

# Efficiency Legislation in New England

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**Environment  
Northeast**

# Environment Northeast

## *Who We Are*

- Environmental Policy Research and Advocacy
  - Non-profit NGO
  - Offices: Rockport, ME / Portland, ME / Boston, MA / Providence, RI / Hartford, CT / New Haven, CT
  - Regional approach
- Program Areas
  - Energy Policy
  - Climate Change
  - Diesel Pollution Initiative
  - Forest Practices Initiative
- Environment Northeast is a nonprofit research and advocacy organization focusing on the Northeastern United States and Eastern Canada. Our mission is to address large-scale environmental challenges that threaten regional ecosystems, human health, or the management of significant natural resources. We use policy analysis, collaborative problem solving, and advocacy to advance the environmental and economic sustainability of the region.



# Presentation Outline

- Utility Sector EE in New England: 1996 – 2006
- New England Energy Trends
- Major Shift in EE Policy in New England
  - Capturing “All Cost-Effective”: 2006 and on
- Key Players in the Legislative Arena
- Recent EE Legislation in New England and Next Steps
  - Connecticut: HB No. 7432, An Act Concerning Electricity and Energy Efficiency (June 2007)
  - Rhode Island: S2903, The Comprehensive Energy Conservation, Efficiency, and Affordability Act of 2006
  - Maine: LD 1851
  - Massachusetts (on the horizon)

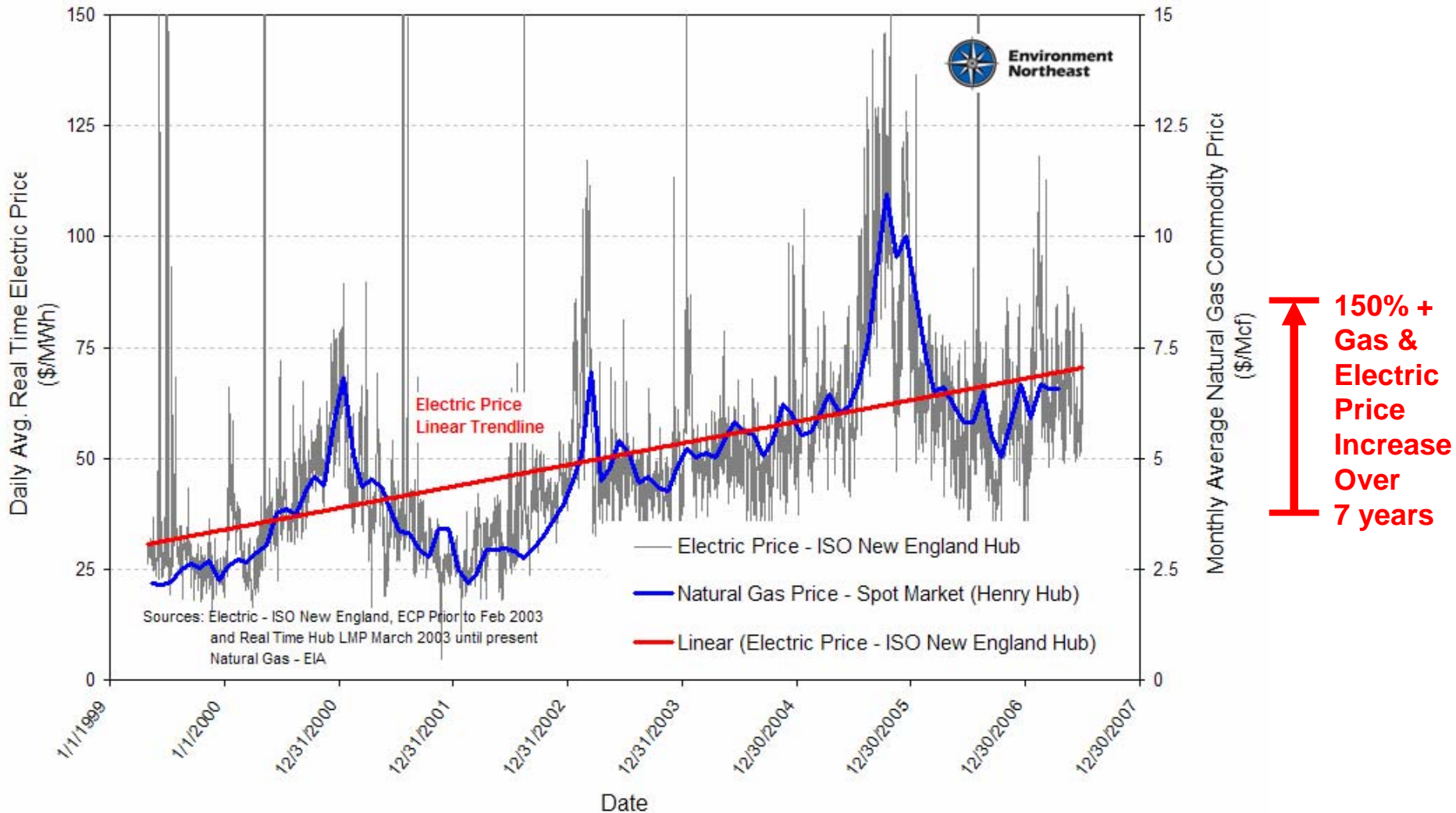
# Utility Sector Energy Efficiency in New England 1996-2006

- Electric utility restructuring in the mid-1990s led to the creation of System Benefit Charges (SBC) for electric energy efficiency
  - Administered by the DISCOs
- Example: System Benefit Charge levels and funding amounts 2004-2005

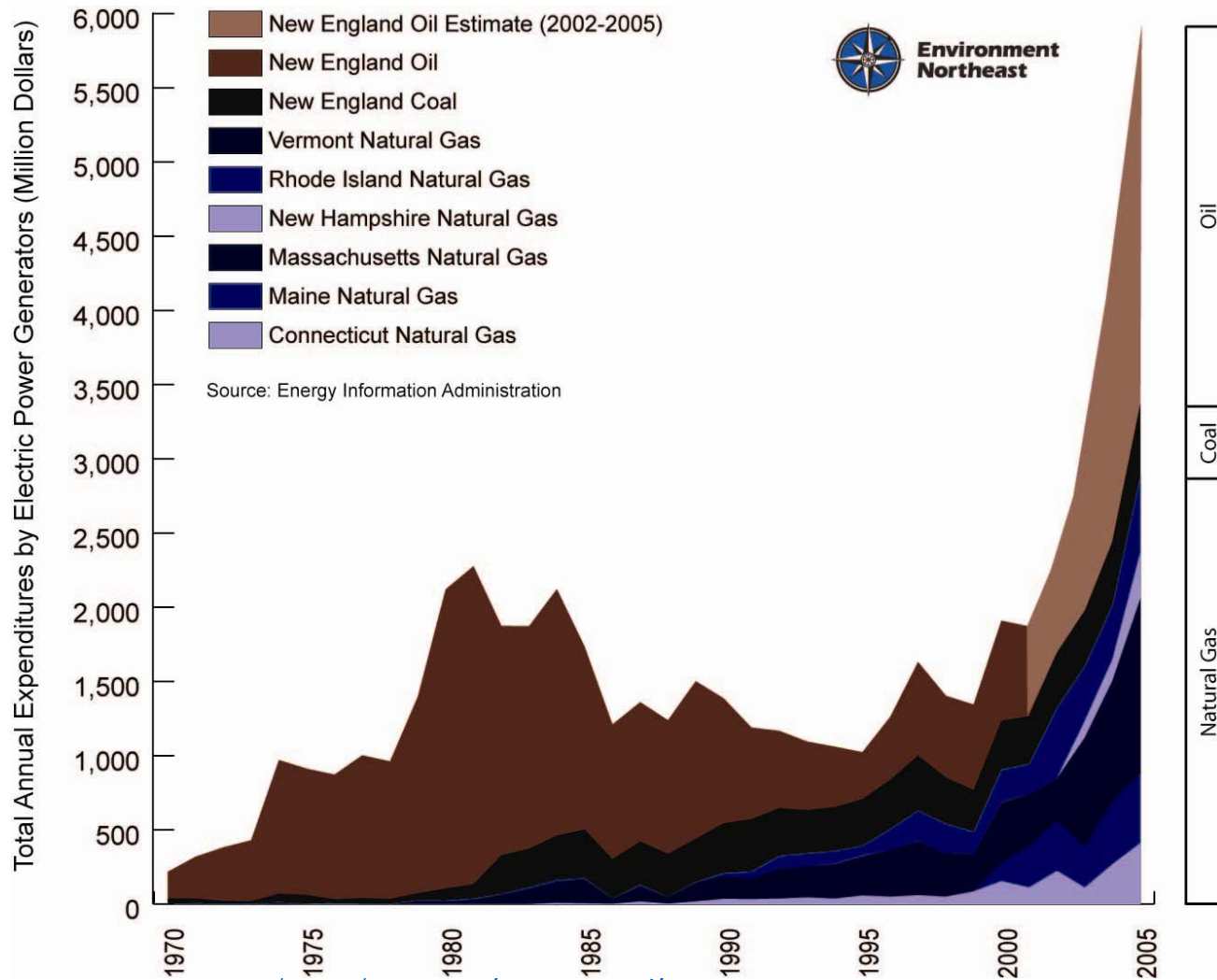
State	CT	ME	MA	NH	RI	VT	Total
Mills/kWH	3.0	1.5	2.5	1.8	2.0	2.5	
Annual Budget	\$62M	\$10.6M	\$120M	\$16.5M	\$21.7M	\$17.5M	\$250M

# Natural Gas Prices vs. Electric Prices

(fossil fuel prices – especially gas are a major driver)



# Fossil Fuel Consumption & Cost for Electric Power Generation

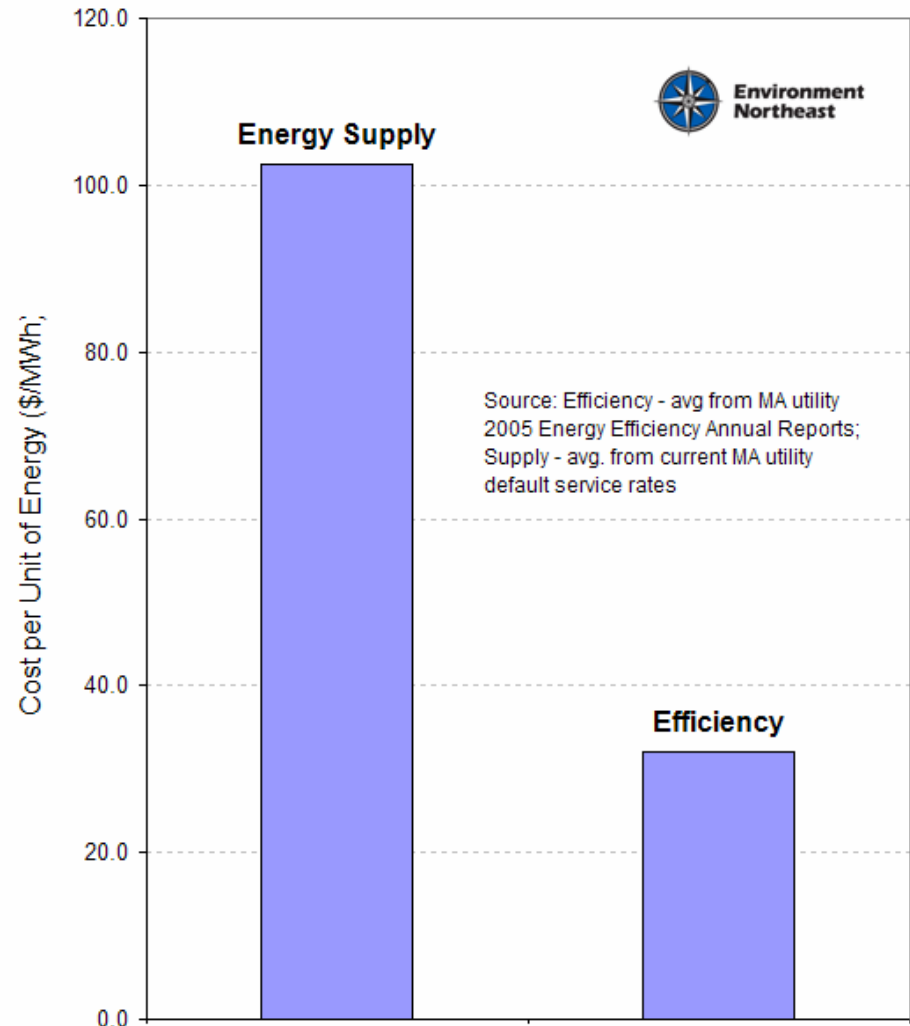


**200% +  
Spending  
Increase Over  
5 years**  
*(Jan '00 - '05)*

**2000  
\$2 B → 2005  
\$6 B**

# Shift from SBC to “All Cost-Effective Efficiency - Cheaper than Supply”

- **System Benefit Charge (SBC):** *very difficult path politically to increase EE investments*
  - Many policy makers and businesses see SBC as a tax/surcharge that is costly and vigorously oppose an increase
- **All EE Cheaper than Supply:** *large opportunity to increase EE investments*
  - Policymakers and businesses recognize EE investments reduce energy costs if they are cheaper than supply and support proposal.



# Key Players Supporting “All Cost-Effective Efficiency - Cheaper than Supply”

- Connecticut
  - Northeast Utilities
  - Connecticut Business and Industry Association
  - Environmental advocates
  - Dept. of Public Utility Control
- Rhode Island
  - The Energy Council of RI (TEC-RI) – large C&I users lobby group
  - Consumer advocates
  - Environmental advocates
  - Non-profit energy consumers’ alliance
- Maine (efficiency and RGGI)
  - Paper mills
  - Industrial Energy Consumer Group
  - Environmental advocates
  - PUC and Public Advocate

# Connecticut: HB No. 7432 – An Act Concerning Electricity and Energy Efficiency

- Passed: *June 2007; House 128-9 and Senate 32-3:*
  - Very strong legislative mandate – will transform CT's energy system if well implemented
- Declares the state's energy needs shall first be met through all available energy efficiency and demand-side resources that are cost-effective, reliable and feasible.
- Requires development of electric utility planning for procuring energy efficiency.
  - Requires an assessment of “how best to eliminate or stabilize growth in electric demand.”
  - Reference need to reduce GHG impacts and meet state's GHG targets
- Creates a broadened stakeholder board with consumer, environmental, business and state agency representatives, assisted by expert consultants, to review the utility procurement plan.
- Requires the PUC to decouple distribution revenue recovery from sales for each electric and gas company in their next rate proceeding, ending the era of incentives for utilities to sell more.
- Creates a new home heating oil conservation program managed by a board of oil dealers, environmental and consumer interests reporting to the Energy Conservation Management Board.
- Adopts appliance EE standards for 9 additional products: from metal halide lamp fixtures to walk-in refrigerators and freezers; sets standards for residential furnaces & boilers purchased by the state.
- Requires the state auction 100% of allowances from RGGI program and use most of proceeds to fund cost-effective energy efficiency, demand response, and renewables.

# Connecticut: HB No. 7432 – *Next Steps*

- Utilities and ECMB developing an efficiency ramp-up plan and budget to procure all cost-effective efficiency (well underway – builds on previous work)
- Utilities in the process of developing a comprehensive plan to procure standard offer service (using a joint consultant)
- Energy advisory board being reformulated with new appointees
- CL&P (NU) rate case includes decoupling (other utilities will follow at next rate case)
- DEP developing a plan to auction 100% of RGGI allowances and use most of the proceeds to fund EE

# Rhode Island: S2903, H8025 – *The Comprehensive Energy Conservation, Efficiency, and Affordability Act of 2006*

- Requires electric utility to submit a “Least Cost Procurement” plan for all EE measures lower cost than supply to PUC by Sept. 2008.
  - Also requires utility’s to submit a “system reliability procurement” plan for distributed generation, demand response, and renewables.
- Establishes the Energy Efficiency and Resources Management Council (ERMC) comprised of consumer, environmental, business, and low income representatives. The ERMC is charged with:
  - Preparing an “Opportunity Report” identifying all cost effective EE as well as available DG, DR, and RE
    - Submitted to the utility, PUC, Office of Energy Resources, and Legislature.
  - Drafting Least Cost Procurement standards to PUC by March 2008; PUC will issue LCP standards by June 2008.
  - Working with utility on proposed “Least Cost Procurement” plan for all efficiency resources cheaper than supply due to PUC by Sept. 2008.
- Establishes a new natural gas efficiency fund at 1.5 cents per therm to be coordinated with the electric efficiency programs.

# Rhode Island: S2903, H8025 – Next Steps

- ERMC has been appointed and begun meeting. Next step is to retain consultants to:
  - Conduct “Opportunity Report”
  - Draft Least Cost Procurement standards
  - Engage in efficiency program planning and LCP plan creation with utility
- PUC to establish LCP standards by June 2008. Key issues:
  - Ensuring joint fuel programs for electricity and natural gas
  - Defining benefit-cost test as Total Resources Cost test
  - Methodology for determining “cheaper than supply”
    - Regional avoided cost study & Energy price forecast, capacity (FCM) cost forecast, incorporation of environmental externalities (SO<sub>2</sub>, NO<sub>x</sub>, Mercury, CO<sub>2</sub>, etc), and demand-reduction-induced price effects (DRIPE) for energy and capacity
- Utility to work with Council on a 3-year “Least Cost Procurement” and “System Reliability Procurement” Plan due to PUC by Sept 2008
- Report back to Legislature on LCP and system reliability procurement implementation success, cost savings, and environment benefits

# Maine: LD 1851

- Turns SBC of 0.145 cents/kWh - lowest in New England - from a ceiling into a floor.
- Requires PUC to approve additional investments “as necessary to realize all available energy efficiency and demand reduction resources in this state that are cost-effective, reliable and feasible”
- Creates Maine Energy Conservation Board (ECB) to work with PUC & RGGI Trust to:
  - Develop EE programs and write a Triennial Plan that prioritizes programming budgets and coordinate implementation between the efficiency funds.
  - The Conservation Board comprises reps of industrial, commercial and residential customers, environmental interests, small business interests, DEP, and Office of Energy Independence
  - Funding to contract with independent, professional experts in EE programming.
- Establishes the Energy and Carbon Savings Trust.
  - All revenue from the sale of RGGI allowances in Maine are deposited into the Trust with most money spent on energy efficiency (spending must be consistent with Triennial Plan, voted on by the ECB)
  - At \$2-5/ton, the total new funds would be \$10-25 million per year. more than doubling Maine’s current level of investment

# Massachusetts: Growing Support for All Cost Effective Efficiency

- Speaker of the House and Senate Leadership are both working on comprehensive energy legislation
- Large group of stakeholders support the procurement of “all cost-effective energy efficiency that is cheaper than supply” (Environmental groups, large C&I users, electric and gas utilities, low income service providers, oil industry, demand response providers, energy efficiency organizations, municipal aggregators)
- Proposal is for an all cost effective energy efficiency mandate on natural gas and electric utilities, improved stakeholder oversight, and new oil efficiency programs
- DPU opened a general decoupling investigation, that is meant to complement the expected legislative changes around efficiency

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