

CONNECTICUT FUEL OIL CONSERVATION BOARD

2008 Annual Report
to the
Energy and Technology and
Environmental Committees
of the
Connecticut General Assembly

Submitted for Review
January 2009



I. INTRODUCTION

This first annual report is submitted by the Fuel Oil Conservation Board (FOCB) pursuant to its authorizing legislation. PA 07-242 sec. 116, as amended by June Sp. Sess. PA 07-1 sec. 131 and June 11 Sp. Sess., PA 08-2 sec. 7 (to be codified at Conn. Gen. Stat. sec. 16a-22f). The FOCB, with members appointed by authorities specified in the legislation, oversees development and implementation of the Connecticut Fuel Oil Conservation Fund, Inc. (CFOCF) programs. Section (d)(2) of the legislation provides for the FOCB to prepare an annual report to the joint standing committees of the General Assembly having cognizance of matters relating to energy and the environment. The report “documents expenditures and fund balances and evaluates the cost-effectiveness of ...programs conducted in the preceding year, including any increased cost-effectiveness due to offering programs that save more than one fuel resource”.

The FOCB is responsible for fuel oil conservation efforts in the state, complementing other statewide conservation efforts, notably utility conservation programs of the Connecticut Energy Efficiency Fund (overseen by the Energy Conservation Management Board – ECMB - pursuant to Conn. Gen. Stat. secs. 16-245m and 16-32f), municipal utility conservation programs (coordinated by the Connecticut Municipal Electrical Energy Cooperative – CMEEC -Conn. Gen. Stat. sec. 7-233y), and weatherization assistance for low income households administered by the Community Action Agencies under plans developed by the Connecticut Department of Social Services (Conn. Gen. Stat. sec. 17b-2(2); 42 USC sec. 8621, *et seq.*; 45 CFR secs. 96.80 - 96.89).

While legislation created the FOCB in June 2007, and provided for volunteer board member appointments by a range of legislative officials and the Governor,¹ no funding of the FOCB was provided until July 1, 2008 as a result of the June 11 Sp. Sess. Delays in some of the appointments and the lack of a central location to identify appointments made, resulted in delays in the initial convening meeting. The FOCB began meeting in January 2008, when a sufficient number of Board members were appointed and worked from that time through December of 2008 without any funding. In fact, in an effort to initiate many of our tasks, such as the application for our 501(c) (3) status, creation of a website, legal counsel hours to file our certificate of corporation, among other ongoing needs, members of the Board loaned and/or donated time and resources to accomplish our tasks.

The FOCB issued a Request for Proposals to hire an administrator to develop and implement its programs, as contemplated in its legislation. As a practical matter, the initial legislative funding mechanism meant funding would not be available to pay an administrator or to cover program costs until August 2008. In response, the legislature amended the FOCB statute to allow for release of \$2.5 million in funds effective July 1, 2008 (June 11 Sp. Sess. PA 08-2 sec. 7). An administrator with extensive experience in conservation programs in Connecticut, The Resource Link, LLC, was

¹ Appendix 5 to this report is a list of FOCB members.

retained in October 2008, CFOCF plans for calendar 2008 and 2009 were developed and submitted to the ECMB, public hearings were held and final plans adopted. These plans focus initially on meeting emergency need for furnace replacements in low income households to ensure the availability of heat this winter, and the 2009 plan coordinates services with CEEF, CMEEC, DSS and the CAAs, as well as the program operated by the Connecticut Office of Policy and Management energy audit program for households heating with deliverable fuels (Aug. Sp. Sess. PA 08-2 sec. 9), and expands offerings to households which are not classified as low income and business entities. Program coordination is designed so that program beneficiaries receiving fuel oil related conservation measures also receive the range of other available conservation assistance, providing savings on multiple fuel sources. Funding was ultimately released to the CFOCF in the latter part of December 2008, at which time it entered into contracts with CEEF administrators and CAA programs, and began plan implementation.

The FOCB has a website maintained by its administrator, providing information regarding its meetings and plans. The website is in the process of development and expects to eventually to include links to other conservation and related websites, and to seek reciprocal links on such websites:

www.ctfocb.com.

II. SUMMARY TIMELINE OF KEY FOCB ACTIVITY

1. January 2008: first meeting convened.
2. January – March 2008: adopted certificate of incorporation and bylaws; retained counsel to assist in filing forms to establish a tax exempt organization in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986; created several committees to carry out FOCB duties.
3. March 2008: issued a Request for Proposals for a program administrator.
4. April 2008: created draft webpage.
5. May 2008: filed application with IRS for 501(c)(3) status.
6. June 2008: June 11 Sp. Sess., PA 08-2 sec. 7 made \$2.5 million available to the FOCB effective July 1, 2008.
7. July 2008: Administrator selection committee interviewed and selected program administrator candidate to recommend to the full FOCB.
8. September - November 2008: FOCB met with representatives from the Community Action Agencies (CAA) and the Energy Conservation Management Board (oversees Connecticut Energy Efficiency Fund utility administered conservation programs) regarding coordination of programs and funding with existing conservation and weatherization programs and to quantify the need for heating system replacements for low income oil heat customers.
9. September 2008: received 501(c)(3) status approval from IRS.

10. October 2008: FOCB program administrator selected and contract negotiated -- The Resource Link, LLC began development of CFOCF energy efficiency program designs and implementation approaches.
11. October – November 2008: Plan issued for 2008, public hearing held on October 29, and plan adopted on November 4.
12. November 2008: Meetings held with the Comptroller's and Attorney General's offices to reach agreement regarding requirements for release of funding to implement CFOCF plans.
13. October – December 2008: meetings held between FOCB program administrator and implementation partners (Connecticut Energy Efficiency Fund, Connecticut Municipal Electric Energy Cooperatives, Department of Social Services, Department of Public Utility Control, Office of Policy and Management, Community Action Agencies) to plan program coordination and develop work contracts.
14. December 2008: Plan issued for 2009, public hearing held December 16th and plan adopted December 19th.
15. December 19, 2008: initial state funding provided by state CFOCF to begin plan implementation.
16. December 2008 – January 2009: contracts signed with Community Action Agencies to begin heating system replacements. Contracts with CEEF program administrators, Connecticut Light & Power and The United Illuminating Company are prepared for signature.
17. December 24, 2008: first heating system replacement authorized.
18. January 2009: 72 requests for replacement heating systems or major system repair work are in the process of being submitted to the FOCB by the Community Action Agencies.

III. FUNDING AND ANTICIPATED FUNDING ISSUES

a. Funding source and annual delay in availability

CFOCF funding source is the tax imposed by Conn. Gen. Stat. sec. 12-587 on the sale of petroleum products gross earnings that is in excess of the revenue collected during fiscal 2006. The funding available from July 1, 2008 to June 30, 2009 is \$10 million. The final calculation of funding available for July 1, 2009 through June 30, 2010 is unknown at this time, but may not exceed \$5 million for this or future fiscal years pursuant to limitations in section (e)(3) of the authorizing legislation. The Connecticut Comptroller's office will not complete its accounting until August 2009 regarding the level of funding available, if any, for programs starting during the prior month of July 1, 2009. *We recommend the legislature address the impediment to planning and contracting for programs resulting from this annual delay regarding available funding, both as to the amount of such funding and the timing of its release to the CFOCF.*

b. Funding need and stability

The FOCB has sought to minimize its administrative costs and maximize the effectiveness of its programs by coordinating them with other available successful conservation assistance to avoid losing opportunities. However, the need for conservation assistance far outstrips the available funding, particularly in light of the goals articulated in the FOCB statute: to facilitate cost-effective fuel conservation programs, research, development and commercialization of products or processes that are more energy-efficient than those generally available, development of markets for such products and processes, support for energy use assessment, engineering studies and services related to new construction or major building renovations, the design, manufacture, commercialization and purchase of energy-efficient appliances and heating devices, program planning and evaluation, joint fuel conservation initiatives and programs targeted at saving more than one fuel resource, and public education regarding conservation. As the ECMB has documented in its annual reports to the legislature, conservation programs not only reduce individual consumer bills and improve affordability for necessary energy services, they have important environmental impacts in reduction of pollutants and improvement of air quality and public health, and promote economic development, allowing businesses to improve productivity and produce \$4 in electric system savings for CEEF programs for every \$1 expended, benefits that can be expected from fuel oil conservation. See the legislative "Report of the Energy Conservation Management Board, Year 2007 Programs and Operations, March 1, 2008," Section IV regarding conservation benefits beginning on p. 13; report available at www.ctsavesenergy.com under "ECMB." *We recommend that the legislature consider the advantages of ensuring an annual base level of funding investment for fuel oil conservation.*

IV. PLAN SUMMARIES

a. 2008 Plan

The 2008 plan is included with this report as Appendix 1 and a summary of the public comments regarding this plan is included as Appendix 2. The programs in the 2008 Plan are specifically targeted to meet emergency need in the low income community, defined as households eligible for energy assistance under the Connecticut Energy Assistance Program. These households have income at or below sixty percent of the State Median Income (SMI): a maximum gross monthly income of \$3,941 for a household of three or \$2,439 for a household with one occupant. The 2008 plan budgeted \$2.5 million for 2008, with expectations that funds not expended in 2008 would be utilized in calendar year 2009.

The priority focus of addressing emergency need in the low income community was based on FOCB understanding of the legislature's intent to utilize these funds to ensure such households had necessary heat this winter, a priority with which the FOCB was fully in accord. Based on reports from the CAAs and the CEEF, the FOCB estimated that 100-200 low income homeowners whose households heated with oil will be identified annually by the CAAs, DSS and CEEF as having

inoperable, unsafe or extremely inefficient furnaces or boilers that must be replaced or upgraded to ensure the availability of adequate heat. Low income customers, a particularly vulnerable group in light of volatile oil costs, are in acute need of financial assistance to make these unit purchases and/or repairs.

The CAAs typically provide energy assistance to approximately 90,000 Connecticut households each year. However, a lack of weatherization funding only allows them to provide conservation assistance to some 800 homes per year, barely scratching the surface of the actual need. Funding for furnace replacements particularly has been severely restricted both by funding and approval limitations. For these reasons, the FOCB plans provide funding for both furnace and boiler replacements and weatherization measures. Among other benefits, this ensures properly sized furnaces and boilers can be installed in homes where the improved building envelope allows for a smaller, more efficient heating unit.

Below is the 2008 plan commitments, totaling the \$2.5 million the FOCB has received from the state. For the reasons explained above regarding delays, most of this funding is being carried into calendar year 2009.

	Program Name	Coordination with existing program	Projected Avg. # customers served 11/1/08 thru 12/31/08	Avg \$ per customer	Budget Commitments 11/1/08 thru 12/31/08	% of total
Residential Programs - low income						
1	Low Income Heating System Replacement Program	√	250	\$ 6,000	\$ 1,500,000	
2	Low Income Weatherization	√	1,167	\$ 750	\$ 875,000	
				<i>Sub-Total</i>	\$ 2,375,000	95%
	FOCB expenses (administration budget = 5% or less of fiscal yr total)	NA	NA	NA	\$ 125,000	
				<i>Sub-Total</i>	\$ 125,000	5%
				Total	\$ 2,500,000	100%

Below is a summary of expenditures the FOCB incurred and paid in calendar year 2008.

	2008 Plan Commitments	2008 Actual Expenditures
FOCB Grant revenue	\$ 2,500,000.00	\$ 2,500,000.00
Expenses		
Program Administrator - contractor to develop and implement programs	\$ 80,000.00	\$ 49,866.65
Heating System Replacement Program	\$ 1,500,000.00	\$ -
Weatherization installation program	\$ 875,000.00	\$ -
Legal Fees - prepare and file organization paperwork,	\$ 10,000.00	\$ 8,750.00
Accounting Fees - 501C IRS application fee	\$ 25,000.00	\$ 750.00
Travel Expenses	\$ 1,000.00	\$ -
Insurance - Directors Errors and Omissions Insurance.	\$ 2,000.00	\$ 1,700.00
Advertising Expense	\$ 5,000.00	\$ -
Contingencies	\$ 2,000.00	\$ -
Total Expenses	\$ 2,500,000.00	\$ 61,066.65

b. 2009 Plan

The 2009 plan is included with this report as Appendix 3 and a summary of the public comments regarding this plan is included as Appendix 4. The 2009 plan continues the replacement of inoperable, unsafe or grossly inefficient heating systems for low income households, and comprehensive weatherization assistance to the homes receiving these new units. Additionally it widens the scope of services to low income residents to include; broader weatherization services, inclusion of renters and expansion of the program for heating/water systems replacement to include grossly inefficient units, which may be operable.

Program coordination efforts with existing conservation statewide programs are being rolled out and/or carried over from 2008.

The 2009 plan represents a massive effort on behalf of the FOCB to coordinate with existing energy efficiency programs within the state. By piggy-backing onto the efforts of existing programs, it makes it easier for consumers to receive more comprehensive services and benefits at lower cost, with greater convenience to the consumer and less administrative costs to the FOCB. The plan provides for coordination with the following entities:

CL&P/UI – Docket 08-10-03, (also includes gas companies, Connecticut Natural Gas, Southern Connecticut Gas and Yankee Gas) www.ctsavesenergy.org

Community Action Agencies/ Department of Social Services – weatherization programs (through the CT Association for Community Action) www.ct.gov/dss , www.cafca.org

CT Municipal Electric Energy Cooperative – weatherization programs of municipal utilities www.ctsavesenergy.org

CT Office of Policy and Management – they are coordinating with the statewide Home Energy Solutions program to offer a home energy audit program for oil heat customers <http://ct.gov/opm>

Below are the 2009 budget commitments including the \$10 million in funding the FOCB expects to receive from the state for FY 2008-2009. For the reasons explained above regarding delays in 2008, most of the \$2.5 million in funding budgeted in calendar year 2008 is carried into calendar year 2009.

Calendar 2009 Oil Conservation Plan funding commitments and Fiscal 2009-10 budget summary.

	Program Name	Coordination with existing program	Avg. # customers served 1/1/08 thru 6/30/10	Avg \$ per customer	Budget Commitments 6/1/08 thru 6/30/09 ¹	% of total	Proposed Budget 7/1/09 thru 6/30/10	% of total
Residential Programs - all incomes								
1	Home Energy Solutions & Clean Tune Test (OPM/CEEF/CMEEC)	√	2,390	\$ 650	\$ -		\$ 1,553,500	
2	Insulation rebates (OPM/CEEF/CMEEC)	√	1,000	\$ 450	\$ 315,000		\$ 135,000	
3	Clothes washer rebates (oil hot water), (OPM/CEEF/CMEEC)	√	500	\$ 345	\$ 105,000		\$ 69,000	
4	Oil Water Heater rebates (OPM/CEEF/CMEEC)	√	500	\$ 400	\$ 120,000		\$ 80,000	
5	New Construction Rebate (CEEF)	√	225	\$ 2,000	\$ 300,000		\$ 150,000	
				<i>Sub-Total</i>	\$ 840,000	8%	\$ 1,987,500	39.8%
Commercial Programs								
1	Commercial & Industrial Rebate Pilot	√	300	\$ 1,000	\$ 200,000		\$ 100,000	
				<i>Sub-Total</i>	\$ 200,000	2%	\$ 100,000	2.0%
Residential Programs - low income								
1	Low Income Heating System Replacement Program	√	1,250	\$ 6,000	\$ 6,000,000		\$ 1,500,000	
2	Low Income Heating System Repairs Program	√	465	\$ 2,000	\$ 930,000		\$ 200,000	
3	Low Income Weatherization	√	3,250	\$ 750	\$ 1,500,000		\$ 937,500	
				<i>Sub-Total</i>	\$ 8,430,000	84%	\$ 2,637,500	52.8%
Other Programs								
1	Program Evaluations, Potential Study	New Initiative			\$ 75,000		\$ 25,000	
2	HVAC energy conservation training	New Initiative			\$ 55,000		\$ -	
3	FOCB expenses (administration budget = 5% or less of fiscal yr total)	NA			\$ 400,000		\$ 250,000	
				<i>Sub-Total</i>	\$ 530,000	5%	\$ 275,000	5.5%
<i>1 Includes total 2008 budget carryover</i>				Total	\$ 10,000,000	100%	\$ 5,000,000	100%

V. Plan Cost Effectiveness

The FOCB intends to evaluate program performance as “to cost-effectiveness by comparing the value and payback period of the program benefits to the program costs to ensure that the programs are designed to obtain fuel oil savings, the value of which are greater than the costs of the program.” and report this information to the Connecticut state General Assembly on an annual basis.² As FOCB program implementation began in late December 2008, insufficient data is available to conduct appropriate evaluation for this report. The FOCB plans to piggy-back on programs of proven cost effectiveness - CEEF programs are independently evaluated - but oil related program contributions should undergo evaluation to ensure they are also cost effective.

The FOCB has researched oil cost effectiveness models to allow it to independently calculate and compare benefit/cost ratios using the total resource cost, societal and participant tests, program benefits related to emission reductions (e.g., SOX, NOX, CO2 and particulates), and low income program benefits including meeting basic heating needs, increased comfort and safety and reduced energy costs. The FOCB has entered into discussions with two prominent organizations with experience in oil cost effectiveness evaluation to provide assistance and expertise to the FOCB program administrator to develop an approach to calculating cost effectiveness ratios at both the program and measure level.

This cost effectiveness analysis will begin in January 2009. The modeling will be used to modify program design and implementation on an ongoing basis, as appropriate, and to report to the legislature as analyses are available. The FOCB also plans to post the results of its analyses on its website (www.ctfocb.com).

VI. Conclusion

The FOCB welcomes input and inquiries regarding it plans and programs, as well as suggestions for improvement. It is our intent, using the state’s investment in fuel oil conservation to develop and implement the most cost effective and beneficial programs possible. We are confident the benefits produced will prove this investment to be worthwhile for Connecticut, even in fiscally difficult times.

² Connecticut General Statutes sec. 16a-22/ (d)(2)(2008 Supplement)

Contact Information

Requests for additional information and/or to submit additional comments should be directed to:

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Appendixes (all appendixes are also available at www.ctfocb.com)

- Appendix 1: 2008 Oil Conservation Plan
- Appendix 2: 2008 Plan Public Comment Summary
- Appendix 3: 2009 Oil Conservation Plan
- Appendix 4: 2009 Plan Public Comment Summary
- Appendix 5: Fuel Oil Conservation Board Members
- Appendix 6: The Resource Link, LLC profile