



OLR RESEARCH REPORT

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PROGRAMS FOR CONDOMINIUM COMPLEXES TO CONVERT THEIR HEATING SYSTEMS

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You asked for a discussion of existing programs and those authorized by PA 11-80 that could assist a condominium complex with replacing its existing oil heating system, which serves the condominium buildings rather than individual units, with a more efficient oil system or converting its heating system to natural gas.

SUMMARY

The electric and gas companies administer several efficiency programs that are open to condominium complexes and individual unit owners, notably the Home Energy Solutions and Energy Opportunities programs. The applicability of individual programs depends on a number of factors, including the fuel used in the heating system and the residents' income. In the complex you identified, the companies may be able to provide assistance using a hybrid of several of these programs. The programs do not cover the cost of converting an oil heating system to gas (e.g., the cost of extending a gas line to the premises), but can be used to help pay for the added costs of a gas system that is more efficient than is required by the building code.

Legislation passed this session (PA 11-80) requires the Department of Energy and Environmental Protection (DEEP) to establish programs to (1) help finance energy-efficient oil heating replacement systems or convert oil systems to gas and (2) provide financial assistance for such systems.

EXISTING PROGRAMS

The electric and gas companies administer several efficiency programs that are open to condominium complexes and individual unit owners. The programs are primarily funded by charges on electric and gas bills and focus on measures that conserve electricity and gas. Funding for measures that do not do this, such as replacing oil heating equipment with more efficient oil or gas equipment, is limited. The most relevant programs are Home Energy Solutions (including its income eligible and home performance components) and Energy Opportunities.

Since the condominium complex is located in Connecticut Light and Power's (CL&P) service territory, we describe CL&P's programs; United Illuminating has similar programs. Customers of both companies who are also served by gas companies can also access these programs through their gas companies.

Home Energy Solutions

The Home Energy Solutions program is open to all residential electric and gas company customers (including condominium unit owners). Under the program, an authorized contractor performs an energy assessment and makes improvements such as sealing air leaks. Depending on the customer's eligibility, the program also provides rebates on heating, ventilation, and air conditioning (HVAC) systems, appliances, and insulation.

Low and moderate income households are eligible for additional incentives under the income eligible component of the program. A household is eligible if its income is up to 60% of the state median. A two-person household is eligible if its income is no more than \$41,470; a three-person household is eligible if its income is no more than \$51,228.

Under the home performance component of the program, any type of residential energy efficiency project (including multi-family) can be submitted and considered for an incentive based on cost effectiveness criteria. The program is open to condominiums with individual or central HVAC systems. The replacement system must meet Energy Star™ standards.

Further information about the Home Energy Solution program is available at <http://www.clp.com/Home/SaveEnergy/Rebates/HES.aspx>.

Energy Opportunities

Multi-family buildings, including condominium buildings, are typically considered commercial customers with regard to their common areas and systems that serve entire buildings rather than individual units. The Energy Opportunities program is open to commercial and industrial customers of any size engaged in a retrofit project, including HVAC systems. A retrofit is the replacement of existing equipment that is working and has at least 25% of its useful life left. The program offers financial incentives, which may include zero or low-interest rate financing, to replace inefficient equipment with a high-efficiency replacement. Further information about this program is available at <http://www.ct-p.com/Business/SaveEnergy/Services/EnergyOpportunities.aspx>.

PROGRAMS AUTHORIZED BY PA 11-80

PA 11-80 makes many energy policy changes. Among other things it requires DEEP to establish a program by October 1, 2011 to allow residential customers to finance the installation of energy efficient gas or heating oil burners, boilers, and furnaces to replace (1) existing inefficient gas and oil equipment or (2) electric heating systems. The new equipment must replace boilers and furnaces that are at least seven years old with an efficiency rating of not more than 75%. Replacement fuel oil furnaces must have an efficiency rating of at least 86%. Replacement fuel oil burners must have an efficiency rating of at least 86% with thermal purge or temperature reset controls. Replacement gas boilers must have an annual fuel utilization efficiency rating of at least 90% and a replacement gas furnace must have an annual fuel utilization efficiency rating of at least 95%. To participate in the program, a customer must first have a home energy audit. The cost of the audit can be financed under the program.

A customer who participates in the program must repay the financing as part of his or her monthly gas or electric bill or by other means. The program may be funded by the Connecticut Energy Efficiency Fund's or Clean Energy Fund's residential financing programs.

The act also requires DEEP to establish a pilot program providing financial incentives to install energy efficient heating oil burners, boilers and furnaces and gas boilers and furnaces. Eligible entities include (1) any residential, commercial, institutional, or industrial customer of an electric or gas company who employs or installs an eligible savings technology, (2) an energy service company that DEEP certifies as a

Connecticut electric efficiency partner, or (3) an installer certified by the Clean Energy Finance and Investment Authority.

By December 31, 2011, DEEP must begin accepting applications for financial incentives for the installation of more efficient fuel oil and gas boilers and furnaces as described above. DEEP must review the current market conditions for such systems and equipment upgrades, including, but not limited to, any existing federal or state financial incentives, and establish the appropriate financial incentives under this program necessary to encourage upgrades. Financial incentives must provide private financial institutions with loan loss protection or grants to lower borrowing costs and, if the department deems it necessary, grants to the lending financial institution to lower borrowing costs and allow for a 10-year loan. The financial incentive package must ensure that the applicant's annual loan payment is no more than the projected annual energy savings less \$100. Any loan provided as a financial incentive must include the cost of any related incentives, as determined by DEEP. DEEP must arrange with an electric or gas company to provide for payment of any loan made as financial assistance through the loan recipient's monthly electric or gas bill, as applicable.

DEEP must develop a one-page loan application. It must include at least: (1) detailed information, specifications, and documentation of the eligible energy technology's installed costs and projected energy savings and (2) for requests for loans more than \$100,000, certification by a licensed professional engineer, licensed contractor, installer, or tradesman with a state license held in good standing.

Loan applicants must (1) contract with Connecticut-based licensed contractors, installers, or tradesmen; (2) provide evidence of the cost of purchase and installation of the eligible technology; and (3) periodically provide evidence of the operation and functionality of the technology to ensure that it is operating as intended during the term of the loan.

Finally, the PA 11-80 requires the Clean Energy Finance and Investment Authority it creates to establish a program within available funds to provide grants to residential condominium associations and owners to buy renewable energy sources, including solar energy, geothermal, fuel cell, and other hydrogen-fueled systems.

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