



Testimony of Lantern Energy
In Support of HB 6544, *An Act Concerning Energy Efficiency*

Before the Energy and Technology Committee
March 8, 2011
Submitted by Peter J. Callan

Dear Senator Fonfara, Representative Nardello, and members of the Energy and Technology Committee,

I submit this testimony in support of House Bill 6544, An Act Concerning Energy Efficiency, on behalf of Lantern Energy. We are a Connecticut based residential and commercial energy efficiency company providing statewide energy assessments and installation of energy improvements. We have hired over thirty employees since January 2009, primarily skilled tradesman and invested over \$100,000 in retraining and specialized certifications for the crews. Essentially we are creating the work force that will be providing the energy assessments and property ratings discussed in this Bill.

Sections 1 – 3 require the creation of an efficiency rating and labeling system for residential and commercial buildings, the assessment of buildings, and the disclosure of these ratings to potential buyers and renters. At Lantern Energy we believe the creation of a mandatory energy rating system for residential and commercial buildings to be the single most important legislative measure affecting the energy efficiency industry. The following are benefits identified in support of the Bill:

- **Job Growth** – At Lantern Energy we have built the foundation and model to scale a work force to meet the needs outlined in HB 6544. The average age of a lead tech at Lantern is 46, we are employing former home improvement contractors, electricians, carpenters, hvac specialists etc. and retraining them. Our techs hold industry certifications in building envelope, heating specialist, multifamily, infrared and home energy rater. As one of my techs told me, “I was tired of going up and down with the tide”. This Bill offers stability to the field they have chosen and gives myself the confidence to invest further in them and others. It is a game changer for the positive.
- **Consumer Protection** - An energy assessment is much more than a rating placed on a particular building, it details actions needed to improve the property, the order to which the improvements should occur, the payback and return on investment of the improvements. It empowers the property owner to make an informed choice, choosing high impact energy investments first. Too often we have seen solar on a roof with old appliances in the kitchen or geothermal heat pumps in a house that lacks insulation. At Lantern Energy we look at the whole house as one system, many well intentioned homeowners are sold systems because of the contractors desire to secure a job. Requiring an energy rating or labeling system offers consumer protection by providing clarity in this too often confusing industry.
- **Credit Issue** - Prior to starting this company I spent fourteen years in commercial banking. We would underwrite property cash flow to determine value; this would include historical energy costs. An interest rate sensitivity analysis was done on variable rate mortgages to determine the capacity of the property owner to withstand a sudden increase in rates; no such analysis is done for energy costs. There is absolutely no mechanism on the residential side to determine a new homeowner’s ability to withstand a sudden increase in energy costs. In this volatile energy environment an efficiency rating on residential and commercial buildings offers Banks and borrowers a hedge against this risk.
- **Realtors** – The realtor association has historically resisted any requirement for home energy ratings based on the misconception that it may hinder the sale of homes. If a home receives a poor energy rating, that simply means the sales price needs to be adjusted to reflect this, just as if a house needs paint, a new roof, new kitchen etc. The argument that it will hurt a fragile housing market is simply a



cover to continue to overcharge for underperforming homes. Energy assessments need to come under the same requirement as appraisals, inspections, title insurance etc.

- **Improved Equity** – This market adjustment for high rated homes gives the property owner a direct return on investment for energy efficiency improvements. Market based factors, greater public awareness along with low interest financing will trigger a boom in this industry. Numerous studies are underway to support improved property value tied to energy rated homes. Australia implemented a mandatory energy rating approximately ten years ago and show strong support for equity increases exceeding the cost of the improvements.

Section 8 establishes a low-interest loan fund that will help homeowners and business owners finance improvement projects. Such a program could adjust the rate of repayment to closely follow the cost savings from the improvement, so the owner's monthly payments don't go up. In addition, it could tie the loan repayment to the property, not to the current owner. If the current owner sells the property before the loan is repaid, the new owner—who is now reaping the benefits of a more efficient building—takes on the burden of the loan. This dramatically lowers the risk to current building owners, because they know they won't be stuck with the balance of a loan if they sell early.

This bill will create business opportunities and secure jobs in the growing energy efficiency field, help meet the state's carbon reduction obligations, and help Connecticut citizens in all income strata save money. I urge you to support HB 6544, AAC Energy Efficiency.

Thank you for your consideration.

Sincerely,

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