

Public Hearing – March 4, 2021
Energy & Technology Committee

Testimony Submitted by Commissioner Katie S. Dykes

SB-882 An Act Concerning Climate Change Mitigation and Home Energy Affordability

Thank you for the opportunity to present testimony regarding Senate Bill No. 882 – An Act Concerning Climate Change Mitigation and Home Energy Affordability. The purpose of this bill is to codify the target to achieve a zero-carbon electric supply by 2040 that Governor Lamont’s Executive Order No. 3 directed the Department of Energy and Environmental Protection (DEEP) to study in its Integrated Resources Plan. In support of this goal, the bill also provides DEEP with the authority to procure energy efficiency or active demand response of up to three hundred thousand megawatt hours of electricity in the aggregate or one hundred megawatts of demand reduction. Finally, it also serves to provide transparency to potential home buyers and renters into the energy consumption of the home they are considering so they can accurately assess the cost of renting, leasing, or buying the property.

DEEP supports this bill because of the immediate need to stop the acceleration of climate change and its impacts on the residents and businesses of Connecticut, and to provide transparency to customers regarding the energy costs they can expect to pay before they commit to a new home. As the state moves to the electrification of its building and transportation sectors, we need assurance that zero carbon resources are increasingly powering the grid. We will reduce the need to purchase new generation and balance the addition of intermittent resources with further investments in active and passive response measures. Also, DEEP supports the home energy affordability portion of the bill as a means to help people choose homes they can afford to heat and cool, and to give an incentive to property owners to participate in Connecticut’s award-winning programs of Connecticut’s Conservation and Load Management programs and increase the energy efficiency of their homes and buildings.

Decarbonizing our electric supply is an important step in meeting our existing goal of reducing our greenhouse gas emissions by 2050 to a level at least eighty percent below the level emitted in 2001. Emissions from the consumption of electricity comprise 20 percent of our state’s current carbon emissions.¹ However, absent a mandate to reduce our electric supply emissions to zero, emissions from this sector are projected to rise due to increasing electricity demand.

DEEP’s Draft Integrated Resources Plan demonstrated that there are a variety of pathways to achieving the goal of a zero-carbon electric supply by 2040, and that the goal is achievable through existing technology. Connecticut has already made substantial progress toward this goal, with over 600,000 MWh/year of operating grid-scale, zero-emission renewables and more than 9 million MWh/year of zero-carbon nuclear resources, equivalent to nearly 65 percent of the electricity

¹ Connecticut Department of Energy and Environmental Protection. 2017 Connecticut Greenhouse Gas Emissions Inventory. https://portal.ct.gov/-/media/DEEP/climatechange/2017_GHG_Inventory/2017_GHG_Inventory.pdf

consumed by customers of the state's two electric distribution companies. By 2025, that percentage is expected to increase to 91 percent, or 24.5 million MWh/year, as new offshore wind and grid-scale solar projects that have been contracted but not constructed will come online.

An important companion piece to the 2040 zero carbon electric supply goal is the authority for DEEP to solicit proposals for up to three hundred thousand megawatt hours or 100 MW in the aggregate of a combination of active and passive demand response measures. This is especially necessary in the face of projected increased load demand and the need to provide balancing resources to the grid with the increased use of generating sources that produce electricity intermittently, such as wind and solar.

Passive demand response measures include energy-efficiency measures that are designed to save electricity by reducing demand across many hours. The intent of the bill is to complement the programs available through the Conservation and Load Management Fund. Active demand response measures include innovative programs to allow consumers to play an increasingly active role in the energy system, with financial rewards for doing so. Some examples may be incentives to reduce consumption when called upon to meet system needs.

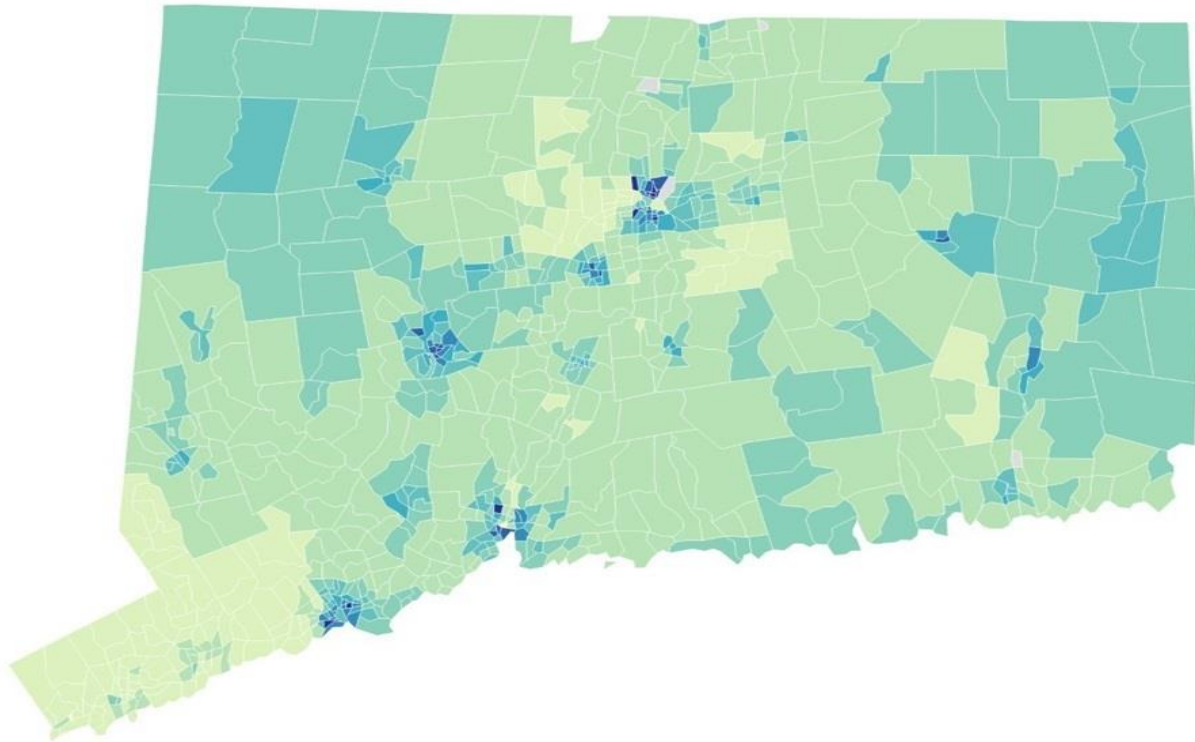
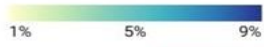
The third part of this bill also puts more control over energy use into the hands of consumers. It requires property owners to provide information about a home's energy consumption to potential renters and buyers. Property owners can either provide the last twelve occupied months of energy use and costs, or they can provide a home energy label such as a Home Energy Score, which acts like a "miles-per-gallon" rating for a home and is further described below. This information gives energy consumers the power to choose to live in a more efficient home.

For many residents, energy bills are the highest annual housing cost outside of mortgage payments or rent. The U.S. Department of Energy (DOE) estimates that, on average, the annual energy cost for single-family homes in Connecticut is approximately \$3,600, the second highest in the nation.² This signals that energy information is a critical variable in addressing housing affordability. The availability of energy costs or consumption information enables homebuyers to make a more-informed decision regarding one of the largest investments they will likely ever make, and renters to find affordable housing that fits their budgets.

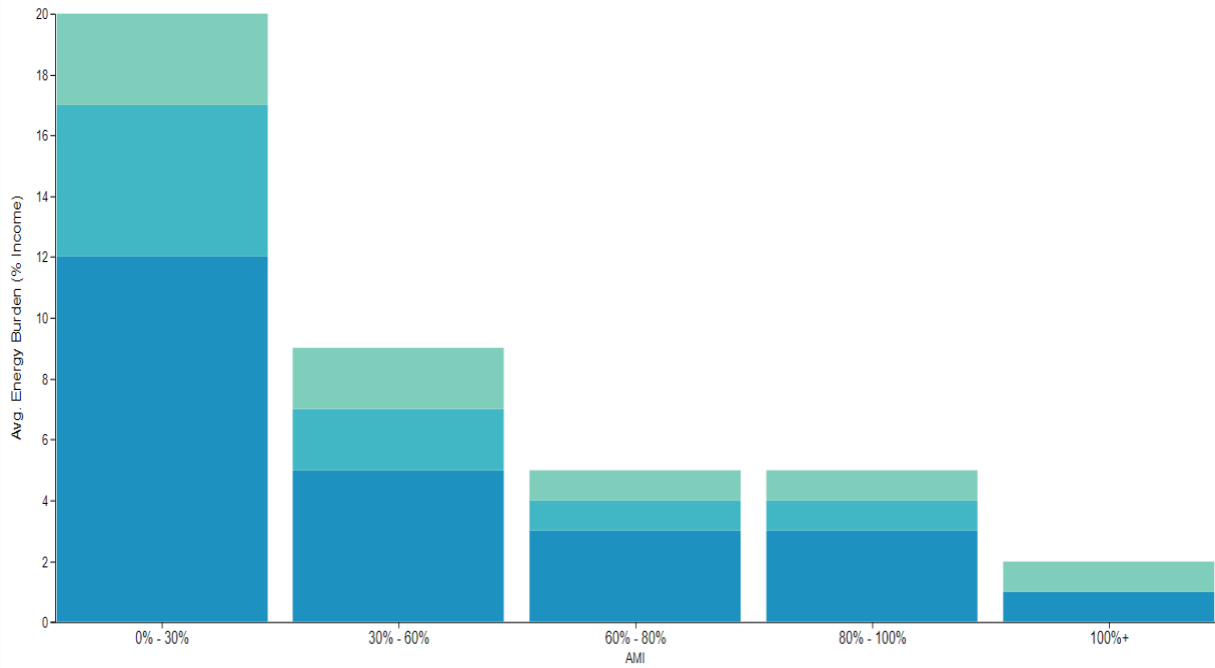
Imagine renting a modest, two-bedroom home within your means, only to find that the winter heating bills are over \$500 per month. This frequently happens to Connecticut residents because prospective buyers and renters have no way of knowing what a home's energy bills might be. This is particularly concerning given that, according to the Energy Information Administration, one in three households face challenges in meeting their energy needs. In Connecticut, the DOE reports that the energy burden for low-income households is 8-19 percent of income on average, above the commonly cited 6 percent affordability threshold. Inability to pay can result in utility shutoffs, which are one of the primary causes of homelessness in the United States.

² U.S. Department of Energy. (2021, January 28). Low-Income Affordability Data (LEAD) Tool. Retrieved from: <https://www.energy.gov/eere/slsc/maps/lead-tool>

Energy Burden as Income %



Avg. Energy Burden (% Income) for Connecticut



- Connecticut
- Electricity
- Gas
- Other

Given that Connecticut is currently experiencing the highest number of home sales in over 15 years, now is a critical time to ensure that energy information is available to buyers. A recent Wall Street Journal article reported that due to increased demand, the median home sales price rose by over 15 percent in 2020 compared to 2019.³ The transparency this proposed bill provides will allow residential consumers to make housing choices they can afford. This proposed bill will also provide an incentive for property owners to make their buildings more efficient, an important strategy to reducing building sector greenhouse gas emissions and increasing energy affordability. Energy disclosure will also provide landlords with the security of knowing that prospective tenants can afford the full cost of living in a unit, minimizing the likelihood that their tenants will have to make the difficult choice between paying rent and paying energy bills.

Owners of single-family homes or duplexes can choose to comply with this proposed bill by disclosing a Home Energy Score. A Home Energy Score can be obtained by participating in the Home Energy Solutions program offered through Connecticut's Conservation and Load Management Plan. For a co-pay of only \$50 (or \$0 for visits scheduled before April 1, 2021), participating building owners receive a variety of energy efficiency services such as air sealing and LED lightbulbs, as well as a Home Energy Score. The average home will save enough energy to offset the \$50 cost in one heating season.

The Home Energy Score (Score) is like a "miles-per-gallon" rating for a single-family home. It is asset-based, meaning it only accounts for the efficiency of a home's envelope, roof, HVAC equipment, and other characteristics; thus eliminating the influence of occupant preferences such as thermostat settings and standardizing a home's efficiency level. The Score also provides homeowners a list of recommended, cost-effective energy efficiency upgrades that will improve their Score further and reduce energy costs. To date, Connecticut has generated over 40,000 Scores through The Conservation and Load Management Plan's flagship Home Energy Solutions program, which is delivered by over 30 different vendors statewide.

Because some homes, including multifamily apartment buildings, are not eligible to receive a Home Energy Score, this proposal gives property owners the flexibility to provide other home energy labels, such as a Home Energy Rating (HERS) Index Score or ENERGY STAR Score, or energy consumption information from the last 12 months that a unit was occupied. The proposal requires electric distribution and gas companies to maintain this information and make it available to property owners free of charge. The proposal also gives DEEP the ability to add additional labels through regulation as they become available.

DEEP notes that there are resources available to property owners through the Home Energy Solutions program and the Weatherization Assistance Program, including programs that focus on renters with low income. These programs include incentives for energy-savings measures like insulation and efficient appliances. Residents and landlords whose tenants meet certain income requirements may participate in income-eligible programs with \$0 copays and enhanced incentives.

Providing energy information to homebuyers has not been shown to negatively impact home sellers. Surveys from the National Association of REALTORS show that energy efficiency is

³ Joseph de Avila. February 2, 2020. [Connecticut's Housing Market Hit New High in 2020, Report Says](#). [Wall Street Journal](#).

consistently an important factor in home buyers' decision making. Multiple studies have found that homes listed for sale that disclosed energy costs, even when costs were high, spent less time on the market and closed at a higher percentage of the asking price than homes that did not disclose this information.⁴ In other studies, homes with energy efficient features have been shown to sell at a premium.⁵

Several jurisdictions across the country have adopted energy disclosure or labeling requirements similar to this proposed bill. Portland, Oregon requires homeowners to obtain and advertise a Home Energy Score when listing a home for sale. Since Portland passed this ordinance in 2018, 20,000 homes have received Scores and program evaluations found no significant disruption to the real estate industry.⁶ An analysis of energy disclosure requirements in Austin, Texas found that energy labeling created a price premium for energy efficient homes and increased participation in energy efficiency programs. Six cities and five states have some form of mandatory residential energy disclosure [requirements](#).

DEEP recognizes that this bill places new responsibilities on realtors both in ensuring energy information is accurately included in a listing and learning how to interpret its meaning. It is important that the real estate industry understand that they are not alone in educating themselves on home energy information and labels. Connecticut already has a fully functioning database that accurately stores and transmits home energy data with a homeowner's consent to the Multiple Listing Services, and DEEP was recently granted funds from the U.S. Department of Energy to establish an energy education program for real estate professionals. DEEP welcomes the input of the real estate industry on the design of this program so that it is as valuable and useful as possible.

DEEP suggests some minor revisions to align the bill with its original intent. In lines 123, 126, 129, 131, 133, 190, 192, 194, and 197 the word "or" should be changed to "and" so that landlords and homeowners are not able to supply partial information to prospective renters or purchasers. Furthermore, beginning at lines 141 and 205, DEEP suggests changing the cost recovery language for the electric distribution and gas companies to state that they "shall recover" their "prudently incurred information technology and administrative costs" associated with implementation of this Section.

Thank you for the opportunity to present testimony on this proposal. Should you have any questions, please do not hesitate to contact James Albis at James.Albis@ct.gov.

⁴ Elevate Energy. (2015, April 21). Energy Cost Disclosures in Chicago Residential Listings: Eighteen Months Out. Retrieved from www.elevateenergy.org; https://www.elevateenergy.org/wp/wp-content/uploads/ECD_Analysis_YEAR2.pdf

⁵ Kahn, M.E., & Kok, N. (2014) The capitalization of green labels in the California housing market. *Regional Science and Urban Economics*, 25-34.

⁶ Portland Bureau of Sustainability Planning. (October 2020). Report to City Council on Residential Energy Performance Rating and Disclosure (Ordinance No. 188143). Retrieved from www.portland.gov: <https://www.portland.gov/sites/default/files/2020/report-to-portland-city-council-on-residential-energy-performance-rating-and-disclosure-ordinance-no.-188143.pdf>