



Via electronic mail to Jerrylyn Huckabee, DOER

**Comments of Natalie Hildt, Manager of Public Policy Outreach
Northeast Energy Efficiency Partnerships (NEEP)
Massachusetts Three-Year Energy Efficiency Plans, 2013-2015
Energy Efficiency Advisory Council Public Meeting
January 10, 2012**

On behalf of Northeast Energy Efficiency Partnerships (NEEP)¹, thank you for the opportunity to provide input into the Second Statewide Three-Year Energy Efficiency Investment Plans of electric distribution companies, natural gas distribution companies, and municipal aggregators for the period 2013 through 2015.

NEEP is a regional nonprofit organization that works to accelerate the efficient use of energy in homes, buildings and industry in the Northeast. We are committed to this work because saving energy creates a stronger economy, a cleaner environment and a more reliable and affordable energy system.

NEEP commends the efficiency program administrators, the state, and the many businesses, organizations and advocates involved in delivering unprecedented energy efficiency savings in Massachusetts. We urge the Council to continue advocating for comprehensive, coordinated and aggressive programs and goals, because, while the programs are serving record numbers of customers, they are operating under severe challenges posed by a recovering economy, volatile energy prices, changes in evaluation metrics and the natural growing pains that come with such a quickly expanding business sector.

We are glad to see the Energy Efficiency Advisory Council (EEAC) seeking public input from stakeholders before the next three-year plans are developed. Following are some general suggestions from NEEP. These entail some higher level public policy suggestions that are directed at the Council itself, and others that are more specific to the next three-year program plans.

Suggestions to the EEAC:

- 1) Engage with the Department of Public Utilities to address obstacles posed by cost-effectiveness and other regulatory issues.**

As the state has a policy mandate for programs that go broader and deeper, as well as overarching goals of cleaner air, reduced emissions, better public health and job creation, it

¹ These comments are offered by NEEP staff and do not necessarily represent the view of NEEP's Board of Directors, sponsors or underwriters.



is important for the DPU to be open to adjusting the cost-effectiveness screening and use of the Total Resource Cost (TRC) test to more comprehensively reflect the many and varied benefits of efficiency programs. Part of that adjustment should include applying a cost-effectiveness test that values non-energy benefits (e.g., environmental, economic development, and improved consumer health, safety, and comfort) with high societal value even if they some programs might carry a fairly high program expense per unit of energy saved, and thus fail a traditional application of the TRC test.

How these tests are applied directly impacts the ability of the state and its people to realize the long-term vision for clean energy that has been articulated by the Patrick administration. If energy efficiency is identified as a vital public policy priority for the state, the procurement of energy efficiency resources needs to be scrutinized in a manner consistent with their recognized ability to assist the state in meeting these imperative public policy goals. The current regulatory framework for doing so, however, is weighted against energy efficiency resources compared with, for example, how traditional electric supply (generation, transmission and distribution) is regulated.

NEEP urges the EEAC to participate in DPU proceeding 11-120 to support greater value for carbon savings being recognized as part of program cost-effectiveness, as well as the need to reexamine the methods for calculating net savings to allow the programs more flexibility and for a more comprehensive set of benefits to be recognized from the efficiency programs. We encourage the EEAC to strongly weigh in on this matter to allow for the next set of three-year efficiency programs to best realize the goals of saving energy, saving money, creating jobs and protecting the environment.

2) Urge the DPU to revitalize study of bill impacts of energy efficiency

Early on in the first three-year plan, the DPU, in cooperation with the EEAC and program administrators, devoted considerable efforts to modeling the effect that large-scale investments of energy efficiency would have on the various rate classes – participants and non-participants alike. The resulting study of the Bill Impact Working Group showed that, while electricity *rates* would be nominally higher during the ramp-up of efficiency investments, the long-term benefit would mean significantly lower energy *bills* for all customers.

Additional analysis has also shown that all customer classes, whether they participate in the energy efficiency programs or not, benefit economically from the programs due to the so-called Demand Reduction Induced Price Effect (DRIPE), which illustrates that prices at the wholesale market level clear at a lower price than they would have absent the energy efficiency programs that dampen demand overall.

Now that the results are coming in and the programs have largely hit their savings targets, it is important for the DPU to resume bill impact evaluation and forecasting. This is critical in



terms of understanding impacts and benefits for all ratepayers as well as solidifying the case that wide-scale investments in energy efficiency as a cost-effective resource ultimately benefits all customers, regardless of whether or not they participate in programs. Of course, as more and more efficiency measures are put into place, the percentage of customers who are benefiting directly from the programs will continue to grow as well.

Recommendations for the Next 3-Year Plans

1) Integrate Complementary Policies

NEEP again stresses the importance of leveraging the ratepayer-funded programs with complementary state energy policies that will maximize energy savings. Along with award-winning efficiency programs delivered by the PAs, Massachusetts has been a leader in advancing policies that help to continually raise the bar with regards to energy efficiency in products and buildings.

We know that the first three-year plan acknowledged and encouraged the role that the PAs have taken in areas such as building energy code advocacy and training, supporting rating and disclosure of building energy performance, and working to advance stronger appliance standards at the state and federal levels.

Codes, standards and even building energy rating can and should work hand-in-hand with ratepayer programs to “lock in” those savings and continue the upward cycle of development of energy efficient technologies and practices. The state’s utility companies and Cape Light Compact are uniquely qualified and positioned to deliver services such as building energy code training on measurement and compliance to building professionals, and should be allowed attribution of the savings they help deliver.

Building energy rating and disclosure can create a market-driven path to lowering consumer energy costs, signaling to potential buyers or renters, real estate brokers, and financing institutions the true value of efficient buildings. NEEP is currently working with the Department of Energy Resources on a pilot for commercial building rating which follows the Department’s 2010 report recommending the adoption of such a building energy performance rating system. As the experts in building energy solutions for residential and commercial customers, it makes sense that PAs should also be involved in such efforts as they progress.

Creating market value for building energy performance can also be an effective means for driving retrofit projects. We encourage the Council and the PAs to find ways to integrate building rating with their existing efficiency programs, in both the new construction and retrofit markets.



Imperative for such complementary efforts to succeed, however, is the need for the program administrators to propose, and for the Council and the DPU approve, methods for the PAs to be credited for energy savings from codes, standards and building rating activities. The second three-year plans should include a framework to allow the program administrators to claim a portion of the savings from such complementary policies as mentioned above. We anticipate that the work currently being undertaken by the PAs to create such a framework will provide the Council with the confidence to support this effort.

While the issue of program savings attribution for codes and standards activities is relatively new ground, there are some experiences in other states and analyses undertaken by a number of other parties, including NEEP, that can help inform this issue. Above all, there needs to be a recognition that simultaneously raising the “ceiling” on new savings opportunities through efficiency programs and raising the “floor” by locking in those savings through codes and standards allows Massachusetts the best chance to meet the goals of *all* cost-effective energy efficiency.

2) Target Programs for Municipalities

The funds provided to cities and towns across the Commonwealth through the American Recovery and Reinvestment Act (ARRA) to make energy efficiency improvements to their facilities has resulted in a better understanding of the benefits of such projects. But it also has highlighted some shortcomings in how these municipalities access the ratepayer funded efficiency programs.

NEEP was part of a national team to provide technical assistance to Recovery Act grantees, including providing guidance for cities and towns to leverage rate-payer funded efficiency programs. As the ARRA funding ceases, the state would be wise to capitalize on the momentum it created for cities and towns to focus on building energy efficiency.

However, one obstacle to broader participation by communities is the lack of understanding among city and town officials about how to access the programs. The current program offerings do not specifically focus on municipalities, which generally fall under C&I programs, yet many local officials may not be aware of the full range of support available to them.

While the types of buildings and facilities are not necessarily unique to the public sector and thus would not require new programs, we believe that improvements in how existing C&I programs are marketed to these customers and having dedicated account executives or other staff specialists could go a long way to helping public entities maximize efficiency programs. Municipalities have acute fiscal challenges, an array of facility types, rarely have a dedicated energy manager and other unique circumstances that merit a focused approach by program administrators.



Aside from helping PAs meet goals by taking a comprehensive look at a number of facilities and developing long-range plans for energy projects, delivering significant savings to the public sector has the added benefit of saving tax-payer dollars and allowing municipal budgets to be used on other pressing needs. Cities and towns recognized as Green Communities may be more familiar with energy efficiency programs, and we encourage the DOER's regional Green Communities Coordinators to continue working closely with the PAs as another avenue for cities and towns to access the efficiency programs.

3) Continue Efforts to Move Projects to Implementation

NEEP understands that an ongoing challenge and area of focus by the PAs has been moving customers of all types from initial assessment of energy saving opportunities to "closing the deal." The focus on Memoranda of Understanding (MOUs) that have helped large C&I customers take a multi-year approach could be adapted for mid-size businesses, and maybe even for residential customers. We are glad to learn that "closure rates" on the Residential Conservation Services program has increased with more customers going beyond the Home Energy Assessment to actually having significant weatherization or HVAC upgrades made to their homes, and that better pre-screening has been a big part of that success.

Another area we hope to see continued emphasis on is partnering with trade allies to help them understand and sell the benefits of high-efficiency solutions. While there is an array of hurdles to move projects through the pipeline, we know that the PAs and the state are committed to helping more people capture the energy efficiency potential once identified.

4) Regional Coordination on Residential Lighting

Lighting represents a major end-use and still a significant source of energy savings in a rapidly evolving market. And with the arrival of 2012, the nation is seeing the start of new federal lighting efficiency standards that will result in significant savings. However, these new national standards have led to some states determining that emphasis on lighting programs can be reduced, mistakenly assuming that few new program savings are available.

In fact, all markets, including Massachusetts, still have significant savings to achieve in residential lighting. But these savings will only be realized through new strategies that combine a continuing role for efficiency programs with consumer outreach and education, regulatory flexibility and development of key market data.

Massachusetts' PAs have been for the last year participating in the development of a *Regional Strategy on Residential Lighting*, facilitated by NEEP. With the final report to be released in coming weeks, we would urge the EEAC and the program administrators to consider the following guidance and key points of the strategy:



- I. **Continued strong role for ratepayer funded energy efficiency programs** to support consumer adoption of energy efficient lighting products with a near-term focus on ENERGY STAR CFLs, 2x halogens and other specialty lighting solutions with an growing focus on white-light LEDs as products improve and prices become more competitive.
 - a. Multiple program strategies needed (retailer co-promotions and retrofit programs)
 - b. New program models that better assess the impact of program promotions on retail sales (e.g., the market lift model).

- II. **A strong commitment to build consumer knowledge of and satisfaction with high efficiency lighting products** including implementation of clear and consistent consumer messages from programs and industry.
 - a. Development of a nationally used and referenced message platform
 - b. Ongoing market research studies of consumer satisfaction

- III. **Continued vigilance to maintain a high level of lighting product quality and performance** to meet or exceed consumer expectations.
 - a. Ensure strong standards for product quality supported by performance testing

- IV. **Regional collection of key market data to inform ongoing program planning, implementation and assessment** of impacts and progress towards outcomes
 - a. Better and increased provision of market data from manufacturers and retailers
 - b. Ongoing surveys of socket saturation as well as customer satisfaction, trends, needs and issues

- V. **Continued input to federal processes to set future lighting standards** that reflect the market adoption of lighting products in the northeast as well as integration of lighting efficiency into state building energy codes.

- VI. **Regulatory support for a multi-year strategy to transform the residential lighting market** with flexible programs responsive to market developments and new approaches to evaluation and cost-effectiveness.
 - a. Performance approach focused on increasing socket saturation with flexibility to respond to market developments and responses
 - b. New approaches to cost-effectiveness and net savings

NEEP encourages Massachusetts to continue partnering with neighboring states and leveraging regional efforts to advance energy efficiency through programs and policies, and thanks the state and the program administrators for their ongoing engagement in such market transformation efforts.



In closing, the energy efficiency programs enabled under the Green Communities Act (GCA) are working. Despite what the Council or others might hear from certain corners, the programs are coordinated, comprehensive and, above all, cost-effective. We urge the EEAC to continue the course toward capturing all cost-effective energy efficiency by maintaining an achievable, yet aggressive savings rate for these programs.

Thank you for the opportunity to comment on the next three-year plans. NEEP stands ready to provide support to the program administrators and the state as you pursue efficient energy solutions for Massachusetts' long-term future.

Sincerely,

A handwritten signature in blue ink that reads "Natalie Hildt".

Natalie Hildt
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Northeast Energy Efficiency Partnerships