

July 31, 2018

Judith Judson  
Chair, Energy Efficiency Advisory Council (EEAC)  
Commissioner, Massachusetts Department of Energy Resources (DOER)  
100 Cambridge Street, Suite 1020  
Boston, MA 02114

## **RE: COMMENTS ON THE DRAFT 2019-2021 THREE-YEAR ENERGY EFFICIENCY PLAN**

Dear Commissioner Judson and members of the EEAC:

NO RESCO would like to take this opportunity to comment on the development of the draft of 2019-2021 three-year energy efficiency plan under development by the Massachusetts Energy Efficiency Advisory Council (EEAC). These comments are offered in support of the plans articulated by the EEAC and are meant to consider further perfecting the next three-year plan. These comments are directed to the municipal energy efficiency (EE) programs of the Program Administrators (the state's investor owned utilities; IOUs) and are offered in hopes that future municipal EE programs will be structured to encourage municipalities and their IOU stakeholders to develop comprehensive approaches to the delivery of EE services to the municipalities.

NO RESCO believes that the EEAC has a unique opportunity to set a path for statewide investment in energy efficiency by the state's municipalities. We believe there have been some sub-optimal practices executed in recent years with regard to the municipal EE programs available and promoted by the state's investor-owned utilities (the Program Administrators) and by the DOER's Green Communities Division. We believe there are some beneficial ways that current policy and programs may be adjusted to support more comprehensive investment in municipal energy efficiency. It is toward the goal of improving the structure and execution of such programs that this comment is intended.

### **Issue**

Municipal participation in existing municipal EE programs offered by the IOUs and low utilization of more comprehensive structures to support municipal investment in energy efficiency.

### **Background**

In our observation, the Massachusetts utilities' engagement with municipalities for EE projects is dominated by the use of their municipal EE programs that result predominantly in the development of quick-payback ("low-hanging fruit") EE projects that meet the utilities' target benefit-cost ratios (BCRs). These projects tend to be dominated by single measure (i.e., lighting retrofit), quick-payback retrofits supported by generous utility incentives. These projects have been widely implemented while

the consideration of more comprehensive, multi-measure approaches is often not pursued because such projects do not fit within the currently offered delivery mechanisms.

More comprehensive projects that include the implementation of multiple-measure EE projects (i.e., lighting retrofits plus HVAC, controls, and building envelope improvements) and that leverage the savings achieved from quick-payback measures to support investment in longer-payback measures would result in far more impactful projects. Such comprehensive projects typically save a great deal more energy and money while concurrently improving the condition and comfort of municipal buildings and reducing deferred maintenance and the need for bond-funded capital investments that otherwise remain as liabilities for municipal budgets.

Our company and many of the state's other energy services companies have had a long history of delivering such comprehensive EE projects to the state's municipalities via energy savings performance contracts (ESPCs) developed under MGL Ch. 25A, Sec. 11I. Such projects are overseen by the DOER's Energy Management Program.

### **Current Status & Opportunity**

In concert with the Green Communities Division of DOER, single-measure projects are implemented by municipalities predominantly via the procurement exemption for sub-\$100,000 projects that allows municipalities to procure such projects directly from their incumbent utility's prequalified EE vendors known as Project Expeditors. This approach simplifies procurement of such projects but results in a wide range of unintended consequences, including issues associated with project costs, overstatement of savings, lack of measurement and verification of savings, and lack of assurances for persistence of savings.

By implementing many of these quick-payback measures, municipalities are left with little ability to leverage savings from such measures to support investment in additional EE and facility improvement projects that may have longer paybacks but may also bring additional benefits to municipalities such as funding energy-related capital improvements that are often left un- or under-funded.

It should be noted that DOER has an already established (but under-utilized) Energy Management Services program to assist municipalities in the development and implementation of comprehensive energy efficiency programs under MGL Ch. 25A, Sec. 11 (<https://www.mass.gov/energy-management-services-ems>). To help municipalities to consider using this program to support more comprehensive municipal EE projects, we believe it would be useful for the DOER to more fully support this program via its Green Communities Division.

### **NORESCO supports the following goals be considered in the EEAC's program recommendation:**

- ▶ Encourage the Massachusetts DOER to establish policies supportive of the delivery of comprehensive approaches to optimal investment in municipal EE.

- ▶ Seek alignment of utility programs with statewide objectives and municipal goals of maximizing all cost-effective EE investments (as bundles of measures financed as a package, not individual measures alone bound by scope limitations due to the \$100,000 procurement exemption).
- ▶ Encourage DOER's Green Communities Division to promote the use of its Energy Management Services program in addition to its far more dominant assistance to municipalities and the facilitation and use of the sub-\$100,000 procurement exemption for utility incentive-based, single-measure projects.

I look forward to learning how we can support consideration of this important issue and stakeholder dialogue during this three-year planning cycle. Please let our company know if there is anything further we can do to support this dialogue or resulting programs that support more comprehensive approaches to municipal EE.

Sincerely,



Charles Wheeler, P.E.  
Regional General Manager, NORESKO