



DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION
Bureau of Energy and Technology Policy

**Final Determination to Approve 2012 Conservation and Load Management Expanded Plan
and Budget**

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DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION
Bureau of Energy and Technology Policy (BETP)

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SUMMARY

Conservation and load management budgets and programs are reviewed and approved pursuant to General Statutes of Connecticut §16-245m, as amended by Section 33 of Public Act 11-80, An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut’s Energy Future. The Department has reviewed the 2012 base C&LM Plan (Base Plan), and issued its Final Determination on the Base Plan on February 17, 2012. In this determination, the Commissioner of the Department of Energy and Environmental Protection (DEEP) approves an expanded budget for the 2012 Conservation and Load Management Plan of \$158.4 million. DEEP approves the programs submitted by the electric distribution companies in consultation with the Energy Efficiency Board subject to the modifications and conditions discussed herein. The expanded budget, together with the base budget approved by DEEP in the Base Plan, will fund the acceleration and expansion of these programs, so as to ultimately put Connecticut on the path to achieving all cost-effective energy efficiency identified in the 2012 Integrated Resources Plan.

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BACKGROUND INFORMATION

Statutory Authority

Electric distribution companies (EDCs) are required under section 16-245m of the Connecticut General Statutes to develop a comprehensive conservation and load management plan (C&LM Plan) to guide the implementation of cost-effective energy conservation programs. An Energy Conservation Management Board was established to advise and assist the EDCs with the development and implementation of comprehensive conservation and load management programs, which were subject to the approval of the former Connecticut Department of Public Utility Control. These programs have been supported by the Energy Conservation and Load Management Fund, which is funded by a \$0.003/kWh charge assessed to all end-use electric customers.

The process for development and approval of C&LM Plans was modified in July 2011 with the enactment of Public Act 11-80, An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut's Energy Future (Act). Pursuant to the Act, the Energy Conservation Management Board—also known as the Energy Efficiency Board (EEB)—continues to advise and assist the EDCs with the development and implementation of C&LM plans. The Act also assigned responsibility to the Department of Energy and Environmental Protection (DEEP or Department) to review the C&LM Plan, including the cost-effectiveness of proposed programs, and to modify or terminate programs that are determined to fail the cost-effectiveness test. The Act further authorized DEEP to approve, modify, or reject the C&LM Plan in an uncontested proceeding.¹ Relatedly, the Act charged DEEP with developing an Integrated Resources Plan (IRP) on a biennial basis, to review the state's energy and capacity resource assessment and to develop a plan for the procurement of energy resources that addresses, among other things, how best to eliminate growth in electric demand, as well as approaches to maximizing the impact of demand-side measures.²

Any disbursements from the Energy Conservation and Load Management Fund by the EDCs to carry out the base budget in the C&LM Plan must be authorized by the Public Utility Regulatory Authority (PURA).³ To the extent that the budget for the C&LM Plan may call for funding energy conservation programs at a level exceeding the amount of funding available in the Energy Conservation and Load Management Fund, any additional collection of funds from ratepayers would also be subject to PURA authorization. In exercising that authority the Act stated that PURA's decisions shall be "guided by" the goals of DEEP, including the IRP approved by DEEP.⁴

¹ See 2012 Supplement to the Connecticut General Statutes, §§16-245m (d)(1) & (d)(3).

² *Id.* §§16a-3a (b) & (d).

³ §16-245m (b).

⁴ §16a-3a (h).

Approval of 2012 Conservation and Load Management Base Budget

On September 30, 2011, the EDCs and local natural gas distribution companies (LDCs) submitted to the Department the 2012 C&LM Plan.⁵ The 2012 C&LM Plan represents the thirteenth plan prepared by the EDCs since passage of Public Act 98-28, An Act Concerning Electric Restructuring, and the seventh plan filed by the natural gas companies since passage of Public Act 05-01, An Act Concerning Energy Independence. The electric portion of the 2012 C&LM Plan was developed in two parts: (1) a Base Plan funded by a budget of \$105.6 million derived from the current \$0.003/kWh assessment and other conservation related funding (e.g. revenue from the sale of renewable energy credits) (Base Budget), and (2) an Expanded Plan supported by an additional \$113.3 million budget to accelerate energy savings and achieve all cost-effective energy efficiency (Expanded Budget). DEEP initiated an uncontested proceeding to review the base and expanded budgets in two phases.⁶

First, in a Determination dated February 17, 2012, the Department approved the 2012 Base Budget of \$105.6 million. The Base Budget would allocate \$84.2 million to conservation programs administered by The Connecticut Light and Power Company (CL&P) and \$21.4 million to The United Illuminating Company (UI). Also in that Determination, the Department concluded that the EDCs should be allowed to maintain 2012 C&LM spending at 2011 levels, or approximately \$124.7 million.⁷ To achieve the 2011 level of spending, in addition to the Base Budget of \$105.6 million, the Department determined that CL&P should be allowed to spend \$14 million in 2011 carryover funds, and that the EDCs should be allowed to spend, in 2012, up to 25% of their projected 2013 revenues from the Energy Conservation and Load Management Fund. In total, the Department approved total 2012 program spending of up to \$145.9 million. As part of its approval of the Base Budget, the Department modified the 2012 C&LM Plan to allocate \$4.6 million to the self-funding of residential loans.

It is important to note that the amounts listed for the 2012 Base Revenues reflect funds recovered through electric rates (i.e., the \$0.003/kWh assessment and other C&LM-related revenues) during the current program calendar year (2012), while carryover and forward spending amounts are derived from funds collected from the \$0.003/kWh assessment outside the current program calendar year. Authorization of expenditures from the Energy Conservation and Load Management Fund for the 2012 C&LM Base Plan is now under consideration at PURA under Docket No. 12-02-01.⁸

⁵ See 2012 C&LM Plan, available at

[http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2fa1f8d01cfc0cc785257981007276d4/\\$FILE/2012%20CLM%20Electric%20and%20Gas%20Plan%20FINAL.pdf](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2fa1f8d01cfc0cc785257981007276d4/$FILE/2012%20CLM%20Electric%20and%20Gas%20Plan%20FINAL.pdf).

⁶ The natural gas portion of the 2012 C&LM Plan was reviewed and approved by PURA in Docket 11-10-03.

⁷ See DEEP Base Plan Determination at 7, available at

[http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2fa1f8d01cfc0cc785257981007276d4/\\$FILE/2012%20CLM%20Electric%20and%20Gas%20Plan%20FINAL.pdf](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2fa1f8d01cfc0cc785257981007276d4/$FILE/2012%20CLM%20Electric%20and%20Gas%20Plan%20FINAL.pdf) and Addendum to DEEP Base

Plan Determination, available at

[http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2b676422fd385d94852579a7005aa31c/\\$FILE/Addendum%20to%20CLM%20Base%20Plan%202-22-12.pdf](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2b676422fd385d94852579a7005aa31c/$FILE/Addendum%20to%20CLM%20Base%20Plan%202-22-12.pdf).

⁸ All documents in Docket No. 12-02-01 can be found on the PURA website at:

[http://www.dpuc.state.ct.us/dockcurr.nsf/\(Web+Main+View/All+Dockets\)?OpenView&StartKey=12-02-01](http://www.dpuc.state.ct.us/dockcurr.nsf/(Web+Main+View/All+Dockets)?OpenView&StartKey=12-02-01).

Summary of the Proposed 2012 C&LM Plan Expanded Budget

The Expanded Budget proposed by the EDCs and submitted by the EEB for the 2012 Plan consists of expenditures for energy efficiency programs above those approved in the 2012 Base Plan. Overall, the Expanded Budget proposed to increase program spending above the Base Plan by \$113.3 million in 2012, with the combined expenditures under the Base and Expanded Budgets totaling \$218.9 million. In submitting the 2012 C&LM Plan, the EEB proposed that \$17 million of the revenues for the Expanded Budget should be collected through the sale of fuel oil, although fuel oil funding is not available at this time. The EEB further proposed that the remaining 85% of the Expanded Budget, or about \$96.3 million, should be recovered through a Conservation Adjustment Mechanism (CAM) or other rate adjustment mechanism on electric bills. The proposed Expanded Plan supports electric savings that are nearly twice those that would be achieved under the 2012 Base Plan.

SIGNIFICANT PUBLIC COMMENTS

The Department conducted one technical meeting on February 10, 2012, and received six written comments on the 2012 C&LM Expanded Budget during an initial public comment period that ended on February 24, 2012. On June 5, 2012, DEEP issued a Proposed Determination to Approve 2012 Conservation and Load Management Plan Expanded Budget. In that Proposed Determination, DEEP summarized and responded to the six comments received during the initial public comment, as well as relevant comments submitted to DEEP in the 2012 IRP. DEEP also invited written comments on the Proposed Determination, during a public comment period beginning on June 5, 2012 and ending on June 21, 2012. All written comments submitted on the 2012 C&LM Expanded Budget, including comments received on the Proposed Determination and a recording of the February 10, 2012 technical meeting are available on the DEEP website.⁹

The Department received nine public comments on the Proposed Determination, representing the views of the following entities: CL&P, UI, Office of Consumer Council (OCC), Northeast Energy Efficiency Partnerships (NEEP), Connecticut Industrial Energy Consumers (CIEC), Connecticut Housing Investment Fund (CHIF), Environment Northeast (ENE), Clean Water Action Connecticut, and The Clover Corporation. This section contains a summary, organized by topic, of major comments on the Proposed Determination and DEEP's responses, and the rationale for changes made to the 2012 Expanded Budget.

A. Multi-Year Plans

All of the commenters on the Proposed Determination indicated support for the move to multi-year planning, as discussed herein. For example, UI supports multi-year programming and recommends a three-year cycle and specific savings goals (e.g., 2%) for the C&LM planning process. CL&P supports multi-year planning to allow the EDCs the opportunity to commit to the

⁹ Written comments are available at

[http://www.dpuc.state.ct.us/DEEPEnergy.nsf/\\$EnergyView?OpenForm&Start=1&Count=30&Expand=6.3&Seq=7](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/$EnergyView?OpenForm&Start=1&Count=30&Expand=6.3&Seq=7)
The recording of the technical meeting is available at

<http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/419208cb6767d97d852579a4004928c8?OpenDocument>.

disbursement of funds in subsequent years, which is consistent with customer demand for multi-year projects. CL&P also believes that long-term planning will establish stable funding and thereby lower costs. CL&P also supports consolidation of the proceedings used to review electric and gas plans, stating that a joint review is appropriate because gas and electric programs are fully integrated. Conducting the reviews of these programs independently is inefficient, costly and administratively burdensome, in CL&P's view, as compared conducting one review of a fully integrated, multi-year C&LM Plan.

Clean Water Action Connecticut supports multi-year plans and budgets, which can provide assurance of "solid funding" going forward. Clean Water Action Connecticut calls for an end to the "boom and bust" funding cycle recently experienced in the state. Multi-year plans, budgets, and funding will provide the vendor community with the confidence necessary to make long term investments in staff and equipment and will also facilitate growth in the contractor base. Absent a solid contractor base, Clean Water Action Connecticut notes, the state cannot meet its aggressive efficiency goals.

NEEP supports a three-year planning cycle which will allow the EDCs to reduce administrative burdens while ensuring program quality and flexibility. NEEP recommends that any multi-year approval strategy should allow program administrators and regulators be allowed to make incremental changes along the way, without triggering a significant, full-blown regulatory review. NEEP believes that such a multi-year structure would streamline the C&LM review process while ensuring ongoing oversight.

The Department supports a three-year planning and budget cycle, as well as streamlining the review process for electric and gas plans. The Department notes that the EDCs have submitted such consolidated electric and gas plans for the past two years. DEEP will work with PURA to identify opportunities to improve the efficiency and effectiveness of the review and approval process for electric and gas C&LM plans on a multi-year basis, consistent with existing statutory authority. Regarding UI's recommendation, DEEP has revised the Proposed Determination to indicate that the EDCs and EEB should, as part of their proposal on multi-year plans, include some "global" targets (e.g., reducing the average use per residential customer, specific peak MW targets or cost to deliver kW or kWh savings). Such targets are discussed in past PURA Decisions.¹⁰

B. Conservation Adjustment Mechanism

UI, CL&P, ENE and NEEP submitted comments on the Proposed Determination expressing support for the use of a CAM to collect the revenues for the Expanded Plan, with a lost sales adjustment for CL&P to fund incremental C&LM program costs under the Expanded Plan, (i.e., costs in excess of the funding provided through the \$0.003/kWh base assessment and the "other" C&LM revenues currently recovered through electric rates).

¹⁰ See, Decision dated May 7, 2009, in Docket No. 08-10-03, DPUC Review of the Connecticut Light and Power Company's and The United Illuminating Company's Conservation and Load Management Plan For The Year 2009, p. 30; and, Decision dated May 27, 2007, in Docket No. 06-10-02, DPUC Review of CL&P and UI Conservation and Load Management Plan For Year 2007 and 2008, p. 31.

UI expressed concern that, in the event PURA cannot implement the CAM mechanism and rate by mid-August 2012, the EDCs should be allowed to spend forward, i.e., use 2013 revenues to support 2012 costs, to allow programs to ramp up while PURA considers the CAM. UI also suggested that the CAM reconciliation become part of the existing semi-annual FMCC/GSC true-up proceeding. DEEP agrees with UI's comments and has revised the Proposed Determination to recommend that if a CAM cannot be implemented on or about August 15, 2012, the EDCs should be allowed to spend forward up to 25% of their respective 2013 C&LM base budgets during 2012 to assure continued operation of the programs. Forward spending could then be reconciled through the CAM.

CL&P commented that the CAM should not be reconciled on a semi-annual basis. Instead, CL&P recommended the use an annual, calendar year, true-up to account for seasonal shifts in C&LM activity and spending and to reduce administrative costs. CL&P also believes it should be allowed to recover lost revenues from the incremental Expanded Plan. In response to CL&P's comment, DEEP notes that although an annual proceeding may provide the benefits cited by CL&P, Conn. Gen. Stat. 16-19b(h) requires PURA to conduct true up proceedings "no less frequently than every six months" for these types of adjustment mechanisms.

ENE's comments endorsed the use of the CAM with a lost revenue adjustment on an interim basis until full decoupling is in place for CL&P. ENE also supported the CAM being set at \$0.00373/kWh. NEEP believes that CL&P's CAM should include a lost sales adjustment until full decoupling is approved.

OCC does not believe the Department should automatically default to electric ratepayers as the sole source of funding to support the Expanded Plan. Instead the Department should explore other funding options, such as the leveraging of private capital or use of the existing fund, to support this effort.

DEEP agrees with the OCC's comment about funding sources. Although direct ratepayer funding is required at this time to support the Expanded Plan, DEEP and the EEB are working with the Connecticut Clean Energy Finance and Investment Administration (CEFIA) to advance programs that will attract and deploy private capital to support energy efficiency. Also, as C&LM programs expand and general awareness increases, it is anticipated that the cost to achieve deeper savings will rely more heavily on direct funding by participants.

In comments submitted on the Proposed Determination, CIEC expressed support for the expansion of energy efficiency programs, but asked the Department to reconsider its recommendation that additional C&LM funds be collected through a single volumetric CAM assessment that is applied equally to all customers.¹¹ Instead of a single volumetric CAM rate CIEC urges the Department to recommend a fixed charge recovery mechanism, or a combination of fixed and volumetric charges for C&I customers to alleviate the excessive burden on this class. If a fixed charge is considered, CIEC suggests a graduated fixed charge of \$0.50 per month for residential customers and \$60 per month imposed on all C&I customers. In the alternative, CIEC requests that the Department re-evaluate the use of a CAM after one year to

¹¹ The use of a sales allocator results in a single, Company-wide CAM rate (i.e., same rate per kWh assessed to all customers) because costs or revenue requirement are divided by sales to produce a retail rate.

assure that larger use commercial and industrial customers are recovering the monies they contribute to the fund. CIEC also commented that a lost sales provision is not a tool to promote conservation but rather a way to assure CL&P with revenue stability. As a result, CIEC opposes the inclusion of a lost sales provision in CL&P's CAM. However, should the Department find that a lost sales provision is appropriate, it should direct PURA to fully evaluate, during CL&P's next full rate case, the effectiveness of this provision to promote conservation and provide direct benefits to customers.

The Department recognizes the concerns expressed by CIEC that a volumetric CAM charge that is based on a sales allocator would result in a greater percentage rate increase for large customers. However, a more modest rate increase for C&I customers would reduce the amount of funds available—and therefore, the number of customers that can be served and the volume of cost-effective savings that can be achieved—through C&I programs. In past budget years, demand for C&I programs has been robust and C&LM budgets for C&I programs have generally been fully expended. DEEP expects that the revenues collected from C&I customers for the Expanded Plan will be fully expended to meet customer demand. Going forward, the Department will evaluate whether the 2012 funds for C&I programs are fully expended, or if not fully expended, could justify a smaller revenue collection than the volumetric CAM approved herein. The Department believes that the volumetric CAM, in conjunction with higher program caps approved herein and full program expenditures for C&I programs is a fair and reasonable approach to collect revenues and provide program services to C&I customers.

Regarding a lost sales provision, the EDCs impute the energy savings provided under the Base Plan in the sales forecast used to establish distribution rates. However, the EDCs did not contemplate the significant additional savings that will occur under the Expanded Plan at the time of their last general rate setting proceeding. Therefore, while UI's decoupling mechanism will accommodate these lost sales, CL&P has no mechanism in place to do so. Therefore, it is reasonable to include a lost sales provision in CL&P's CAM at this time for incremental lost sales associated with the Expanded Plan. Inclusion of a lost sales provision for CL&P to address these incremental savings effectively results in the implementation of a decoupling mechanism for these incremental savings. To avoid the counterproductive results of sales adjustment calculations it is critical that the sales adjustment calculation include an earnings trigger. Revenues should only be increased for lost sales if CL&P is earning below its allowed rate of return. Then the adjustment should only increase revenues sufficient to earn the allowed rate of return. PURA should then fully examine this matter, and decoupling, at the time of CL&P's next general rate case.

C. Self-Funding Residential Loans

UI believes that redirecting dollars from program activity to self-funding will result in a proportional loss of potential savings under the Expanded Plan. UI also notes that while self-funding may be appropriate for certain market niches it should not be used as a broad financing solution as is being considered by the Department. UI believes the Department should focus on attracting third party capital to achieve the desired level of savings envisioned under the Expanded Plan and engage CEFIA in this effort.

CL&P does not believe the Department should use a prescriptive, multi-year funding allocation for residential self-funding. Instead CL&P recommends the Department allocate 10.5% of its overall residential budget in 2013 to self-funding and then review the available balance annually to ensure an adequate loan reserve. The Department would then determine whether additional funding is necessary.

CHIF supports self-funding and encourages the Department to increase the balance of funds currently available under this program. Without an adequate source of low cost capital, CHIF believes that consumers will be unable to finance the measures necessary to provide increased savings under the Expanded Plan. Thus, adequate capital will be necessary to meet the increased demand for financing of energy efficiency projects as a result of the planned comprehensive marketing effort. CHIF also states that self-funding provides the lowest possible cost of capital and allows flexibility in underwriting standards (e.g., use of bill payment history to qualify customer loans) that might not be available if capital is provided from banks or other traditional sources.

Clean Water Action of Connecticut believes that self-funding is not scalable and therefore is not a long-term solution for financing residential projects. Instead, self-funding should be used to build loan volume and customer and contractor awareness for the installation of deeper measures and as a transition to leveraged financing through CEFIA.

The Connecticut Fund for the Environment submitted comments advocating that the amount available for residential self-funding should be increased and that a customer's bill repayment history should be used as secondary underwriting criteria to qualify applicants in the event that they do not meet more stringent FICO and debt-to-income standards.

The current residential financing program administered through CHIF is relatively new, having begun in June 2011. As a result, the general public is not aware of this program. The Department anticipates that there will be an increased demand for residential financing as programs expand generally, contractors promote the program to pursue deeper savings, and, the upcoming marketing effort is launched. Therefore, adequate capital must be available to meet potential residential demand for these loans. The Department finds that it is appropriate to allocate additional funds to this initiative from future annual C&LM budgets and to monitor the program to assure that funding reflects consumer demand.

Therefore, DEEP has modified the Proposed Determination to indicate that beginning in 2013 and annually thereafter in 2014 and 2015, DEEP recommends that CL&P allocate 10.5% of its overall residential budget and that UI allocate 12.5% of its residential budget to this program. The Department will regularly monitor this program and make adjustments as needed. The Department will then determine whether to allocate additional funds to this effort in 2016. If consumer interest in the residential loan program does not meet expectations, these funds can be reallocated to support program activity. Regarding Clean Water Action of Connecticut's comments, this program will provide information such as loan volume, customer and contractor awareness, and, default rates, that can be used to evaluate whether self-funding should continue or whether we should seek to leverage these funds in the future.

Regarding UI's comments, the Department finds that it is appropriate to use self-funding to gain experience within the residential market and reduce the overall cost of financing to ratepayers. To achieve our long term goals (i.e., reduce costs in general and move away from direct ratepayer funded incentives) cost effectively requires consumers to invest in energy efficiency.¹² This in turn requires that consumers have access to low cost financing that is not heavily subsidized. Therefore, the overall cost of financing must be reduced to decrease or eliminate subsidization by other ratepayers. The Department agrees that self-funding has an opportunity cost. However, the Department believes that the cost is much lower than suggested by UI. For instance, current investment alternatives such as stocks and mutual funds are high risk while safer investments provide very low returns. While self-funding may reduce energy savings in the short term, over time financing should increase savings by providing customers the tools necessary to implement deeper savings. This will improve the cost effectiveness of our programs. Should we choose to seek third party capital to leverage these funds in the future, the experienced gained through the self-funding model should allow the EDCs or CHIF to negotiate lower overall costs or more flexible terms. Further, it is important to reiterate that self-funding provides flexibility in determining the underwriting standards allowing the EDCs to offer these loans to consumers that might not otherwise qualify for them.¹³

D. Consultant Costs

UI requested clarification regarding the Department's adjustment for consultant costs, stating that in addition to the costs embedded in the line item "Energy Efficiency Board" there are consultant costs included in other budget items as well. UI would like direction regarding these individual, program specific costs.

Clean Water Action Connecticut commented that expanded spending may not warrant a proportionate ramp up in consultant costs. However, as the programs evolve the Department should consider setting funds aside to engage national experts and coordinate the stakeholder process to ensure that the expanded programs are the best in the nation.

ENE states that the proposed consultant budget is far below the statutory limit on this expense and is not unreasonable given the need for program development that will be necessary in response to expanded spending and the state's ambitious goals. Thus, ENE urges the Department to reconsider its proposed reduction to this expense for 2012.

In response to UI's comments, DEEP has clarified its modification of the consultant budget in the Proposed Determination to indicate that this modification is limited to the consultant costs listed in the "Energy Efficiency Board" line item of the 2012 C&LM Plan. Going forward, however, to facilitate review of consultant costs, DEEP requests that all consultant-related expenses be listed within the "Energy Efficiency Board" line item and not comingled among individual program costs. Further, the DEEP believes that the consultant's

¹² Loan processing and other administrative costs must also be regularly reviewed to lower the overall cost of this program.

¹³ For example, traditional lending institutions are unwilling to allow the use of utility payment history to qualify consumers for these loans, instead requiring minimum FICO scores. CHIF indicated that strict adherence to FICO scores has led to a high rate of decline for these loans.

budget, as modified in this Determination, is adequate to accommodate programmatic changes going forward.

E. Self-Directed C&I programs and C&I Program Caps

In its Comments on the Proposed Determination, CEIC commended the Department's support for exploring the development of a self-directed program. CIEC believes that a self-directed program can more directly utilize the expertise of very large customers and assist them in implementing efficiency projects and comprehensive strategies that are unique to their facilities.

CIEC stated that project incentive caps result in unnecessary project delays. CIEC urged DEEP to direct the EEB to monitor the necessity and the level of the caps annually. C&I customers should have the opportunity to recoup the funds commensurate with the amount contributed into the C&LM fund. CIEC supports the implementation of a self-directed pilot program for 2013. According to CIEC, in the absence of a pilot program, the number of viable large scale C&I programs will decline despite increases to the project cap level.

In its comments, Clean Water Action Connecticut opposes self-directed efficiency programs in which customers can opt out of paying into a public benefits fund by undertaking their own projects. In response to this comment, DEEP clarifies that the approval of any self-directed funding would not revoke, or allow customers to "opt out" of, any part of the C&LM ratepayer charge for C&I customers. Clean Water Action Connecticut further commented that it supports C&I programs that have a transparent approval process and implement a timely process to approve and complete projects. Instead, Clean Water Action Connecticut supports higher per project and per entity caps for C&I customers, including projects for municipal customers.

NEEP also supported ways to make existing C&I programs work more effectively for the largest customers, rather than allowing an opt-out provision. NEEP believes that opt-out programs would require an unwieldy verification process and would present issues of equity, since rate classes would be treated differently. CL&P supports the elimination of project caps, stating that their removal will allow large customers with multiple facilities to fully participate in programs.

In response to these comments, DEEP believes that there is merit to exploring customer-directed program delivery that applies to very large C&I customers who seek to improve their process efficiencies. The Department has modified the Proposed Determination to direct the EDCs and the EEB to consider, for the 2013 C&LM Plan, proposing program enhancements to allow large C&I customers more flexibility to direct C&LM expenditures toward energy investments that would improve process efficiencies.

DEEP also concludes that, at the Expanded Plan funding level, the annual cap should be raised from \$800,000 to \$2 million and the per-metered site cap should be eliminated. An annual cap of \$2 million per Tax I.D. is appropriate, will allow flexibility for larger multi-year projects, and will assure that the greatest number of C&I customers are serviced under the C&LM programs. An annual incentive cap would not impose restrictions for large C&I customers to

receive incentives in future years. The EEB should evaluate the appropriateness of the \$2 million cap after the first year of the Expanded Plan.

F. Self-Funding for C&I Loans

In its comments on the Proposed Determination, UI cautioned that significant use of self-funding for C&LM project financing would result in rate shock for customers. UI expressed its concern that \$5 million in O&M funding redirected to self-funding would result in reduction in O&M program budget to a lower budget than that of the Base Plan. UI stated that the EDCs' primary strategy is to target O&M savings through a variety of programmatic strategies (e.g., retro-commissioning and Business Sustainability), which would deliver deeper savings and reduce the level of incentives. In its comments, CL&P requested additional clarification regarding the amount to be allocated to self-funding C&I projects and rates to be charged to C&I customers. CL&P also suggested that, given two new sources of C&I financing, self-funding is not needed in 2012, but that \$5 million could be tentatively allocated for 2013 for this purpose.

With regard to self-funding for C&I projects, DEEP believes that the additional ratepayer dollars available during the 2012 ramp-up period affords a favorable opportunity to support self-funding of Energy Opportunity (EO) projects, and will direct that allocation of \$5 million from O&M programs or other C&I programs for the creation of a revolving fund to finance EO projects, subject to lending terms consistent with other EO financing vehicles. This flexibility will prevent the transfer of funds from becoming a budget constraint in operating any of the components of the O&M programs.

G. Inclusion of State Contracts in Energy Opportunities Performance Incentive

In its comments on the Proposed Determination, UI expressed concern about DEEP's requirement that state projects be excluded from projects that qualify for the goal that 10% of projects utilize performance contracting or external financing to earn a performance incentive for the EO program. UI noted that state projects were included in the initial development of the performance metric and that the Companies are an integral part of the Lead By Example technical review process and should be compensated for their efforts.

DEEP believes that even though many state projects will be required to utilize performance contracts, the EDCs' efforts are an important component in the implementation of these projects at the outset of the Lead By Example program. The Department will include Lead By Example projects among the eligible projects to qualify for the EO performance incentive for 2012 programs. The Department will reevaluate this issue in 2013.

H. Cost Effectiveness

In its comments on the Proposed Determination, OCC raised several concerns about DEEP's analysis and conclusion that CL&P's Home Energy Solutions (HES) program and the HES Income Eligible program are cost-effective. In the Proposed Determination, DEEP found that "all programs, except CL&P's Home Energy Solutions (HES) program and the HES Income Eligible program are cost effective using the Electric System Test." However, DEEP approved the CL&P HES programs because they are cost-effective under the Total Resource Test. DEEP

also proposed to require additional measures to make the program more cost effective. OCC stated that DEEP erred by not applying its primary measure (the Electric System Test) of cost-effectiveness to all programs, and that it is contrary to law for spending to be increased on a program that is not cost-effective.¹⁴ OCC further stated that programs should be determined to have benefits that exceed costs by a least 1.5:1 before they are determined to be cost effective.

DEEP shares OCC's concern about the cost effectiveness of the CL&P HES programs, but believes that it is appropriate and not contrary to law to approve increased spending on the CL&P HES programs at this time. While DEEP relies on the Electric System Test as the "primary test" to determine program cost effectiveness, no particular cost-effectiveness test is prescribed by law, and the Electric System Test is not the exclusive test of cost-effectiveness. DEEP, and the former DPUC before it, have reviewed the electric C&LM programs under both the Electric System Test and the Total Resource Test (TRT). Applying the TRT to the 2012 C&LM Expanded Plan, CL&P's HES program is cost-effective, with a benefit/cost ratio of 2.4:1. Under the Electric System Test, CL&P's HES program fails by a slim margin, 0.9:1.

In addition, the legislature recently addressed the issue of oil subsidies for the HES program by temporarily lifting a legislative limit of \$500,000 annually, effective until August 2013. DEEP believes that the application of the Total Resource Test—which includes the benefits of oil savings in the calculation of cost-effectiveness—is consistent with the legislature's intent to allow a higher level of cross-subsidization between oil and electric customers. In these circumstances, DEEP does not believe that the cost-effectiveness of the HES program should be evaluated solely based on the Electric System Test, when the legislature has specifically approved more oil subsidization in 2012 and 2013. DEEP has revised the Proposed Determination to clarify this point.

DEEP has reviewed CL&P's HES program extensively and made recommendations to improve its cost effectiveness. CL&P, UI and the EEB will have some time to implement program improvements and work with the legislature to secure oil funding. Oil funding is critical to reaching the legislative goal of weatherizing 80% of Connecticut's homes by 2030 without unduly burdening electric ratepayers. If the spending limitation for oil heated homes resumes in 2013, without oil funding it is likely the volume of electric and gas homes to be served would be insufficient to support the Expanded Budget, and DEEP would have no choice but to reduce the funding for HES.

DEEP believes that OCC's proposal to require that programs have a saving/cost ratio of 1.5 to 1 to be cost effective is not legally mandated and is too restrictive. While many programs have higher benefit/cost ratios 1 to 1 is all that is currently required and DEEP does not believe that it would be appropriate to change it. Concerns about uncertain savings are alleviated by the fact that savings are discounted in the screening analysis. By discounting savings, the analysis already adjusts the savings based on the perceived uncertainty associated with the cost and savings estimates.

¹⁴ OCC pointed out that, as authority for expanding electric ratepayer-funded energy efficiency budgets over the \$0.003/kWh assessment DEEP cites Conn Gen. Stat. §16a-3a, which provides that "resource needs shall first be met through all available energy efficiency and demand resources that are cost-effective, reliable and feasible." Moreover Conn Gen. Stat. §16-245(d)(1) also requires that programs must be screened for cost effectiveness.

FINAL DETERMINATION

I. INTRODUCTION

Electric distribution companies (EDCs) are required under Section 16-245m of the Connecticut General Statutes to develop a comprehensive conservation and load management plan (C&LM Plan) to guide the implementation of cost-effective energy conservation programs. Section 16-245m directs the Energy Efficiency Board (EEB) to advise and assist the EDCs in the development and implementation of the C&LM Plan, and assigns responsibility to the Department of Energy and Environmental Protection (DEEP) to review the C&LM plan, including the cost-effectiveness of proposed programs, and to approve, modify, or reject the C&LM plan in an uncontested proceeding.¹⁵

On September 30, 2011, the Energy Efficiency Board submitted to the Department the 2012 Electric and Natural Gas Conservation and Load Management Plan (2012 C&LM Plan).¹⁶ The electric portion of the 2012 C&LM Plan included a Base Plan funded by a budget of \$105.6 million derived from the current \$0.003/kWh assessment and other conservation-related funding, (e.g. revenue from the sale of renewable energy credits) (Base Budget) and an Expanded Plan supported by an additional \$113.3 million budget to accelerate energy savings and achieve all cost effective energy efficiency (Expanded Budget). DEEP initiated an uncontested proceeding to review the base and expanded budgets in two phases.

First, in a Determination dated February 17, 2012, the Department approved the 2012 C&LM Plan Base Budget of \$105.6 million.¹⁷ As part of that Determination, DEEP concluded that the EDCs should be allowed to maintain 2012 C&LM spending at 2011 levels, or approximately \$124.7 million, by allowing the Connecticut Light and Power Company (CL&P) to spend \$14 million in 2011 carryover funds; by allowing the EDCs to allocate \$4.6 million to the self-funding of residential loans; and, by allowing the EDCs to spend, in 2012, up to 25% of their projected 2013 revenues from the Energy Conservation and Load Management Fund.¹⁸ In total, the Department approved total 2012 spending of up to \$145.9 million, as summarized in Table 1, below.

¹⁵ See 2012 Supplement to the Connecticut General Statutes, §§16-245m (d)(1) & (d)(3).

¹⁶ 2012 C&LM Plan, *available at*

[http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2fa1f8d01cfc0cc785257981007276d4/\\$FILE/2012%20CLM%20Electric%20and%20Gas%20Plan%20FINAL.pdf](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2fa1f8d01cfc0cc785257981007276d4/$FILE/2012%20CLM%20Electric%20and%20Gas%20Plan%20FINAL.pdf).

¹⁷ 2012 Base Revenues reflect funds recovered through electric rates (i.e., the \$0.003/kWh assessment and other C&LM-related revenues) during the current program calendar year, 2012, while carry over and forward spending amounts are derived from funds collected outside the current program calendar year.

¹⁸ See DEEP Base Plan Determination at 7, *available at available at*

[http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2fa1f8d01cfc0cc785257981007276d4/\\$FILE/2012%20CLM%20Electric%20and%20Gas%20Plan%20FINAL.pdf](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2fa1f8d01cfc0cc785257981007276d4/$FILE/2012%20CLM%20Electric%20and%20Gas%20Plan%20FINAL.pdf) and Addendum to DEEP Base Plan Determination, *available at*

[http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2b676422fd385d94852579a7005aa31c/\\$FILE/Addendum%20to%20CLM%20Base%20Plan%202-22-12.pdf](http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/2b676422fd385d94852579a7005aa31c/$FILE/Addendum%20to%20CLM%20Base%20Plan%202-22-12.pdf).

Table 1

2012 Approved C&LM Spending			
	CL&P	UI	Total
2012 Base Revenues	\$84,191,749	\$21,370,000	\$105,561,749
2011 Carry Over	\$14,000,000	-	\$14,000,000
2013 Forward Spending*	\$21,047,937	\$5,342,500	\$26,390,437
TOTAL	\$119,239,686	\$26,712,500	\$145,952,186
* Estimated as 25% of 2012 Base Revenues In addition to total spending DEEP allocated \$4.6 million to self-funding of residential loans.			

Authorization of expenditures from the Energy Conservation and Load Management Fund to implement the 2012 C&LM Base Plan is currently under consideration at PURA under Docket No. 12-02-01.

The Expanded Budget submitted by the EEB proposes to increase program spending in 2012 by \$113.3 million above the Base Budget to significantly expand the current C&LM program offerings in order to deliver all cost effective energy savings. The Expanded Plan would deliver electric savings that are nearly twice those that would be achieved under the 2012 Base Plan.¹⁹ Table 2 provides a program-by-program comparison of the 2012 Base and Expanded Budgets. As the table shows, the combined expenditures under the Expanded Budget proposed by the EDCs and EEB would total \$218.9 million. The EEB proposed that \$17 million of the additional \$113.3 million in funding be collected through the sale of fuel oil, and that the remaining 85%, or about \$96.3 million, should be recovered through a Conservation Adjustment Mechanism (CAM) or other rate adjustment on electric bills. The Department now, in this determination, reviews, modifies, and approves the 2012 C&LM Plan Expanded Budget, as described below.

¹⁹ See, 2012 C&LM Plan, Table B for CL&P @ pp. 28 and 354 and Table B for UI @ pp. 38 and 366.

Table 2

Comparison - 2012 Base vs. Expanded Budgets			
Energy Efficiency Programs	2012 Base	2012 Expanded	Proposed Increase
RESIDENTIAL			
Residential Retail Products	\$ 6,605,855	\$ 14,405,304	\$ 7,799,449
Appliance Rebate Program	\$ -	\$ 4,000,000	\$ 4,000,000
Total - Consumer Products	\$ 6,605,855	\$ 18,405,304	\$ 11,799,449
Residential New Construction	\$ 1,438,329	\$ 2,015,379	\$ 577,050
Home Energy Solutions (HVAC, Duct Sealing, Lighting)	\$ 14,038,658	\$ 27,269,631	\$ 13,230,973
HES Income Eligible	\$ 11,517,793	\$ 24,077,002	\$ 12,559,209
Subtotal Residential	\$ 33,600,635	\$ 71,767,316	\$ 38,166,681
COMMERCIAL & INDUSTRIAL			
C&I LOST OPPORTUNITY			
Energy Conscious Blueprint	\$ 10,889,221	\$ 12,552,068	\$ 1,662,847
Total - Lost Opportunity	\$ 10,889,221	\$ 12,552,068	\$ 1,662,847
C&I LARGE RETROFIT			
Energy Opportunities	\$ 16,198,999	\$ 44,143,387	\$ 27,944,388
O&M (Services, RetroCx, BSC)	\$ 4,802,298	\$ 13,357,044	\$ 8,554,746
PRIME	\$ 601,141	\$ 938,935	\$ 337,794
Total - C&I Large Retrofit	\$ 21,602,438	\$ 58,439,366	\$ 36,836,928
Small Business	\$ 13,867,636	\$ 42,817,339	\$ 28,949,703
Subtotal C&I	\$ 46,359,295	\$ 113,808,773	\$ 67,449,478
OTHER - EDUCATION *			
SmartLiving Center® - Museum Partnerships	\$ 881,746	\$ 882,096	\$ 350
EE Communities / Behavior Pilot	\$ 1,300,000	\$ 1,800,400	\$ 500,400
K-8 Education	\$ 726,825	\$ 726,825	\$ -
Residential Audits-Non WRAP	\$ -	\$ -	\$ -
Community Based Program (SWCT)	\$ -	\$ -	\$ -
Science Center	\$ 208,000	\$ 208,000	\$ -
Subtotal Education	\$ 3,116,571	\$ 3,617,321	\$ 500,750
OTHER - PROGRAMS/REQUIREMENTS			
Institute for Sustainable Energy (ECSU)	\$ 560,000	\$ 560,000	\$ -
Other Funding Requests	\$ -	\$ -	\$ -
Residential Loan Program (Includes ECLF)	\$ 2,398,709	\$ 2,397,980	\$ (729)
C&I Loan Program	\$ 550,000	\$ 673,000	\$ 123,000
C&LM Loan Defaults	\$ 200,000	\$ 350,000	\$ 150,000
Subtotal Programs/Requirements	\$ 3,708,709	\$ 3,980,980	\$ 272,271
OTHER - LOAD MANAGEMENT			
ISO Load Response Program	\$ 4,876,000	\$ 4,876,000	\$ -
Water Heater Timer Promotion	\$ -	\$ -	\$ -
Demand Reduction	\$ -	\$ -	\$ -
Power Factor	\$ -	\$ -	\$ -
Subtotal Load Management	\$ 4,876,000	\$ 4,876,000	\$ -
OTHER - RENEWABLES & RD&D			
Research, Development & Demonstration	\$ 575,000	\$ 600,900	\$ 25,900
Subtotal Renewables & RD&D	\$ 575,000	\$ 600,900	\$ 25,900
OTHER - ADMINISTRATIVE & PLANNING			
Administration	\$ 1,650,000	\$ 1,949,700	\$ 299,700
Marketing Plan	\$ 250,000	\$ 750,000	\$ 500,000
Planning (UI Planning & Evaluation)	\$ 966,765	\$ 1,096,315	\$ 129,550
Evaluation (UI Evaluation , Outside Services)	\$ 2,580,000	\$ 2,780,400	\$ 200,400
Information Technology	\$ 2,042,500	\$ 2,292,500	\$ 250,000
Energy Efficiency Board	\$ 850,000	\$ 1,000,000	\$ 150,000
Performance Management Fee	\$ 4,986,273	\$ 10,376,011	\$ 5,389,738
Admin/Planning Expenditures	\$ 13,325,538	\$ 20,244,926	\$ 6,919,388
PROGRAM SUBTOTALS			
TOTAL	\$ 105,561,748	\$ 218,896,216	\$ 113,334,468

II. PURPOSE AND NEED

DEEP's approval of increased spending for energy efficiency up to an all cost-effective level is necessary to achieve the goals set forth in Section 1 of Public Act 11-80 for DEEP, as well as the policies identified in the 2012 IRP developed by DEEP to mitigate an increase in electricity rates expected to occur after 2017. Furthermore, the approval of increased spending for energy efficiency is supported by the statutory directive, set forth in Section 16a-3a of the General Statutes of Connecticut, that "resource needs shall first be met through all available energy efficiency and demand resources that are cost-effective, reliable and feasible."²⁰ Moreover, approval of expanded investment in energy efficiency is necessary for compliance with various statutory mandates established by Public Act 11-80, including the requirement in Section 33(d)(1) to weatherize 80% of Connecticut homes by 2030, and the requirement in Section 118(b) to reduce energy use in state-owned or leased buildings by 10% by January 1, 2013 and another 10% by January 1, 2018. Additional conservation will also reduce the need for some distribution and transmission capacity.

A. DEEP Goals and the 2012 Integrated Resources Plan

Public Act 11-80, in creating the new Department of Energy and Environmental Protection, identified four overarching departmental goals for the purposes of energy policy and regulation, one of which is "reducing rates and decreasing costs for Connecticut's ratepayers."²¹ These goals guide DEEP's exercise of its authorities and responsibilities, including the development of the Integrated Resources Plan (IRP). Under Public Act 11-80, DEEP is charged with developing an IRP on a biennial basis, to review the state's energy and capacity resource assessment and to develop a plan for the procurement of energy resources that addresses, among other things, the manner of how best to eliminate growth in electric demand and maximize the impact of demand-side measures.²² DEEP issued the 2012 IRP on June 14, 2012.

The 2012 IRP specifically identified the need to expand energy efficiency programs as part of a broader strategy to mitigate an increase in electricity rates expected to occur after 2017. The 2012 IRP recommends that Connecticut capture all cost-effective efficiency, which is cheaper than supply, as the most beneficial way to meet resource needs in a way that reduces costs for consumers. The 2012 IRP concluded that by increasing the C&LM program budget from \$105 million annually to \$206 million annually, Connecticut can cost-effectively achieve an annual savings of approximately 2.1% of electric consumption, resulting in a 0.4% decline in the annual growth rate for energy consumption.²³ This level of expansion is consistent with the Expanded Budget submitted by the EEB.

²⁰ The DPUC has historically interpreted the statutory "all cost-effective" requirement to allow additional energy efficiency investments only in the circumstance where a capacity or energy need was forecasted—a circumstance that was not identified in any past Integrated Resource Plans. Therefore, the DPUC did not approve any additional investment in energy efficiency under the all cost-effective mandate in Docket Nos. 08-07-01 or 10-02-07. A revisitation of Section 16a-3a's mandate may be warranted.

²¹ Section 1 of Public Act 11-80.

²² See §§16a-3a(b) & (d).

²³ This recommendation is supported by analysis in the 2010 Connecticut Electric Residential Commercial and Industrial Energy Efficiency Potential Study commissioned by the Energy Efficiency Board.

Even after paying for all energy efficiency program costs, the 2012 IRP finds that a sustained commitment to funding energy efficiency at this level would save electric ratepayers an estimated \$534 million per year by 2022, as compared to a business-as-usual base case that assumes continuation of the current level of efficiency investment. These expanded savings would arise by lowering peak demand, reducing the consumption of electricity, and by reducing the number of required renewable energy credits. Annual energy savings for 2013 are projected to increase from 224 GWh in the base case modeled in the IRP, to 601 GWh, in the all cost-effective model, an increase of 377 GWh or about 168%. Annual demand savings in 2013 increase from 29 MW in the base case to 125 MW in the all cost-effective model, an increase of 331% for essentially a 100% increase in spending. A dramatic reduction in the unit cost (i.e., cost per kWh and kW) to deliver these savings would be necessary to meet these objectives. The cost per kWh declines from 4.4 cents/kWh in the base case to 2.8 cents/kWh, a reduction of 1.6 cents/kWh or about 36% for incremental savings in the IRP. The cost per kW drops from \$3,414/kW to \$1,115/kW, a reduction of \$2,299/kW or approximately 67%.²⁴

In addition, the 2012 IRP identifies that savings would accrue from reductions in market prices for energy and capacity due to reduced demand that would eliminate the call for the highest cost resources. As such, the approval of the Expanded Budget is consistent with the statutory goals of DEEP to reduce rates and to decrease costs for ratepayers, and is essential to implement the policy identified in the 2012 IRP.

Although there is no imminent need for new generation capacity identified in the 2012 IRP, expanding current conservation efforts will push the need for generation out even further and provide a hedge if reliability is threatened due to unanticipated plant retirements or other unexpected events. The 2012 IRP also identifies positive environmental impacts and economic development potential that should result from expanded conservation. The 2012 IRP estimates that air emissions would decline between 5% and 10% and support an additional 5,500 in-state jobs by 2022.²⁵

B. Lead By Example

Sections 118, 119, 122 and 123 of Public Act 11-80 require DEEP, jointly with the Department of Administrative Services, to implement a plan to reduce energy consumption by 10% at state owned or leased buildings by January 1, 2013, and an additional 10% by January 1, 2018. The plan calls for other initiatives to maximize energy efficiency in state buildings, such as benchmarking, energy audits, technical assistance to state agencies, financing of energy efficiency projects through energy saving performance contracting, and establishing reporting requirements. To effect these changes, the state has issued \$15 million in bonds to provide the long-term financing for energy efficiency projects in state facilities. These bonds will provide approximately 50% of the incentives for state buildings that would otherwise qualify for ratepayer funds under the C&I programs funded through the C&LM Program, enabling ratepayer

²⁴ 2012 IRP pp. 36 and 37; Appendix C, p. C-4.

²⁵ 2012 IRP p. iii; Appendix I, p. I-10.

dollars to be allocated toward other C&I programs thereby reducing the programs' overall unit cost for the C&LM dollars.²⁶

Approval of the Expanded Budget is critical to ensure that the statutory mandate to reduce energy consumption in state buildings is met. Under the Expanded Budget, state buildings will have access to \$2.1 million in C&LM funding through the Small Business Energy Advantage program. This money is projected to deliver 21 GWh of savings to the state, which will contribute significantly to the state's ability to reach the goal of 10% savings by January 1, 2013.

C. Weatherization Goal for Residential Buildings

Section 33(d)(1) of Public Act 11-80 states that C&LM plans developed by the EDCs "shall include steps that would be needed to achieve the goal of weatherization of eighty percent of the state's residential units by 2030." An increase in the number of residential customers served under HES and HES-IE is necessary to increase savings and to meet the weatherization goal. As a result, additional funding, secured through the Expanded Budget is needed to achieve this goal.

III. COST-EFFECTIVENESS DETERMINATION

By law, programs included in the C&LM Plan—including those that would be supported by the Expanded Budget—must be screened through cost-effectiveness testing that compares the value and payback period of program benefits to program costs to ensure that the programs are designed to obtain energy savings and system benefits, including mitigation of federally mandated congestion charges, whose value is greater than the costs of the programs.²⁷ The Department has, in accordance with statutory requirements, screened the programs to be supported by the Expanded Budget, and finds them to be cost-effective for the reasons described below.

The EDCs have submitted detailed programmatic cost and savings information for the Expanded Plan in Table B of the 2012 Electric and Gas Conservation and Load Management Plan. The methodologies used to evaluate the cost effectiveness of the C&LM programs are described in detail in Chapter 6 of the 2012 C&LM Plan. For the 2012 Plan, the EDCs have used benefit-cost screening tools that are consistent with those used in the past. Table B includes a benefit-cost analysis of each program using both the Electric System Test and Total Resource Test (TRT). The Electric System Test evaluates the programs based on the costs to electric ratepayers and the savings to the electric system. The TRT includes the cost to the participant and other non-electric savings. The Electric System Test has been the primary, but not the exclusive test used by the former DPUC to evaluate the cost effectiveness of all electric conservation programs except low income programs. The former DPUC allowed oil subsidies for low income customers and approved low income programs that pass the TRT. The former

²⁶ State projects that qualify under the C&I programs must still meet the cost-effectiveness criteria established in the C&I programs administered by the C&LM funds.

²⁷ Conn. Gen. Stat. §16-245m (d)(1).

DPUC allowed oil subsidies to a limited extent, in the HES program, but still required this program to be cost effective under the Electric System Test.²⁸

The information provided in Table B indicates that overall, the Expanded Plan is cost effective from an electric ratepayer perspective. While DEEP relies on the Electric System Test as the “primary test” to determine program cost effectiveness, the Electric System Test is not the exclusive, or legally-required, test of cost-effectiveness. DEEP has reviewed the electric C&LM programs under both the Electric System Test and the TRT. All of the programs, except CL&P’s Home Energy Solutions (HES) program and the HES Income Eligible (HES-IE) program are cost effective using the Electric System Test. Under the Electric System Test, CL&P’s HES program fails the test by a slim margin, of 0.9:1.²⁹ The HES-IE and HES for CL&P programs are not cost-effective under the Electric System Test because they include incentives for oil savings measures that are paid for by electric ratepayers.

All of the programs, including HES-IE and HES for CL&P, are cost effective using the TRT. The benefits of the oil savings in HES-IE and HES are included in the TRT, with the result that those programs have a positive benefit cost ratio. Applying the TRT to the 2012 C&LM Expanded Plan, CL&P’s HES program has a benefit/cost ratio of 2.4:1. In June 2012, the Connecticut General Assembly addressed the issue of oil subsidies for the HES program by temporarily lifting a legislative limit of \$500,000 annually, effective until August 2013. DEEP believes that the application of the TRT—which includes the benefits of oil savings in the calculation of cost-effectiveness—is consistent with the legislature’s intent to allow a higher level of cross-subsidization between oil and electric customers.

Having reviewed the programmatic cost and savings information DEEP therefore concludes that the Expanded Plan, including HES and HES-IE, is cost-effective. DEEP’s approval of the Expanded Budget is conditioned on the EDCs implementing the additional measures discussed in the Program Review and Modification section, below.

As identified in the 2012 IRP, unit costs for all C&LM programs must decline to ensure that increased savings are achieved while minimizing any rate increases. DEEP is pleased to see that the Expanded Plan includes more financing and performance contracting to lower costs. The cost of financing for C&I customers must be reduced and other cost-cutting measures must be aggressively pursued. As discussed below, the Department has modified the Expanded Plan to increase the amounts available for self-funding of residential loans, and implementation of self-funding for C&I financing, so that ratepayer subsidies can be reduced and unit costs decline. These efforts must be expanded in the years to come to reach the aggressive savings and unit cost goals outlined in the 2012 IRP.

DEEP’s approval of the Expanded Budget for this program for 2012 is conditioned on the EDCs, in coordination with the EEB, implementing additional measures to bring down the overall cost of C&LM programs in the long term. As programs ramp up, the EDCs must provide to DEEP quarterly reporting on customer participation, program activity, and cost-effectiveness.

²⁸ See, Decision dated, March 17, 2010, in Docket No. 09-10-03, DPUC Review of The Connecticut Energy Efficiency Fund’s 2010 Conservation and Load Management Plan for 2010.

²⁹ 2012 C&LM Plan, pp. 352.

The EDCs are in the process of establishing a dashboard for reporting company-wide C&LM program activity and spending. This dashboard will facilitate quarterly reporting. In addition, DEEP will require the EDCs to implement the measures discussed in Section V, below, to improve the effectiveness of the HES programs.

IV. EQUITABLE DISTRIBUTION OF FUNDS

Section 101 of Public Act 11-80 requires DEEP, before approving the C&LM Plan submitted by the EEB, to determine “that an equitable amount of the funds . . . are to be deployed among small and large customers . . . in census tracts in which the median income is not more than sixty per cent of the state median income.”

The C&LM Plan submitted by the EEB includes a Budget and Parity Analysis which shows that program budgets for each customer sector in the Expanded Plan closely match the revenues collected from the respective customer sector.³⁰ DEEP has reviewed this information and is satisfied that the EEB has taken sufficient care to ensure equity between customer classes and has provided a reasonable analysis to demonstrate that equitable distribution of program participation has been achieved.

On July 9, 2012, DEEP issued its first annual report on the Equitable Distribution of Funds, as required under Section 101 of the Act.³¹ The report analyzed the distribution of C&LM program funds across customer sectors. As this report indicated, to comply with Section 101 going forward the EDCs must begin tracking program expenditures by census tract, and must utilize marketing and other measures to boost program participation in distressed communities. The implementation of these measures is especially critical as the programs ramp up.

V. PROGRAM REVIEW AND MODIFICATION

A. Home Energy Solutions

Since 2007, the Home Energy Solutions (HES) program has delivered services to approximately 100,000 Connecticut homes. The Expanded Plan supports a dramatic expansion in the number of homes that can be serviced by the HES program. Under the Base Plan, the EDCs will deliver HES services to approximately 38,000 homes, while under the Expanded Budget the EDCs would increase the number of homes served to a total of 72,000 homes.³² This significant increase in the number of residential customers served under HES and HES-IE is critical to increase savings and to meet the weatherization goals established under Public Act 11-80.

³⁰ See C&LM Plan, pp. 348 & 351.

³¹ Equitable Distribution of Funds report, *available at* <http://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/4c9614e5098bf4b485257a360068cf54?OpenDocument>

³² The 2012 data reflect the combined goals for UI and CL&P for HES and HES-IE. The figure for the number of homes to be served under the Expanded Budget assumes full funding of the Expanded Plan effective January 1, 2012.

Several key improvements must be made to the HES and HES-IE programs to ensure that the quality and effectiveness of the programs keeps pace with the increased volume of homes serviced.³³ The EEB, in its oversight capacity, must ensure a more gradual ramp up of program activity to allow for the completion of these improvements to assure the program is ready to deliver comprehensive services as cost-effectively as possible. The required improvements are as follows:

1. Weatherization. As discussed above, section 33(d)(1) of Public Act 11-80 established a new requirement that each C&LM Plan must include steps that would be needed to achieve the goal of weatherizing 80% of the state's residential units by 2030. The EEB is promulgating a definition of "weatherization" for the purpose of meeting the goals of Public Act 11-80. This definition is still forthcoming, and therefore it is unclear whether the homes that have been served under HES, or homes that are currently being served, meet this yet-to-be-defined standard. Moving forward rapidly will result in a lost opportunity if customers participate in the HES program but do not make the necessary improvements to qualify as a weatherized home under the forthcoming standard. Therefore, before any funds from the Expanded Budget are expended for HES programs, the EEB must finalize its definition of weatherization to ensure that the HES program is executed so as to maximize achievement of the weatherization goal.
2. Deploy Audit Tool. Customers must be presented with better information as to the benefits and cost of recommended measures. An improved customer experience during the audit is essential, as customer education is the key to securing commitments to the installation of deeper measures that will have significant efficiency benefits. Customers should not be overwhelmed with brochures, rebates, product literature, etc. Instead, customers should be provided a tailored document that provides critical data in a concise, easy to understand format that can act as a roadmap to improved energy efficiency over time. As soon as possible, the EDCs must develop and deploy the tools necessary to deliver clear, customer-specific information about programs, rebates, financing, and other opportunities the customer is eligible for, that will enable the customers to achieve the energy savings identified through the audit.
3. Data Gathering. The HES program provides an invaluable opportunity to gather critical information from customers that can be used for current and future studies of the uptake of efficiency measures (e.g., appliance saturation). This information can also be used to motivate future behavior (e.g., reduced peak energy use) or stimulate energy related investments. Ultimately, this information should be used to better evaluate cost effectiveness and achieve Connecticut's energy goals. Therefore, in developing and deploying the tools referenced above, the EDCs and EEB must develop a protocol for gathering critical information through those tools from HES participants.
4. Uptake for deeper savings among broader customer base. HES vendors and the EDCs have struggled to convince residential customers to invest in additional measures beyond HES Core Services. The EDCs have recently begun working with Gateway Community College

³³ The Department is not suggesting that the EDCs suspend the HES program while these improvements are being addressed.

to develop sales training for HES vendors to improve customer uptake of broader and deeper savings. The EDCs must ensure that HES vendors receive this sales training by 2013.

In addition to these requirements, the EDCs and vendors must conduct a targeted follow-up effort to previous HES participants to encourage deeper savings. The delivery of Core Services represents the most costly component of the HES program. This cost must provide value to all of the ratepayers who support this initiative.

B. Self-Funding Residential Loans

The EDCs conducted a one-year residential Financing Pilot between June 2010 and May 2011. Through that program, the EDCs provided a total loan volume of about \$14 million. The Financing Pilot demonstrated the potential for residential loan volume going forward. Several steps have been taken recently to increase the amount of available capital for the self-funding of residential energy efficiency loans. As shown in Table 3, below, in the approval of the Base Budget, the Department allocated \$12 million for CL&P and \$600,000 for UI to this effort.

Table 3

Balance - Self-Funding Residential Loans		
Item	CL&P	UI
2010 Carry Over	\$6,000,000	-
2011 Carry Over	\$4,000,000	-
2012 Base Plan	\$2,000,000	\$600,000
TOTAL	\$12,000,000	\$600,000

Lowering the cost of providing energy efficiency to residential customers will require a significant increase in the number customers willing to install deeper efficiency measures without requiring rebates or other direct incentives to do so. A comprehensive marketing effort is being planned to stimulate interest in energy efficiency and to drive increased C&LM program participation across Connecticut. DEEP expects that program activity and loan volume will increase as marketing efforts are expanded. Consumers will need access to low-cost capital to finance the measures necessary to provide increased savings. Therefore, adequate capital must be available to support the expected demand for residential financing.

Based on the foregoing, the Department finds that the total self-funding balance of \$12.6 million approved in the Base Budget is inadequate to support the level of residential financing that will be necessary to meet long-term savings goals under the Expanded Plan through the self-funded revolving loan program, and is not proportionally allocated between the EDCs. Therefore, the balance must be increased, by allocating a greater, proportionate share of each EDC's annual residential C&LM budget to residential self-funding. Historically, revenues, costs, and activities related to C&LM Plans have been divided between CL&P and UI based on the ratio of sales among the two EDCs, according to a ratio of about 80:20. Applying that ratio, under the Expanded Plan, UI's total share of funding for self-funding of residential loans should be about \$3 million, rather than the current balance of \$600,000 (see Table 3). DEEP has therefore determined to modify the proposed Expanded Budget to allocate \$3 million from

CL&P's 2012 residential Expanded Budget proposal to self-funding of residential loans, and \$1.5 million from UI's 2012 residential Expanded Budget to self-funding of residential loans. The addition of \$4.5 million would increase the available self-funding balance in the overall 2012 C&LM budget to approximately \$17.1 million.

Because it is not possible to accurately predict future loan volume, the EDCs and the EEB should allocate additional funds to this initiative from future annual C&LM budgets and monitor the program to assure that available funding reflects consumer demand.³⁴ Beginning in 2013 and annually thereafter in 2014 and 2015, DEEP recommends that CL&P allocate 10.5% of its overall residential budget and that UI allocate 12.5% of its residential budget to this program.³⁵ The Department will regularly monitor this program and make adjustments as needed. The Department will then determine whether to allocate additional funds to this effort in 2016. If consumer interest in the residential loan program does not meet expectations, the funds allocated to residential financing can be reallocated to support program activity.

DEEP finds that it is appropriate to use self-funding to gain experience within the residential market and reduce the overall cost of financing to ratepayers. To achieve our long term goals cost-effectively (i.e., reduce costs in general³⁶ and move away from direct ratepayer funded incentives) requires consumers to invest in energy efficiency. This in turn requires that consumers have access to low cost financing that is not heavily subsidized. Therefore, the overall cost of financing must be reduced to reduce or eliminate subsidization by other ratepayers. The Department agrees that self-funding has an opportunity cost. However, the Department believes that the cost is much lower than suggested by UI. For instance, current investment alternatives such as stocks and mutual funds are high risk while safer investments provide very low returns. While self-funding may reduce energy savings in the short term, over time financing should increase savings by providing customers the tools necessary to implement deeper savings. This will improve the cost effectiveness of our programs. Should we choose to seek third party capital to leverage these funds in the future, the experience gained through the self-funding model should allow the EDCs or CHIF to negotiate lower overall costs or more flexible terms. Further, it is important to reiterate that self-funding provides flexibility in determining the underwriting standards allowing the EDCs to offer these loans to consumers that might not otherwise qualify for them.³⁷

C. Commercial & Industrial Programs

Several program and funding issues, discussed below, will affect the ability of the programs to increase in scale and comprehensiveness of the C&I programs in the Expanded Plan. In general, DEEP finds that the Expanded Plan will achieve deeper energy savings among a broader range of C&I participants. Programs would be transformed from the installation of

³⁴ The level of funding must be revisited annually as program activity changes and as we gain experience with the residential financing market.

³⁵ The disparate allocation percentages are intended to address the funding imbalance.

³⁶ Loan processing and other administrative costs must also be regularly reviewed to lower the overall cost of this program.

³⁷ For example, traditional lending institutions are unwilling to allow the use of utility payment history to qualify consumers for these loans, instead requiring minimum FICO scores. CHIF indicated that strict adherence to FICO scores has led to a high rate of decline for these loans.

discrete efficiency measures to high performance building and facility upgrades. Programs would also be broadened to reach under-served market segments, particularly small businesses, and to promote and accelerate market transformation. The Expanded Plan proposes increasing the total budget for C&I efficiency programs by 145% (compared to the Base Budget) from \$46.4 million to \$113.8 million. This increase would produce an even greater increase in total energy savings, from 20.9 MW to 54 MW, or 158% (compared to the Base Budget).³⁸ The Expanded Plan would achieve these savings not only through funds recovered from ratepayers, but also through performance contracting, leveraging of private capital, and state bond funding to finance state building projects.

More specifically, the Expanded Plan proposes to significantly increase retrofit efforts for large and small businesses by expanding Energy Opportunities and Small Business Energy Advantage (SBEA) programs. In addition, large increases to the O&M budget would be used to fund the Business and Energy Sustainability Challenge program, which aims to transform business management practices through training efforts on O&M and energy management practices to maximize efficiency. Given limited amounts of new construction in the state, the Energy Conscious Blueprint program would have a comparatively modest budget increase. The particular budget allocations proposed by the EDCs and EEB for these programs are detailed in Table 4, below.

Table 4

C&I Program Budget Increases			
C&I Program	2012 EDC Base Budget	2012 EDC Expanded Budget	Percent Change
Energy Conscious Blueprint	\$10,889,221	\$12,552,068	15.3%
Energy Opportunities	\$16,198,999	\$44,143,387	172.5%
O&M*	\$4,802,298	\$13,357,044	178.1%
PRIME	\$601,141	\$938,935	56.2%
Sm. Bus. Energy Adv.	\$13,867,636	\$42,817,339	208.8%
TOTAL C&I	\$46,359,295	\$113,808,773	145.5%
* O&M Services, RetroCommissioning, Business Sustainability Challenge			
Source of data: 2012 Plan, Tables A1 and B2; pp. 20, 23, 346, and 348.			

In their comments on the Expanded Plan, the EDCs acknowledged they will need additional vendors and infrastructure to fully implement the expanded C&I programs. At the Technical Meeting, the EDCs stated that they are making arrangements in preparation for the program ramp-up. The EDCs indicated that they currently have qualified EO and SBEA vendors on a waiting list. If increased funding receives final approval, the EDCs will hire additional vendors. The SBEA vendors will also be required to install simple gas efficiency improvements such as pipe insulation and low flow faucets. UI indicated that, through the use of American Recovery and Reinvestment Act (ARRA) funds, it has established a partnership with Gateway Community College to develop a training program for certified energy auditors.

³⁸ 2012 C&LM Plan, Tables A1 and B2, pp 20, 23, 346 & 348.

DEEP notes that, with the exception of the Business Sustainability Challenge pilot program, the C&I programs are mature initiatives that have been in operation for over a decade. The ramp-up of these programs therefore will not require a commensurate increase in EDC staff to manage these programs. The EEB should monitor EDC staffing levels to ensure that scale economies are maximized.

To meet the saving targets in the Expanded Plan, the C&I programs will rely on external financing to supplement ratepayer-funded incentives to businesses. This will leverage the C&LM dollars to support more C&I projects and maintain program cost-effectiveness. The C&LM fund already supports financing opportunities for C&I customers through interest rate buy downs. Additional sources of financing include private capital, described below, and state bonding through the Lead by Example program.

The SBEA program provides incentives and interest-free financing for efficiency projects that include gas measures, with no upfront cost to small business customers. The program provides on-bill loan repayment, which appears as a line item on the customer's bill. The EDCs provide the capital to finance the loans, and the C&LM fund pays the EDCs at their respective costs of capital plus some administrative costs.

As a result of a recent competitive bid, Univest and M-Cor will supply private financing for C&I customers. Using these sources of capital, the C&LM fund will provide \$550,000 of program funding to support interest buy downs.

Performance contracting is another source of financing. The performance incentive matrix in the Expanded Plan requires that 10% of projects in the Energy Opportunities (EO) Program incorporate performance contracts or external financing. The Department will include Lead By Example projects among the eligible projects to qualify for the Energy Opportunities performance incentive for 2012 programs. DEEP notes that the 10% requirement is the same as in the Base Plan. Since the EO budget is much larger in the Expanded Plan, the number of performance contracts will rise substantially.

1. Operations and Maintenance Programs

The 2012 Expanded Budget has allocated a major increase for O&M programs (also referred to as the Business and Energy Sustainability program in the Base Plan), which comprises the following components: Retro-commissioning, Business Sustainability Challenge, O&M Services, and Training and Outreach. As shown in Table 4, program expenditures are budgeted to increase from \$4,802,298 in the Base Budget to \$13,357,044 in the Expanded Budget. The O&M program budget increase of 178% is the second highest percentage increase among the C&I programs.

The objective of the O&M programs, especially the Business Sustainability Challenge program, is to educate and train businesses to operate their equipment and manage their businesses in a way that improves energy efficiency. The program also provides businesses with the tools and training to measure their energy use. The focus on operational and cultural changes in businesses presents new challenges in measuring program savings and cost-effectiveness.

Currently, C&I programs that install efficient equipment, such as lighting and HVAC systems, use the “deemed savings” approach to measure energy savings. This approach measures average savings typical for an installed energy efficiency measure that has been developed from generally accepted data sources and applicable to the installed measure.³⁹ Programs that rely on a behavioral approach to savings would be required to measure savings from operational and managerial actions taken.

At the Technical Meeting an EEB consultant indicated that the Business Sustainability Challenge, a component of the O&M programs, is still transitioning out of the pilot phase and is currently undergoing a process evaluation and tracking of energy savings. However, evaluators have not yet measured the energy savings impact of the program. Protocols for measuring behavioral changes by businesses should be developed and adopted by the EEB’s Evaluation Committee during 2012 for implementation in the 2013 C&LM Plan. Given the work needed to develop measurement and verification (M&V) protocols, DEEP believes it is premature to significantly increase funding for O&M program components for which there is no established M&V protocol. DEEP has modified the Expanded Budget to assign \$5 million to self-financing of C&I loans, which funds be allocated from O&M programs and other C&I programs, as discussed below.

2. C&I Self-Funding

Public Act 11-80 authorizes CEFIA to develop a low-cost source of bond funding for the purposes of financing energy efficiency projects. While CEFIA financing options are under development, DEEP is working with the EEB to develop additional sources of external financing to leverage ratepayer dollars from the C&LM fund. In 2012, these financing options will be under development and C&I programs will be ramping up to meet the savings goals of the Expanded Plan. During this interim time period, DEEP directs the EEB and EDCs to utilize self-funding for the EO program, i.e. setting aside a portion of C&LM funds as the source of capital to fund loans for C&I projects. DEEP believes that the additional ratepayer dollars available during the 2012 ramp-up period affords a favorable opportunity to support self-funding, and will direct that allocation of \$5 million from O&M programs and other C&I programs for the creation of a revolving fund to finance C&I projects. The EEB must ensure that C&LM funds used for the purposes of financing C&I projects are subject to lending terms consistent with other financing vehicles for C&I customers, including interest rates, financial qualifications of borrower, and payback lengths.

3. C&I Incentive Caps

In the Addendum to the Base Plan Approval, dated February 22, 2012, DEEP recommended that PURA raise the C&I customer cap from \$750,000 to \$800,000 per federal tax identification number (Tax I.D.) and eliminate the per metered site cap of \$300,000. Similarly, in approving the Expanded Budget, DEEP finds that the annual cap should be raised from \$800,000 to \$2 million, and continue to eliminate a per metered site cap. An annual cap of \$2 million per Tax I.D. is appropriate, will allow flexibility for larger multi-year projects, and

³⁹ Glossary of Terms, Version 2.1, A Project of the Regional Evaluation, Measurement and Verification Forum, July 2011, Prepared by Paul Horowitz PAH Associates, Facilitated by Northeast Energy Efficiency Partnerships.

will assure that the greatest number of C&I customers are serviced under the C&LM programs. Going forward, DEEP recommends an annual incentive cap, which would not impose restrictions for large C&I customers to receive incentives in future years. The EEB should evaluate the appropriateness of the \$2 million cap after the first year of the Expanded Plan.

4. Self-Directed C&I Programs

DEEP believes that there is merit to exploring customer-directed program delivery that applies to very large C&I customers who seek to improve their process efficiencies. Therefore, the EDCs and the EEB should consider, for the 2013 C&LM Plan, proposing program enhancements to allow large C&I customers more flexibility to direct C&LM expenditures toward energy investments that would improve process efficiencies. The proposed program enhancements should be designed to ensure that participants make a commensurate contribution of their own financial resources as a condition of participation in self-directed programs.

D. Consultant Costs and Education Programs

The proposed budget for consultants (line item identified as Energy Efficiency Board) submitted by the EDCs would increase from \$850,000 under the Base Plan to \$1 million under the Expanded Plan. The following table provides historical costs for this line item:

Table 5

Consultant Budget	
Year	Amount
2008	\$ 460,000
2009	\$ 590,000
2010	\$ 610,000
2011	\$ 610,000
2012	\$ 1,000,000
Source of data: 2008-2012 C&LM Plans Table A1	

As the table shows, the proposed budget would nearly double spending on consultants as compared with spending over the last three years. In addition, there are consultant costs embedded in the budget for program evaluation. In 2000, the Energy Efficiency Board relied on a single consultant to guide the development of Connecticut’s C&LM programs. Since that time the number of consultants has increased and their role has expanded to include administrative tasks, such as providing subcommittee reports at monthly Energy Efficiency Board meetings. It is unclear whether this is the best use of these resources. It is not clear that expanding the budgets for existing programs would necessitate a proportionate increase in consultant staffing. Instead, economies of scale should be achieved.

For these reasons, DEEP has modified the Expanded Budget to reduce the allocation for consultant costs to \$610,000 for the Energy Efficiency Board line item for 2012 and reallocate these dollars to educational efforts. Educating consumers about the benefits of energy efficiency will be critical to the success of the Expanded Plan. While program marketing will drive initial participation, absent an increased focus on educating consumers to the benefits of investing in

efficiency it will remain difficult to incent residential and business customers to pursue deeper savings. The Expanded Plan submitted by the EDCs proposed to increase residential and business program spending in excess of 100% (by \$38 million and \$67 million respectively) spending for general education was proposed to increase by only \$500,000, or about 16%. An allocation of consultant funds to educational programs will help to ensure that education programs are able to ramp up in step with the programs they support.

Regarding program evaluation costs embedded in individual programs, DEEP expects that consultant costs should increase by no more than 10% from 2011 levels to achieve economies of scale. The EEB should examine this matter in more detail during 2012. Going forward, to facilitate review of consultant costs, DEEP requests that all consultant-related expenses be listed within the “Energy Efficiency Board” line item and not comingled among individual program costs.

VI. FEASIBILITY OF PROGRAM PERFORMANCE AT EXPANDED LEVELS

As part of its screening of the C&LM programs for cost-effectiveness, the Department has requested information from the EDCs about the feasibility of expanding existing C&LM programs, including maintaining the quality and cost-effectiveness of those programs at expanded levels of activity. Spending at the level proposed in the Expanded Budget would, in most cases, cause program activity to double over a period of several months.

Programs must maintain quality and cost-effectiveness during the ramp up to expanded activity levels. The Department therefore supports a controlled ramp up to all cost-effective spending levels, to ensure that program quality is maintained or improved and that funding results in reasonable rates and bills. This is especially true given that all proceedings on the Expanded Budget may not be completed until well into 2012. Recall that, as noted above, the Expanded Budget submitted by the EEB sought approval of a ramp up to an investment level of \$218.9 million. Of that \$218.9 million, \$17 million is proposed to be derived from oil funding and \$105.6 million would be funded through the Base Plan, leaving an additional \$96.3 million to be collected for the Expanded Budget. This figure assumes a full year of program activity, beginning January 1, 2012. Since all proceedings on the Expanded Budget may not be completed until the second half of 2012, program spending would not be expected to reach the proposed levels in 2012.

On May 25, 2012, DEEP therefore requested from the EDCs supplemental information about the projected levels of spending the EDCs could expect to maintain for 2012 under an Expanded Budget scenario, while maintaining the same or better program quality and effectiveness. This information is provided in Appendix A, and summarized in Table 6. Based on this information, DEEP concludes that the EDCs can ramp up to a total spending level of approximately \$158.4 million in 2012 while maintaining program and vendor quality. At this level, \$34.2 million, rather than \$96.3 million, would be needed to fund program activity under the Expanded Budget for 2012. Funding at this level in 2012 would enable the EDCs to ramp up program activity in a gradual, more controlled way for the remainder of 2012, while positioning the EDCs to deliver conservation programs at the expanded, all cost-effective level in 2013.

DEEP's approval of the 2012 Expanded Budget (Column D in Table 6) reflects the projected amounts the utilities have indicated that they can feasibly spend in the second half of 2012, including a reduction to the Load Management budget identified by UI in its response to DEEP's May 25, 2012 data request. The approved budget amounts in Column D also includes adjustments to program budgets made by DEEP in this determination, as discussed in the previous section. The Energy Efficiency Board line item includes the reduction in consultant costs made by DEEP, and the EE Communities/Behavior Pilot line item includes the corresponding increase to education program funding made by DEEP. DEEP's modifications with respect to self-funding for residential and C&I did not alter the total budget for either program line item.

Table 6

DEEP Approved 2012 Total Budget					
Energy Efficiency Programs	(a) DEEP Approved 2012 Base Budget	(b) EDC Proposed 2012 Expanded Budget	(c) = (a + b) EDC Proposed 2012 Total Budget	(d) DEEP Approved 2012 Expanded Budget	(e) = (a + d) DEEP Approved 2012 Total Budget
RESIDENTIAL					
Residential Retail Products	\$ 6,605,855	\$ 7,799,449	\$ 14,405,304	\$ 4,424,725	\$ 11,030,580
Appliance Rebate Program	\$ -	\$ 4,000,000	\$ 4,000,000	\$ 3,100,000	\$ 3,100,000
Total - Consumer Products	\$ 6,605,855	\$ 11,799,449	\$ 18,405,304	\$ 7,524,725	\$ 14,130,580
Residential New Construction	\$ 1,438,329	\$ 577,050	\$ 2,015,379	\$ 139,000	\$ 1,577,329
Home Energy Solutions (HVAC, Duct Sealing, Lighting)	\$ 14,038,658	\$ 13,230,973	\$ 27,269,631	\$ 5,623,789	\$ 19,662,447
HES Income Eligible	\$ 11,517,793	\$ 12,559,209	\$ 24,077,002	\$ 7,494,300	\$ 19,012,093
Subtotal Residential	\$ 33,600,635	\$ 38,166,681	\$ 71,767,316	\$ 20,781,814	\$ 54,382,449
COMMERCIAL & INDUSTRIAL					
C&I LOST OPPORTUNITY					
Energy Conscious Blueprint	\$ 10,889,221	\$ 1,662,847	\$ 12,552,068	\$ 882,015	\$ 11,771,236
Total - Lost Opportunity	\$ 10,889,221	\$ 1,662,847	\$ 12,552,068	\$ 882,015	\$ 11,771,236
C&I LARGE RETROFIT					
Energy Opportunities	\$ 16,198,999	\$ 27,944,388	\$ 44,143,387	\$ 13,422,436	\$ 29,621,435
O&M (Services, RetroCx, BSC)	\$ 4,802,298	\$ 8,554,746	\$ 13,357,044	\$ 1,686,277	\$ 6,488,575
PRIME	\$ 601,141	\$ 337,794	\$ 938,935	\$ 138,543	\$ 739,684
Total - C&I Large Retrofit	\$ 21,602,438	\$ 36,836,928	\$ 58,439,366	\$ 15,247,256	\$ 36,849,694
Small Business	\$ 13,867,636	\$ 28,949,703	\$ 42,817,339	\$ 9,110,000	\$ 22,977,636
Subtotal C&I	\$ 46,359,295	\$ 67,449,478	\$ 113,808,773	\$ 25,239,271	\$ 71,598,566
OTHER - EDUCATION *					
SmartLiving Center® - Museum Partnerships	\$ 881,746	\$ 350	\$ 882,096	\$ 350	\$ 882,096
EE Communities / Behavior Pilot	\$ 1,300,000	\$ 500,400	\$ 1,800,400	\$ 620,000	\$ 1,920,000
K-8 Education	\$ 726,825	\$ -	\$ 726,825	\$ -	\$ 726,825
Residential Audits-Non WRAP	\$ -	\$ -	\$ -	\$ -	\$ -
Community Based Program (SWCT)	\$ -	\$ -	\$ -	\$ -	\$ -
Science Center	\$ 208,000	\$ -	\$ 208,000	\$ -	\$ 208,000
Subtotal Education	\$ 3,116,571	\$ 500,750	\$ 3,617,321	\$ 380,350	\$ 3,496,921
OTHER - PROGRAMS/REQUIREMENTS					
Institute for Sustainable Energy (ECSU)	\$ 560,000	\$ -	\$ 560,000	\$ -	\$ 560,000
Other Funding Requests	\$ -	\$ -	\$ -	\$ -	\$ -
Residential Loan Program (Includes ECLF)	\$ 2,398,709	\$ (729)	\$ 2,397,980	\$ 3,998,571	\$ 6,397,280
C&I Loan Program	\$ 550,000	\$ 123,000	\$ 673,000	\$ 85,000	\$ 635,000
C&LM Loan Defaults	\$ 200,000	\$ 150,000	\$ 350,000	\$ 25,000	\$ 225,000
Subtotal Programs/Requirements	\$ 3,708,709	\$ 272,271	\$ 3,980,980	\$ 4,108,571	\$ 7,817,280
OTHER - LOAD MANAGEMENT					
ISO Load Response Program	\$ 4,876,000	\$ -	\$ 4,876,000	\$ (1,376,000)	\$ 3,500,000
Water Heater Timer Promotion	\$ -	\$ -	\$ -	\$ -	\$ -
Demand Reduction	\$ -	\$ -	\$ -	\$ -	\$ -
Power Factor	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Load Management	\$ 4,876,000	\$ -	\$ 4,876,000	\$ (1,376,000)	\$ 3,500,000
OTHER - RENEWABLES & RD&D					
Research, Development & Demonstration	\$ 575,000	\$ (1,175,900)	\$ 600,900	\$ -	\$ 575,000
Subtotal Renewables & RD&D	\$ 575,000	\$ 25,900	\$ 600,900	\$ -	\$ 575,000
OTHER - ADMINISTRATIVE & PLANNING					
Administration	\$ 1,650,000	\$ 299,700	\$ 1,949,700	\$ 250,000	\$ 1,900,000
Marketing Plan	\$ 250,000	\$ 500,000	\$ 750,000	\$ 500,000	\$ 750,000
Planning (UI Planning & Evaluation)	\$ 966,765	\$ 129,550	\$ 1,096,315	\$ 51,190	\$ 1,017,955
Evaluation (UI Evaluation, Outside Services)	\$ 2,580,000	\$ 200,400	\$ 2,780,400	\$ -	\$ 2,580,000
Information Technology	\$ 2,042,500	\$ 250,000	\$ 2,292,500	\$ 50,000	\$ 2,092,500
Energy Efficiency Board	\$ 850,000	\$ 150,000	\$ 1,000,000	\$ (240,000)	\$ 610,000
Performance Management Fee	\$ 4,986,273	\$ 5,389,738	\$ 10,376,011	\$ 2,735,243	\$ 7,721,516
Admin/Planning Expenditures	\$ 13,325,538	\$ 6,919,388	\$ 20,244,926	\$ 3,686,433	\$ 17,011,971
TOTAL	\$ 105,561,748	\$ 113,334,468	\$ 218,896,216	\$ 52,820,439	\$ 158,382,187

VII. REVENUE RECOVERY MECHANISMS FOR THE EXPANDED BUDGET

DEEP considered several funding mechanisms that could be used to recover the revenues necessary to support the Expanded Plan. Because the Expanded Plan calls for funding energy conservation programs at a level exceeding the amount of funding available in the Energy Conservation and Load Management Fund, any additional collection of funds from ratepayers would be subject to authorization by PURA, in accordance with PURA's statutory authorities

and procedures. DEEP provides the following recommendations about the appropriate revenue recovery mechanisms for PURA's consideration in such a proceeding.

DEEP considered three potential funding mechanisms for the Expanded Budget, including a direct increase in the current \$0.003/kWh assessment; an authorization to allow the EDCs to include energy efficiency in their rate base; and the implementation of a Conservation Adjustment Mechanism (CAM). Each of these mechanisms requires funding by electric ratepayers. DEEP concluded that the implementation of a CAM is the best way to fund increased conservation spending. A direct increase to the existing \$0.003/kWh assessment would require legislative action. Given the immediate need to increase revenue to recover the funds necessary for conservation spending, a direct increase through legislative action is not a feasible mechanism for funding the 2012 Expanded Budget, although it may be a desirable mechanism to pursue in future years. Including the cost of energy efficiency in the EDCs' rate base is not desirable, because this option would impose a higher cost on ratepayers. The use of a CAM, on the other hand, would allow for timely collection of funds. It also provides flexibility, by allowing the EDCs to true-up to actual expenditures on a periodic basis, and can address lost distribution revenues. PURA has jurisdiction under Conn. Gen. Stat. §16-19b(c) to implement a CAM to recover the incremental cost⁴⁰ of delivering conservation and load management programs. Connecticut's natural gas distribution companies currently recover their conservation expenditures through a CAM.

A. CAM Level Recommendation

Based on DEEP's analysis of the feasibility of program performance during the ramp up to the all cost-effective level of conservation spending under the Expanded Budget, DEEP recommends that PURA consider implementing a CAM equal to \$0.00373/kWh⁴¹ by mid-August 2012, so as to collect approximately \$34.2 million in 2012.⁴² This amount, together with the anticipated Base Budget revenues of \$105.6 million and the 2011 carryover of \$18.6 million for CL&P, would recover the full \$158.4 million approved by DEEP for expanded C&LM energy efficiency programs.

The precise amount of total CAM revenues collected in 2012 would depend on the timing of PURA's implementation of this cost recovery mechanism. If a CAM is implemented later than mid-August 2012, and the revenues collected are insufficient to fund 2012 C&LM investments, any under recovery should be reconciled in the first CAM reconciliation proceeding. Similarly, any over recovery should be returned to ratepayers or added to the 2013 budget. DEEP recommends that after the CAM is established, PURA should conduct a proceeding every six months or as required by law, to adjust the rate to account for variations in actual program spending and lost revenues, and to lower the rate as alternate sources of funding for energy efficiency programs become available that achieve the all cost-effective level.

⁴⁰ Funds needed to support incremental spending above current base revenue recovery.

⁴¹ The CAM rate is estimated using the EDC's forecasted sales data as submitted in Docket 11-12-01 and a gross receipts tax rate of 1.0749%.

⁴² A CAM set at \$0.00373/kWh would collect approximately \$96 million on an annual basis.

Going forward, a CAM set at \$0.00373/kWh would collect approximately \$96 million on an annual basis, and could allow funding of C&LM programs at \$202 million, which is approximately equivalent to the all cost-effective level identified in the 2012 IRP. The Department notes that this Determination approves an Expanded Budget for 2012 and does not authorize a budget or spending for 2013. The budget for 2013 will be reviewed in the next C&LM proceeding. The Department recognizes that a comparable level of funding will be necessary going forward to sustain the all cost-effective level of savings.

B. Lost Revenue Adjustment

DEEP anticipates that the increase in C&LM spending under the Expanded Plan would significantly reduce CL&P and UI sales, and therefore their distribution revenues. The lost sales associated with the Expanded Plan were not considered in the sales forecast used to set rates at the time of CL&P or UI's last rate case proceeding. Therefore, DEEP provides for PURA's consideration the following recommendations with respect to the inclusion of a lost sales provision as part of the CAM.

First, a lost sales provision should not be included in the CAM for UI, which has full decoupling in place.⁴³ The fundamental purpose of UI's decoupling mechanism is to provide full recovery of allowed distribution revenues due to fluctuations in sales. Because UI's decoupling mechanism captures all changes in sales, its CAM should not include a lost sales provision. Instead, UI's CAM should only address fluctuations in C&LM spending.

Full decoupling has not been implemented for CL&P.⁴⁴ As a result CL&P does not have a mechanism in place to recover the distribution revenues that would be lost through the incremental savings under the Expanded Plan. Therefore, DEEP recommends that a sales adjustment calculation be included within CL&P's CAM for lost sales associated with the Expanded Budget. To avoid the counterproductive results of sales adjustment calculations it is critical that the sales adjustment calculation include an earnings trigger.⁴⁵ Revenues should only be increased for lost sales if CL&P is earning below its allowed rate of return. Then the adjustment should only increase revenues sufficient to earn the allowed rate of return.

DEEP believes that full decoupling is superior to embedding a sales adjustment clause within the CAM. Accordingly, DEEP recommends that PURA revisit decoupling in the next rate case for CL&P. Any conservation sales adjustment mechanism established for C&LP should be eliminated if full decoupling were approved for CL&P.⁴⁶

⁴³ DPUC Decision dated June 3, 2009, in Docket No. 08-07-04, Application of The United Illuminating Company To Increase Its Rates and Charges, pp. 116-131; and UI's decoupling mechanism continues to operate on a pilot basis. See, Decision dated August 1, 2011, in Docket No. 08-07-04RE03, Application of The United Illuminating Company to Increase Its Rates and Charges – Review of 2010-2011 Decoupling Mechanism and Pilot, p. 5.

⁴⁴ DPUC Decision dated June 30, 2010, in Docket No. 09-12-05, Application Of The Connecticut Light and Power Company To Amend Its Rate Schedules, pp. 165-174.

⁴⁵ See, DPUC Decision dated January 18, 2006, in Docket No. 05-09-09, DPUC Investigation Into Decoupling Energy Distribution Company Earnings From Sales.

⁴⁶ See, DPUC Decision dated January 18, 2006, in Docket No. 05-09-09, DPUC Investigation Into Decoupling Energy Distribution Company Earnings From Sales.

The former DPUC found that the C&LM sales adjustment mechanism was administratively burdensome; encouraged the EDCs to overestimate savings; and incentivized the EDCs to promote sales through their respective conservation programs because it allowed EDCs to keep increased revenues associated with higher sales, and to claim lost revenues due to their participation in conservation programs.⁴⁷ Therefore, the former DPUC replaced this mechanism with a performance incentive payment and recommended including earnings trigger in future sales adjustment mechanisms, noting that the previous sales adjustment mechanism did not consider CL&P or UI's allowed rate of return or then-current earnings.⁴⁸

VIII. FURTHER PROCEEDINGS

A. Evaluation Roadmap

In its Final Determination of the 2012 Conservation and Load Management Plan dated February 17, 2012, DEEP indicated that it had recommended changes to the Energy Efficiency Board's 2012 Program Evaluation Plan that was submitted as part of the 2012 C&LM Plan, filed on October 1, 2011. These recommended changes, summarized in DEEP's February 17, 2012 Final Approval, are to conform to the requirements of Public Act 11-80 to ensure that program evaluations are independent, cost-effective, comprehensive, timely, and that evaluation results are accurately taken into account in program development and implementation. On March 16, 2012, the Energy Efficiency Board submitted to DEEP its revised changes as the EEB Program Evaluation and Market Assessment Roadmap (Energy Efficiency Board Evaluation Roadmap). DEEP reviewed the Energy Efficiency Board Evaluation Roadmap, and has made additional modifications to the Roadmap to ensure the independence of evaluation results and to clarify specific provisions.⁴⁹

B. Compliance Reporting

DEEP directs the EDCs to provide quarterly reporting on energy and demand savings, program cost delivery, and loan volume and activity, as well as the implementation of the additional measures related to the HES program, discussed above. The EDCs are in the process of establishing a dashboard for reporting C&LM program activity and spending. To facilitate this quarterly reporting the dashboard should include the information being required herein.

C. Development of 2013 Conservation and Load Management Plan

As discussed herein, the EDCs project significant increases in energy and demand savings and a concomitant reduction in the cost per kWh to deliver these savings. To achieve these goals will require that consumers are willing to invest in energy efficiency; market transformation is accelerating; education is inducing behavioral change; and codes and standards

⁴⁷ This occurred, for example, through the promotion of efficient air conditioning and heat pumps, which resulted in the increased sales of electric end use devices to consumers who otherwise did not own such devices.

⁴⁸ See, Decoupling Decision at 17-20.

⁴⁹ The revised EEB Program and Market Assessment Roadmap, approved by DEEP, are posted on the EEB website, <http://www.ctenergyinfo.com/2012%20EEB%20Program%20Evaluation%20Roadmap%20revised%203-16-12%20final.pdf>.

are impacting markets. Success in achieving these milestones requires the support from the vendor community.

In the C&LM Plan for 2013, the EDCs should provide detailed information about how they have met the participation and savings goals established in the 2012 C&LM Plan, while maintaining program quality and customer satisfaction. This information will inform DEEP's decision to approve, modify, or reject the 2013 C&LM Plan, particularly with respect to any requested increase above the level of spending approved in the 2012 C&LM Plan. In addition, the EDCs and EEB should address the following issues and report their recommendations in the 2013 C&LM Plan:

- **Self-Directed Energy Efficiency Pilot.** Self-directed energy efficiency programs allow large commercial and industrial customers to self-direct all or a portion of their charges paid into the C&LM fund toward customized efficiency investments. The EDCs and EEB should review existing programs and propose potential enhancements that could utilize self-directed funding to leverage large customers' energy investments in projects to make process efficiency improvements.
- **C&I Incentive Caps.** The EEB should evaluate the appropriateness of the \$2 million C&I incentive cap after the first year of the Expanded Plan.
- **Non-Distribution Alternatives.** Targeted C&LM activity may provide the opportunity to defer or avoid distribution related costs, providing non distribution alternatives to the EDCs. DEEP is unaware of any past programs that may have addressed this issue. In the 2013 C&LM Plan, the EDCs should identify any distribution projects that can be avoided or deferred by implementation of particular conservation programs, and the costs and savings associated with those programs.
- **Long Term Goals.** The projected energy and capacity savings identified through the IRP must be achieved to protect ratepayer interests. Therefore, EDC incentives must develop long-term energy and demand targets for the 2013 C&LM Plan to meet the goals for 2022 that are established in the 2012 IRP.

D. Multi-Year Planning

Since 2000, the EDCs have submitted annual C&LM Plans on or about October 1st of each year. Going forward, DEEP believes that it will be beneficial to transition to a multi-year schedule for development and approval of C&LM plans, at such time when program ramp up has concluded successfully and program spending stabilizes at an all-cost effective level. Multi-year planning can provide greater clarity to program participants and allow for long-term planning, therefore improving the overall quality and effectiveness of conservation programs. Moreover, DEEP expects that periodic CAM adjustment proceedings will allow for regular opportunities to review program spending and performance in the interim periods between the approval of new, multi-year plans. DEEP therefore directs the EEB and EDCs to develop a proposal for development, approval, monitoring, and modification of CL&M programs on a multi-year basis, including the consolidation of proceedings for gas and electric plans. In developing this

proposal, the EEB and EDCs should include provision for long-term, global goals, such as reducing the average per residential customer, specific peak MW targets, complying with the statutory weatherization goal, or cost to deliver kW or kWh savings.

IX. SUMMARY OF DETERMINATION

The Department, in this determination, reviews, modifies, and approves the 2012 C&LM Expanded Plan and Budget, including the cost-effectiveness of the programs that would be funded by the Expanded Budget. As described above, DEEP has determined that approval of increased funding for energy efficiency up to a total spending level of \$158.4 million in 2012 is necessary to implement the policies identified in the 2012 IRP to mitigate an increase in electricity rates expected to occur after 2017, as well as to comply with several statutory mandates, including Section 16a-3a of the General Statutes of Connecticut, and the various requirements enacted in Public Act 11-80.

Having reviewed the programmatic cost and savings information provided by the EDCs, DEEP concludes that, overall, the Expanded Plan is cost-effective. This determination is consistent with decisions of the former DPUC, which has allowed oil subsidies for low income customers and approved low income programs that pass the Total Resource Test. As programs ramp up, the EDCs will be required to provide quarterly reporting on customer participation, program activity and cost-effectiveness. Further, DEEP has conditioned its approval of the Expanded Budget on the EDCs' implementation of additional measures, which will improve the cost-effectiveness of the HES programs, and has directed the EDCs to submit quarterly compliance reports to the DEEP, to demonstrate progress in achieving the strategies discussed in this determination for improving the cost-effectiveness of the programs. DEEP is also satisfied that the Expanded Plan adequately ensures equity between customer classes and that the EEB has provided a reasonable analysis to demonstrate that equitable distribution of program participation has been achieved.

As identified in the 2012 IRP, the unit cost to deliver efficiency must decline to assure that increased savings are achieved while minimizing rate increases. The Expanded Plan includes more financing and performance contracting to lower costs. The cost of financing for C&I customers must be reduced and other cost-cutting measures aggressively pursued. For these reasons, the Department modified the Expanded Budget pursuant to its authority under Section 16-245m(d)(1), by increasing the amounts allocated to self-funding of residential loans; implementing self-funding for C&I financing; and reducing allowed consultant costs and allocating those funds to the education budget, which must be increased to support the expansion of efficiency programs. The modifications discussed herein are intended to reduce unit costs and ratepayer subsidies. These efforts must be expanded in the years to come to reach the aggressive savings and unit cost goals outlined in the 2012 IRP. Accordingly, in this determination, DEEP directs the EDCs and EEB to evaluate the opportunity to expand these efforts in the 2013 CL&M Plan. DEEP also directs the EEB and EDCs to develop a proposal for development, approval, monitoring, and modification of CL&M programs on a multi-year basis, including the consolidation of proceedings for gas and electric plans.

DEEP requested additional information from the EDCs to evaluate the feasibility of expanding existing C&LM programs, including maintaining the quality and cost-effectiveness of those programs at expanded levels of activity. Based on this information, DEEP concludes that the EDCs can ramp up to a total spending level of \$158.4 million in 2012 while maintaining program and vendor quality. At this level, \$34.2 million, rather than the proposed \$96.3 million, would be needed to fund program activity under the Expanded Budget for 2012. DEEP makes no recommendation regarding recovery of the \$17 million for oil funding as proposed in the Expanded Plan. To recover the funding for expanded efficiency, DEEP recommends that a CAM be implemented by PURA. If the CAM is implemented by mid-August 2012 or later, DEEP recommends that PURA set the rate at \$0.00373/kWh to recover the \$34.2 million in incremental revenues necessary to support the total 2012 approved budget of \$158.4 million.

Funding at this level in 2012 would enable the EDCs to ramp up program activity in a gradual, more controlled way for the remainder of 2012, while positioning the EDCs to deliver conservation programs at the expanded, all cost-effective level in 2013, furthering the state's long-term commitment to pursue all cost-effective energy efficiency savings, consistent with the 2012 Integrated Resources Plan and statutory mandates. In approving this expanded level of funding, the Department is careful to note that it does not intend for ratepayer funding to be the exclusive source of support for expanded efficiency in the long term. The Department is working with the Energy Efficiency Board and the Connecticut Clean Energy Finance and Investment Authority to maximize opportunities to attract and deploy private capital to support energy efficiency investments so that ratepayer funding can be decreased in the next three to five years. The use of a CAM mechanism to collect funds for the C&LM Expanded Plan can provide the flexibility to decrease the level of ratepayer funding for expanded energy efficiency programs as more efficiency savings are achieved through private investment.

In consideration of the foregoing, the Department of Energy and Environmental Protection approves the 2012 Conservation and Load Management Expanded Plan and Budget with the modifications discussed herein.

Dated: July 19, 2012

A handwritten signature in black ink, appearing to read "Daniel C. Esty". The signature is written in a cursive, flowing style.

Daniel C. Esty,
Commissioner

APPENDIX A							
2012 Feasible Spending - CL&P and UI Responses to DEEP's May 25, 2012 Data Request.							
CL&P/UI C&LM BUDGET	2012 CL&P Proposed Base Budget	2012 CL&P Change to Base Budget	2012 CL&P Revised Budget	2012 UI Proposed Base Budget	2012 UI Change to Base Budget	2012 UI Revised Base Budget	2012 CL&P/UI Expanded Budget Total
RESIDENTIAL							
Residential Retail Products	\$ 4,850,000	\$ 3,580,000	\$ 8,430,000	\$ 1,755,855	\$ 844,725	\$ 2,600,580	\$ 11,030,580
Appliance Rebate Program	\$ -	\$ 3,100,000	\$ 3,100,000			\$ -	\$ 3,100,000
Total - Consumer Products	\$ 4,850,000	\$ 6,680,000	\$ 11,530,000	\$ 1,755,855	\$ 844,725	\$ 2,600,580	\$ 14,130,580
Residential New Construction	\$ 1,261,000	\$ 139,000	\$ 1,400,000	\$ 177,329	\$ -	\$ 177,329	\$ 1,577,329
Home Energy Solutions (HVAC, Duct Sealing, Lighting)	\$ 11,757,000	\$ 3,546,000	\$ 15,303,000	\$ 2,281,658	\$ 2,077,789	\$ 4,359,447	\$ 19,662,447
HES Income Eligible	\$ 9,399,700	\$ 5,244,300	\$ 14,644,000	\$ 2,118,093	\$ 2,250,000	\$ 4,368,093	\$ 19,012,093
Subtotal Residential	\$ 27,267,700	\$ 15,609,300	\$ 42,877,000	\$ 6,332,935	\$ 5,172,514	\$ 11,505,449	\$ 54,382,449
COMMERCIAL & INDUSTRIAL							
C&I LOST OPPORTUNITY							
Energy Conscious Blueprint	\$ 8,503,000	\$ -	\$ 8,503,000	\$ 2,386,221	\$ 882,015	\$ 3,268,236	\$ 11,771,236
Total - Lost Opportunity	\$ 8,503,000	\$ -	\$ 8,503,000	\$ 2,386,221	\$ 882,015	\$ 3,268,236	\$ 11,771,236
C&I LARGE RETROFIT							
Energy Opportunities	\$ 13,241,680	\$ 10,154,320	\$ 23,396,000	\$ 2,957,319	\$ 3,268,116	\$ 6,225,435	\$ 29,621,435
O&M (Services, RetroCx, BSC)	\$ 4,171,000	\$ 829,000	\$ 5,000,000	\$ 631,298	\$ 857,277	\$ 1,488,575	\$ 6,488,575
PRIME	\$ 485,000	\$ 15,000	\$ 500,000	\$ 116,141	\$ 123,543	\$ 239,684	\$ 739,684
Total - C&I Large Retrofit	\$ 17,897,680	\$ 10,998,320	\$ 28,896,000	\$ 3,704,758	\$ 4,248,936	\$ 7,953,694	\$ 36,849,694
Small Business	\$ 11,640,000	\$ 8,360,000	\$ 20,000,000	\$ 2,227,636	\$ 750,000	\$ 2,977,636	\$ 22,977,636
Subtotal C&I	\$ 38,040,680	\$ 19,358,320	\$ 57,399,000	\$ 8,318,615	\$ 5,880,951	\$ 14,199,566	\$ 71,598,566
OTHER - EDUCATION *							
SmartLiving Center® - Museum Partnerships	\$ 400,000	\$ 350	\$ 400,350	\$ 481,746	\$ -	\$ 481,746	\$ 882,096
EE Communities / Behavior Pilot	\$ 1,000,000	\$ 380,000	\$ 1,380,000	\$ 300,000	\$ -	\$ 300,000	\$ 1,680,000
K-8 Education	\$ 325,000	\$ -	\$ 325,000	\$ 401,825		\$ 401,825	\$ 726,825
Science Center	\$ 166,000	\$ -	\$ 166,000	\$ 42,000		\$ 42,000	\$ 208,000
Subtotal Education	\$ 1,891,000	\$ 380,350	\$ 2,271,350	\$ 1,225,571		\$ 1,225,571	\$ 3,496,921
OTHER - PROGRAMS/REQUIREMENTS							
Institute for Sustainable Energy (ECSE)	\$ 448,000	\$ -	\$ 448,000	\$ 112,000		\$ 112,000	\$ 560,000
Residential Loan Program (Includes ECLF)	\$ 2,051,429	\$ 3,998,571	\$ 6,050,000	\$ 347,280	\$ -	\$ 347,280	\$ 6,397,280
C&I Loan Program	\$ 500,000	\$ -	\$ 500,000	\$ 50,000	\$ 85,000	\$ 135,000	\$ 635,000
C&LM Loan Defaults	\$ 150,000	\$ 25,000	\$ 175,000	\$ 50,000		\$ 50,000	\$ 225,000
Subtotal Programs/Requirements	\$ 3,149,429	\$ 4,023,571	\$ 7,173,000	\$ 559,280	\$ 85,000	\$ 644,280	\$ 7,817,280
OTHER - LOAD MANAGEMENT							
ISO Load Response Program	\$ 3,500,000	\$ -	\$ 3,500,000	\$ 1,376,000	\$ (1,376,000)	\$ -	\$ 3,500,000
Subtotal Load Management	\$ 3,500,000	\$ -	\$ 3,500,000	\$ 1,376,000	\$ (1,376,000)	\$ -	\$ 3,500,000
OTHER - RENEWABLES & RD&D							
Research, Development & Demonstration	\$ 350,000	\$ -	\$ 350,000	\$ 225,000		\$ 225,000	\$ 575,000
Subtotal Renewables & RD&D	\$ 350,000	\$ -	\$ 350,000	\$ 225,000		\$ 225,000	\$ 575,000
OTHER - ADMINISTRATIVE & PLANNING							
Administration	\$ 900,000	\$ 250,000	\$ 1,150,000	\$ 750,000	\$ -	\$ 750,000	\$ 1,900,000
Marketing Plan	\$ 200,000	\$ 300,000	\$ 500,000	\$ 50,000	\$ 200,000	\$ 250,000	\$ 750,000
Planning (UI Planning & Evaluation)	\$ 650,000	\$ 50,000	\$ 700,000	\$ 316,765	\$ 1,190	\$ 317,955	\$ 1,017,955
Evaluation (UI Evaluation, Outside Services)	\$ 2,010,000	\$ -	\$ 2,010,000	\$ 570,000		\$ 570,000	\$ 2,580,000
Information Technology	\$ 1,700,000	\$ 50,000	\$ 1,750,000	\$ 342,500	\$ -	\$ 342,500	\$ 2,092,500
Energy Efficiency Board	\$ 550,000	\$ 50,000	\$ 600,000	\$ 300,000	\$ 50,000	\$ 350,000	\$ 950,000
Performance Management Fee	\$ 3,982,940	\$ 2,237,060	\$ 6,220,000	\$ 1,003,333	\$ 498,183	\$ 1,501,516	\$ 7,721,516
Admin/Planning Expenditures	\$ 9,992,940	\$ 2,937,060	\$ 12,930,000	\$ 3,332,598	\$ 749,373	\$ 4,081,971	\$ 17,011,971
PROGRAM SUBTOTALS							
Residential	\$ 31,056,929	\$ 20,152,151	\$ 51,209,080	\$ 7,781,037	\$ 5,332,514	\$ 13,113,551	\$ 64,322,631
C&I	\$ 42,543,880	\$ 19,519,390	\$ 62,063,270	\$ 9,969,364	\$ 4,629,951	\$ 14,599,315	\$ 76,662,585
Other*	\$ 10,590,940	\$ 2,637,060	\$ 13,228,000	\$ 3,619,598	\$ 549,373	\$ 4,168,971	\$ 17,396,971
TOTAL	\$ 84,191,749	\$ 42,308,601	\$ 126,500,350	\$ 21,369,999	\$ 10,511,838	\$ 31,881,837	\$ 158,382,187