



Northeast Energy Efficiency Partnerships (NEEP)

**Comments of Natalie Hildt, Manager of Public Policy Outreach
Northeast Energy Efficiency Partnerships (NEEP)
Regarding the 2010 Connecticut Integrated Resource Plan
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Northeast Energy Efficiency Partnerships (NEEP) is pleased to submit comments to the Connecticut Energy Advisory Board (CEAB) regarding the Integrated Resource Plan (IRP) for Connecticut, submitted by United Illuminating Company and Connecticut Light & Power ('the Companies') and as prepared by the Brattle Group.¹

Northeast Energy Efficiency Partnerships (NEEP) is a nonprofit organization founded in 1996 whose mission is to promote the efficient use of energy in homes, buildings and industry in New England, New York and the Mid-Atlantic states through regionally coordinated programs and policies that increase the use of energy efficient products, services and practices, and that help achieve a cleaner environment and a more reliable and affordable energy system.

NEEP supports government policies and coordinates regional initiatives that promote and build market adoption of quality, energy efficient products and services. Working in partnership with environmental and consumer groups, state and federal agencies, businesses, utilities and other non-profits, NEEP serves as a strategist, planner, facilitator, information and training resource, and project manager to help develop and implement regional programs for energy efficiency.

Introduction

Connecticut's utilities operate under the mandate of Public Act 07-242, which requires them to procure all cost-effective energy efficiency before conventional power generation to meet new demand. It is NEEP's belief that the 2010 IRP, in its recommendation that the state pursue a "Targeted Expansion" scenario for demand side management (DSM) programs, falls short of the spirit of this legislative mandate and would forfeit opportunities for the state's energy customers to maximize the potential benefits of energy efficiency.

NEEP applauds the state and utility leaders for continued expansion and improvement of electric and gas efficiency programs, and believes that the wisest course is to ramp up investments in energy efficiency sooner rather than later, contrary to what is suggested on page 2-1 of the IRP. The future is now, in terms of the need and the value of pursuing the All Achievable Cost-Effective DSM resource strategy.

We agree with the IRP's findings that Connecticut is a leader in DSM and that there is much more room for expansion and improvement. This is true in terms of savings goals, coordination of programs, and improving the evaluation, measurement and verification of program impacts. The issue, as laid out in PA 07-242, is the directive that utilities capture all

¹ These comments are offered by NEEP staff and do not necessarily represent the view of NEEP's Board of Directors, sponsors or underwriters.

cost effective energy efficiency for their customers. Unfortunately, the Department of Public Utility Control's ruling that all achievable energy efficiency shall not be pursued unless it is demonstrated that there is system capacity need leaves valuable energy saving opportunities unattained by residential and commercial customers in Connecticut. We believe this approach to be short-sighted.

The projections of the Targeted Expansion scenario would eliminate growth in peak electric demand over five years by focusing on the four key areas described below. This scenario would yield approximately 191 MW cumulative peak load reductions over ten years.

The All Achievable scenario would go much further, yielding about 561MW in peak load reductions by 2018 and reducing consumer energy costs by \$402 million annually. Program budgets would eventually need to double over the Reference Case scenario of business as usual to about \$206 million a year. Yet for every dollar invested in efficiency programs benefits would be three times as great.

The Targeted Expansion scenario endorsed in this IRP under-delivers on the promise of efficiency, especially over the long term. By not capturing all cost effective energy efficiency, the state has forfeited the chance to further alleviate constraints on the electricity grid as well as to capture potential economic gains, since robust efficiency programs create jobs and also free up capital for other goods and services. Carbon dioxide and other air pollutants that could have been avoided will otherwise be generated, undermining Connecticut's goals to reduce greenhouse gases and create a cleaner environment. NEEP urges the state to structure targets, funding mechanisms and programs to truly treat efficiency as a first order resource.

NEEP also takes issue with the statements about the increases to the SBC that would be needed under the two scenarios. To claim that the only means of increasing efficiency revenues is by raising the SBC either by .7 mils under Targeted Expansion or by 2.6 mils under the All Achievable scenario could present an obstacle to a variety of stakeholders, and may be misleading.

Neighboring states have found creative ways to pool resources and raise additional funds to meet projected ramp ups in efficiency programs. Massachusetts, for example, is creating a new mechanism called the Energy Efficiency Resource Fund (EERF) which is a supply side charge reflecting the procurement of efficiency as a resource to meet capacity demand. The idea is essentially to view efficiency as a resource for the entire customer base, in a manner similar to generation resources. The IRP does raise the prospect on page 2-19 that DSM program costs could be included in the rate base in Connecticut as well. NEEP would tend to support such a strategy.

Regarding Rate vs. Bill Impacts

The IRP posits that the All Achievable scenario would increase costs for non-participants while decreasing costs for program participants. While this may be true in the short run and to varying degree depending on rate class, NEEP does not believe that the IRP delves deeply enough into the issue of bill impacts. True, rates would increase under either scenario, but overall energy costs would likely decline with substantial permanent reductions in the load curve. Connecticut would be wise to examine the experiences and analysis of other states. Where analysis has been done on impact scenarios from increased surcharges to build

efficiency funds - specifically, the rate impact working group in Massachusetts convened under the Green Communities Act - the essential conclusion was that any rate impacts would be nominal compared to the significant savings realized through the capture of all cost-effective energy efficiency.² The so-called Demand Reduction Induced Price Effect, or "DRIPE" has the potential to drive energy costs down for participants and non-participants alike.

Integrating Targeted Initiatives with Policies and Best Practices

The IRP's Targeted DSM Expansion approach lists four main program areas: construction of "Zero Energy" new homes, Residential Cooling, Commercial and Industrial Applications and Commercial and Industrial (C&I) Chiller Retirement. The Zero Energy Homes initiative is certainly an exciting development mirrored in other states. The goal of super efficient building systems coupled with onsite renewable generation is commendable, and should be viewed as the ultimate goal of building energy efficiency. However, new construction is only a small part of the housing stock, and with a goal of 600 homes in ten years, these model homes will be a tiny fraction of those.

Together with this initiative, NEEP urges the state to focus on existing homes and buildings. Strong energy code training and enforcement, automatic update to match national model energy codes such as IECC and ASHRAE standards, ability for communities to adopt an informative appendix or "stretch" code, development of building energy rating and disclosure policies, and the continuation of tried and true utility incentive programs are key to ongoing savings.

NEEP supports taking a whole buildings and all fuels approach whenever possible. To that end, the Residential Cooling program, along with the C&I Chiller Retirement program, stand to make significant gains in reducing summer electric peaks. Regarding the High Potential C&I measures, NEEP appreciates the focus on these high efficiency technologies together with operations and maintenance best practices. While these measures may yield great savings, we caution that each facility has its own features and operational needs, and it is always important to take a site-specific approach whenever feasible.

Regarding Appliance Standards

NEEP would like to point out that on page 2-21 the IRP erroneously suggests that appliance efficiency standards are set by the federal government and cannot be set at the state level. Connecticut in fact has a history of joining neighboring states in setting higher efficiency standards on appliances when there is no federal preemption. We urge the state consider it again in 2010, particularly with regard to televisions. That would bring Connecticut in line with New York, Massachusetts and Maryland in considering a TV standard in 2010, and, hopefully Maine and New Jersey as well.

² The Mass. Energy Efficiency Advisory Council has examined this issue extensively. More info at www.ma-eeac.org and a presentation by NSTAR may be viewed at <http://www.ma-eeac.org/docs/091013-BillImpact-NSTAR.pdf>.

Conclusion

While Connecticut has made gains through efficiency and maintains a leadership position in the nation, it stands to fall behind the pack by not pursuing broader and deeper energy saving strategies. Robust, integrated and customer-focused efficiency programs together with aggressive policies that target building energy codes and enforcement, building energy rating and appliance efficiency standards must go hand in hand to maximize the potential that efficiency holds. Furthermore, we urge the DPUC to allow the gas and electric utilities to direct resources toward behavioral solutions to saving energy. This should include ongoing education, operations and maintenance training, and feedback on how these best practices are affecting energy usage and costs for residential and commercial customers.

We urge the state to aspire towards the goal of capturing *all* energy efficiency that is cost effective and below the cost of new generation. Such a policy will deliver benefits to ratepayers, regional system reliability, the state's economy and the global environment.