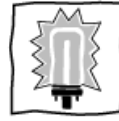


Northeast Energy Efficiency Partnerships, Inc.



Delivery via Fax and U.S. Mail

March 11, 2009

The Honorable M. Jodi Rell
Executive Office of the Governor
State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106

RE: Recent Budgetary and Other Actions Shifting Energy Efficiency Funds into General Fund

Dear Governor Rell,

I write to urge you to reconsider your proposal to transfer \$40 million per year from the Connecticut Energy Efficiency Fund (“CEEF”) to the state’s general fund. When compounded over 10 years, the economic loss directly resulting from these actions is near 1 billion dollars,¹ not including loss of jobs, economic productivity, and other factors, which will all be borne by Connecticut citizens at a time they can afford it least.

In moving any funds from energy efficiency into other accounts or committing such funds to other uses, **the enormous economic potential of energy efficiency to save money for consumers and business is lost**, in both the present and future, in a compound fashion. Less than two years ago, you and the legislature showed great foresight in creating Public Act 07-242, An Act Concerning Electricity and Energy Efficiency, and fully restored funding available through the Connecticut Energy Efficiency Fund. Further, only two years before that, you and the legislature saw fit to join the Regional Greenhouse Gas Initiative (“RGGI”), the first of its kind regional CO₂ cap and trade system, the economic models for which concluded decisively that the best way to meet the carbon targets set under RGGI, and do so in the manner most cost-effective to customers, was to **invest the RGGI proceeds into energy efficiency programs**.

¹ Under the terms of your securitized loan proposal, just to pay back the \$350 million securitized loan proposed will cost the taxpayers \$520 million, and with further loss of over \$80 million productive energy efficiency dollars returning 200% to 400% benefits on costs, over time, a conservative figure would place the total cost to citizens at near 1 billion dollars.

March 11, 2009

Economic Benefits of Energy Efficiency

In addition to the economic modeling that showed **energy efficiency investments to be the most cost-effective use of RGGI funds**, with a benefit to cost ratio of at least 2-1,² ³ other analysis has repeatedly shown that energy efficiency investments generally provide economic relief through a decreased use of energy, leading directly to lower utility bills, and an increase in jobs.⁴ Energy efficiency also keeps dollars spent on energy within Connecticut.⁵

Energy efficiency also provides customer-specific economic relief through the avoided energy and non-energy costs resulting from decreased overall energy consumption. In addition, because increased energy efficiency provides decreases in state-wide energy usage, Connecticut can avoid buying expensive and pollution causing energy from power plants operating during peak usage. Likewise, through energy efficiency, Connecticut can avoid new major capital outlays for transmission and distribution network upgrades and generation facilities that would have been otherwise required, thus further decreasing the price per unit of energy for all state energy consumers. Further, other non-energy economic benefits result from energy efficiency, such as reducing the amount of alternative fuels needed to heat or cool homes, water and sewer use, and negative environmental externalities, such as lessening the amount of CO₂ subject to RGGI, which also saves ratepayers money. Finally, the Demand Response Induced Price Effect (“DRIPE”), or the reduction of wholesale capacity market prices that results from reductions in demand as a result of conservation and efficiency efforts, means that **all consumers benefit from energy efficiency savings**, regardless of whether they are direct program participants or not.

In addition to the direct economic savings coming from energy efficiency, as your agencies are most certainly trying to determine, the federal American Recovery and Reinvestment Act (“ARRA”) will provide billions of dollars to states with “shovel ready” energy efficiency programs in place. Also, included in the ARRA are potential grant

² See RGGI Efficiency Models Link: <http://www.rggi.org/about/history/modeling> (where increased energy efficiency funding from RGGI, and in general, led to impressive additional savings). See also, *Positive Returns: State Energy Efficiency Analyses Can Inform U.S. Energy Policy Assessments*, June 2008, by John A. “Skip” Laitner and Vanessa McKinney, ACEEE – Report Number EO84.

³ Average benefit to cost ratios for overall energy efficiency investments range from 2-1 to 4-1, but even the lower end of the spectrum make for an excellent capital investment, and job creator. See *Positive Returns*, supra, at note 2.

⁴ Just weeks ago on February 24th at Connecticut’s own Eastern Connecticut State University, a Green Jobs Seminar sponsored by the EPA and ECSU’s Institute for Sustainable Energy touted the impressive potential for green workforce development and jobs in Connecticut, which depends largely on aggressive energy efficiency programs. See http://www.epa.gov/solar/documents/stateforum/02_24_09/leahy_presentation_workforce_2-24-2009.pdf

⁵ Energy efficiency not only saves money through decreasing demand, but it keeps money invested in local communities and creates local jobs. See: Letter from the Progressive Policy Institute to President O’Bama regarding the stimulus package, http://www.env-ne.org/public/resources/pdf/Energy_Efficiency_and_Federal_Stimulus_ENE_and_PPI.pdf

March 11, 2009

funds that specifically reward states that are investing in energy efficiency.⁶ Thus, by removing funds from the energy efficiency measures those funds would otherwise be committed to, Connecticut is likely losing tens of millions of dollars in additional federal funding at a time when Connecticut's residents and businesses are most in need of the programs and services these dollars could fund. All told, the total loss to Connecticut by diverting \$40 million in CEEF funds each year over the next two years could be near \$1 billion in lifetime, cost effective energy efficiency benefits.⁷ Weighed against the short time gains diverting this money to the general fund would have **makes the decision to retain the state's energy efficiency funds for their intended purposes the wiser economic and public policy choice.**

Competitor New England and Mid-Atlantic States Will Gain Economic Advantage

While your proposal would force Connecticut to greatly reduce, or, perhaps, suspend altogether, its energy efficiency programs, your neighboring states are going the opposite direction. In 2008, Massachusetts passed the Green Communities Act,⁸ Green Jobs Act,⁹ and several other laws promoting energy efficiency and green growth. A pivotal part of the Green Communities Act requires utilities to capture "all available cost effective energy efficiency," without a financial cap, thus allowing Massachusetts to capture all of the economic benefits that energy efficiency will provide. In addition, also in 2008, Massachusetts' Department of Public Utilities passed a seminal decoupling order, and is taking rapid action to implement it, both taking away the disincentive for utilities to more fully deploy energy efficiency, and creating incentives for them to promote it. Unlike Connecticut, Massachusetts has invested its substantial Regional Greenhouse Gas Initiative monies in energy efficiency,¹⁰ and will continue to do so. In New York, the Public Service Commission is in the midst of a significant forward-looking Energy Efficiency Portfolio Standard proceeding that will help New York achieve 15 percent overall energy savings by 2015. Further, the New York State Energy Research and Development Authority just published its draft three-year plan¹¹ for investing the state's estimated \$525 million in RGGI revenues, with the bulk of the monies going into energy efficiency projects.

In New Jersey, Governor Corzine recently released New Jersey's Energy Master Plan, under which the utilities and New Jersey Board of Public Utilities will maximize energy efficiency programs in 2009. Further south, both Pennsylvania (Act 129,¹² mandating 3 percent energy savings by 2013), and Maryland (EmPOWER Maryland,¹³ mandating 15 percent savings by 2015) are in the process of structuring new energy efficiency programs. To the north, Vermont is maintaining its position as the number one

⁶ See ARRA, Section 410, *Additional State Energy Grants*.

⁷ See supra, note 1.

⁸ <http://www.mass.gov/legis/laws/seslaw08/sl080169.htm>

⁹ <http://www.mass.gov/legis/laws/seslaw08/sl080307.htm>

¹⁰ Under the Green Communities Act, 80 percent of RGGI revenues must go into energy efficiency.

¹¹ <http://www.nyserda.org/RGGI/RGGIdraftoperatingplan.pdf>

¹² Act 129 of 2008 was signed into law on October 15, 2008.

¹³ See: EmPower Maryland Act, codified as [Maryland Code Title 7, §7-211](#)

March 11, 2009

energy efficiency state in the nation in 2009 in per capita spending (and other measures), and in two years is expanding its funding of its widely-lauded efficiency utility.¹⁴ And to the east, neighboring Rhode Island has an “all cost-effective energy efficiency” mandate in place and under way.¹⁵ Additionally, these states competing with Connecticut have better positioned themselves to be eligible for enhanced Department of Energy State Energy Program funding available through ARRA because they stand a better chance of meeting the eligibility requirements, which state that participating states must “... prioritize the grants toward funding energy efficiency and renewable energy programs, including ... the expansion of existing energy efficiency programs”¹⁶ Clearly, for Connecticut to retain a competitive economic advantage through energy efficiency and clean energy, now is not the time to be reducing its funding in these areas.

Meeting Connecticut’s Greenhouse Gas Emissions Commitments

Through both RGGI and its own climate change statutes, Connecticut has made some of the most significant commitments to reducing greenhouse gases in the nation. For states like Connecticut, which made the decision to retain all of the carbon credits allocated to it under RGGI and auctioning those off to generators for consumer benefit, **energy efficiency provided the quickest and most effective manner for reaching RGGI’s greenhouse gas reduction goals.**

When you graciously welcomed to Connecticut the participants in the 2008 NEEP Energy Efficiency Summit last May, you pointed out that “Connecticut is a leader in advancing energy efficiency in homes, buildings and industry,” and cited the state’s commitments to “the Regional Greenhouse Gas Initiative goals to reduce harmful carbon emissions,” and to “establish training programs to build our workforce capacity to meet the clean energy challenge.” You also noted the contributions of the state’s energy efficiency programs, noting that “Connecticut’s energy efficiency efforts could not have been undertaken without the innovative and dedicated involvement of the state’s energy efficiency program administrators” It is disheartening to see that, less than one year later, your proposals would stand to undermine the tremendous progress the state has made in establishing itself as a leader in energy efficiency.

It has been NEEP’s privilege to work with the State of Connecticut over the years that it has established its leadership. Your energy efficiency efforts have been an example to other states, saved Connecticut consumers over \$750 million dollars,¹⁷ and given Connecticut businesses a competitive advantage over other states. While we are not without understanding as you struggle with your state’s budget deficit, we would implore you to consider that it is exactly because your residents and businesses are struggling that

¹⁴ http://www.state.vt.us/psb/orders/2008/files/2009_2011budgetorder.pdf

¹⁵ See: *Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006*.

¹⁶ See ARRA, Section 410

¹⁷ See Energy Conservation Management Board’s 2008 Annual Legislative Report:

<http://www.ctsavesenergy.org/files/2008%20ECMB%20Annual%20Legislative%20Report.pdf>

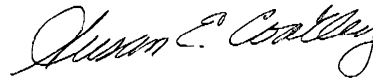
March 11, 2009

now is the time, more than ever, that they need access to programs that will help them stretch their energy dollars.

Energy efficiency remains the best option for meeting Connecticut's energy resource requirements, environmental goals, and economic objectives. By implementing effective energy efficiency programs Connecticut has succeeded in putting itself in the best position to survive the current economic downturn, and to thrive once we are through it. As such, NEEP respectfully requests that you and the legislature work together to solve Connecticut's budget challenges without reallocating the monies from the CEEF, and, in so doing, maintain Connecticut's place as an energy and economic leader in the Northeast and the nation.

Please feel free to contact me if I can provide additional information or assistance.

Sincerely,

A handwritten signature in cursive script that reads "Susan E. Coakley".

Susan E. Coakley
Executive Director