

# Massachusetts Climate Action Network

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Cape Ann Climate Change Network  
Clean Water Action  
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Mass. Energy Consumers Alliance  
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Sustainable Arlington  
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Watertown Citizens for Environmental Safety  
Westwood Environmental Coalition

July 14, 2003

## **Comments for DTE Docket 03-2, Mass. Electric Energy Efficiency Plan**

Marc Breslow, Ph.D., Director and Co-Chair, Mass. Climate Action Network (MCAN)

### **1) Reasons for Involvement in this Proceeding**

MCAN represents community groups throughout the state that are trying to reduce Massachusetts' greenhouse gas (GHG) emissions, through reducing fossil fuel use. In particular, we work with city and town governments, through the international campaign, Cities for Climate Protection (CCP), in which local governments commit themselves to make major reductions in their GHG emissions. We are also a member of the Non-Utility Parties (NUPs), and in that role attempt to represent the needs of both the public sector and residential utility customers.

Therefore, we are very involved in the use of the utility-operated efficiency programs by municipal governments, residential consumers, and businesses. We are particularly concerned that local governments make effective use of the programs, since our goal is for the governments to help lead their communities. In addition, because we work closely with city and town governments, we see clearly how the current budget crises make it difficult to implement any measures whose goal is environmental protection, as they compete with other critical services whose budgets are being slashed.

### **2) Quick Approval Vital on Municipal Financing Proposal**

It is our understanding that, in general, final DTE approval of the electric utilities' energy efficiency plans tends to come late in the year during which a plan is supposed to take effect. But once the Efficiency Collaboratives (the utilities and the Non-Utility Parties, or NUPs) have reached consensus on their plans, the utilities proceed to implement any changes made for that calendar year, while DTE approval is pending.

However, as Mass. Electric has stated, for its particular initiative to provide financing of municipal efficiency projects, the company will take no action until the DTE provides its approval in writing. Mass. Electric also said in its May 14 letter to DTE:

"the Company respectfully requests Department action on this proposal prior to the summer of 2003, so that the company may offer it to municipalities with enough time for them to participate this year."

With the hearing taking place on July 17, we are already well behind Mass. Electric's requested timing. In the view of Mass. Climate Action Network (MCAN), it is critical that this initiative be approved **as quickly as possible**, both because we believe that "on-bill financing" would substantially increase the number of efficiency projects undertaken by municipalities; and because cities and towns throughout the state are in financial crisis, so that reduced utility bills would be of great benefit this year.

### **3) On-Bill Financing Would Make a Substantial Difference for Municipal Projects**

Through MCAN's community groups and contacts with municipal officials, we hear about the progress, or lack thereof, of city and town efficiency projects throughout Massachusetts. Through the NUPs, we have extensive discussions with utility program staff regarding their perceptions of barriers that municipalities face in carrying out efficiency measures.

Along with Mass. Electric, it is our perception, and that of NSTAR staff, that rebate levels of 50, 60, or even 80 percent are often inadequate to convince city and town governments to go forward with projects. The reasons include:

a) at a time of fiscal crisis, it is difficult for a local government to spend even a small amount of money on efficiency projects, with so many other budget items being cut drastically.

b) within local government decision-making structures, there is an unfortunate separation between the officials and citizen committees that have responsibility for **capital** costs and those that are responsible for **operating** costs. As a result, a city/town "Finance" or "Capital Planning" committee will often turn down requests for bond financing of the municipal share of efficiency projects, due to concerns about the municipalities' overall debt and debt service levels. This certainly happens when capital expenditures are necessary that will increase overall costs for a year or two.

But it even happens when the operating budget savings in lower utility bills would immediately be greater than the debt service on the capital costs. This is because of the separation of responsibilities, so that those officials in charge of capital planning do not see utility bill savings as part of their mandate.

On-bill financing, we believe, can help rectify this problem in two ways:

a) in comparison to a municipality simply paying for its share of the project with immediate cash from the operating budget, this spreads out the payments, so that the net effect on the budget, combining debt service and reduced utility bills, is a savings beginning in the first year.

b) on-bill financing works better for municipal decision-making processes than does obtaining funds through bonds or some other form of third-party loan. These other forms of debt require special treatment as capital expenses, at least involving a town capital planning committee and other bodies, and often requiring a special vote by a Town Meeting. In contrast, if the financing is simply an addition to the monthly electric bill, spread out over two years, it can be treated as an addition to operating costs (which is then balanced by the savings in lower energy consumption). Mayors and Town Managers can make the decisions to spend such funds, without further, and often arduous, decision-making procedures.

#### **4) On-Bill Financing Could Make More Effective Use of the SBC Funds, Increasing the Total Amount of Energy Savings Accomplished and the Benefit-Cost Ratios**

Because of municipalities' difficulties in financing their projects, Mass Electric and the other electric utilities, including NSTAR, have raised the rebate percentages available to cities and towns. While we favor such increases when they are necessary to get projects implemented, they obviously use up the available funding more quickly, reducing the total number of projects that can be funded.

The availability of a relatively pain-free financing mechanism should make it possible, eventually, to reduce the percentage rebates given to municipalities, as long as the immediate effect on a municipality remains positive. This means that the available funds can be spread out to more projects, and will also improve the benefit-cost ratio of projects.

#### **5) Budget Crises Make Municipal Efficiency Savings Crucial Right Now**

For both financial and environmental reasons, the efficiency programs funded through the Systems Benefit Charge are always important. But this year, and probably for the next year or two, they are more critical than usual, because of the severe budget crises faced by the state government (which is cutting its own costs by slashing aid to cities and towns) and local governments. Savings on utility bills provide cost savings that help to alleviate budget deficits – and therefore can reduce the degree to which municipalities are forced to cut spending on education, human services, police and fire protection, etc.

The state's fiscal 2004 budget, as signed by Governor Romney, includes more than \$400 million in cuts to local aid, compared to the original fiscal 2003 funding levels, according to the Massachusetts Municipal Association.<sup>1</sup> Some examples of the cutbacks that municipalities are being forced to make:

**Medford** - is losing \$3.8 million in state aid, down 15 percent from last year. They are planning to eliminate their municipal electoral primary; eliminate all tree planting; require city employees to pay a larger share of their own health care costs; and cut funding for the police department by \$1.1 million (10.3 percent).<sup>2</sup>

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<sup>1</sup> "Fiscal 2004 state budget makes deep local aid cuts," *State Budget News*, Mass. Municipal Association, July 9, 2003.

<sup>2</sup> "More local aid cuts seen in latest state budget," James Haynes, *Medford Transcript*, 6/25/03.

**Somerville** - this year has laid off 65 city workers and 72 staff members in the school district, with 20 more possibly to follow.<sup>3</sup>

**Millis** - the school district must cut \$471,000 from their budget, which is likely to require layoffs of seven teachers and other staff. Impacts include increasing the first-grade class size from 22 to 27, and no longer having a full-time librarian at the elementary level.<sup>4</sup> In addition, the town's Senior Center will be shut down, beginning in July.<sup>5</sup>

**Framingham** - Framingham's Detox Center will shut down beginning in July, leaving the almost 60 cities and towns in the MetroWest region without any detox beds. Detoxification centers in Quincy and Jamaica Plain will also close.<sup>6</sup>

**Randolph** - the school district plans to cut 35 to 37 school positions, including 20 to 22 teachers. In addition, they will begin charging fees for participation in school sports and clubs, ranging from \$50 to \$950 per family per year.<sup>7</sup>

**Milton** - expects to lay off 16 people within the public schools, raise class sizes, reduce free bus service for elementary and middle school students, eliminate all extracurricular activities at the middle school and high school, and cut the athletic budget between 20 and 25 percent.<sup>8</sup>

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<sup>3</sup> "Rats! Willard gnaws off \$1M. Gov's vetos wipe out more state aid," David McLaughlin, *Somerville Journal*, 7/2/03.

<sup>4</sup> "Millis schools brace for cuts," Aaron Gouveia, *MetroWest Daily News*, 6/29/03.

<sup>5</sup> "Seniors feel pinch of lost override," Aaron Gouveia, *Country Gazette*, 6/26/03.

<sup>6</sup> "Framingham detox to shut down," Jenn Abelson, *The Boston Globe*, 6/25/03.

<sup>7</sup> "Schools to charge fees for sports, clubs: Randolph will also cut 20-22 teaching posts," Juliette Wallack, *The Patriot Ledger*, 6/27/03.

<sup>8</sup> "Milton voters reject \$1.48M override: School department will be hit hardest without extra money," Kathy Ehrick, *The Patriot Ledger*, 6/20/03.