

ConnPIRG

**Standing Up
To Powerful Interests**

**Testimony of Abraham Scarr, Director Connecticut Public Interest Research Group (ConnPIRG)
*in regards to***

**Governor's Bill 839 AAC Statutory Changes to Advance Connecticut's Energy Policies and Governor's
Bill 6360 AAC Implementation of Connecticut's Comprehensive Energy Strategy and
*in opposition to***

**Raised Bill 6531 An Act Preserving and Retaining the Environmental Benefits of In-State Resources
Recovery Facilities**

Chairperson Duff , Chairperson Reed and Members of the Committee: My name is Abe Scarr and I am the Director of the Connecticut Public Interest Research Group (ConnPIRG). Thank you for the opportunity to testify today in regards to Senate Bill 839 and House Bill 6360, regarding the Comprehensive Energy Strategy and in opposition to Raised Bill 6531, An Act Preserving and Retaining the Environmental Benefits of In-State Resource Recovery Facilities.

I. Regarding 839 and 6360 – Support Enhancing Efficiency Programs

Energy Efficiency is appropriately at the heart of the Comprehensive Energy Strategy. In 2007 and 2011 the state adopted laws to invest in all energy efficiency that costs less than alternatives. Governor Malloy has challenged the state to become the most efficient in the nation. To achieve this will require fully funding all cost effective energy efficiency programs – a doubling of ratepayer investments from \$100 million to \$200 million annually, and improving our programs to better serve customers. We have the opportunity to achieve much greater energy efficiency in the coming years, saving energy and money, and creating new jobs.

Connecticut has much to be proud of in its existing efficiency programs, which have delivered real savings for residents and businesses. As we move towards expanded efficiency programs we have a responsibility to address problems and deficiencies keeping ratepayers from achieving greater savings.

Critical issues including reforming the Home Energy Solutions program to achieve “deeper” efficiencies, rethinking marketing and outreach efforts to move beyond early adopters and reach customers who may be skeptical of utilities, and reevaluating the success of programs from the perspective of the customers they serve.

At the heart of problems with our programs is utility program administration and the fact that the volunteer Energy Efficiency Board does not have sufficient resources to adequately manage and monitor the utilities' performance.

The case for reforming program administration is twofold. First, there is the basic problem of incentives and organizational culture. Currently, utilities have more incentive to sell energy than to save it. Decoupling will begin to address the incentive problem, but even with decoupling, it will take time for the utility organizational culture to change. Second, as a result of the first problem, the utilities have demonstrated that they are either resistant or incapable of adapting and reforming programs to improve performance. There are well documented problems with a number of our rate-payer funded efficiency programs. No program is perfect, nor should we expect them to be especially as we create and experiment with new programs. But we can and should expect program administrators to react to market forces, learn from mistakes, transparently track and evaluate performance and implement reforms to improve performance. In this regard, our program administrators have failed.

In 2008, The Program Review and Investigations Committee conducted an investigation which highlighted problems in the administration of energy efficiency programs in Connecticut and recommended a different model for program administration. Unfortunately, those recommendations were removed from their final report.

In order to hit Connecticut's Energy Efficiency goals we must reform program administration and strengthen the Energy Efficiency Board.

Program Review

The first step to pursuing reform is a comprehensive review of programs and their effectiveness. The Program Review and Investigations report found that program evaluation was too closely tied to the utilities being evaluated. This has significantly improved since 2008, but we still lack a comprehensive evaluation of programs.

In addition to ongoing evaluations, the board should hire a third-party with no existing associations with the program administrators or board to conduct an independent top to bottom review every three years, with the first review in 2013. The review should assess overall energy savings achieved by each program vs. its goals; analyze residential, business and municipal customer and contractor satisfaction with the programs, provide feedback and recommendations to improve program processes for customers, assess progress towards achieving the goal of weatherizing 80% of residences by 2030, and recommend how to best manage program administration moving forward.

Program Administration

The Program Review and Investigations report recommends putting the administration of efficiency programs out to bid. We agree with this recommendation. One basic model for doing this would be for the Energy Efficiency Board to oversee a staffed agency responsible with putting program administration out to bid and monitoring the performance of program administration. CEFIA is a model as an agency overseen by a board. Whether we create a new agency or charge the board with doing so, while giving them the necessary resources, should be determined after the completion of a program evaluation, outlined above.

The board or agency could either put the entire program out to bid or separate out distinct programs to be performed by different vendors. Details of the requests for proposals should be left to the board or

agency but the General Assembly should specify certain critical criteria, which may depend on the program, including: marketing and customer acquisition, development of consumer financing options, data collection and data transparency, ability to innovate and respond to market dynamics, ability to work in community partnerships and efficiency contractor certification and evaluation.

Board Composition

The Energy Efficiency Board would be strengthened by adding the perspective of constituencies served by efficiency programs. Currently, the board has four “Business Consumer” representatives but only one “Residential Consumer” representative. The board would achieve parity by adding three additional residential consumer representatives, including a representative of municipal government or a municipal government association, a representative of a membership-based consumer advocacy organization, and a representative of difficult to reach residential constituencies, such as low income residents or seniors.

Heating oil efficiency

Finally, we encourage the General Assembly to establish a mechanism wherein oil and propane consumers contribute to the efficiency fund and have full access to efficiency programs.

II. Regarding 839 – Natural Gas

The majority of the Comprehensive Energy Plan’s proposal for Natural Gas expansion will be carried out by the Department of Energy and Environmental Protection (DEEP) if granted the authority to by the General Assembly through 839. We maintain concerns regarding the aggressive nature of the current plan. As the finalized CES recognizes, small changes in the projection of either gas or oil prices will greatly affect the cost benefit analysis of building out new gas mains to Segment B as defined by the Plan. Further, if greater efficiencies are achieved, the cost benefit of building new mains to segment B drops further.

Considering the amount of rate-payer investment necessary to complete the natural gas plan, we encourage to General Assembly proscribe a conservative cost benefit analysis be used that accounts for improvements in efficiency and increases in natural gas prices as currently externalized costs of natural gas – such as the environmental degradation associated with fracking -are internalized into the cost of natural gas over time.

We also encourage the general assembly to require basic building efficiency measures to accompany gas conversions, to provide and incentivize a portfolio of home heating options for consumers and oppose extending the “hurdle rate” to twenty-five years. We support the more detailed recommendations made by our colleagues at Clean Water Action in these matters.

III. Regarding 6360 –Support Independent Distribution

Our experience over the past two years with extreme weather and extended electricity outages demonstrates the need for a more resilient and reliable electricity delivery system. We strongly support the provision in 6360 allowing municipal, state or federal entities operating a Class 1 renewable energy source, Class 3 energy source, or small generator connected to a municipal micro-grid to independently distribute electricity across public streets or highways. Allowing this independent distribution will incentivize micro-grids and distributed generation, which are critical to developing a more resilient and reliable electricity delivery system.

IV. Raised Bill 6531 – Opposed

Raised Bill 6531 creates a new tier within our Renewable Portfolio Standard to subsidize the electricity rates of Connecticut's incinerators. The bill addresses a real problem, which is that our state's waste management infrastructure is out of date and too expensive. The currently lower cost of electricity due to lower natural gas prices, combined with the end of a set of long term contracts the incinerators had with towns, is putting a squeeze on the incinerators. If they cannot get the rates they sell their electricity at subsidized by ratepayers in a scheme such as this, municipalities – and in turn taxpayers - will be forced to pay through higher tipping fees.

The RPS is an inappropriate vehicle to address this problem. The RPS is intended to support the development of new renewable energy sources. Incinerators are neither new nor renewable energy sources. We should not undermine energy policy goals to deal with what is a waste and recycling problem.

Connecticut does need to take action to address this problem, but it should do so by increasing recycling and reducing our over-dependence on incineration. Increasing recycling and reducing waste will save taxpayer money, create jobs, and protect our environment and public health. Subsidizing incineration in this manner will serve to keep Connecticut overly dependent on incineration.