March 27, 2020

DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION

INITIAL ACTION ITEMS: COVID-19 CONTINGENCY PLANNING IN THE 2019-2021 CONSERVATION AND LOAD MANAGEMENT PLAN

I. INTRODUCTION

The Department of Energy and Environmental Protection (DEEP) issues the following approved amendments and action items regarding the implementation of the Conservation and Load Management (C&LM) Plan in light of the current public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic and its unprecedented effect on the global economy. It is essential that in this time of fear and uncertainty that government do what it can to provide clarity and relief to businesses, particularly small- and medium-sized businesses, and to workers employed by those businesses. Government agencies must adopt measures quickly where they can and send clear signals to businesses and residents early in their contingency planning processes to provide them with some level of confidence as to what to expect going forward and to mitigate any unnecessary hardship.

The effects of the COVID-19 pandemic have already had an enormous impact on Connecticut residents and businesses. Governor Lamont has taken extraordinary and necessary steps to help curb the spread of the virus within the state. On March 10, 2020, the Governor declared a public health emergency and a civil preparedness emergency in response to the pandemic that are in effect until September 9, 2020, unless terminated earlier. Governor Lamont has issued over a dozen executive orders in response to the pandemic and has instituted a “Stay Safe, Stay Home” policy directing all non-essential businesses and not-for-profit entities in Connecticut to suspend most in-person operations. As a result of the pandemic and efforts to

contain it, a large segment of the state’s students and workforce are staying at home. Bars, barbershops and salons, entertainment venues, and many small retailers are closed. Restaurants can only provide take out service. Most businesses, and hundreds of thousands of their Connecticut employees—including some 124,000 hospitality and food service, 27,500 general merchandise, and 23,000 arts, entertainment, and recreation industry employees—have been or will be significantly affected during the course of the virus response efforts and the anticipated period of economic recovery. Unemployment claims in the state have surged to unprecedented levels. According to the federal Department of Labor, there were 70,382 first-time jobless claims in Connecticut in the past two weeks. Furthermore, it has been reported that the number of unemployment claims in Connecticut are so heavy that there is currently a three-week delay in processing new claims. Unfortunately, the clean energy industry is not immune to these impacts, including the contractors who perform the important work of increasing the energy efficiency of our homes and businesses and reducing our energy demand within the programs offered by the C&LM Plan.

The C&LM Plan’s programs support 160 businesses (Program Contractors) and the indirect employment activity of approximately 39,000 people in jobs in the heating, ventilation and air-conditioning, lighting, insulation, and advanced materials building sectors. The programs add $6.8 billion to the gross state product and generate $76.2 million in state tax revenues. In addition, the C&LM Plan programs save as much energy as a 149 megawatt power plant generates in a year, enough to power 53,700 homes for a year. These energy savings provide significant affordability benefits to thousands of participating residential and business customers in the form of lower energy bills. In 2019, residential customers saved $30.3 million. Just under 29,000 households with low incomes participated in the Home Energy Savings – Income Eligible program in 2019, each home saving an average of $250 per year. Approximately 6,000 commercial and industrial customers leveraged the programs and saved $37.3 million in 2019. Small businesses comprised 1,259 of the energy efficiency projects in 2019, with one third of them being in distressed communities. The C&LM Plan programs also prevented 228,142 tons of carbon dioxide from being emitted in 2019.

Given their beneficial impact on the electric grid, public health, and energy affordability, the C&LM programs are well positioned to substantially contribute to the economic recovery at the end of this public health crisis. This contribution will only be possible if the workforce remains engaged and ready to mobilize when the public health aspects of the current crisis have subsided.

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8 Id.
II. STAKEHOLDER ENGAGEMENT PROCESS

In light of the unprecedented impacts of the COVID—19 pandemic, DEEP initiated a stakeholder engagement process to explore near-, medium- and longer-term steps to limit the effect of these events on the clean energy economy, the citizens of Connecticut and the climate goals that we all share. It is DEEP’s aim to maintain engagement with and training for Connecticut’s energy efficiency workforce and businesses during this period of reduced economic activity so that they are ready to return to work when it is safe to do so. This time can also be utilized to generate shovel-ready projects to stimulate the clean energy economy during the period of recovery and provide energy efficiency services to customers to help reduce their energy bills and maintain a healthy home environment.

DEEP is conscious of the need for swift action to provide clarity to Program Contractors and, where possible within the confines of Connecticut General Statutes Section 16-245m, mitigate the harm to the workforce and businesses that have been built up to deliver the programs supported by the C&LM funds, and have only just begun to rebound from the impact of the efficiency fund diversions from 2017 to 2019. DEEP encourages Program Contractors and their employees to fully utilize existing and new federal and state programs and initiatives available during this time, and will actively engage with stakeholders and the program administrators, The Connecticut Light and Power Company, doing business as Eversource Energy, Yankee Gas Services Company doing business as Eversource Energy, and UIL Holdings Corporation on behalf of The United Illuminating Company, The Connecticut Natural Gas Corporation, and The Southern Connecticut Gas Company, (collectively the “Utilities”) to adjust their approach over time so as to complement, and not duplicate, those evolving efforts. DEEP herein approves a variety of near-term, temporary action items to help mitigate the immediate and sudden impacts of this emergency situation, and sets forth a variety of other measures for further exploration. Through the ongoing process described in greater detail below, DEEP will monitor the effectiveness of those near-term measures as well as available state and federal programs in providing stability to Program Contractors and their employees, and will make periodic adjustments as appropriate within the confines of Section 16-245m.

DEEP has begun and will continue to conduct an ongoing, virtual process to provide a venue to consider the input of Program Contractors, the Utilities, the Energy Efficiency Board (EEB), the Connecticut Green Bank (CGB), the Public Utilities Regulatory Authority (PURA), the Office of Attorney General (OAG), the Office of Consumer Counsel (OCC), and any other interested stakeholders, public officials, or members of the public regarding proposed amendments to the C&LM Plan and program activity in response to these extraordinary circumstances.

III. PROCEDURAL HISTORY

On March 17th, the Utilities issued a letter captioned “Connecticut Energy Efficiency Programs, COVID-19 Contingency Planning” ordering the suspension of all in-home and on premise activities for their contractors and staff. While DEEP acknowledges the importance of this action in light of public
health concerns, DEEP also recognizes the profound impact this action has on the contractors and their employees who carry out the important work of the C&LM programs.⁹

In light of the urgent need to implement social distancing measures to keep contractors and customers safe, as well as the uncertainty surrounding the economic impacts of the COVID-19 pandemic on C&LM contractors, DEEP issued a notice of special meeting to engage with stakeholders regarding the impacts of the COVID-19 restrictions, the Governor’s executive orders, and the March 17th letter from the EDCs. DEEP held the 4-hour special meeting via webinar on March 20, 2020.

DEEP’s special meeting was attended by over 180 people, primarily vendors and contractors. The agenda provided for an explanation of the restrictions in place, the impacts of the restrictions on Program Contractors, and discussion regarding possible accommodations and solutions. DEEP moderated the discussion through a presentation, and the Utilities provided a presentation with a status update on the C&LM programs. Through the webinar format, contractor participants had the opportunity to express concerns and ask questions about the impacts of the COVID-19 restrictions on their business processes. At the conclusion of the special meeting, DEEP requested that all participants, including the Utilities, provide further written comments on near term strategies that could be implemented to support the contractors and customers of the C&LM programs during the unprecedented impacts of the COVID-19 pandemic.

Subsequent to DEEP’s special meeting, a special meeting of the Energy Efficiency Board (EEB) was held on March 24, 2020. At that meeting, EEB members reviewed the March 17th correspondence from the EDCs as well as their presentation at DEEP’s special meeting on March 20th.

In response to its request for written comments, DEEP received 16 written comments from stakeholders representing specific Program Contractors, industry groups, environmental advocates, and utilities. The comments reflected a variety of viewpoints regarding the moratorium on on-site work and the types of supports that would be necessary to maintain business functions during the pendency of the moratorium on on-site work.

DEEP notes that written comments were due and filed prior to the passage of the $2 trillion economic stimulus and aid package for large corporations, small businesses, and individuals impacted by the pandemic and related containment measures. Also instituted this week were expanded unemployment benefits to include furloughed employees with a return to work date, and other benefits. DEEP strongly encourages program contractors and their employees to fully evaluate and take advantage of these and other available remedies, as the ratepayer-funded Conservation Adjustment Mechanism cannot fully support impacted Program Contractors through an extended work stoppage. DEEP understands that impacted Program Contractors and their employees will

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⁹ Throughout this process, DEEP will explore opportunities for program contractors to continue to work remotely, will monitor the public health situation, and work with stakeholders to determine if and when on-site work in vacant buildings or outdoors might be appropriate. These issues require further engagement and are not addressed in this initial determination.
need to assess the applicability of these and other available relief programs to their particular situations and that they have only begun to plan for how to weather the economic storm they are facing. DEEP will continue to engage with the contractor community and the Utilities as they work through this process.

DEEP’s Action Items below provide an early and swift response to the concerns raised by those contractors who participated in this process, but by no means constitute a full evaluation of the issues or the final word on program amendments. DEEP has learned that not all contractors were aware of this pending action, and thus have not had an opportunity to weigh in. DEEP requests the assistance of the Utilities and the EEB to ensure that future outreach regarding this ongoing process includes all Program Contractors.

The Utilities, as program administrators, provided a letter in response to DEEP’s request for written comments containing 22 proposed action items related to expediting vendor payments, increasing program incentives, providing for workforce training, virtualizing processes, and programmatic adjustments to be implemented during the course of the work stoppage, among other proposals (Utility Proposals). DEEP commends Eversource and UI for their creative and forward-thinking proposals, some of which are included as approved Action Items herein and others of which will be subject to further examination and stakeholder engagement, as set forth below.

IV. DETERMINATION

DEEP appreciates the participation of all of the stakeholders who engaged in this virtual process given the social distancing restrictions necessary during this unprecedented pandemic. After hearing the presentations and engaging in discussion at the special meeting on March 20th and reviewing all of the written comments, DEEP approves the near-term Action Items set forth below, with reporting obligations as noted, on a temporary basis until further notice. The Utilities will be required to carefully track the expenses associated with implementation of these measures for potential future recovery from any potential source of federal aid, and to make every effort to apply for any such federal aid. The Utilities will also be required to provide reports to DEEP and the EEB on a monthly basis in order to track impacts on program budgets. As noted by the CGB in its written comments, there is currently some headroom in program cost-effectiveness. DEEP directs the utilities to develop metrics for tracking the impact of these measures and any measures approved in the future on the cost-effectiveness of the overall C&LM Plan, which metrics shall be included in the monthly budget report. DEEP will also consider adjustments to the Utilities’ performance incentives to account for these plan amendments, through further stakeholder engagement.

V. APPROVED ACTION ITEMS

1. As an initial, time sensitive matter, DEEP notes that customers who have borrowed through various loan programs supported by the C&LM programs may need protection from adverse events related to default due to temporary inability to make payments, such as referral to collections, credit reporting, or revocation of on-bill repayment options. DEEP therefore
approves the Utility Proposal to explore deferring customer loan repayments for 3 months. Given the time sensitivity of this issue, the Utilities shall provide DEEP with specific information by or before April 3, 2020, regarding steps that would be necessary to ensure that failure to make payments on such loans has not and will not cause such loans to go into default status, be sent to collections, lead to negative credit reporting, or disqualify the loan from further participation in on-bill payment arrangements. DEEP directs the Utilities to estimate any costs associated with this Action and include those costs in their report. The following loans are included in this Action Item:

- HES Repayment Plan (Micro) Loan;
- Energize CT Heating Loan; and
- Small Business/Municipal Loan.

2. DEEP agrees with the Utilities that a cross-sector mitigation working group with Program Contractors from the residential and small business programs would be helpful to “brainstorm additional ideas and receive immediate feedback from the vendor community.” This working group will provide a vehicle for exploring remote work opportunities, participation in federal and state aid programs, ongoing impacts on Program Contractors and their employees, the possibility of allowing on-site work in vacant buildings and outdoors prior to full program ramp-up, program changes to accelerate ramp-up at the appropriate time, and the effectiveness of the Action Items herein, among other topics. DEEP will expand and utilize the existing Contractor Technical Advisory Committee (CTAC) process for this purpose. The recommendations of this working group will be informative to DEEP in its oversight of the C&LM program.

3. DEEP agrees with the Utility Proposal to “explore opportunities to leverage online workforce training options and support training costs,” and appreciates the Utilities’ efforts in “coordinating across their multi-state territories and with other Program Administrators to leverage available training and education funds.” DEEP notes that members of the contractor community and other stakeholders also advocated for the provision of free virtual training to build the skillset of the workforce during the on-site work moratorium. DEEP suggests that the utilities work with the Program Contractors to ensure that any such training is consistent with requirements for the continued collection of unemployment insurance payments for furloughed workers. If such training does not impact furloughed workers’ ability to collect unemployment insurance payments, free online training opportunities will provide a means by which to keep those furloughed employees, and perhaps other employees who have permanently lost their jobs, engaged and ready to contribute to increasing program activity when it is safe to engage in on-site work. For those Program Contractors that are keeping at least some of their employees on the payroll, free online workforce training could be a
productive way to fill gaps in other remote work they may be performing. DEEP directs the utilities to provide a more specific proposal for this Action Item, including associated costs, by or before April 10, 2020. DEEP will provide an opportunity for written comment on such proposal.

4. DEEP approves the Utility Proposal to “provide a percentage of completion payment on projects that have been initiated” in the residential and small business program. DEEP endorses the two-stage approach proposed by the Utilities set forth below, and directs the Utilities to expedite this Action Item, along with all other Action Items that will provide much needed cash to Program Contractors.

   o **Stage 1:** Material delivered to a customer’s site (but not yet installed). Equipment **must have been ordered prior** to March 23, 2020; and

   o **Stage 2:** A portion of the measures were installed (material and labor with the ability to claim energy savings).

5. DEEP approves the Utility Proposals to support the virtualization of inspection processes for residential and commercial and industrial (C&I) projects and to “modify inspection procedures on completed measures where customers have closed the site to visitors and require supplemental measurement and verification (“M&V”) in place of on-site inspections to complete payments on these projects. Customers would be asked to provide additional documentation.” Allowing virtual inspections will avoid delayed contractor payments for completed projects. DEEP requires clarification regarding whether the Utilities are proposing that the supplemental M&V would need to occur prior to payment being released and, if so, how long it would take to conduct such M&V and release the payment. With respect the virtualization of any function that is typically carried out by a contractor rather than the Utilities and for which contractors are typically compensated, such proposals should be explored through the expanded CTAC process. DEEP directs the Utilities to track the costs of developing and implementing approved virtual functions as compared to standard practices and provide updates in its monthly budget report.

6. DEEP approves the Utility Proposal to “explore their ability to modify vendor purchase order payment terms to expedite payments to contractors and suppliers.” DEEP directs the Utilities to expedite this Action Item, as it will accelerate payments already due to contractors and provide for essential early cash infusions to Program Contractors.

7. DEEP notes the input from various Program Contractors that unusually high levels of administrative work will be necessary during the moratorium on on-site work, to
reschedule customer site work, maintain the customer relationship, and build a pipeline of work for the recovery period. DEEP understands that contractors are currently compensated for administrative work only for completed projects, and in final payment upon project completion. While this compensation mechanism provides appropriate incentives in a typical economic situation, it does not adequately compensate program contractors for the administrative work associated with retention of customers and developing a pipeline of projects in these extraordinary circumstances. DEEP directs that by April 3, 2020, the Utilities propose a means by which to compensate contractors for this administrative work during the moratorium, including the estimated monthly costs of any such proposal. Such proposal should be based either on the amount of work actually performed or on the number of jobs completed by each Program Contractor in recent months. Paying such compensation for the next 30-60 days in advance of the work performed would provide a much-needed cash infusion while contractors are determining their eligibility for other available relief. The Utilities should include in their proposal an approach for an appropriate portion of this compensation to be recovered from future payments for completed work. DEEP will provide an opportunity for written comment on this proposal.

8. DEEP approves the Utility Proposal to “provide information on federal, state, and utility small business relief programs, initiatives, and contractor safety practices on the EnergizeCT.com Frequently Asked Questions (“FAQs”) webpage.” Given that the contractor community is largely made up of small businesses that may not have experience with the complexities of such relief programs, DEEP will require the Utilities to propose a plan for more comprehensive near-term training for Program Contractors on these issues, such as a series of webinars, by April 3, 2020. DEEP will engage with the Utilities to recruit appropriate state agencies and/or organizations to assist with this outreach.

9. DEEP approves all of the Utility Proposals related to continuing to develop projects in the pipeline. DEEP submits that the CTAC working group will provide a venue for further discussion of best practices for future project planning.

10. DEEP approves all of the Utility Proposals related to extending rebate and contract expiration periods. DEEP suggests that extending such expiration periods for six months would be an appropriate starting point, to be evaluated for further extension in the future.

11. DEEP approves the Utility Proposals to provide partial payment for completed work on
multi-family and C&I projects.

12. DEEP approves the Utility Proposals regarding evaluation activities.

13. With respect to the Utility Proposals to increase program incentives, DEEP notes that on February 11, 2020, DEEP issued a decision regarding the annual update to the C&LM Plan wherein it required the Utilities to make various changes that had the potential to impact program incentives. Compliance filings regarding implementation of that direction are due between April 1 and July 1, 2020. DEEP directs the Utilities to include in those compliance filings any additional incentive increases they propose as a result of this public emergency, describe whether such changes to incentives should be temporary, and estimate the impact on the overall Plan budget for those changes.

14. DEEP is mindful of the importance of incorporating the input of employees of the Program Contractors in the implementation and oversight of these Action Items, and any further steps that may become necessary to address impacts of the global pandemic. Accordingly, DEEP will engage with the Utilities and the Program Contractors to set up reporting requirements regarding (1) impacts of the moratorium on on-site work on employees; (2) changes to the Program Contractors’ staffing levels, including the number of the employees they have on payroll, have furloughed, and have terminated; (3) the extent to which they may obtain relief through federal and state programs; and (4) to explore ways to engage those employees going forward.

VI. CONCLUSION

DEEP finds that the disruptions caused by the public health crisis require immediate C&LM Plan amendments to support the viability of the workforce supported by the Plan and enable that workforce to respond quickly to contribute to economic recovery and energy affordability for customers. The determination herein provides immediate Action Items to support the workforce. These steps do not represent the entirety of what needs to be done. In the coming days, DEEP will gather additional stakeholder input through an ongoing process to identify and implement further actions. As we move through this public health crisis, DEEP will engage with stakeholders to develop a strategy to jumpstart energy efficiency work when contractors are allowed back into homes and buildings. DEEP recognizes that adjusted program incentives may be needed to bring the workforce back to full employment. Therefore, in the coming days, DEEP will issue further notices for written comment and hold additional public meetings as necessary. In addition, DEEP will issue a notice inviting participation through CTAC meetings to further collaborate with the Program Contractors and the workforce on additional measures that may be needed to support the 39,000 energy efficiency jobs in Connecticut.