

In this section, the study references that Illinois is succeeding with programs administered by state agencies. Yes the Department of Commerce and Economic Opportunity (DCEO) is administering programs, however, to be clear, they are not funded by a Systems Benefits Charge – they are funded by the State General Fund.

Section 10.3.1 The Connecticut SBC Model

CT-NEEC has participated and observed the Energy Conservation Management Board (ECMB) and its consultants during the process of reviewing and overseeing the development and implementation of the cost-effective energy efficiency programs. It is CT-NEEC's opinion that this process with regulatory oversight of the DPUC is working well and has matured to a sound structure producing high quality and effective programs.

Section 10.3.4 The Vermont SBC Model

This section states that The Vermont Public Service Board (PSB) believes that the performance incentives have been quite effective in focusing Efficiency Vermont and is continuing that approach in its second contract period.

CT-NEEC, as stated earlier, also believes that this approach is sound and good management.

Section 10.8 Summary of the Results of the GDS Literature Review

Regarding the statements (page 91):

One advantage of program delivery by public benefits organizations is that such organization can focus on saving energy, and there are no conflicting goals relating to having to sell more energy in order to meet profitability or earning per share objectives.

However, unused kilowatt-hours (or therms) do not generate utility revenue and utilities may suffer a loss of revenues when energy efficiency programs are successful.

A key characteristic of independent administration of energy efficiency programs, then, is that it disentangles the efficiency investment effort from the financial motives of utilities.

CT-NEEC has witnessed the dedication and commitment of the staff of both CL& P and UI when it comes to management and implementation of the programs funded by the CEEF. Day in and day out these staff members have remained steadfast in their obligation to achieving and or exceeding the goals and objectives.

CT-NEEC submits that the performance incentive mitigates much of this issue and that there are ways being discussed to eliminate the issue completely such as “decoupling.”

Regarding the statement (91):

Oregon and Vermont are the clearest examples of independent administration. Both states decided to create an independent efficiency agency to administer and deliver the ratepayer funded programs and their sole business is to realize this goal. As a result, the structures and mission of the administering body can be strongly aligned with policy goals rather than the conflict between energy efficiency (saving energy) and selling more energy.

CT-NEEC members work with or have worked with both of these entities and we disagree that these companies “sole business” is to realize this goal. As stated earlier, the Vermont structure was created, as well to address all of the state’s residential customers.

Regarding the statement (page 91):

On the other hand, some public benefits organizations have become very expensive. For example, the State of Vermont now spends more on energy efficiency on a per customer basis than any of the top twenty electric utilities that offer DSM programs. Furthermore, a successful independent, public benefits delivery approach takes time to develop, along with significant political will and resources and is warranted only if funding duration is sufficiently long to support the growth of the organization.

CT-NEEC’s members work in many parts of the United states and agrees with this statement having worked directly under such structures.

Regarding the Statement (page 92):

Other states have assigned the administration of energy efficiency programs directly to a state agency. Similar to independent organizations, state administered programs can often be run on a larger scale the utility-based efficiency programs and agency objectives are compatible with energy efficiency goals. New York, Maine, and Wisconsin are examples ...

CT-NEEC disagrees with this statement. The portfolio of programs offered by CL&P and UI are larger than Wisconsin's and Maine's and are deemed comprehensive under Section 2.5 of this report.

Regarding the Statement (page 92)

Other potential problems associated with government administration include 1) the possible siphoning of SBC funds by state legislatures to support other state government programs of staff positions that have little to do with energy efficiency and 2) the inability of state employment to attract the most qualified individuals in the energy efficiency field due to budgeting or civil service requirements.

CT-NEEC submits that the siphoning of funds from the Connecticut Legislature is a real potential issue. These funds were almost completely depleted and placed into the State's general fund by a previous administration. Without the intervention of the environmental community, the business community and the utilities – the result may have been different and the securitization solution may not have been found. CT-NEEC submits that a staff made up of state employees would hesitate to speak out against the administration's desires and in that event the programs would have been completely dismantled for two years minimum.

With regard to attracting the most qualified individuals, this is an issue that is now (and will be for some time to come) an industry wide dilemma with the explosion of programs throughout the country.

Regarding the statement (page 92):

The strongest feature favoring utility administration and implementation of energy efficiency is that the utility has the capitol, personnel, and existing relationship with the customer that enables them to reach broad customer markets effectively.

CT-NEEC agrees with this statement, however, these features seemed undervalued with regard to the importance they play in the scope of management and implementation of these programs. In addition, CT-NEEC suggests that the experience of over 17 years of program implementation also plays a significant role in the delivery of program strategies – having been through the process of modifying delivery approaches to be successful and discarding the approaches that have not worked.

Regarding the statement (page 94):

The 2003 report by the Regulatory Assistance Project (RAP) also found that successful ratepayer funded energy efficiency programs are less dependent on a particular administrative structure than the clear and consistent commitment of policy makers, believing any administrative approach can work well.

CT-NEEC would like to comment that this may be a true statement with merit if this approach was being decided on at the initial stages of program development or where programs were not achieving prescribed results – but to dismantle a successful set of programs and an infrastructure that has been built over the past 17 – 20 years could be disastrous.

In summary, nothing in this report presents a compelling case for dismantling a structure that truly works well and has won praise for best practices when judged against other programs from around the country. In reality, a change will likely lead to a drain on Connecticut's homegrown industry experience base while at the same time creating a new layer of program infrastructure that will not create efficiencies, but rather could end up costing Connecticut residents a lot more than the performance incentives which currently seem to be the major item of concern.

We thank you for the opportunity to submit these comments.