

Resolutions of the ECMB on the CL&P and UI Conservation and Load Management Plan for the 2003-04

I. ECMB Supporting Resolution

A. Overview

The Energy Conservation Management Board (ECMB or Board) was established by Connecticut General Statute 16-245m. Section 33 of the statute established a three-mill charge to be assessed on each kilowatt-hour of electricity sold in the service territories of The Connecticut Light and Power Company (CL&P) and United Illuminating Company (UI) beginning in the year 2000. (CL&P and UI are collectively referred to as the Companies) The Act established an 11 member board to advise and assist these two investor-owned utilities in the state in developing annual Conservation and Load Management (C&LM or DSM or energy efficiency) plans. The Companies are responsible for collecting the charge, submitting their plans for Department of Public Utility Control (Department) approval, and administering cost-effective programs.

The Board and the Companies have worked diligently and cooperatively over the past four and one-half years in assessing the energy efficiency needs of the State of Connecticut and developing plans to address those needs, including soliciting public opinion and comments on the Companies' draft proposals. The Board believes the conservation efforts are now in a new phase, since they have entered a fourth year. There were challenging ramp-up issues in 2000 and 2001. For 2002, the efforts were focused more towards increasing commonality and other issues between UI and CL&P and other issues for a sustained level of effort. This plan for 2003 and 2004 continues to increase the coordination between the two companies with a joint plan.

B. Goals and Objectives of Plan

The ECMB believes the overall goals and objectives of the CL&P and UI filing comply with the overall goals, objectives and strategic intent of the statute. Therefore, the ECMB supports CL&P's and UI's overall goals and objectives.

II. Programs

The Companies and the ECMB have developed and the Companies are implementing several different programs to accomplish the state's energy efficiency goals. Recognizing that each customer sector has its own needs and traditional market barriers, CL&P and UI have developed a mix of programs to provide customers with the resources and motivations to avail themselves of modern energy efficiency technologies. Except as noted in this or other applicable resolutions, the ECMB supports CL&P's and UI's plans which describe these programs.

III. The Companies' Planned Southwestern Connecticut Focus in 2003-2004

The Board is supportive of allocating a significant effort in the years 2003 and 2004 to help relieve potential shortfalls of electricity in Southwestern Connecticut (SWCT.) In 2002, the Board passed an extensive resolution on the SWCT which is still an active tenet

of the Board's intent. The Board has reviewed the Companies' plan for SWCT in Chapter 7 of the 2003-2004 Plan and finds it to be consistent with the Board's previous resolution.

IV. Budget Allocation

Except as noted in this or other applicable resolutions, CL&P and UI have developed the proposed budget allocation with the Board, and the ECMB believes that, from an overall perspective, the Companies' proposed allocation to specific programs is appropriate. The budget balances the diverse objectives of the plan, serves the various customer groups, and meets the legislative mandate.

The ECMB is committed to achieving greater parity between revenues and budgets for each customer class, as well as geographic parity, with each contributing customer sector and area of the state receiving an equitable share of benefits for their contribution to the fund. To the extent customer classes or geographic areas receive a disproportionate share of C&LM funds for a period of time, future expenditures should be adjusted such that, when viewed over time, both customer class and geographic parity has been established and maintained. CL&P and UI will each track expenditures for programs by class and subclass (where feasible) and geographic area so information is available in the future to ensure parity.

The Board is aware that the Companies may need to vary the actual expenditures within programs during the implementation of the programs. For many reasons, such as start-up difficulties or market response, CL&P or UI may need to reallocate dollars from one program to another to meet its expenditure and energy savings targets. The Board expects that CL&P and UI will inform Board members in a timely manner of budget adjustments and reallocations during 2003 and 2004.

V. Common Programs between CL&P and United Illuminating

The ECMB believes that CL&P and UI have worked effectively to create common programs for the years 2003 and 2004. The ECMB and its consultants have worked with the Companies since 2000 to develop common formats for most programs. The ECMB supports these common programs and continues to urge the Department to further increase interaction between the two companies.

VI. Third Party Program Delivery

Over the last three years, the ECMB has pursued the topic of third party program delivery with the Companies, such that new programs have been developed for third parties to plan and implement conservation initiatives. Examples include the Commercial and Industrial RFP program, the Community Based Program, and the 2002 O&M RFP program. The Board is supportive of these programs and continues to seek ways to increase participation by third parties and non utility delivery options.

VII. Government Entities Requesting Program Funding

C&LM funding for government participation in programs should not supplant funding previously supplied by government or funding more appropriately supplied by public funds. Participation in C&I programs by government entities is appropriate to the extent it meets the standards applied to other C&I customers.

VIII. Institute for Sustainable Energy

The Institute for Sustainable Energy (Institute) at Eastern Connecticut State University (ECSU) was established to assist in the development and promotion of sustainable energy programs and practices, as well as the advancement of sustainable energy consumption. The ECMB believes the Institute can be a valuable resource to Connecticut and New England in that it will provide independent research, study and public education regarding sustainable energy and energy conservation.

The level of funding provided to the Institute from the Conservation Fund is substantial. Therefore, the ECMB recommends the Institute to include a member of the ECMB on their Advisory Board.

The ECMB recommends future payments to the Institute should be released contingent upon demonstrations by the Institute of acceptable quarterly performance in the public setting of ECMB meetings. The ECMB will work with the Institute to prepare more specific milestones consistent with this resolution. The Department is welcome to attend these meetings and provide input into determination of acceptable performance.

IX. Performance Metrics and Indicators

The ECMB supports the establishment of achievable but strenuous performance goals for each program. The Board believes it is most appropriate to base many of the incentive metrics on energy and demand savings given the primary objective of the programs, and considering that savings are closely linked to participation and based on prior evaluation results.

X. Environmental Issues

Part of the overall goal of the C&LM fund is to reduce pollution and improve air quality. The C&LM programs are a significant factor in avoiding detrimental greenhouse gas emissions. The ECMB fully supports this goal and believes the Companies should promote the environmental benefits of its programs to customers. The programs produce environmental results by reducing the rate of growth in electric demand and avoiding emissions that would otherwise be produced through additional generation.

XI. Role of Non-electric Energy Savings for Programs

It is the sense of the ECMB that the primary goal of section 33 is to promote efficient use of electricity in Connecticut. Section 33 permits this goal to be achieved through a variety of approaches, including implementing programs to transform markets for products and services that consume electricity and by investing in high efficient electrical equipment at consumer facilities.

In accordance with past practice, electric distribution companies may implement cost-effective programs that include non-electrical energy saving measures for low-income customers. Electric distribution companies may seek approval for electrical energy efficiency initiatives that provide incentives for non-electrical energy saving measures to other consumer groups. Such incentives should not exceed 10% of the electric distribution company's annual program budget for energy efficiency. No incentive payments should be paid for fossil fueled cooling or water heating. Electric distribution companies are further encouraged to seek the financial participation of gas companies and oil dealers in jointly implementing programs that improve the efficiency of fossil fuels.

XII. Energy Efficiency and Renewable Energy

The ECMB believes that it is appropriate for the Companies to also fund in some instances renewable resources. Although the ECMB agrees the primary intent of the Fund is to promote electrical energy efficiency and conservation, renewable energy supports cleaner air and seeks environmental improvement in the power sector. These projects should pass appropriate cost-benefit tests. The ECMB also encourages appropriate program linkages with the Connecticut Clean Energy Fund as many projects address the goals of that fund.

XIII. Cost-Benefit Analysis

For 2003-04, the Companies screened their plans under both the electric system test and the total resource test. The Board finds that it has been helpful to have programs reviewed under each test. The Board acknowledges that the Department has utilized an electric system test in the past, and that electric-energy savings and costs are essential criteria of cost-effectiveness analysis. The Board further notes, however, that certain programs, such as low-income, new residential construction (Energy Star) and Residential HVAC and Appliances are designed to capture benefits in addition to electric energy savings that are best captured under the total resource test. Accordingly, the Board recommends that the Department allow the companies the flexibility of utilizing the total resource test where appropriate.

XIV. Load Management and Peak Savings

Because the Board is aware of the need for renewed emphasis for energy efficiency programs and load management to contribute to peak load reductions, the value of capacity should be included as a component of cost-effectiveness testing. In addition, the value associated with peak demand reduction should be commensurate with those seen in the emerging market rather than based upon previous utility cost of service determinations. It should be made clear that the sole use of such values should be in relation to C&LM program cost-effectiveness studies and does not affect the status of prior stranded cost determinations. The Board has reviewed the new joint cost effectiveness accomplishments of the Companies and supports these efforts.

XV. Funding Limit

The ECMB continues to support maximizing conservation and load management programs while maintaining the 3.0 mil rate.

XVI. Time of Use Rates

The ECMB is aware of various directives the Department has provided to the Companies regarding the inclusion of Time of Use rates in the 2003-2004 Plan. While the Board believes there can be some positive benefits from Time of Use rates, expenditures for such initiatives should not be included in the budget of the C&LM funds. Further, the current Time of Use Rates were not designed as a load management mechanism. Therefore, the Board requests the Department to consider funding such efforts in the context of the Companies' next rate filings.

XVII. Load Response Program

Load response programs play an important role in the state of Connecticut and especially Southwestern Connecticut, and the Board supports effective load response initiatives. However, C&LM funds should not be used to provide direct or supplemental load response payments to end-use customers or marketers participating in the ISO-NE Load Response Programs. The C&LM fund should be used to promote and help provide infrastructure for load management.