



CLEAN ENERGY
FINANCE CENTER

Written Testimony by Craig Diamond, Consultant
Clean Energy Finance Center

Before The Connecticut General Assembly Energy and Technology Committee

March 8, 2011

Testimony Concerning Bill 6544: An Act Concerning Energy Efficiency

The Clean Energy Finance Center (CEFC) appreciates the opportunity to submit testimony to the Energy and Technology Committee regarding Bill 6544: An Act Concerning Energy Efficiency. This testimony addresses only the performance contracting provisions of the bill.

The mission of the non-profit CEFC, based in Connecticut, is to develop innovative approaches to attract greater private and public sector capital to finance large-scale energy efficiency, renewable energy and carbon reduction initiatives. The CEFC combines objective, timely analysis with extensive stakeholder engagement to drive successful policy and market outcomes at the state and local level. The CEFC was founded in 2010 by Earth Markets, LLC and the Emily Hall Tremaine Foundation, which also provides funding for the Center.

Over the next ten years, through energy efficiency retrofits in homes, businesses, and public buildings alone, Connecticut has the opportunity to create 20,000 jobs and invest \$200 million per year in the state's clean energy economy. An important piece of this opportunity is performance contracting in public buildings (state and municipal buildings, including K-12 schools). **Through performance contracting in public buildings, we can dramatically reduce energy costs for the state and for municipalities (and local school budgets), create over 3,000 jobs, and invest over \$40 million annually in energy efficiency retrofits.** Performance contracting allows governments to access private sector funding sources, and thus can achieve much greater efficiency and cost-savings in public buildings by leveraging existing sources of public and ratepayer funding.

The CEFC commends the Committee for including a comprehensive section on performance contracting in the bill. Below we offer our general comments along with specific recommendations to greatly strengthen the performance contracting provisions:

General Comments

- **The state, right now, has the funding, tools and policy know-how to rapidly increase energy efficiency retrofits in state and municipal buildings** and other sectors of the economy. The state needs to move forward immediately with programs that are focused, accountable, and results-based. We have what we need for a "rapid deployment" of energy efficiency in public buildings; which in fact means bringing to scale proven approaches to

energy efficiency already in place in state and municipal buildings and operations, including schools.

- A state-level performance contracting program is a vital component of such an approach. It has a **proven track record of success in many other states** (including New England states), and will generate millions of dollars of new funding from the private sector without needing to generate new sources of public funds.
- In regard to the use of performance contracting in municipalities, the bill should **provide safeguards** to assure that performance contracting is implemented in a way that is in the best interest of municipalities. At the same time, the bill **should not create unnecessary or cumbersome requirements** that would reduce the benefits that performance contracting offers to municipalities.

Specific Recommendations

- As it stands now, the bill authorizes only state agencies to enter into a performance contract. It is critical that the bill **also authorize and make it clear that municipalities and local education agencies (otherwise known as local governmental units) can enter into performance contracts**. State policy must be very clear on this point so that municipalities are not confused or in some way discouraged from making maximal use of performance contracts.
- There are several sections of the bill that currently apply only to state agencies but should **also apply to municipalities**. The CEFC would be happy to provide the Committee with a list of specific places in the bill where we believe it would be beneficial to make such changes.
- The bill should **establish goals, timelines, and performance metrics for achieving substantial energy efficiency improvements through performance contracting in state buildings**. To date, the state has failed to make adequate progress on increasing the energy efficiency of its buildings even as energy costs in state buildings have increased 60% over the last four years. The Office of Policy and Management has been required by state law since 2003 to implement a performance contracting pilot program in state buildings, but has not done so.
- Further, the best practices that are a required part of implementing a rapid deployment of energy efficiency at scale in state buildings might also be useful for local governments. A more responsive and pro-active state government should pay close attention to the technical needs of local governments and provide for “one stop shopping” for municipal governments and local educational agencies who want to engage in performance contracting, or any other means of rapid deployment of energy efficiency.
- Finally, the legislation is correct in assigning tasks to specific agencies. However, given the proposed reorganization of the state’s energy agencies, the legislation should provide authority for the Governor to reassign some of these duties as the reorganization proceeds. This authority can, of course, be predicated on reporting making the request for retasking contingent on Committee review and approval.

Thank you for the effort you are making to install a rapid deployment of energy efficiency in public buildings in Connecticut. Doing so will help reduce energy use and avoid the higher than average energy costs that affect state and local budgets; that places an additional burden on Connecticut taxpayers; and that gets in the way of creating an attractive climate for business and job creation in our state.

The CEFC has developed a fact sheet on performance contracting that is available upon request and stands ready to assist the Committee in any way you would suggest.

Contact Information

Craig Diamond, Clean Energy Finance Center
503-536-5792 (cell)
Craig@CleanEnergyFinanceCenter.org