

June 1, 2017

Connecticut General Assembly
State Capitol
210 Capitol Avenue
Hartford, CT 06106

Dear Legislators,

The sixty-nine undersigned organizations – representing business, community, consumer, low-income, public health, environmental, and clean energy interests – write to express our grave concerns about recent budget proposals before the Connecticut General Assembly that, if enacted, would raid ratepayer-funded, cost-effective energy efficiency programs at devastating levels. These programs generate immense economic value for Connecticut. They bring billions of dollars in electricity and natural gas bill savings to all our residents and businesses, drive our growing clean energy economy, help low-income families reduce the difficult burden of high energy costs, protect the health and prosperity of our local communities, and supply significant state tax revenue by fueling private sector growth. There are many compelling reasons to reject the proposed fund raids. We wish to highlight several below.

Energy efficiency fund raids amount to a new energy tax on all Connecticut ratepayers.

Fund raid proponents have attempted to portray their proposal as a simple movement of taxpayer funds from a state program to the General Fund. This is not true. Electric and natural gas ratepayers fund our award-winning energy efficiency programs – also known as the Conservation & Load Management (“C&LM”) programs – primarily through a small charge on their energy bills. No state tax revenue funds the C&LM programs. They exist completely independent of, and receive no support from, state appropriations. Redirecting C&LM funds to the General Fund would take money from ratepayers and give it to the state — in other words, this move would create a new energy tax on all ratepayers at the expense of cost-saving, job-boosting programs. This would be a tremendous unfairness to Connecticut’s already overburdened ratepayers, who have been promised tangible benefits in return for their efficiency funding. Connecticut should not break that promise.

Energy efficiency fund raids would deprive Connecticut’s residents and businesses of immense utility bill savings. The magnitude of the proposed cuts would undermine – if not effectively end – Connecticut’s nationally acclaimed C&LM programs.¹ Their strong role in Connecticut’s economy is undeniable. Since 2010, for example, the C&LM programs have generated about 27 billion kilowatt hours in lifetime energy savings²—more than the annual generation of the Millstone nuclear power plant.³ These substantial year-over-year energy savings have added up to over \$5.5 billion in lifetime savings on customers’ energy bills.⁴ The

¹ The C&LM programs have won numerous national awards for their high quality. Most recently, the U.S. EPA awarded them its prestigious ENERGY STAR Partner of the Year Award for Energy Efficiency Program Delivery. See <https://www.epa.gov/newsreleases/12-new-england-organizations-honored-outstanding-achievements-energy-efficiency>. Over the years, Connecticut has also scored well in ACEEE’s State Energy Efficiency Scorecard, due in large part to the strong energy savings results of the C&LM programs. Connecticut ranked fifth in last year’s Scorecard. See ACEEE, *The 2016 State Energy Efficiency Scorecard* (Sept. 2016), available at <http://aceee.org/research-report/u1606>.

² Calculated from lifetime electricity savings reported in the Connecticut Energy Efficiency Board’s *Annual Legislative Reports* from 2011 to 2017, available at <https://www.energizect.com/connecticut-energy-efficiency-board/about-energy-efficiency-board/annualreports>.

³ Based on Millstone’s gross generation for 2014. Data from: <https://www.eia.gov/electricity/data/eia923/>.

⁴ Calculated from lifetime bill savings reported in the Connecticut Energy Efficiency Board’s *Annual Legislative Reports* from 2011 to 2017.

\$160 million annual cut relied on in the Senate Republicans' budget would end this productive economic function by rolling the C&LM programs back to minimal year 2000 funding levels – their very first year. The lost bill savings alone would be a major economic blow. We estimate that the severe cuts proposed in the Republican budget would cost Connecticut's residents and businesses at least \$1.2 billion in lost lifetime bill savings, and likely another \$700 million since the constrained funding levels would be insufficient to sustain most program services at statewide scale – services like energy audits for households and businesses, technical assistance to commercial and industrial customers, insulation upgrades, strategic energy management for large energy consumers, efficient HVAC installations, and more.⁵

The raid proposed by the Democrats would also worsen the funding situation for the C&LM programs. Their proposal would divert \$20 million in revenue from the Regional Greenhouse Gas Initiative ("RGGI") in FY 2019 that would normally help fund the C&LM programs, municipal energy efficiency efforts, and the Connecticut Green Bank's clean energy programs. RGGI is the Northeast's cap-and-invest program for reducing greenhouse gas emissions in the power sector and has resulted in a 40% decline in power plant emissions. Connecticut is a member of RGGI and has benefitted significantly from its participation, receiving over \$176 million in auction revenue to date. Under current distribution rules, 92.5% of Connecticut's RGGI revenue must be reinvested in energy efficiency and clean energy programs; thus, the Democrat's raid proposal would divert about \$18.5 million from those programs. We estimate that this cut would cost consumers at least \$54 million in lost energy bill savings – so every RGGI dollar raided would cost consumers nearly three more.⁶

Energy efficiency fund raids would put our clean energy economy at risk. Energy efficiency fund raids not only reduce core program benefits, like bill savings, but they can also cripple Connecticut's wide-reaching clean energy economy. The U.S. Department of Energy reported in 2017 that the design, installation, and manufacture of energy efficiency products and services in Connecticut was responsible for nearly 34,000 jobs.⁷ This crucial industry sector would suffer immediate and significant job losses if proposed cuts to C&LM funding were enacted, and, ultimately, all jobs in this sector would be imperiled by what would likely be severely diminished efficiency project activity in the state. The job losses, combined with lost bill savings, would sacrifice substantial economic growth. We estimate that about \$1.8 billion in Gross State Product would be lost under the Senate Republicans' budget proposal.⁸

Energy efficiency fund raids would hurt low-income families. Deep cuts to the C&LM programs would fall hardest on the neediest households, which often struggle to manage Connecticut's high energy costs. Currently, income-eligible residents can qualify for free energy audits and other important energy efficiency upgrades offered by the C&LM programs. These income-eligible weatherization services benefit many residents; about 12,000 low-income households received program help with weatherizing their homes and reducing their energy costs in 2016, for example.⁹ Based on this result, the proposed energy efficiency fund raid would put as many as 24,000 low-income households at risk of falling behind on their energy

⁵ The C&LM programs saved customers approximately \$961.8 million on their energy bills (lifetime) through the program's 2016 investments. That performance level can be projected over the two years of the next budget cycle to estimate lost lifetime bill savings from a two-thirds funding cut or a full collapse of the C&LM programs.

⁶ Acadia Center analysis of reports on RGGI's impacts from Analysis Group, Acadia Center, and Abt Associates.

⁷ See U.S. DOE, *U.S. Energy and Employment Report*, Jan. 2017, CT State Chart.

⁸ Estimated by using the 2016 results of the existing C&LM programs, which created about \$1.4 billion in new Gross State Product. We assume a two-thirds reduction in C&LM funding levels over two years. See Connecticut Energy Efficiency Board's *2016 Annual Legislative Report*, available at <https://www.energizect.com/connecticut-energy-efficiency-board/about-energy-efficiency-board/annualreports>.

⁹ Acadia Center communication with C&LM program administrator, Eversource Energy.

bills, while at the same time imposing a new regressive energy tax that disproportionately burdens this vulnerable population. Connecticut's low-income residents deserve continued strong access to the energy efficiency programs that are their best protection against high energy costs.

Energy efficiency fund raids would harm public health. Energy efficiency is local work, in homes and businesses in all Connecticut communities, that often helps reduce the use of fossil fuels in heating systems. Energy efficiency also helps reduce reliance on fossil fuel power plants, including the most-polluting generators used on the hottest days. This means the C&LM programs help cut local air pollution, with great and measurable benefits for public health. In 2016 alone, for instance, the C&LM programs eliminated nearly 4,500 lifetime tons of hazardous air pollution – sulfur oxide and nitrogen oxide emissions, specifically – that would have worsened local air quality.¹⁰ The proposed fund raids would substantially increase emissions of hazardous air pollutants, resulting in as much as \$220 million in new health costs for Connecticut residents.¹¹

Energy efficiency fund raids would worsen Connecticut's budget challenge. The Senate Republicans have proposed a total cut to the C&LM programs of \$320 million (\$160 million per year over two years). The full impact of these cuts is not limited to that lost amount, however. C&LM funds leverage significant customer and third-party investments. This leveraging effect would raise the total statewide investment attributable to the C&LM programs – but lost due to the proposed fund raid – to \$720 million over the next budget cycle.¹² We estimate that the proposed cuts, and the associated job losses, would reduce revenue from state income and sales taxes by as much as \$54 million dollars through FY 2019, which could increase to as much as \$84 million if energy efficiency project activity were to collapse.¹³ Notably, lost tax revenue would not end after two years, even if funding is fully restored to the C&LM programs in FY 2020. Losing nearly three-quarters of a billion dollars in efficiency-related investment in our state in a two-year period could significantly disrupt the energy efficiency industry, as skilled workers trained here would leave for work in neighboring states, possibly even leading to a collapse in that sector. Industry losses at this level would take years to rebuild, leading to additional tax revenue losses beyond 2019.

For the reasons highlighted above, we urge the General Assembly to reject all proposed raids on energy efficiency and RGGI funds. Energy efficiency is Connecticut's first fuel and its lowest-cost energy resource. By prioritizing it through smart energy policy, Connecticut has reduced total energy costs for all residents and businesses by billions of dollars, mitigated the adverse impact of fuel and electricity price increases, helped avoid hundreds of millions of dollars in unnecessary transmission infrastructure, and built a more affordable, reliable, and cleaner energy system for all consumers. Effectively ending this superior, productive investment for the shortsighted purpose of filling an unrelated state budget hole will set Connecticut's clean energy economy back for years.

¹⁰ See Connecticut Energy Efficiency Board's *2016 Annual Legislative Report*.

¹¹ Calculated using U.S. EPA, *Technical Support Document: Estimating the Benefit per Ton of Reducing PM2.5 Precursors from 17 Sectors*, available here: <https://www.epa.gov/sites/production/files/2014-10/documents/sourceapportionmentbptsd.pdf>.

¹² Leveraging estimated using 2016-2018 Electric and Natural Gas Conservation & Load Management Plan, Table B-4.

¹³ Acadia Center analysis of budget released by Senate Republicans on May 16, 2017. Tax estimate calculated by relying on the 2016-2018 Electric and Natural Gas Conservation & Load Management Plan; Navigant Consulting's CT Renewable Energy / Energy Efficiency Economy Baseline Study, 2009; Connecticut's First Five Plus Program Economic Impact Analysis; and the Connecticut Green Bank's Residential Solar Investment Program Economic Analysis.

Sincerely,

Acadia Center
Advanced Energy Management, LLC
American Council for an Energy-Efficient
Economy
American Lung Association in Connecticut
Artis Energy Solutions
Audubon Connecticut
Connecticut Citizen Action Group
Center for Energy Security Solutions
Clean Water Action Connecticut
Citizens Campaign for the Environment
CMC Energy Services
Commonwealth Electrical Technologies,
Inc.
Con Serv, Inc.
Connecticut Fund for the Environment
Connecticut League of Conservation Voters
Connecticut Resource Conservation &
Development Area, Inc.
Connecticut Sustainable Business Council
ConnPIRG
CT Roundtable on Climate and Jobs
E4TheFuture
Earthlight Technologies, LLC
Eastern CT Green Action
Efficiency for All
Energy Efficiencies Solutions
Energy Resources
Energy Solutions
Energy Source
Enviro Energy Connections
Environment Connecticut
Facility Solutions Group
Fight the Hike
Green Energy Solutions, Inc.
Greenleaf Energy Solutions LLC
The Green Sanctuary Committee of the
Unitarian Society of Hartford

Hanna Electric, Inc
HE Energy Solutions
Home Comfort Practice, Inc.
Housatonic Valley Association
Institute for Sustainable Energy at Eastern
Connecticut State University
J&B Electrical Systems LLC
The Jonah Center for Earth and Art
Lantern Energy
M&M Electric Inc.
Maximum Home Performance, LLC
National Consumer Law Center, on behalf
of its low-income clients
The Nature Conservancy Connecticut
Natural Resources Defense Council
New England Conservation Services
New England Smart Energy Group, LLC
New Haven Climate Movement
New Haven Energy Task Force
New Haven Leon Sister City Project
Northeast Clean Energy Council (NECEC)
Northeast Energy Efficiency Council
Operation Fuel
Paquette Electric Co
People's Action for Clean Energy
PTE Energy
Renewable Energy and Efficiency Business
Association, Inc.
RENEW Northeast
Sarracco Mechanical Services
Sierra Club
SolarConnecticut
TechniArt Incorporated
Total Energy Connections, LLC
Toxics Action Center
Tri-State LED
Viking Electrical Contracting Co. LLC
Wesson Energy, Inc