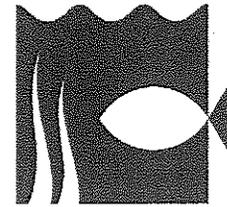


**Connecticut Fund
for the Environment**



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Energy & Technology Committee
Public Hearing
March 8, 2011

Submitted by: Charles J. Rothenberger, Staff Attorney

Regarding:

Raised Bill No. 6544, AN ACT CONCERNING ENERGY EFFICIENCY

Connecticut Fund for the Environment ("CFE") is Connecticut's non-profit environmental advocate with over 5,700 members statewide. For over thirty years, CFE has fought to protect and preserve Connecticut's health and environment.

Representative Nardello, Senator Fonfara and members of the Energy & Technology Committee, Connecticut Fund for the Environment offers this testimony in Support of the majority of Raised Bill No. 6544, An Act Concerning Energy Efficiency. CFE respectfully opposes Section 4 of the bill.

The opportunity for dramatic improvements in the energy efficiency of residential and commercial buildings in the state is clear. The state's building stock is relatively old and much of it was built prior to the adoption of any building energy code. Greenhouse Gas Emissions for the residential sector alone account for 21 percent of total Connecticut emissions.¹ Adding the commercial and industrial sectors brings the total building sector emissions to 35 percent of the total.²

Energy efficiency retrofits of residential and commercial properties are an extremely cost-effective carbon reduction strategy. If building owners improved the efficiency of their buildings by just 10%, by 2015 the country could reduce GHG emissions by more than 20 MMTCO₂ e, equivalent to the emissions of about 15 million vehicles. (based on data from the U.S Dept. of Energy's Energy Information Administration 2003).

This bill establishes several policies that complement each other as well as existing energy efficiency programs and that can go a long way towards creating a real estate market in which energy efficiency is appropriately valued and that encourages cost-effective investments to improve the energy performance of buildings.

¹ 2009 Connecticut GHG Inventory, Fig. 4, page 6 (January 2010).

² 2009 Connecticut GHG Inventory, Fig. 4, page 6 (January 2010). Commercial emissions equal 8 percent and industrial emissions equal 6 percent.

SECTION 1. Directs the state to adopt regulations to provide for the evaluation and disclosure of the energy performance of residential and commercial buildings prior to sale.

Requiring building energy rating may seem like a radical concept, but the fact is that such polices have been around for more than a decade and are firmly established in more than 30 countries. In the U.S., such policies have been adopted by a growing number of municipalities. At the federal level, Congress has consistently recognized the value of building energy disclosure requirements in its energy legislation.

Energy disclosure polices further several important policy goals. First, they can serve as an important way to determine whether a building is in compliance with the state energy code. While Connecticut has taken steps to update its base energy code to conform to the latest national model code, code enforcement remains a challenge.

Disclosure policies are also an important element in encouraging the valuation of energy efficiency in real estate transactions. Measurement and disclosure polices can play a critical role in moving the real estate market to recognize and value the energy efficiency of buildings and in encouraging sellers and buyers to make cost-effective energy efficiency investments in their property at the time of transfer. Moreover, energy rating and disclosure provides incentives for builders, homeowners and buyers to make cost-effective investments in their property to improve the efficiency of the building. On the residential side, performance data from efficiency financing programs is showing that significant improvements can be done at relatively little cost and that these improvements more than pay for themselves in terms of energy savings. Moreover data from both the residential and commercial sectors indicates that energy efficient buildings can command a price premium, providing an independent incentive for an owner to make improvements.

In order to be successful, such polices must (1) be mandatory so that consumers can compare all properties that they might be considering and (2) the disclosure must be provided early enough in the process to be able to influence the transaction, preferably at the time of listing. For a thorough discussion of the benefits of mandatory energy disclosure polices and case studies of successful programs, I recommend the 2009 NEEP report, "Valuing Building Energy Through Disclosure and Upgrade Polices: A Roadmap for the Northeast States."³

SECTION 2. Disclosure of heating costs for rental units to prospective tenants. CFE supports this section as a way to provide important data to potential tenants regarding the energy costs associated with their choice of housing.

SECTION 3. Benchmarking of Commercial Property. This section establishes a timeline for the energy benchmarking of commercial properties. This policy anticipates using the EPA Portfolio Manager benchmarking tool, a tool that is well established and free to users.

In the commercial sector, poor energy performance was underscored in the recently released report from the Commission On enhancing Agency Outcomes. That report benchmarked 108 state facilities using EPA's Energy Portfolio Manager. Less than 25 percent of the buildings surveyed received scores reflecting that they were energy efficient and more than half (59 facilities) received scores indicating that they were "extremely energy inefficient." While that

³ Available at http://www.neep.org/uploads/policy/NEEP_BER_Report_12.14.09.pdf.

report concerned only state owned buildings, there is little reason to believe that a survey of the private commercial sector would produce different results.

There is a growing body of evidence that energy efficient commercial buildings command a price premium when sold and enjoy higher occupancy and rental rates. Regular benchmarking can inform building owners about opportunities to cost-effectively improve the energy performance of their buildings. If individual owners are not in the position to do so, publicly available data on building energy performance can provide the necessary information that will allow Energy Service Companies (ESCOS) to directly market to building owners with the largest energy reduction opportunities.

SECTION 4. With respect to the language in Section 4, CFE has concerns about transferring primary responsibility for the evaluation of Energy Conservation and Load Management programs from the Energy Conservation Management Board to the DPUC. First, we are not aware of any problems with the current process in which the program evaluation is performed by consultants retained by the EMB. The EEB currently has an independent and thorough evaluation process in place, a process that has been designed around DPUC orders, and which utilizes a respected evaluation consultant who maintains independence from the utility companies.

Second, the DPUC currently already has the responsibility to review and approve the final evaluation report developed by ECMB consultants. As noted above, the current process is consistent with direction provided by the DPUC.

Finally, we are concerned about vesting primary responsibility for efficiency program evaluation in the DPUC given that the Department has been reluctant to implement the General Assembly's directives related to energy efficiency, specifically, the requirement to investment in all cost-effective energy efficiency in the state. Accordingly, CFE opposes this section.

SECTION 5. CFE supports empowering municipalities to require more stringent energy performance standards than the baseline state energy code. The current language permits adoption of the Energy Star Qualified Homes Standard. CFE suggests that, in addition to the Energy Star certification, the state adopt a "beyond code" energy standard, such as the informative index adopted by Massachusetts and enthusiastically embraced by Massachusetts' municipalities. CFE is cognizant of the practical difficulties that may be presented to the building industry should there be an explosion of different code requirements. Limiting the available choices to (1) the state energy code; (2) the Energy Star standard; or (3) a comprehensive state-sponsored "beyond code" energy standard should not present significant difficulties. The Energy Star standard has gained sufficient recognition and market acceptance that several builders in Connecticut already build only to that standard, recognizing the value proposition that marketing a recognizably branded energy efficient home presents.

SECTIONS 6 & 7. Establishes uniform procedures for public contracting with Energy Performance Service Companies (ESCOS) and allows state agencies to enter into such contracts. CFE fully supports improving the energy performance of public buildings and ESCOS provide an opportunity to reduce the state's energy use (and associated costs) with no upfront investment of public funds.

SECTION 8. Establishes additional guidelines for the Green Connecticut Loan Guaranty Fund.

The amount of financing available to invest in efficiency must be greatly expanded to reach more buildings and provide for greater per unit investment. 84% of the state's housing stock was built before 1980 and 45% was built before 1960. Given that these residential buildings alone account for more than 20% of the state's greenhouse gas emissions and that they were built prior to the adoption of any meaningful energy code in Connecticut, we must improve their energy performance if we wish to reduce emissions from the building sector in a meaningful way.

CFE believes that three elements are critical to ensuring the success of this program. First, it is important that the program might be implemented so that any expenditure of public funds achieves the maximum impact and leverage of private capital and that the program achieve sufficient scale to access secondary financial markets for municipal bonds. CFE believes that structuring the program as a Revolving Loan Fund provides the best opportunity to achieve this goal. Accordingly, we would recommend that additional language be included to clearly establish the ability of the program administrator to securitize principal and interest payments from efficiency loans and use the proceeds to finance additional efficiency loans to consumers.

Additionally, to be successful it is vital that this program complements and coordinates with existing and developing financing programs being pursued by the Energy Conservation Management Board. We are pleased to see that this component is addressed in the legislation.

Finally, it is critical that the program be applicable to all consumers regardless of their heating fuel source, including those who heat with fuel oil. 52 percent of homes in Connecticut heat with fuel oil, while 29 percent heat with natural gas, and 15 percent heat with electricity.⁴ An analysis focusing specifically on fuel oil performed by the American Council for an Energy Efficient Economy has found that cost-effective efficiency measures for existing residential buildings can reduce oil consumption by 36% or 209 gallons of fuel oil per year.⁵ Accordingly, we recommend additional language explicitly endorsing an all-fuels approach.

I appreciate the opportunity to testify. Please do not hesitate to contact me if you have further questions.

⁴ U.S. DOE, "Energy Consumption in Connecticut Homes", available at: <http://apps1.eere.energy.gov/states/residential.cfm/state=CT>

⁵ Reducing Oil use Through Energy Efficiency: Opportunities beyond cars and light trucks (ACEEE, January 2006).