



# OLR RESEARCH REPORT

July 29, 2011

2011-R-0280

## **PROVISIONS IN PA 80-11 POTENTIALLY AFFECTING OIL DEALERS**

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You asked for a discussion of the provisions in PA 11-80 that potentially affect oil dealers. You were particularly interested in a provision that calls for a study of ways to expand natural gas use.

### **SUMMARY**

The act requires the Department of Energy and Environmental Protection (DEEP) to prepare a comprehensive energy plan that addresses the benefits, costs, obstacles, and solutions related to expanding the use of natural gas for transportation purposes. Since this provision only addresses using natural gas in transportation, it appears unlikely to affect heating oil dealers. An earlier version of the bill required the study to address the expansion of gas use in all sectors.

In addition, the act requires DEEP to establish a program to allow residential customers to finance the installation of energy efficient gas or oil heating equipment to replace (1) existing inefficient equipment or (2) electric heating systems. It also requires DEEP to establish programs (1) providing financial incentives to install energy efficient oil and gas heating equipment and (2) to allow a gas or heating oil company to finance the conversion to gas or oil heat by potential residential customers who currently heat their homes with electricity. The provisions providing financing and financial incentives to people who replace their existing oil heating equipment with more efficient

equipment or convert from electric to oil heat could potentially benefit oil dealers. The provisions providing financing and financial incentives to people who convert from oil to natural gas could potentially harm oil dealers.

The act also re-establishes a 13-member Fuel Oil Conservation Board and places it within DEEP for administrative purposes only. It transfers numerous energy and utility related powers and responsibilities from the Office of Policy and Management to DEEP. These include registering oil dealers and monitoring oil prices.

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### ***Study on Expanding Natural Gas Use***

By July 1, 2012, and every three years thereafter, the act requires DEEP to prepare a comprehensive energy plan. The plan must address, among many other things, the benefits, costs, obstacles, and solutions related to expanding the use of natural gas for transportation purposes. If the department finds that expanding the use of natural gas in transportation is in the public interest it must also develop a plan to increase natural gas's availability and use for transportation. In earlier versions of the legislation, these provisions required the plan to address the expanded use of gas generally, rather than just for transportation purposes.

### ***Replacement and Conversion of Heating Equipment***

The act requires DEEP, by October 1, 2011, to establish a program to allow residential customers to finance the installation of energy efficient natural gas or oil burners, boilers, and furnaces to replace (1) existing inefficient 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 oil furnaces must have an efficiency rating of at least 86%. Replacement oil burners must have an efficiency rating of at least 86% with temperature reset controls. There are similar requirements for gas equipment. To participate in the program, a customer must first have a home energy audit, the cost of which can be financed under the program. The program may be funded by the residential financing programs of the Connecticut Energy Efficiency Funds or by the Clean Energy Fund.

The act also requires DEEP to establish a pilot program providing financial incentives to install energy efficient oil burners, boilers and furnaces and gas boilers and furnaces by eligible entities. These 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 this program. It must review the current market conditions for the systems and equipment upgrades, including any existing federal or state financial incentives and establish the appropriate financial incentives needed to encourage the 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 at not 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.

The act also requires DEEP to establish a gas and oil conversion program to allow a gas or oil company to finance the conversion to gas or oil heat by potential residential customers who heat their homes with electricity. DEEP must adopt regulations to establish procedures and terms for the program.

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