

**Connecticut Legislative Program Review and Investigations Committee (PRI)**

**NLPES CERTIFICATE OF IMPACT SUBMISSION: 2012**

<b>REPORT TITLE:</b>	Energy Efficiency in State Buildings (Section V), Commission on Enhancing Agency Outcomes Final Report to the Governor, President Pro Tempore of the Senate and Speaker of the House (Pursuant to P.A. 09-7, Sept. SS)  (COPY ATTACHED)
<b>RELEASE DATE:</b>	December 30, 2010
<b>SUMMARY:</b>	During 2010, PRI provided staff support to the Commission on Enhancing Agency Outcomes (CEAO), a legislative entity whose membership included the program review committee co-chairs. CEAO was established to help mitigate Connecticut's state budget deficit by identifying ways to reduce costs and promote efficiency and accountability in state government. Building on two prior PRI studies of state energy efficiency and conservation programs (copies of relevant report sections attached), a set of proposals to reduce agency energy consumption and increase state building efficiency, which included a recommendation to pursue energy performance contracting, was developed by PRI staff and adopted by the commission. Several report recommendations were implemented over the past year, resulting in lower state energy costs and improved conservation efforts.
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## NARRATIVE

### Impact of Energy Efficiency in State Buildings 2010 CEAO Report

The Connecticut General Assembly established the Commission on Enhancing Agency Outcomes (CEAO) in 2009 to help mitigate the state's budget deficit. Commission members included leaders of the legislature's government administration, appropriations, and program review committees, the head of the state policy and management office, and several legislators and citizens appointed by the legislative leadership. The commission co-chairs were Senator Gayle Slossberg and Representative James Spallone. Under the commission's enabling legislation, program review resources, at levels determined by the committee, were made available to help carry out its duties. Two PRI nonpartisan professional staff provided assistance to CEAO during 2010.

The commission's goal was to reduce state costs and enhance the quality and accessibility of state services by identifying ways to: eliminate overlaps and other redundancies; merge agencies and streamline operations; and promote government efficiency and accountability. As mandated, a report with commission findings and recommendations was submitted to the General Assembly by December 31, 2010; the commission terminated at the end of the following year.

One area for analysis added to commission's scope during 2010, at the suggestion of the PRI co-chair members, was improving energy efficiency in state facilities. Several recently completed program review studies had shown one of the state's largest operating expenses is for energy used in the buildings it owns and occupies – over \$200 million annually.<sup>1</sup> The studies found while many facilities were known to be highly inefficient, resources available for improving their energy performance and reducing energy consumption and costs were underutilized. Further, centralized responsibility for conservation efforts and clear accountability for agency energy use was lacking. No action had been taken to implement a statutorily mandated energy performance contracting pilot program for state facilities, enacted in 2003 in response to a recommendation from the earlier, 2002 PRI report.

The chairs of the program review committee, Representative Mary Mushinsky and Senator John Kissel, in their roles as CEAO members, were instrumental in focusing the commission's attention on energy as a budget area that could result in considerable savings. At the commission's direction, program review staff developed a set of proposals to cut state energy costs by adopting more effective energy use practices and policies. Cost-saving opportunities from their implementation, even using conservative estimates, are significant; just a 10 percent reduction in state building energy expenditures means savings of \$20 million a year. Specific recommendations adopted by CEAO and presented in its 2010 final report included:

- state agencies reduce their energy costs by 10 percent over FY 10 levels by the end of FY 12;
- agency heads be held accountable for achieving that reduction by the means of their choice, including but not limited to using energy performance contracting, employee training in facility management training, and participating in the state's energy efficiency "test-bed" program; and
- in the longer term, the state undertake a more comprehensive analysis of its energy use and expenditures and reduce energy use by 30 percent by 2023.

The program review committee staff believes the work on energy efficiency conducted for the CEAO report is a good example of how objective, credible evaluation information can impact public policy. Given the long history of several of the energy-related recommendations, it also demonstrates how often persistence is needed to achieve changes called for in a legislative program evaluation report. Both the legislature and the executive branch, in response to this 2010 report, have taken actions that

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<sup>1</sup> See: Legislative Program Review and Investigations Committee, *Energy Efficiency & Conservation Programs in Connecticut* (January 2009) and *Energy Management by State Government* (October 2002).

have produced positive results in three areas covered by LPES impact certificate selection criteria: cost-savings; improved program operations; and constructive statutory changes. Documentation of each of the results described briefly below is attached.

**Dollar-savings.** Due in part to implementation of energy conservation efforts called for in the report, **state energy costs were at least \$25 million lower in FY 11 than in FY 10.** Total state agency electricity expenditures (not including any related to public higher education facilities) dropped from \$114.8 million in FY 10, to \$90.7 million in FY 11. Over the same time period, state natural gas expenses declined from \$29.7 million to \$27.9 million.

**Program improvements.** Legislation enacted in 2011 restructured the state's energy agencies and created a new Department of Energy and Environmental Protection (DEEP). The same public act also **established a framework for state agencies and municipalities to engage in energy performance contracting, as recommended in the 2010 CEAO report.** DEEP has taken steps to support this framework and other operational improvements recommended in the report. A helpful guide for a standardized energy-savings performance contracting process municipalities and state agencies could use currently is available on the agency website. The guide is one of several initiatives undertaken through the "Lead By Example Program", a partnership between DEEP and the Department of Administrative Services aimed at promoting energy efficiency and conservation in state buildings.

Earlier this year, progress also was made toward implementing the report's recommendation for comprehensive analysis of state energy use. DEEP and DAS announced in April 2012 the state had **selected a nationally recognized energy performance consultant (EnerNOC) to help agencies reduce energy use and lighting, heating, and cooling costs at up to 100 state facilities through 2014.** EnerNOC will install a new monitoring system that allows facility managers to identify and address energy inefficiencies associated with building operations (e.g., lights left on overnight, too high or low building temperatures, air conditioning of unoccupied spaces).

**Legislative impact.** As proposed in the CEAO report, the General Assembly took action to strengthen accountability for state agency energy use and costs. **A statutory requirement that state agencies reduce their energy use by 10 percent as of January 1, 2013 and by another 10 percent as of January 1, 2018,** was established under P.A. 11-80, the same legislation that merged the state environmental protection and energy agencies to create DEEP.

**DOCUMENTATION OF REPORT IMPACT**

**Energy Efficiency in State Buildings 2010 CEAO Report**

**Criteria 1. Cost-Savings**

\$25 million decrease in state budget line item for energy costs over past fiscal year; *see attached pages from state cost accounting (CORE CT) system*

**Criteria 2. Program Improvements (Operational changes)**

DEEP website now contains Lead by Example information for state agencies and municipalities including a guide for a standardized energy-savings performance contracting process; *see attached copy of agency webpage about process for state agencies*

Executive branch recently entered into contract with consulting firm to implement statewide energy use monitoring system; *see attached copy of news release regarding contract award*

**Criteria 3. Legislative Impact ( Statute changes)**

Sections of Public Act 11-80 implement report recommendations concerning goals for reductions in state energy use: *see attached copy of relevant sections of public act summary*