



CLEAN WATER ACTION

CONNECTICUT

Testimony of Roger Smith, Energy Program Director Before the Energy and Technology Committee March 20, 2012

Senate Bill 450 *AN ACT CONCERNING ENERGY CONSERVATION AND RENEWABLE ENERGY*

Clean Water Action is a national environmental non-profit dedicated to protecting human health with 15,000 Connecticut members. We have worked on energy-related issues in Connecticut since 1998. Below are our comments on this bill.

Oil Efficiency

Connecticut needs securely funded oil efficiency programs for residents, and also businesses and municipalities. There is a tremendous demand for the programs that do exist and real frustration from participants who are unable to take advantage of them. We need leadership to provide equal access to these programs for all. The CT Energy Efficiency Fund has estimated that full funding needs to be at least \$17.5 million per year.

There's no better way to infuriate Connecticut residents than to provide programs, start to build word of mouth awareness of them and then take them away without notice.

- Several years ago, Home Energy Solutions cost oil customers \$300 and everyone else \$75
- Then with the federal stimulus, it was offered to everyone for \$75.
- In early 2011, funding ran low, the CT Energy Efficiency Fund began rationing access to the program and ended rebates for insulation.
- By September 2011 a one-time infusion of funds allowed Home Energy Solutions to return for \$75 without rationing, and insulation rebates returned for CL&P's territory but not UI's.
- In March 2012, the program is coming to a crashing halt in UI territory and ending for oil customers in CL&P territory by mid-May.

Since natural gas and electric customers aren't affected, the Efficiency Fund is planning a big media campaign for this spring. Could we possibly tease and confuse oil customers any more?

Here's what oil customers will be missing out on:

- The Connecticut Energy Efficiency Fund's popular Home Energy Solutions program, which involves a home diagnostic test, air sealing, lighting and water-saving measure installations, and insulation/appliance efficiency assessments by a skilled technician
- Low-interest rate financing programs for deeper efficiency upgrades
- Rebates for insulation, efficient heating systems, and other appliance and equipment upgrades

Do these programs work?

We have energy savings estimates for the 14 towns that are part of the Neighbor to Neighbor Energy Challenge (www.ctenergychallenge.com.) Residents heating with oil or propane are saving an average of 10% of their total energy use, about \$390 a year, from Home Energy Solutions alone, and a total of 25%, (\$950/yr) if they follow through and make a typical improvement like insulation.

Needed fixes

1. Lift the \$500,000 cap

We support Section 21 in the legislation to remove the \$500,000 cap which limits oil customer participation in Home Energy Solutions. As it currently stands, the Home Energy Solutions program will run out of oil funding and stop accepting oil customers this month in UI territory and in May for CL&P territory. This will be an utter disaster for oil customers as oil increases past \$4 per gallon. Even if other funding streams envisioned in this bill were enacted tomorrow there would still be a lag before collections would come in, so lifting this cap is critical to ensure continued access to conservation programs by customers as well as maintaining jobs for skilled technicians in the HES program.

2. Dedicate a sustainable funding source

We support any mix of funding that will raise \$17.5 million per year. Oil prices have increased by more than 130 cents over the last three years. A heating oil independence charge of 3.5 cents per gallon sold would raise this money and give heating oil customers the ability to take control of their heating expenditures.

Regarding Section 1: We support the intent but are concerned that the petroleum gross receipts tax alone may not provide a stable funding mechanism. Excess revenue depends on the price of gasoline, it is capped at \$10 million per year and as written the language does not roll over from year to year (program demand can swing wildly season to season and depends on weather.)

Other comments on Senate Bill 450

Section 1b- given the rising price of heating oil we question whether it is wise to convert electrically heated units to oil instead of other technologies like ductless heat pumps, which can provide heating and cooling for lower costs. We suggest this clause be removed.

Section 3b- why is natural gas vehicle infrastructure to be paid for by incentives "recovered from the energy efficiency adjustment rate of the participating gas company" as it increases natural gas use?

Deep Concerns with Section 14: Micro-Grids

We support the goal of encouraging combined heat and power and enhancing grid reliability in a way that is environmentally sound. We are concerned that this section could trade away clean wind, solar and fuel cell projects for cheap and dirty diesel generators at high cost to ratepayers.

The Class I RPS is not a workable mechanism to achieve the goal of promoting micro-grids. 25% of the Class I RPS is 5% of the state's total electricity use by 2020. There first needs to be some study as to what a feasible potential is for micro-grids. It is not likely that the town hall, or similar complexes throughout 169 towns would use anywhere near that much power, meaning that the Class I market would fall significantly short and ratepayers would overpay for micro-grid resources.

The proposed radical change in the RPS would disrupt planned investments by companies in Class I renewable energy infrastructure, lead to significant policy uncertainty by any company as to whether they would bank upon CT Class I credits to build *anything*, including micro-grids, and encourage program shopping between Class I and III to get the best price.

There are ways to achieve the benefits of micro-grids at less cost to the public and with less disruption to energy markets.

Recommendation 1: Target the LREC Program for Micro-grids.

We support the encouragement of fuel cells for reliability purposes. They are currently Class I

renewable energy and already have a special incentive "LREC" carve-out program to make them more financially viable. If the committee wishes to increase their adoption we recommend targeting the LREC program for reliability related uses, and if successful, increasing its size. Note, that each LREC credits counts towards the utility's requirement to buy Class I credits.

Recommendation II: Target Class III CHP for Micro-grids

Combined heat and power (CHP) facilities are already eligible for credits under Class III of the RPS. Class III credits are currently worth little as the market is oversupplied by credits redeemed by the CT Energy Efficiency Fund. Increasing the percentage of Class III, and potentially providing an adder for projects with grid reliability benefits would achieve the goal of making micro-grid CHP projects viable. Increasing Class III also reduces the cost of the Class I RPS, as the more CHP projects and efficiency projects undertaken, the fewer Class I credits are needed to meet the law's requirements (as overall electricity use goes down.)

Section 20- Utility Renewables- Study First

It is premature to expand the ability for utilities to build grid-connected renewables. The procurement of utility-scale power pursuant to Public Act 11-80 has not yet come close to completion. We suggest converting this section to a study and having DEEP analyze the policy rationale behind private vs utility built renewables based on the experience in Connecticut and returning to the legislature with recommendations.

Thank you for your consideration of these comments,

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Clean Water Action

