

Northeast Energy Efficiency Partnerships, Inc.



**Comments of Natalie Lovett, Public Policy Analyst
Northeast Energy Efficiency Partnerships (NEEP)**

**To the Connecticut Department of Environmental Protection
On the Section 22a-174-31 Proposed Regulations,
Relative to the Regional Greenhouse Gas Initiative**

February 8, 2008

Thank you for the opportunity to provide comments to the Connecticut Department of Environmental Protection as part of public commenting period on the Department's Revised Section 22a-174-31 Proposed Regional Greenhouse Gas Initiative (RGGI) Regulations. On behalf of Northeast Energy Efficiency Partnerships, Inc. (NEEP)¹, I commend the Department for its efforts to create regulations that have been vetted by stakeholders and are mindful of ratepayer implications.

Based in Lexington, Mass., NEEP is a nonprofit organization founded in 1996 whose mission is to promote efficient energy use in homes, buildings, and industry in New England, New York, and the Mid-Atlantic states through regionally coordinated programs and policies that increase the use of energy efficient products, services and practices, and that help achieve a cleaner environment and a more reliable and affordable energy system. NEEP supports government policies and coordinates regional initiatives that promote and build market adoption of quality, energy efficient products and services. NEEP serves as a strategist, planner, facilitator, information and training resource, and project manager, working in partnership with environmental and consumer groups, state and federal agencies, businesses, utilities and other non-profits.

Introduction

The RGGI program has the potential to dramatically affect the environmental landscape of Connecticut and the entire Northeast United States through the limiting of carbon dioxide emissions. Still, there are many important intricacies that must be worked out to ensure that the program is successful. The auctioning of the carbon allowances to generators is one important determinant of the success of RGGI. As identified through various studies, whether or not the carbon allowances are auctioned off, ratepayers will experience an increase in their bills as a result of the cost of reducing carbon emissions being incorporated into wholesale electric prices.

¹ These comments are offered by NEEP staff and do not necessarily represent the view of the NEEP Board of Directors, sponsors or partners.

Through the auctioning off of the allowances, however, Connecticut is able to create a pool of funds that can be used to mitigate this increase in cost to the consumer. Implementation of RGGI alone can play a substantial role in mitigating climate change; however, when accompanied by a 100 percent allocation of auction proceeds to consumers, and, more specifically, to energy efficiency programs, the state has the ability to both decrease energy costs for ratepayers and accelerate the reduction of greenhouse gases. In short, energy efficiency is the most effective way for Connecticut to achieve the maximum benefit from RGGI.

Therefore, we would like to focus our comments on the importance of utilizing energy efficiency programs to mitigate any increased costs to consumers under RGGI, and offer some recommendations on the most effective ways to make use of these programs.

Allocate Auction Funds to Energy Efficiency Programs

The current draft Section 31 RGGI regulations state that Connecticut will allocate approximately 69 percent of the auction proceeds to energy efficiency. NEEP believes that it will be important to allocate a larger portion of the auction proceeds to energy efficiency programs in order to ensure that the economic impact of the program on ratepayers is minimized. Increased support for energy efficiency programs enable customer bills to be reduced as a result of decreased energy demand. Energy efficiency is unique among other demand resources for its ability to reduce demand for energy and thus the cost of electricity for ratepayers.

Massachusetts DOER's RGGI Modeling² demonstrates that by doubling energy efficiency spending through the sale of RGGI allowances Connecticut's energy customers will experience a decrease in bill cost as compared to their 2003 energy bill.

Benefits to Connecticut Consumers from Doubling Energy Efficiency Spending, Using Sales Value of RGGI Allowances

	Ave. bill (2003)	\$ saved due to efficiency	% saved
Year 2015			
Residential	\$1,061	\$103	9.7%
Commercial	\$8,736	\$721	8.3%
Industrial	\$75,786	\$3,887	5.1%
Year 2021			
Residential	\$1,061	\$166	15.6%
Commercial	\$8,736	\$1,145	13.1%
Industrial	\$75,786	\$5,853	7.7%

As can be seen in this table, the increased implementation of energy efficiency programs, because of the savings that are incurred, can help to relieve, or even exceed, the increased cost of RGGI that will be transferred to ratepayers. Due to this benefit, the Department should seek to designate 100 percent of the auction proceeds to energy efficiency or, at the very least, the amount necessary to mitigate all customer cost increase.

² Massachusetts Department of Energy Resources RGGI Modeling Spreadsheet. 2006.

Allocate Auction Funds to Current Energy Efficiency Programs

We commend the Department's decision to allocate the auction funds directly to the current energy efficiency programs. We support this decision for a number of reasons: First, the Connecticut electric utilities are experienced in the implementation of energy efficiency programs, having run them for many years with success. Secondly, the utilities not only have a track record of proven program delivery, but have an existing customer relationship that can be leveraged to the maximum benefit of the Connecticut program participants. Any additional program administrator other than the utilities – whether the state itself or a third party – would have difficulty accessing the utility customer data, and would need to build from scratch a relationship with the state's electricity customers that already exists with the utilities. Finally, the programs are currently fully vetted, through approval of both the Public Utilities Commission and the Connecticut Energy Advisory Board, for cost-effectiveness, and have consequently attained substantial energy savings.

Additionally, utilizing the RGGI funds to accelerate expansion of the current energy efficiency programs will enable quick implementation of the RGGI funds, thus more quickly stabilizing ratepayer energy bills. In a time of ever increasing energy costs, it is important that the electric customers not be further burdened by a dramatic increase in electric rates.

Conclusion

In conclusion, NEEP commends the Department's decision to auction off the carbon allowances for the consumer benefit and further for designating more than two-thirds of the proceeds to current energy efficiency programs. We ask the Department to reconsider the distribution of the auction proceeds to allocated a larger percentage to the current Conservation and Load Management programs. These programs are amongst the most successful in the country, and additional support will allow Connecticut to quickly and effectively mitigate the increased cost of the RGGI program to ratepayers.

Thank you again for the opportunity to provide these comments. We offer our assistance to the Department into the future development of the RGGI program and the energy efficiency initiatives related to it.