



CLEAN WATER ACTION

CONNECTICUT

Testimony of Roger Smith, Campaign Director, Clean Water Action Appropriations and Energy and Technology Committee May 20, 2010

My name is Roger Smith and I work for the non-profit organizations Clean Water Action and Clean Water Fund on energy issues at the state and municipal level. Clean Water Fund directly helped more than 17 communities (starting with New Haven) join the 20% by 2010 clean energy initiative which has now been adopted by almost 100 CT towns.

I am concerned that Connecticut has not had a strategic plan for the use of this stimulus money for energy in general:

- Connecticut did not have a vision for the State Energy Program money or Energy Efficiency and Conservation Block Grants beyond supplementing existing programs. The state could have used federal dollars to hire staff and energy expertise which could attract large amounts of additional dollars.
- In contrast to other states, Connecticut has spent too much stimulus money to fund one-time projects rather than using it to establish financing programs (revolving loan funds, launching a Property Assessed Clean Energy program, etc.) which would either be paid back or used to leverage additional private dollars.
- Connecticut largely failed to help towns make the best use of the money they received. It is embarrassing that our state returned over \$1 million to the federal government as a few of the 27 larger towns never submitted EECBG grant applications.
- It is unacceptable that the burden of creating a guide to the OPM EECBG grants for the 142 smaller towns fell to my organization together with the Clean Energy Fund. Other states created guides and even sample applications. We decided to fill the vacuum as nobody else was creating practical materials to assist small towns which generally have no dedicated energy or grants staff. Our guide is available for download from http://www.ctcleanenergy.com/Portals/0/CWF_Guide_for_EECBG_grants_final_10_6_09.pdf

The legislature has the opportunity to work with OPM to make strategic use of the last remaining dollars. I recommend the state pursue a two-part strategy:

1. Award grants for regional municipal energy coordinators (MA model)
2. Create a state Energy Saving Performance Contracting program for towns

1. Regional municipal energy coordinators

In my experience the major barrier for towns to taking advantage of energy savings opportunities is a lack of staff time and staff expertise to prioritize energy retrofits and to oversee and carry out projects. This barrier is *greater* than the availability of up-front funds. Several towns submitted applications under the regional grants program to hire regional energy coordinators, and I suggest this would be a very strategic use of the EECBG money.

Last fall, Massachusetts hired regional coordinators to help support towns on energy. Connecticut should use its resources to hire several technical and policy support staff to work with the many towns who have already joined the Clean Energy Communities program (to use 20% renewable energy) and adopted the EPA Community Energy Challenge (10% reduction in energy use) to follow through on their commitments. These staff would work with towns to

identify projects *and funding* which would deliver far greater savings than just spending these funds on specific projects like lighting or boilers. For example, the Energy Efficiency Fund has many cost-effective programs available for towns that municipalities do not take advantage of. Similarly, few municipalities enter into guaranteed energy saving performance contracts which can be paid for entirely out of energy savings and which do not increase municipal indebtedness.

The following is an excerpt from Massachusetts regarding their energy coordinators:

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Date: October 6, 2009

Patrick Administration Appoints Two Regional Coordinators for Green Communities Program
Officials will help Central and Southeastern Massachusetts cities and towns qualify for grants and achieve municipal energy goals

DOER's four regional coordinators will work with the department's Green Communities Division and other DOER staff to implement grant programs and provide technical assistance on programs such as energy audits, energy performance contracting, and energy information reporting systems. They will also provide guidance on local renewable energy and energy efficiency projects funded through the Energy Efficiency and Conservation Block Grants announced by the US Department of Energy last spring as part of the federal stimulus package.

Regional coordinators will assist cities and towns in meeting five benchmarks to become "Green Communities" – a designation that enables them to qualify for up to \$10 million in Green Communities grants expected to be announced later this year. To qualify for these grants, which are funded with proceeds from the auction of carbon allowances under the Regional Greenhouse Gas Initiative, communities must:

- adopt local zoning bylaw or ordinance that allows "as-of-right-siting" of renewable energy projects – siting that does not unreasonably regulate these uses;
- adopt an expedited permitting process related to the as-of-right facilities;
- establish a municipal energy use baseline and establish a program designed to reduce baseline use by 20 percent within five years;
- purchase only fuel-efficient vehicles for municipal use, whenever such vehicles are commercially available and practicable;
- require all new residential construction over 3,000 square feet and all new commercial and industrial real estate construction to reduce lifecycle energy costs.

2. Create Energy Saving "Performance Contracting" program for towns

Connecticut should follow the lead of neighboring states like New York and create a streamlined statewide program to help municipalities enter into energy saving "performance contracts." To save our towns time and effort, and to protect towns from fraud and abuse, Connecticut needs to pre-qualify energy service companies who wish to do business in Connecticut and provide model contracts and RFPs for use by towns. Right now each municipality is largely left on their own.

The US Department of Energy is strongly pushing states to support performance contracting and will make staff available to help us implement a statewide program. Connecticut could use a portion of the unallocated EECBG funds to hire a firm or consultant to create a standardized performance contracting program any Connecticut municipality or public entity could use. The national Energy Services Coalition (which has a contract with the US Department of Energy) has many sample materials ready to us to adapt, and I spoke with Dale Hahs who is willing to come

to Connecticut and speak with us about setting up a program:
<http://www.energyservicescoalition.org/espc/tools/index.html>

What is a performance contract?

Energy savings performance contracting is an established tool for providing comprehensive energy-saving retrofits out of funds that would have been part of the yearly budget to purchase electricity, heating fuels, and water. The energy savings are guaranteed by the company providing the energy services. A standardized state-approved contract and with competitively selected, pre-approved firms would virtually eliminate the financial risk to towns for energy upgrades.

Through a performance contract, utility dollars are redirected into the purchase and installation of equipment which saves more energy than it costs. As developer of the Energy Star cash flow calculator, Neil Zobler stated at the state municipal climate summit this spring, "You can either pay the utility or invest in the facility." The money will be spent either way. The difference is that with a performance contract, once the contract expires, all energy savings are kept by the client.

Unlike many other states, Connecticut has limited experience with performance contracting. It could be much more broadly utilized, and in combination with the regional energy coordinators, who can walk towns through the process, it could yield massive savings to municipal governments- easily a 20%+ reduction in utility bills with no upfront cost or increase in indebtedness.

A few Connecticut examples of performance contracts:

- Fairfield entered into a \$5 million contract in 1999 for 34 town and school buildings. They were guaranteed \$5 million in savings and yielded \$6.4 million.
- Naugatuck spent \$12.6 million for improvements to borough and school buildings.
- Windham undertook an ESPC project worth \$5.2 million on its public K-12 school buildings from 2007-2009.
- Regional School District #19 completed an energy performance contract for \$246,000.
- East Hartford entered into a 12 year performance contract for \$7.1 Million (a \$5 Million lease from Bank of America at a 5% interest rate) to upgrade 9 town buildings and 9 board of education buildings

Thank you for your consideration of our comments.

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