



April 2, 2010

The Honorable Eileen Daily and The Honorable Cameron Staples  
Co-Chairs, Committee on Finance, Revenue, and Bonding  
Legislative Office Building  
Hartford, CT 06106-1591

Dear Senator Daily and Representative Staples:

**On behalf of Northeast Energy Efficiency Partnerships (NEEP), I am writing to urge your continued support of energy efficiency funding and your opposition to SB 484.**

Governor Rell has proposed that one way of bridging Connecticut's budget gap is to securitize a number of existing consumer funds, including the Conservation and Load Management or energy efficiency fund. This would amount to about 37 percent of the program's budget or some \$31 million of efficiency funding being diverted to the general coffers in Fiscal Year 2011 and continuing thereafter.

As you know, it is the state's energy ratepayers who fund these energy efficiency programs through assessments on their utility bills. These funds are designated to help Connecticut's residential and commercial customers save money by installing energy-saving measures in their homes and businesses. **They were never intended to be a general taxation source, and, thus, the governor's plan for securitizing these funds would constitute a raid on ratepayer dollars.**

Connecticut is the only state in the region contemplating such a raid, even while neighboring states are rapidly ramping up their levels of investment in energy efficiency programs. Taking these efficiency dollars is shortsighted and misguided, and would have a number of unintended negative consequences on the economy it is meant to bolster, on the electric power grid, on energy costs and on the environment.

NEEP appreciates your understanding of the value of energy efficiency and therefore urges you to reject the funding raid as proposed in SB 484. Many members of the legislature have made clear that they think raiding ratepayer efficiency funds is a bad idea for the state. We therefore ask that you work to take this idea off the table—swiftly and permanently.

The longer the threat of a raid exists, the more damage it does by feeding economic uncertainty among businesses planning to put efficiency to work, and the more jobs it drives away from Connecticut.

According to a recent economic analysis by [Environment Northeast](http://www.environmentnortheast.org/resources/open/p/id/964)<sup>1</sup>, securitizing 37 percent of the \$81 million of the Conservation and Load Management Fund would:

- Reduce efficiency investment almost \$30 million each year of the next decade;
- Lead to a drop of nearly \$168 million in gross state product (GSP) for each of those ten years;

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<sup>1</sup>Read Environment Northeast's Study: <http://www.environmentnortheast.org/resources/open/p/id/964>



- Mean that about \$90-120 million will be wasted on energy, and;
- Result in a decrease in job creation/support of 1,207 job-years each year.

### Jobs and the Economy:

There has been a large emphasis on green jobs lately, both nationally and in Connecticut. It is thus *economically critical* that Connecticut **keep energy efficiency funding stable and in parity with surrounding states**, so that businesses in the energy efficiency sector will be confident of their work prospects and not go elsewhere.

If this measure is enacted and efficiency spending is slashed, **jobs will migrate across the border** to other states like Massachusetts and New York who have made strong and prolonged commitments to energy efficiency. This doesn't just mean energy service companies, but small contractors, supply houses, and many other sectors that can help deliver efficiency services.

According to a [study](#)<sup>2</sup> by the Pew Charitable Trusts, "clean economy" jobs in Connecticut grew by seven percent from 1998 to 2007, while total jobs in the state fell by about two percent.

Ratepayer efficiency funds are designated to help customers save money by buying down the cost of energy-saving equipment, appliances and weatherization measures. Connecticut's homeowners, businesses and industry have a right to plan their energy-saving upgrades knowing that the funds they've paid into every month on their utility bills will be there when they need them.

### More Unintended Consequences of SB 484:

- If Governor Rell securitizes efficiency funding, customers of Connecticut Light and Power (CL&P) and United Illuminating (UI) **will effectively be taxed on their electric bills to fund the state budget**. Their bills won't decrease, but they will lose the benefits they've been paying for through the Systems Benefit Charge (SBC), which was meant to help them become more energy efficient, not raise state tax revenue. The citizens of Connecticut need to understand that what is being asked of them is to shoulder a **significant new tax burden without any direct benefit**, as they would receive through participation in the Connecticut Energy Efficiency Fund programs.
- Connecticut's energy appetite must be met one way or another. Decimating the budget of the Energy Efficiency Fund will guarantee that the **state will end up choosing more costly and polluting options** to meet its energy needs instead of doing it by permanently lowering demand. Energy efficiency can meet the state's resource needs at rates between 3 and 5 cents per kilowatt hour versus electricity generation, which can cost up to five times as much. Whereas those savings can improve the operating margins of the state's businesses, put money back in people's pockets and help grow the state's economy, diverting efficiency funds to the state budget will have the *opposite effect* and end up costing Connecticut's citizens millions of dollars more.

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<sup>2</sup> Read the Pew Study on Clean Energy Jobs: [http://www.pewtrusts.org/news\\_room\\_detail.aspx?id=53254](http://www.pewtrusts.org/news_room_detail.aspx?id=53254)



- If the state were to divert efficiency funding to the general budget, the resulting loss in energy savings would change the region's load share. This in turn could **drive up costs** such as the Federal Mandated Congestion Charges many Connecticut customers pay, since Connecticut has the most constrained transmission areas in New England.
- Finally, if the state doesn't protect and ramp up efficiency budgets, carbon dioxide and other air pollutants that *could have been avoided* will be generated, **undermining Connecticut's aggressive goals to reduce greenhouse gases** and create a cleaner environment.

#### The Bottom Line:

Investing in energy efficiency yields enormous net economic gains, on a micro level— by leaving money in people's pockets to spend on other goods and services, and on a macro level— by holding down wholesale electricity costs, creating jobs, and bringing in tax revenue from profitable businesses.

Thank you again for your continued support of energy efficiency investments in Connecticut. If you have questions or would like more information on how efficiency can strengthen the state's economy, please do not hesitate to contact me.

Sincerely,

*Natalie Hildt*

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