



**Energy Efficiency Board
Annual Planning Retreat**

Friday, June 15, 2012

Hawthorne Inn • 2421 Berlin Turnpike • Berlin, CT

MINUTES¹

Voting Members Present: Rich Steeves, Shirley Bergert, Neil Beup, Eric Brown, Jamie Howland, Amy Thompson; Katie Dykes, Rick Rodrigue (Chairman Esty proxies)

Utilities Representatives: Ron Araujo, Michael Cassella, Joe Crocco, John Dobos, Pat McDonnell, Dale Williams

Consultants: Tim Cole, Kim Oswald, Glenn Reed, Jess Schlegel, Tyler Schlegel, Les Tumidaj, Ellen Zuckerman

Others: David Goldberg (CEFIA), Taren O'Connor (OCC), Art Marcelynas (DEEP); Steve Bruno, Chris Ehlert, Tyra Peluso, Violette Radomski, Ellen Rosenthal, Tim Simmonds, Joe Swift (Utilities personnel); John Chamberlain (Housing Development Fund), Roger Smith (Clean Water Action / Neighbor To Neighbor)

1. Introductions – Review Agenda

Vice Chairman Rich Steeves opened the meeting at **9:05**. He welcomed all attendees and noted that because the board views the annual retreat as an open session, members of the public were welcome to participate in the discussions. Members and attendees were asked to introduce themselves.

2. Business Meeting

Before launching into the retreat's discussions of preparations for the 2013 Conservation and Load Management Plan, Mr. Steeves asked the board to take action on three items that remained unfinished from the June 13 monthly meeting.

- a. Consideration of May 9, 2012 board meeting minutes – The board approved the minutes as presented, on a motion by Rick Rodrigue seconded by Jamie Howland
- b. Weatherization standard – After noting that the draft weatherization standard prepared by residential consultant Glenn Reed² was to be understood as a recommendation by the EEB to DEEP to provide guidance for the implementation of the weatherization requirement in PA 11-80 sec. 33, and that the board's Evaluation Committee is about to launch a baseline study to

¹ Meeting materials available in box.net folder: <https://www.box.com/s/9ee0e94d7805189978f0>

² Weatherization standard_June_12_2012F.pdf

determine how many homes already meet the recommended standard, Mr. Howland moved adoption of the draft standard. His motion was seconded by Amy Thompson. The motion carried unanimously.

- c. Election of Vice Chair – Acknowledging that this would be the last meeting chaired by Mr. Steeves due to his retirement, Shirley Bergert nominated Mr. Howland as his successor. Ms. Thompson seconded the motion. There being no other nominations, Mr. Steeves called for a vote. The motion was approved with Mr. Howland and Mr. Rodrigue abstaining.

3. Thematic Update

Jeff Schlegel offered a brief presentation outlining the major issues and themes to be discussed in the course of the retreat.³ He noted that the morning would be spent providing updates on policy issues, programming, evaluation, and marketing. The afternoon would be dedicated to a wide ranging and comprehensive assessment of the context and goals to be considered as work begins on the 2013 C&LM Plan.

Mr. Schlegel made a point of noting that the “Key Themes” slide is the same as it was last year.

- Increased emphasis on achieving deeper energy savings in homes, commercial buildings, and industrial processes, beyond equipment upgrades and single-measure installations
- Broaden reach of programs to reach additional market segments
- Leverage EE funds through innovative financing and project brokering
- Identify and secure other sources of funding (including fuel oil funding)
- Continue the strong commitment to EE as a cost-effective resource...
- ... while emphasizing a strategic focus on market transformation in many markets; i.e., raising the performance level of the “natural” market (vendors, service providers, designers, owners, managers, and occupants) to high performance / high sustainability levels (not solely code compliance)
- Provide comprehensive business energy solutions to enhance business competitiveness
- Promote sustainable energy management as a core consumer and business value through behavior and culture change
- Continued EEB commitment to continuous improvement

Ms. Bergert noted that there is a similar problem with split incentives in both C&I and residential programs. Wherever landlords or property owners are not paying for energy, they have no incentive to undertake measures to make their properties more energy efficient. Tenants who pay for energy do have such an incentive, but under Connecticut law only landlords may make permanent changes to buildings. Therefore a legislative fix may be required, such as by offering a tax credit for making upgrades. Mr. Howland noted that a building labeling or energy rating system would help by bringing market forces into play, but proposed legislation failed in the

³ EEBRetreatThematicUpdate_06122012.pptx

recent session. Ron Araujo observed that many property owners do understand the advantage of upgrading. The real problem is with owners of substandard properties where code improvements would be required along with energy efficiency upgrades. Some of the new financing models may help with this.

4. Update on Policy Issues and Concerns

a. Notable legislative changes–

- Mr. Howland reported that the \$500,000 cap on services to customers who heat with oil has been suspended by an agreement approved at the legislature’s special session on June 12. The co-pays may go as high as \$99. The intent is that co-pay levels should reflect levels of contribution to the EEF by different categories of customers by fuel type. This might be interpreted to mean that funds available for oil customers will reflect the level of their electric contributions compared to other fuels. There is no chance of a long-term solution before next year’s legislative session. Ms. Bergert noted that it remains difficult to get the oil industry to participate fully, and it has shown itself to be resistant to pressure from the administration. Some HES vendors who are also oil dealers are continuing to work toward a solution. The new agreement buys them more time to pursue such efforts. She noted that the Home Performance Alliance of Connecticut (HPACT) worked very hard on the issue throughout the legislative session. Mr. Steeves suggested it would be helpful to find a broker who could bring all the parties together. Ms. Bergert closed by noting that the Independent Connecticut Petroleum Association represents only about half of the dealers, meaning there are opportunities to try to connect with the others.
- On behalf of CEFIA, David Goldberg commented on the passage of the commercial PACE legislation. Under the legislation CEFIA will serve as the hub for implementation, particularly with regard to supporting municipalities wishing to make use of the opportunity to help economic development.
- Mr. Araujo noted that recent legislation offered new opportunities for financing. Ms. Bergert expressed concern about how low-income consumers would be affected by some of those opportunities and indicated she would be pursuing those concerns further with the board.

b. Review of DEEP Policy Bureau and PURA activity –

Mr. Schlegel reported that PURA had approved CL&P’s proposed \$18 million carry-forward budget.⁴ It did not approve a proposed 25% spending forward of 2013 funds request. Action on that request was deferred, pending a final decision on the 2012 base plan. According to the current schedule, a draft decision on the base plan is to be published on July 2, with a final decision expected July 22. It continues to be of concern that the 25% be made available to avoid having to curtail programs in the fall for lack of funding. He noted that DEEP’s draft determination on the Expanded Plan recommends approval of the carryforward, the 25%

⁴ CL&P Table A Revised For \$18.1 Million Carryover.xlsx

spending forward request, plus introducing a conservation adjustment mechanism (CAM) on the electric side to bring in additional funding to get through the end of the year.⁵ Finally, he commented on the Governor's stated willingness at the NEEP summit the previous day to consider raising rates to support increased energy savings as called for in the Integrated Resource Plan (IRP). Katie Dykes commented that it remains an administration and DEEP priority to think strategically about identifying an array of instruments to attract private investment dollars to achieve deeper savings.

5. Updates on Program Areas –

a. Commercial & Industrial programs –

Les Tumidaj provided a presentation including a status update and issues overview.⁶

- Primary objectives are to ramp up programming to the levels called for by the expanded plan and achieve deeper savings. To do so will require building financial capacity by leveraging private and consumer investment, along with building vendor capacity and increasing C&I program performance.
- There are great challenges getting to comprehensiveness. Mr. Araujo noted that Operations and Maintenance (O&M) and Strategic Energy Management (SEM) opportunities still exist for many customers. There needs to be focus on what is the customer's plan looking forward and on whether the right people at the firm at the table in terms of their ability to understand the options and the authority to make decisions. Mr. Tumidaj noted that this fits under the heading of the Business and Energy Sustainability program, where the focus is on getting the operational improvements at the front end, and letting them drive the rest of the decision making.
- Mr. Tumidaj also noted that CEFIA will have a major role to play in achieving market transformation, and is beginning to focus more attention now on the C&I side. Eric Brown brought up the subject of the newly approved C-PACE legislation, noted that municipalities will have to sign on first for it to work, and inquired what roles the board and companies might have promoting the opportunity to businesses. Mr. Araujo responded that CEFIA will first be working on the mechanics and infrastructure, and will then hire a couple of new staff members to implement the program.
- Neil Beup commended the companies for their contributions to the presentation, especially the work they put into thinking about strategic options. He noted that the discussion raises the question how to leverage progress toward market transformation already happening in order to reach further without spending more money. He suggested encouraging customers to tell their stories to peers would be one approach. Customers can also help convey messages about the greater social benefits that come from deeper

⁵ 6-5-12 Draft Proposed Determination CLM Expanded Plan.pdf

⁶ C&I_CT EEB Retreat_C&I_06_15_12d2.pdf

See also June 12 presentation to the C&I Committee: 2012 Expansion Plan UI and CLP_final_061212.ppt

and more comprehensive participation. For instance, what does it mean to the business's customers that the business has undertaken energy efficiency measures? Ms. Dykes raised the question concretely how should this be done. What steps should be taken over the next year? How could outreach be improved? What kinds of things can CEFIA look at in its comprehensive planning process this summer? Mr. Rodrigue observed that the focus groups brought together by the new marketing project to test different labels seemed to provoke curiosity, suggesting there is public interest to tap into. Mr. Beup suggested one could take it a step further, by framing a material message that a business can use in its own messaging to its investors, customers, etc. UTC has been able to do this type of thing very effectively, for example. Mr. Araujo noted that we do have signage and plaques; however the question is what more can we do in this area. Messaging about reinvesting in the community might work, for instance.

b. Residential Programs – Glenn Reed provided the status update on Residential programs.⁷

- HES and HES-IE – Connecticut has the highest volume of households served annually by national standards. The challenge is to increase the savings rate. By comparison, in New York and Maine there is a 25% savings goal. The new Field Service Tool (FST) should help with this by improving the customer experience, and helping vendors with upselling add-on measures. Mr. Araujo noted that the 0% interest financing program plus sales training now offered to vendors will likely have a positive impact also.
- Home Performance with Energy Star – this newly relaunched program is designed to expand the contractor base and build vendor capacity. With it will come some QA challenges. However, some new oil dealers may participate, which may in fact help with the politics around oil measures. As the contractor base grows, a new RFP for core vendors might be taken under consideration.
- Healthy Home Initiative – Taking note of the interest in this program expressed at the public input session by public health officials and advocates, Mr. Reed observed that expansion of this model might help with addressing the health and safety issues found in old and substandard homes that frequently present barriers to going forward with EE measures. Involvement with community partners may also prove beneficial, since when communities are engaged, there is measurable impact on participation in HES & HES-IE.
- Weatherization goals – Mr. Reed observed that not all the homes that have HES or had HES will come out as weatherized by the standard just adopted. In many cases, add-on measures will be needed to meet the standard.
- Citing UI's DOE funded Home Energy Score pilot as an example, Mr. Steeves inquired whether the combination of programs cover all the angles? Chris Ehlert affirmed that it does, but that the issue is funding. For example, the cost for health and safety measures most likely will not be seen in energy savings. Mr. Reed commented that many of the pieces are now already in place to take a whole home approach. The question is how they

⁷ CT EEB Retreat_Residential_06_15_12d1.pptx

fit together. Art Marcelynas inquired how the utilities are thinking about this. Mr. Araujo responded that HES is viewed as the banner program. When we go into the home, the goal is to capture all the information, even if the property owner is not willing to act immediately on the recommended measures. Programs like TopTen USA also provide opportunities as strategic marketing activities. Ms. Bergert remarked that to get to an integrated approach, it is clear that the marketing issue is more challenging than the program design issue.

c. Evaluation – Kim Oswald

- Evaluation consultant Kim Oswald presented an update to the board on the current status of evaluation activities.⁸ She noted that a major challenge is to do the studies asked for with limited funding. Mr. Steeves underscored the importance of both the base and expanded plan budgets being fully funded to cover all the studies that have been requested.
- Ms. Thompson inquired about the status of the weatherization baseline study and was informed that discussions about the scope of the study are continuing with the evaluation contractor. Ms. Dykes inquired about the status of the ground source heat pump study, a joint project of the EEF and CEFIA, and was informed that it is now back on track and due to be completed in January 2013. Ms. Dykes noted that the results of the study will be of particular interest in the context of the Comprehensive Energy Strategy now underway. Mr. Araujo commented that the study also ties in directly to CEFIA's interest in geothermal energy projects.
- On the subject of evaluation budgets, Ms. Oswald noted that several current studies are budgeted at over \$1 million. She also noted that Connecticut has one of the lowest evaluation budgets among all the states that have energy efficiency programs. Massachusetts for example allocates 4% of its budget to evaluation. New York and California are at 3%. Connecticut currently allocates 1.7%. She underscored that effective evaluation is intended to help programs succeed. Studies undertaken by the regional NEEP EM&V forum are of some, but limited relevance. Insofar as EEB policy is to support all studies that meet identified needs, it may be time to revisit the question how much the programs should be willing to spend on them.

d. Marketing and Outreach – Ellen Zuckerman presented a summary review of marketing activities over the last year and an update on the current work implementing the 2011 Marketing Plan of the Joint Marketing Services Committee, involving the EEB, CEFIA, and DEEP.⁹

- Concerted effort is now going into the development and launch of the new brand “Energize Connecticut”. A “soft launch” occurred on June 14, with Governor Malloy's leadership. The target for a full formal launch is October.

⁸ 2012 Evaluation Presentation.pptx

⁹ EEBRetreatMarketingUpdate_06122012F.pptx

- At this stage the focus is on the development of a transition plan to map out the shift from the established brand identities to the new one and to determine how to continue to market the utility-run EEF programs as well as the ongoing distinct activities of the three partners – EEB, CEFIA, and DEEP.
- Also underway is the development of brand guidelines, messages, templates, collateral, along with creation of a new website that can effectively promote and support growth in energy efficiency activity in the state.
- Still up for discussion is who will be responsible for maintaining the new website and how to budget for and fund that function.

6. Comprehensive 2013 Planning Discussion

Mr. Schlegel kicked off the discussion with a high level summary review of the preceding presentations. He noted that the board's focus continues to be on the adoption and implementation of best practices, with an emphasis on customer service. For energy efficiency to continue to grow in Connecticut, support from consumers and other stakeholders is essential. With this in mind there needs to be steady focus on continuous improvement. Several points warrant discussion:

- Both the Integrated Resource Plan and the Comprehensive Energy Strategy now in development assign a key role to energy efficiency as part of the future vision for Connecticut. It was noteworthy that the Governor, in his statement at the previous day's NEEP summit in Stamford in conjunction with the soft launch of Energize CT, specifically endorsed the IRP emphasis on energy efficiency, acknowledging that a modest increase in rates is foreseen as an instrument for making it happen. Ms. Dykes noted that the Comprehensive Energy Strategy will be coming out in July. In it the buildings chapter is primarily about maximizing energy efficiency, looking out to the 2050 horizon. Taken together with the 2030 residential weatherization goal, this indicates the importance of now setting up timelines to get there. There will be a technical meeting in July to discuss this.
- Turning to the subject of the ramp up envisioned in the expanded plan, Mr. Schlegel noted that the main question is how to move forward practically – what steps should be prioritized now. This prompted an extensive and wide ranging discussion:
 - Mr. Steeves commented that it would be smart to start with the roughly 40,000 homes now being served annually, and build on the fact already over 200,000 have been audited.
 - Mr. McDonnell stressed that long-term commitment and stability are essential, because market players need to know what the game plan is. He noted the challenge of executing on achieving the 80% weatherization goal, when so much is basically a matter of sales pitch.
 - Mr. Araujo noted that additional financing tools, along with the planned natural gas infrastructure build out will help support the sales effort.

- Ms. Bergert pointed out the importance of their being a single portal for customers, which will be crucial in getting things to move smoothly for both customers and contractors.
- Mr. Schlegel observed that by integrating the electric and gas programs there would be enhanced opportunities for coordinated administration and marketing.
- Mr. Esty suggested that on-building financing could help to cover much of the same ground as a residential PACE program would.
- Mr. McDonnell concurred, noting that on-bill financing makes it possible for the debt incurred making improvements to carry beyond an owner's presence in a home.
- Mr. Esty broadened the discussion by highlighting the importance overall of discovering where Connecticut can raise its game. Examples of the kinds of best practices to be considered would be having the best onbill financing, the best public engagement practices, and the best practices for getting consumers to go deeper with their investments in energy efficiency. He noted that the Governor is placing a priority on introducing building standards and a rating system. He also urged the board to look closely at the design of special programs for low income consumers, at the design of the performance incentives for the utilities, and the configuration of relationships with vendors. The fundamental goal is to be at the highest end anywhere in terms of performance.
- Mr. Steeves commented on the value there could be in looking outside existing networks, and identifying key community partners to help with outreach. Ms. Bergert noted that, as far as reaching low-income consumers is concerned, having DSS and the community action agencies fully participating would be helpful. Those agencies already do eligibility screenings for low income populations.
- Mr. Esty underscored that also for low income residents the system needs to be as seamless as possible. He noted that In fact, it appears maybe only 2% of whole population fully understand what energy efficiency is about. Therefore the board needs to be persistently mindful that: 1) People need information and know how to get it. 2) We need to overcome the financing obstacle. 3) Inertia is a constant and persistent challenge. 4) There is a basic need to build trust with consumers, who want to know who they should trust – to give them good information, offer fair prices, to allow into their homes. Mr. Schlegel commented that through the focus groups conducted as part of the marketing initiative, it was learned that consumers like having the state as a backstop but put their trust in the local contractors and their neighbors in terms of actually participating in programs. Roger Smith from Clear Water Action noted that the board could consider the Neighbor to Neighbor model. N2N provides overall assurance, but then selects community groups known for their credibility in their community as partners. Offering incentives to such partners could be taken under consideration.

- Mr. Esty then broached the possibility of reframing how the delivery of programs is financed and sustained. He noted that utilities carry debt to pay for upgrades in the transmission system in response to policy directives. Might it be possible to encourage people to think about energy efficiency investments in comparable terms? He noted that people appear to like the idea of “smart energy”. The board might then understand its role as being one of providing insurance that customer’s bill will ultimately be less as a result of making the investments. He also noted that the real estate community seems to be confused about where its best interests lie, with respect to its resistance to a building labeling and energy rating system. It is essential that a system be designed so that it is perceived as fair and people don’t fear grading. Chris Ehlert from UI suggested that it would be helpful to get the lending community involved. Mr. Esty agreed, noting that it played an important role in getting the new commercial C-PACE legislation passed.
- Speaking to the subject of coordinating efforts with CEFIA, David Goldberg highlighted a number of key items in the new legislation. At the Joint Committee meeting on June 18 there will be discussion of the C-PACE program, which CEFIA has been charged with launching and administering. Other items of note include receiving bonding authority, a modified CHP program, and an anaerobic digester program. Also on the table is how CEFIA will use repurposed ARRA funds and further expansion of residential financing programs. He noted that CEFIA has recently hired a Chief Investment Officer. Finally, he commented that clarifying the oil cap issue will be helpful insofar as homeowners are required to have HES audits in order to participate in CEFIA’s supported solar installation program.
- The discussion shifted to consideration of funding options and alternatives and the importance of setting strategic goals and funding levels with reference to customer concerns and market opportunities.
 - Mr. Schlegel noted that a number of funding mechanisms are now on the table. The concept of a Conservation Adjustment Mechanism is included in the DEEP determinations regarding the base and expanded plans. Self-funding the programs by using utilities’ own capital to form revolving loan funds is another option. It is clear there will always be a mixture of funding approaches, beyond the ratepayer funded resources that go into the energy efficiency fund. It is to be expected that preferences regarding which tools to use for which purposes will become clear over the next year or two. Mr. Araujo noted that introducing a CAM is a regulatory matter, since existing legislation already allows for it. Unclear is whether it must be introduced through a contested or non-contested proceeding. Another question is whether it can be designed to work prospectively or retrospectively. Mr. Steeves remarked that these uncertainties will likely delay the introduction of a CAM, which prompted Mr. McDonnell to observe that it makes it all the more urgent to get approval for a 25% spending forward authorization. In this regard, Mr. Schlegel noted that the DEEP Energy bureau and PURA are currently talking about how to work around the

procedural issues. Mr. Steeves stated that the OCC is of the opinion that if rates are impacted a contested proceeding will be required. In the same connection, Mr. Schlegel noted that there are already large gas customers complaining about the gas CAM that was introduced with the 11-10-03 docket decision. Mr. McDonnell commented that it should not be lost sight of that this year the CAM is being collected prospectively. Customers are paying more now than they will in the future. Understandably, large customers are especially affected. Mr. Howland suggested that it might be helpful if the companies' account executives met with large customers and helped them take a long view on their plans, using the opportunity to see how the impacts look beyond the near term considerations.

- On the topic of multi-year C&LM Planning with rolling budget authorization and annual updates, which the board intends to introduce this year through its current work on a 2013-2015 plan, Mr. Steeves noted that a rolling budget is an essential contingency to keep work moving and is based on the knowledge that future funding will in fact be there. Responding to a question about whether there might be a statutory barrier, Ms. Bergert stated that there was no such obstacle. It is permitted to file an annual plan with a longer horizon and include adjustments "as you go." Mr. Schlegel stated his view that it is important to communicate in the plan that a 3-year plan will include a 3-year budget, with the commitment to maintaining flow over the time. A CAM is simply a tool that allows adjustments to be made for unexpected demand. Mr. Esty agreed that the goal is to flex the funding to go with ebb and flow of supply and demand. Mr. Araujo remarked that the business community needs to know there is multiple year funding certainty. Mr. Schlegel agreed, noting that lacking that they will be inclined to undertake the easier measures and not the deeper ones. Mr. Esty inquired whether there might be something the board can do now to address PURA concerns for this year. One possibility would be to send in a letter to PURA with a tight analysis of what impacts are for the options under consideration. Mr. Schlegel commented that decoupling is on the table, although the board did not endorse it. With a vehicle for lost revenue recovery the cost will still be born by customers. There will be an impact on customer bills one way or the other. Mr. Bruno indicated that NU would speak to these issues when it responds to the draft determination on the expanded plan, which is now out for comment.
- Mr. Schlegel raised the possibility of undertaking a new energy efficiency potential study to support an all cost-effective energy efficiency policy (ACE) from 2013 to 2022. He noted that these studies are very demanding on everyone. They take lots of time and are very costly. However, it would provide analysis to support next IRP. There might be other ways to get the analytics and data without a full-blown potential study. Mr. McDonnell commented that the board would also need market assessment research to support this. Mr. Schlegel commented that this is an example of the frequent conflict between the scope of evaluations needed and the budget available to pay for them.

- Finally, the board considered the Governor’s challenge to reclaim the ACEEE Scorecard No. 1 ranking for Connecticut. Mr. Rodrigue reported that DEEP is working closely with Bill Leahy at the Institute for Sustainable Energy to get all the info needed to ACEEE, including a comprehensive list of contacts. So far all the data required has been gathered, new data has been added, and an analysis of what other states got credit for has been done. Mr. Esty requested that an update be included regarding C-PACE, the provisional oil cap suspension, and bonding authorization actions taken by the legislature this week. Mr. Schlegel underscored the importance of the targets – 3 years is what ACEEE looks for, meaning a 3 year action/implementation plan needs to be in place. Mr. Araujo noted that approval of the expanded plan funding is also necessary. Mr. Schlegel concluded that Connecticut can gain back points for having completed the IRP, developing a new 3-year C&LM plan, and securing approval of expanded plan.
- 7. Other** – The retreat concluded with a recognition of the long years of service and leadership to the board by Vice Chairman Rich Steeves, who is retiring from his employment with the OCC and resigning from the board. A plaque was presented as an expression of the board’s gratitude and appreciation.
- 8. Adjourn** – the meeting adjourned at 2:35.