Today the Governor announces a vital step toward a brighter energy future in Connecticut.

With the introduction of Connecticut’s Energy Vision, I am establishing a bold plan for energy production, conservation and usage for the next generation. This comprehensive plan reaffirms Connecticut’s position as a leader in renewable energy and solidifies the direction of state energy policy. It is focused on lowering prices for consumers, the state becoming less reliant on foreign energy, fostering the use of environmentally-sound technology and making this state a center for economic development and technological innovation in the energy sector.

Governor M. Jodi Rell
By 2020, 20% of all energy used and sold in the State of Connecticut will come from clean or renewable resources.

By 2020, the state will achieve a 20% reduction in electric-peak consumption.

By 2020, state fossil fuel consumption will be reduced by 20% and all commercial transportation fuels sold in the state will be required to include a mixture of 20% alternative fuels.

By 2020, all residential and commercial heating oil used in this state will contain a mandatory mix of 20% alternative fuels.

- By 2012, 10% biofuel mixtures will be mandatory for the state vehicle fleet.
- Capping the increase in the gross receipts tax on gasoline.
- Eliminating the commercial utility surcharge on small businesses.
- Banning “zone pricing” for two years.
- Leading national effort to partner with oil companies to provide assistance to low and middle-income families.
- Restoring funding to the Connecticut Energy Efficiency Fund.
- Initiating a regional effort to allow the use of hybrid vehicles in lieu of E85 vehicles in meeting federal fleet requirements.
- Providing a range of low interest loans and grants to state farmers to produce biofuel feedstock crops.
- Creating an incentive program to promote the construction of biofuel production facilities.
- Requiring that all state and school construction projects incorporate energy efficiency technology.
• Initiating and maintaining a statewide campaign to promote energy efficiency and promote available state resources.

• Encouraging the installation of alternative energy fuel pumps through low-interest forgivable loans.

• Expanding alternative energy choices by forbidding the use of exclusivity agreements that limit gas station access to renewable fuels.

• Advancing development of Connecticut’s Hydrogen Economy.

• Extending the sales tax exemption on weatherization products in order to drive purchases that make homes more energy efficient.

• Enhancing the existing low-income weatherization/efficiency program with increased funding.

• Eliminating the state sales tax and the property tax on residential renewable energy projects.

• Assisting with energy costs for hospitals, non-profits and universities by establishing an energy aggregator.

• Providing assistance for energy efficiency projects and creating incentives for energy efficient consumer choices.

• Eliminating the property tax on the first three years of hybrid car ownership.

• Pursuing a more aggressive transition of the state vehicle fleet to hybrids.

• Extending the sales tax exemption on hybrid vehicles.

• Maintaining increased benefits under the Connecticut Energy Assistance Program to assist families in coping with high energy costs.

• Creating an Energy Efficiency Resource Center for Small Business to incentivize and inform energy efficient energy choices.

• Consolidating all information regarding existing energy efficiency resources and information in a one-stop website.

• Establishing a loan program to assist small businesses with high energy needs to offset the costs of rising and unexpected energy prices and make energy efficient change.

• Mandating the purchase of ENERGY STAR® products by state agencies.

• Expanding the use of net metering for renewable energy sources to all interested clean energy producers, further reducing demand from the electricity grid.

• Establishing a sales tax exemption on ENERGY STAR® home air conditioners to incentivize purchases that will lower peak energy demand.

• Initiating a study on the feasibility for a sales tax exemption for conventional vehicles that achieve 40 mpg or more.

• Recommitting the state to significant reductions in agency and university use of renewable energy.

• Establishing a fund for energy efficiency improvements in state agencies.

• Leveraging state intellectual resources to bring business and university assets together to facilitate economic growth, job creation and the development of new markets.

• Centralized coordination for all state energy issues with a focus on:
  - Establishing a biennial state energy plan;
  - Maximizing the acquisition and use of federal funds;
  - Coordinating and integrating energy activities and programs at state agencies;
  - Promoting the diversification of energy generation technologies;
  - Encouraging the use of distributed generation;
  - Advancing development of all in-state renewable resources; and
  - Representing the state in local, regional and national planning boards and commissions.

• Adding consumer and business advocates as members of DPUC to provide them with a voice in how the rates they pay are imposed.

• Maintaining the state’s leadership in the use of alternative energy sources.

• Opening state buildings to serve as test locations for new alternative and energy efficient technologies.
Using energy wisely is no longer just a good idea...

A Need for Vision – A Call to Action.

- Rising oil, natural gas and electric prices
- Increasing demand for energy world-wide
- International turmoil and political tensions
- Environmental impacts of current energy resources

These factors demand that the State of Connecticut take proactive and aggressive steps to drive the state toward more efficient energy usage and to develop and use alternative and renewable resources.

This is Connecticut’s opportunity to turn its energy challenges into opportunities to be less energy dependent, and to create the new jobs we need to secure Connecticut’s quality of life. Taking the steps outlined in this plan will move Connecticut toward more stable energy prices, a more secure and diverse energy supply, and a cleaner environment.
To realize Connecticut’s energy vision:

• By 2020, 20% of all energy used in the State of Connecticut will come from clean and renewable resources.

• By 2020, the state will achieve a 20% reduction in electric-peak consumption.

• By 2020, fossil fuel consumption in the state will be reduced by 20%.

• By 2020, all commercial transportation fuels sold in the state will be required to include a mixture of 20% alternative fuels.

• By 2020, all residential and commercial heating oil used in the state will contain a mandatory mix of 20% biofuel.

In achieving the objectives of this plan, Connecticut will forge strong, robust and long-term partnerships with all energy consumers and producers. Business and residential consumers, the higher education and research communities, the providers of conventional energy resources, and producers of alternative and renewable energy products and services must all be part of the energy solutions we create.
For Connecticut to attain the ambitious objectives set out in this plan, the state must be a leader in driving necessary changes in the areas of energy efficiency and clean energy use and development. This leadership and its effects must be apparent within state government. Therefore, it will be the policy of the state to:

**Increase economic growth opportunities for Connecticut’s clean energy sector and promote greater use of renewable resources.**

Connecticut’s continued leadership in clean and renewable energy technology development places it in the enviable position to be a center for job growth in the new energy economy. Development of a robust, clean, advanced energy sector presents tremendous economic growth opportunities for Connecticut. As we have already seen, new advanced energy companies and projects attract new investment to Connecticut, create high-tech jobs that are attractive to young people and stimulate technological innovation for Connecticut.

As state policy, the economic development potential of each proposed project will be reviewed for how it fits into the larger context of Connecticut’s advanced energy market. The project’s potential to create new jobs, retain existing jobs and attract new investment to the state will result in savings to consumers, or revenue generation for other beneficiaries such as farmers or other landowners must be considered.

**Maintain state focus and action on providing incentives, and implementing and expeditiously completing projects designed at improving the statewide energy infrastructure.**

The state needs to implement a framework for achieving adequate energy resources to serve our needs in the future. This will include achieving a balanced portfolio of generation resources, continuing the development of renewable resources and maintaining the commitment toward a modern and reliable distribution network.
Advance technological innovation in clean and renewable energy and actively promote and facilitate energy efficiency programs and policies.

The state will continue to actively advance and seek to invest in projects that pursue innovation in clean and renewable energy. Examples of qualifying projects would be those fostering new clean or renewable energy generation sources and those that seek to reduce energy production costs in extant technologies where the energy production costs remain high, such as fuel cells and solar photovoltaic systems.

Programs designed to increase efficiency or lower costs will be given priority. The state will work with the energy distribution companies to ensure that future load growth is not met solely by adding new capacity. At least half of our anticipated load growth should be offset by energy efficiency and conservation measures.

Increase public confidence, support and awareness for energy efficiency and renewable and alternative energy technologies.

Successful policies need the support of the public. The public must have confidence in energy efficiency measures and alternative energy technologies. The state will launch an aggressive and sustained energy efficiency campaign targeted at residential and commercial consumers. An energy efficiency/clean energy information portal will be established at the Office of Policy & Management’s Energy Office to provide consumers access to information about the various energy efficiency, renewable energy, and cost-saving programs and incentives available. The state will also pursue opportunities for new technologies to be tested at state-owned buildings and facilities to prove the viability of the technology.
State Action

To make my goals a reality, the state will undertake a number of initiatives to lower costs, empower its citizens, encourage efficiency and induce further development of the clean energy economy. This plan sets out a number of comprehensive action steps in the areas of cost reduction for consumers, the state leading by example, energy efficiency, alternative energy advancement and state coordination.
Connecticut citizens and businesses are suffering under the current cost escalations for their energy needs. Accordingly, I am moving to deliver immediate savings to consumers through the following actions:

**Cap on the Oil Companies Gross Receipts Tax**

- Gasoline prices are hurting all aspects of our economy from families to businesses. To ease the pain at the pump, we must cap the Gross Receipts Tax so as to prevent the state from reaping a windfall. Therefore, I propose that the Gross Receipts Tax on oil wholesalers be capped when the wholesale price of gasoline reaches $1.75 per gallon. This cap guarantees that the revenue relied upon by the state to pay for transportation improvements is preserved, while any state tax windfall above that amount is eliminated. This proposal will freeze the tax when the revenue for transportation projects is met, preventing further and unneeded increases in cost to consumers. Recent wholesale prices have been as high as $2.33 per gallon.

**Eliminate the Commercial Utility Surcharge on Connecticut Business**

- Since 1989, the state has levied a sales tax on electricity sold to commercial businesses when their electric usage exceeds $150 per month. Eliminating this surcharge will remove a tax that places Connecticut businesses at a disadvantage with its competitors and will directly lower their cost of doing business.

**Establish Energy Aggregator for Group Purchasing of Power**

- Energy aggregation occurs when consumers join in a single group and become a large purchaser of energy for their members. I will propose to change the Connecticut Health & Education Financing Authority’s enabling statute to allow it to become an aggregator for the benefit of hospitals, universities and non-profits located in the state so as to purchase energy collectively and provide support for private aggregators.
• Zone pricing is a common practice used by oil companies to maximize profits. Dealers are charged different amounts for gasoline based on factors like traffic volume, station facilities and area household incomes. While zone pricing allows oil companies to adapt to local markets, it often results in significantly varied prices at gas stations, even within the same metropolitan area. The elimination of zone pricing would result in more uniform gas prices and ultimately benefit motorists.

• The benefits for CEAP recipients were increased for 2005/2006 due to rising energy costs. This proposal would maintain the increased benefits for the 2006/2007 heating season. The CEAP program provides financial assistance to families for payment of primary heat bills.
In order to empower consumers to reduce their energy usage, a number of initiatives will be expanded or created that encourage energy efficiency.

**Establish an Energy Efficiency Resource Center for Small Businesses**

- I will establish within the Department of Economic and Community Development (DECD) an Energy Efficiency Resource Center for small businesses in Connecticut. The Resource Center will provide information about energy programs and incentives to small businesses to undertake energy efficiency improvements. State agencies providing such resources will be linked and coordinated by the Resource Center to provide critical financing to move conservation and renewable energy projects forward for small business.

**The Small Business Energy Loan Program (Energy Loan Program)**

- This program will be created within DECD to assist small businesses with significant energy needs by providing quick access to technical and financial assistance programs that will help offset the rising and unexpected energy costs that ultimately affect their bottom line. DECD will administer the Energy Loan Program. The Energy Loan Program will provide low-interest rate financing to those qualifying small businesses that implement energy saving and efficiency measures and will provide gap funding for projects funded through existing programs. The Energy Loan Program will encourage implementation of energy efficiency programs designed to improve productivity, efficiency and cost controls in business operations and to protect the environment. The Energy Loan Program will help prevent reductions in workforce and small business closures due to rising energy costs, retain existing businesses and help them grow and remain competitive.
To encourage purchasing behavior aimed at increasing residential renewable energy products, I will propose to exempt the purchase and installation costs for residential renewable energy projects, such as solar installations, from the state sales tax. I will also work to expand the local property tax exemption for renewable energy projects. In addition to covering the panels of a solar project, the plumbing and ancillary property value increases would also be exempted. I believe that incentivizing this type of investment is so critical that I will move to make the entire renewable energy systems exempt from the residential property tax once installed.

Room air conditioners that have met the U.S. Government’s standards to receive the ENERGY STAR® label will be exempt from the state sales tax. Inefficient air conditioners are a significant contributor to the state’s peak electric load. The cost of being able to meet ever increasing peak load requirements is a burden to all ratepayers.

The current sales tax exemption on weatherization products will be extended to June 30, 2010. This program is designed to encourage the purchase of more efficient heating equipment, the installation of weatherization products and to help consumers lower their energy costs. The current exemption is presently set to expire on June 30, 2007.
Energy Efficiency

Enhance Existing Low-Income Weatherization/Efficiency Program.

- Additional funding will be dedicated toward weatherization and efficiency under the Weatherization Assistance Program (WAP). Investing in weatherization improvements decreases the amount of fuel a household needs to consume and ultimately stretches the value of the assistance benefits provided by the Connecticut Energy Assistance Program.


- To encourage the purchase of more efficient vehicles and help consumers lower their energy costs, I propose to extend the current state sales tax exemption for hybrid vehicles that attain at least forty miles per gallon on the highway through June 30, 2010. The state’s current exemption is set to expire on October 1, 2008.

Creation of a Property Tax Exemption for Hybrid Vehicles.

- To further encourage the purchase of hybrid vehicles that attain at least forty miles per gallon highway, I propose to exempt such vehicles from local property taxes for a period of three years beginning with those new vehicles placed on a town’s grand list on or after October 1, 2006. Such consumers would pay no tax beginning with the tax due on July 1, 2007.

Study the Feasibility of a Sales Tax Exemption for Conventional Vehicles that Achieve 40mpg or More Highway.

- The state will begin the process of studying the feasibility of extending the current sales tax exemption for the purchase of hybrid vehicles to any vehicle that attains at least forty miles per gallon highway. Hybrid vehicles offer many benefits, but their cost may place them out of the reach of many consumers. Moreover, some hybrid vehicles fail to achieve extraordinary gas mileage despite the presence of an auxiliary electric motor. This proposal would encourage the purchase of high mileage vehicles to the budget conscious shopper.
To achieve true success under this plan, advancement in the development, integration and usage of alternative energy sources is critical. The state will take an active role in promoting the adoption, growth and usage of alternative energy sources in Connecticut.

- The state will coordinate a broad range of grants, as well as develop and coordinate low interest loans and loan guarantees that make the cultivation of biofuel crops a viable option for Connecticut farmers. If the state is to meet its renewable energy goals, it needs to be a contributor to the industry of renewable energy. It is not enough to merely use these resources. I believe that it is critical that the state partner with its farmers to begin producing crops such as soy, rapeseed and others, which can be used to create biofuels. In addition to these new incentives, preference under existing grant programs will be given to farmers to grow the crops necessary to generate biofuels.

- Tax incentives and loan programs will be created to promote the construction of processing facilities for local biofuel feedstock crops and production plants that use both virgin oil and recycled frying oil to create fuel. Connecticut is committed to the expansion of biofuel use by individuals, industry and the state.

- I will establish a low-interest forgivable loan pool for service stations to reduce or eliminate the upfront costs of installing new alternative fuel pumps or converting gas or diesel pumps to dispense alternative fuels. Portions of the loans will be forgivable. The rate of forgiveness will be directly tied to the percentage that alternative fuel sales represent in the stations’ total fuel sales.
Ban Exclusivity Agreement Provisions that Limit Gas Stations Access to Renewable Fuels

- Most fuel distributors enter agreements with their retailers prohibiting them from purchasing fuel from any source other than the distributor. Most distributors do not offer renewable fuels at the present time. This effectively blocks consumer access to readily available alternative fuels at the vast majority of service stations. I will propose legislation that prohibits the use of exclusivity agreement provisions, so that station owners can more easily buy E85 ethanol, biodiesel, compressed natural gas and other alternative fuels. If the distributors do supply the desired alternative fuels, they will be able to require retailers to sell their brands.

Expansion of Net Metering for Power from Renewable Sources

- With net metering, consumers who generate more electricity than they use with a renewable resource, like solar panels, can sell the excess power back to the utility. Currently, only residential generators can avail themselves of net metering. I propose that this be expanded to all interested alternative clean energy producers. This effort will result in more clean energy entering the grid and it will promote new interconnections, take load demand off the electrical grid and provide a mechanism for consumers to offset some of the cost of their projects.

Advance Development of Connecticut’s Hydrogen Economy

- I will establish a working committee of academic, scientific and industry leaders to examine the current and future business opportunities resulting from the ongoing progress in the transition to hydrogen as a fuel supply. They will be charged with outlining a path for the state to build the hydrogen infrastructure necessary to take advantage of this shift. Connecticut is a world leader in fuel cell technology and it must assist and nurture this technology sector and begin to explore options for investments that will drive this industry and maintain the state’s position as world leader in the transition to a hydrogen economy.
The Connecticut state government will assert its leadership role in energy efficiency and clean energy usage through a number of initiatives.

- I will restore the money taken from the Energy Efficiency Fund in 2003. The Energy Efficiency Fund was designed as a mechanism for funding energy conservation and efficiency projects across the state through a charge on ratepayer bills. In an unfortunate choice for locating revenue in 2003, the Energy Efficiency Fund was raided. To close the budget gap, revenue bonds were issued against the fund. These bonds drain millions of dollars from the fund annually. I am committed to restoring the income to the fund.

- As advances in alternative fuels progress, the state can consider more and more alternatives to gasoline. Biofuels, which come from renewable sources, can be blended with auto fuel in low amounts with little or no impact on performance. Under my proposal, beginning in 2012, the entire state fleet must use a 10% biofuel mixture. This step will integrate a fuel mixture into state fleet usage that burns cleaner and further reduces dependence on foreign oil.

- I will issue an Executive Order that mandates that all future equipment and appliances purchased for/by state agencies are ENERGY STAR® certified, provided such equipment is commercially available.

- I will re-affirm the state's Executive Order commitment to renewable energy requirement for state agencies and universities. At present, a portion of state agency and university energy procurement is required by Executive Order 32 to come from Class I (solar, gas, methane, fuel cells, biomass) renewable sources, with 20% of state agency/university usage coming from Class I sources by 2010. Attaining this goal is a priority. There will be an immediate audit of state agency and university power procurement for a progress report. The state must be a leader in the move to renewable energy, and with this action it will be achieved. The state will provide funding to agencies to achieve this goal.
For a Cleaner, Greener State

- Create within the Office of Policy and Management (OPM) an Energy Efficiency Improvement Fund to be used for energy efficiency improvements to state buildings. Investing in energy efficiency in the state’s building stock decreases operating expenses and helps mitigate the effects of energy price volatility.

- The state will initiate a sustained informational campaign targeted at both residential and commercial consumers. The campaign will be statewide and will aggressively reach out to inform customers about the conservation and technological resources available and the benefits that come from undertaking efficiency projects and using renewable energy sources. Every $1 invested in conservation yields $4 in savings to Connecticut customers. The mission of this new project will be to maximize the realization of those potential savings.

- I am leading a national effort, enlisting the assistance of the Governors of the other states, to form a partnership to assist low-income and middle-income families with the escalating costs of oil. I have proposed that the major oil companies partner with the states and voluntarily contribute 5% of this year’s profits to a national “Energy Assistance and Energy Efficiency Fund.” Monies in the fund will be distributed among the states to supplement sharp increases in demand for the Low Income Home Energy Assistance Program and to provide incentives and assistance to low and middle-income citizens to become efficient energy users.

- The state will continue its leadership role in promoting conservation and energy efficiency by requiring that all state and local school construction projects paid with state funds be energy efficient. The state will also facilitate opportunities for these new projects to incorporate distributed generation and use of clean energy technologies.
For a Cleaner, Greener State

• We are taking a leadership role in initiating a regional state effort that will allow the state to transition its vehicle fleet to hybrid vehicles. Under federal regulations, 75% of state auto fleets that meet specific requirements are required to be “alternative fuel” vehicles. The definition for “alternative fuel vehicles” excludes hybrids and many, if not all, of the alternative fuel options are not readily available in the Northeast. As the market catches up to these rules, it is imperative that states have options that are fuel-efficient and clean. I am leading the effort by the Northeastern Governors to petition the federal government for a waiver from the current rules to allow for hybrid cars to qualify toward that 75% goal. I believe that we cannot wait until the resources are in place to utilize alternative fuel cars and therefore we are seeking to secure low emission, low fuel consumption vehicles for the Northeast region.

• Under my direction, the state has been transitioning its automotive fleet from standard automobiles to hybrid gasoline/electric vehicles since 2005. With gasoline prices at record levels, the state will push to accelerate the transition from older, less efficient and high-emission vehicles to hybrid, low-emission vehicles. Once the federal government grants the waiver (discussed above), the state will purchase hybrids to meet the 75% requirement for its entire fleet. This commitment is not only about leading in the state’s goal of lowering dependence on foreign oil, it is also about leading the fight in preserving the environment and lowering the release of pollutants into the atmosphere.

Leading By Example

Lead Regional Initiative to Exempt Northeast States from E85 Fleet Requirement in Lieu of Hybrid Purchases

Pursue a More Aggressive Transition of the State Vehicle Fleet to Hybrids
• Create within OPM, a single location (website) for consumers to access information about the various energy efficiency, renewable energy, cost-saving programs and incentives. Presently, information and resources for conservation are spread across numerous agencies and organizations and dozens of websites. The state will create a comprehensive, easy-to-use and easy-to-understand portal that will match residential and commercial energy problems with solutions. The state will also aggressively work to simplify and consolidate the application process for the numerous state programs.

• Connecticut is a leader in alternative energy technology. There are tremendous resources in our academic and business communities that the state can leverage to maintain the state’s clean energy competitive advantage. The state will create new partnerships between businesses and universities to accelerate commercialization of emerging energy technologies and actively encourage and invest in opportunities to bring university and business assets together, facilitating economic growth, job creation and the development of new energy technology markets.

• I am renewing my call for the addition of two new voices to rate-making decisions by the Department of Public Utility Control - a consumer advocate and a business advocate. With families and businesses bearing the burdens of ever-increasing rate hikes, they are entitled to a voice in how those bills are calculated. The members will be non-voting; however, they will be able to question utility company representatives, participate in rate-setting discussions, and make recommendations on behalf of Connecticut ratepayers.
One of the critical tasks that I set out to address last year was bringing real leadership and coordination to the state’s energy planning process. During the 2006 Legislative Session I was successful in bringing new attention and resources to the Office of Policy and Management for the purpose of creating a true structure and direction for managing state energy planning and efficiency programming and resources.

With this plan I am proposing to continue strengthening the OPM Energy Unit, giving it the authority to closely coordinate the state’s assets for planning state energy development, conservation and new energy technologies. The Energy Unit will be charged with articulating the state’s energy goals and setting out a plan for the allocation and distribution of financial and technical assistance to achieve the goals.

OPM’s Energy Unit will become the state’s energy planning and policy development agency. OPM will become responsible for:

- Establishing a biennial energy plan and goals.

- Maximizing state acquisition and use of federal funds and coordinating the distribution of those dollars across state agencies.

- Coordinating and integrating energy activities and programs at other state agencies.

- Representing the state on regional energy planning boards and commissions.

- Coordinating the use of state facilities as test sites for innovative energy saving technologies.
State Coordination

- Promoting the diversification of energy generation technology by supporting a broad cross-section of clean energy technologies.

- Advancing the development of all resources native to and viable in Connecticut, so that the state is less reliant on other states and foreign countries for its energy.

- Encouraging the use of distributed generation projects for public infrastructure around the state.
The state we see tomorrow depends on the future we envision today.