



Connecticut Department of Energy and Environmental Protection



Overview of DEEP's Approval with Conditions of the 2018 Update of CT's 2016-2018 Conservation and Load Management Plan

January 10, 2018

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CT Energy Efficiency Board Meeting, New Britain CT



Connecticut Department of Energy and Environmental Protection

DEEP Review of 2018 Update and revised budget

- DEEP has completed its review of the November 1, 2017 Conservation and Load Management Plan 2018 Update and its revised budget.
- We recognize the difficult and significant work completed by the utility companies and Board to revise the Conservation and Load Management Plan for 2018 made necessary by the legislative diversion of Conservation and Load Management Plan assessment revenue to the CT General Fund for general government services rather than energy efficiency investments.
- DEEP supports the priorities identified by the Board in implementing the diversions mandated by June SS P.A. 17-2 and necessary reallocation of funding from non-direct services.



DEEP Recognizes the Board's Conditions of Approval

The Board's December 13, 2017 conditions of approval are reflected in the December 15, 2017 revised budget that the Companies submitted to DEEP. The Board's conditions include:

1. An increase in the 208 HES-IE budget, reallocated from other residential programs (Retail Products and Behavior)
2. Continued development of progress on SBEA recapitalization
3. Approval of the Evaluation studies budget for 2018, upon clarification of which studies are continuing, which are being cut, scaled back, or deferred, and how multi-year funding impacts will be addressed.
4. Utility companies' savings should be revised and improved, particularly for the C&I savings, and some savings and goals will change as a result of addressing the budget changes.
5. & 6. The Board will address the Evaluation Administrator and the board consultant budgets in an upcoming meeting [January 2018].



Overview of State Budget for SFY 2018 and SFY 2019

Identifies that June Special Session Special Act 17-2, *An Act Concerning the State Budget for the Biennium Ending June 20, 2019, Making Appropriations Therefor, Authorizing and Adjusting Bonds of the State and Implementing Provisions of the Budget* ordered the diversion of the sources of revenue for implementation of the Conservation and Load Management Fund and the CT Green Bank's operations to the CT General Fund:

Section	Revenue Source to be Diverted	Annual Amount	State Fiscal Years
682	Regional Greenhouse Gas Initiative Auction proceeds [A portion used for C&LM Plan implementation, a portion used for CT Green Bank]	\$10,000,000	2018 and 2019
683	Energy Conservation and Loan[sic-Load] Management Fund aka "CT Energy Efficiency Fund" for Conservation and Load Management Plan implementation	\$63,500,000	2018 and 2019
684	CT Clean Energy Fund [for CT Green Bank]	\$14,000,000	2018 and 2019



Office of Policy and Management Direction on Timing

- December 15, 2017 letter sent from Secretary Barnes, Secretary of CT's Office of Policy and Management (OPM), to Commissioner Klee of CT DEEP.
- Recognizes that existing contracts and commitments will need to be curtailed.
- Directs that the “transfers” from the proceeds of the Regional Greenhouse Gas Initiative auctions, the Energy Conservation and Load Management fund, and the Clean Energy Fund be made in the last month of each fiscal year [June].



DEEP Review of 2018 Update and revised budget

The 2018 Update of the 2016-2018 Electric and Natural Gas Conservation and Load Management Plan, with revised budget per June SS P.A. 17-2, and its associated *Connecticut Program Savings Document, 13th Edition for 2018 Program Year* is **approved contingent on the following conditions:**



Conditions of Approval 1,2,3

1. Approval to carry forward the variance in the Energy Conservation and Load Management Fund (aka Connecticut Energy Efficiency Fund or “CEEF”) balance from 2017
2. DEEP withdraws direction to UI on advancing Adoption of Time of Use rate (TOU) Home Energy Solutions-Income Eligible performance adjustment due to budget reduction
3. Home Energy Solutions-Income Eligible performance adjustment due to budget reduction



Condition of Approval 4

2018 Update narrative dated November 1, 2017 to be revised

- The Companies shall submit an updated narrative with the 2017 actual spending and savings reconciliation and final 2018 budget
- Submit **no later than March 1, 2018**.
- The narrative should incorporate the program changes identified as part of the process of revising the budget.



Condition of Approval 5

Ensure municipal data available outside of Clean Energy Communities program

- While DEEP recognizes the Board's prioritization of direct services, DEEP is concerned about the reduction of services to municipalities that is represented by the significant budget reduction to the Clean Energy Communities program.
- The Companies must identify in the updated narrative that is **due no later than March 1, 2018**, how, outside of the Clean Energy Communities program, it may be possible to maintain the public facing availability of energy data that municipalities rely on to inform their energy management.



Condition of Approval 6

Communication regarding equitable contributions from oil and propane heated buildings

- While oil and propane customers contribute to the conservation charge on electricity for a portion of their electric bill, they do not contribute to the same degree as ratepayers that heat with electricity or natural gas to support thermal energy efficiency measures.
- Revenue from the RGGI auctions has filled the gap for these customers. June SS P.A. 17-2 diverted RGGI auction proceeds from the funding for the Conservation and Load Management Plan. This will result in the curtailment of efficiency services for oil and propane customers.
- Consequence: reduced incentive limits and implemented caps on purchase orders for contractors to ration the numbers of households each qualified contractor serves in 2018.
- The Companies shall describe the program revisions being made to the programs, including those identified in the Board's December Residential committee special and regular meetings, in the updated narrative for the 2018 Update, which is **due no later than March 1, 2018**.
- The updated narrative shall also identify a protocol for informing contractors and communicating to customers that legislated funding constraints limit certain services to residents and businesses that do not contribute equitably to the utility assessment on electric and natural gas consumption.



Condition of Approval 7

Submit Consultant and Evaluation Administrator Budget Line Items in January 2018

- Due to the Board's conditions of approval #5 and #6, noting that the Board did not complete its review of the consultant budget and the Evaluator Administrator budget.
- Those budget line items will need to be addressed at the Board's January meeting.
- The Board will need to identify the budgeted amount for those elements, and provide a rationale for any figures that are below the pro rata 33% reduction that the Board identified as the standard budget reduction during its November 8, 2017 meeting.
- DEEP anticipates, based on the Board's prioritization of direct services over other Plan categories that are of an administrative or other supporting nature, that the Board will revise the placeholder budget amount to represent at least a 33% reduction.
- DEEP will review those numbers and provide a response that can be incorporated into the Companies' submittal of the reconciled 2017 figures and final budget for 2018, **which shall be due by March 1, 2018.**



Condition of Approval 8

Revise Evaluation Plan and Budget

- The Evaluation budget for 2016-2018 totals \$9 million [approximately \$3 million per year] for Evaluation Studies.
- DEEP has summarized the studies to be completed in 2018.
- DEEP is eliminating or deferring the studies listed in Table 2. The list of evaluation studies will need to be reprioritized as part of the development of the next three year plan.
- The Companies shall confirm the amount spent through December 31, 2017 for the approved studies in Tables 1 of Attachment A. The Companies shall submit this information to DEEP by January 30, 2018. DEEP will review and confirm the final amount to be budgeted in 2018 for Evaluation Studies, and the Companies shall include this amount in the submittal of the final Plan budget for 2018, **which shall be due by March 1, 2018.**



Condition of Approval 9

Equitable Distribution data

- The companies must convene a joint meeting with DEEP prior to submittal of the 2017 Equitable Distribution data to reduce inconsistencies in data collection and presentation and to collectively clarify interpretations of the statute that affect the data submittal.
- The companies must also submit an updated method of census tract identification and economic status that determines whether the census tract is distressed.
- The Companies must submit the 2017 Equitable Distribution data on a form prescribed and provided by DEEP **no later than July 1, 2018.**

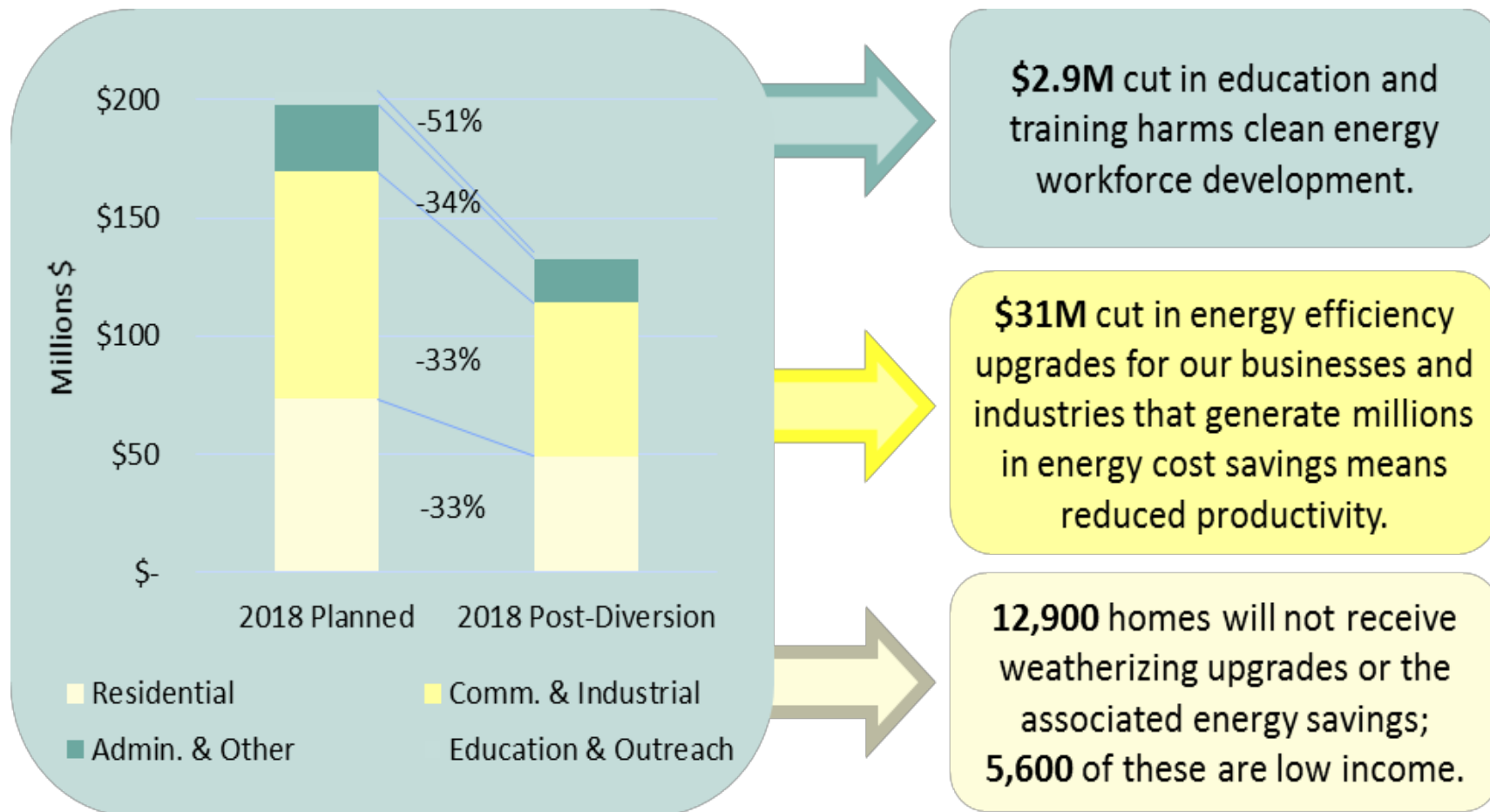


Continuation of Collaboration

- DEEP appreciates the work of the Companies and the Board to collect public input, collaborate with the CT Green Bank, and continuously improve the effectiveness of the Conservation and Load Management Plan investments.
- We remain concerned about the diversion of utility-collected revenue intended for the implementation of energy efficiency investments across the state.
 - Unless a new source of funding is identified for providing services to residents heating with oil and propane we anticipate Home Energy Solutions services will need to be eliminated once RGGI funding is depleted.



Diversion Effects on Plan for 2018



Diversion's Impacts: Jobs and Businesses

The diversion of the revenue funding the Conservation and Load Management Plan's into the General Fund means that, in 2018 and 2019 alone:

- An estimated loss of approximately several thousand jobs could result from contract cancellations worth over \$126 million plus the estimated \$252 million in private capital from customer investments leveraged from those contracts.
- Each year, a \$2.9 million cut per year in education and training investments will negatively impact workforce development and the energy efficiency job market, which is rapidly growing in the state, and which in 2017 stood at 34,000 jobs in Connecticut.
- Each year, over \$31 million in energy efficient upgrades that produce cost savings for our businesses and industries and enables them to invest in growth will not occur; reducing business competitiveness;



Diversion's Impacts: Homes

The diversion of the revenue funding the Conservation and Load Management Plan's into the General Fund means that, in 2018 and 2019 alone:

- Each year, over 12,900 homes will not receive energy assessments which provide significant on the spot weatherizing upgrades and immediate energy bill savings and qualify homes for reduced pricing on insulation; 5,600 of which are low-income households that often require additional financial assistance to close the energy affordability gap.
- Oil and propane heated buildings will no longer receive services related to heating and cooling improvements once the source of efficiency upgrades, a portion of proceeds from RGGI auctions, is depleted. This will result in an additional 13 million gallons of oil burned in Connecticut over the next two years.



Diversion's Impacts: Efficiency as a Resource

The diversion of the revenue funding the Conservation and Load Management Plan's into the General Fund means that, in 2018 and 2019 alone:

- Reduced revenue and increased costs of repurchasing multiple years of capacity from planned energy savings already sold to the ISO-New England regional electricity market will cost Connecticut ratepayers an estimated \$30 million over ten years in:
 - purchased reconfigured capacity,
 - forfeited financial assurance, and
 - potential penalties for failing to deliver capacity,
 - with actual costs potentially higher given the fluctuation of spot market prices.



Path forward

- Ensuring the continuation of investments that transform energy conservation and load management and mainstream energy efficiency means that the Board, the Companies, DEEP, and others will need to undergo an important discernment process in 2018.
- We must identify sustainable mechanisms for catalyzing investment in efficiency upgrades, reducing energy waste, and optimally managing demand.
- We look forward to continued collaboration as we collectively implement the Plan's investments in energy efficiency and demand reduction and plan for sustainably to increasing energy savings to catalyze economic and environmental benefits for Connecticut.
- Please contact me with any questions.

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