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Via Federal Express

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Energy Efficiency Advisory Council
Department of Energy Resources
100 Cambridge Street
Boston, MA 02114

RE: 2016-2018 Massachusetts Joint Statewide Three-Year Electric and Gas Efficiency Plan

Dear Council Members:

Energy savings performance contracting (ESPC) is a procurement vehicle that enables municipalities to solve problems with buildings systems and equipment while producing significant energy savings that pay for the building improvements over time. In many cases, utility rebates and incentives can dramatically optimize the building improvements that can be accomplished with such projects. Conversely, when fast-payback savings opportunities are "cherry-picked" through completion of one or more narrowly focused energy savings projects, the opportunity to leverage those savings to perform more comprehensive building improvements under a future ESPC is diminished. Before undertaking utility incentive funded projects, it is beneficial for municipalities to consider the exponentially positive impact that will be achieved by bundling the power of an ESPC with utility rebates and incentives.

Currently, the dominant practice by which the state's utilities engage with municipal customers for the development and delivery of rebate incentive-driven projects is via a Green Communities Act-derived provision that allows such customers to contract for energy efficiency projects with utility-vetted, pre-qualified vendors directly (without further procurement) for projects valued at $100,000 or less. In practice, this has resulted in the utilities and their pre-qualified energy efficiency vendors (aka, "municipal program vendors," a subset of their large C&I project expeditor (PEx) vendors) implementing a lot of projects (under $100,000 each) in municipal facilities. Moreover, the typical practice has resulted in participating municipalities performing many such projects per year across a range of facilities and end-uses.

While well-intentioned and accomplishing many good individual (typically single-measure) projects, this practice results in sub-optimal adoption of energy efficient technologies and practices by participating municipalities. Projects that are traditionally accomplished by this mechanism are high-return projects with great savings value, no question. These high-return/low-payback projects ought to be performed by every municipal customer for obvious reasons. The problem is that there is often not a strategic approach to the development of such projects. If addressed strategically, these same

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participating municipalities would benefit tremendously by leveraging the savings associate with such quick-payback projects in order to support broader investment in a more complete bundle of projects which might also include projects that address additional fuel or utility source savings (i.e., electric, gas, and water savings), and result in a broader and deeper pool of savings. Moreover, by approaching such a bundle of measures, municipalities are more likely to benefit from more impactful performance improvements and energy savings at their facilities. Finally, such a comprehensive approach would also enable such municipal customers to take advantage of project financing structures and savings guarantees that might be available to both pay for such projects entirely from savings, reducing first-cost hurdles for municipalities, as well as providing long-term assurance of savings.

We would encourage that the utility municipal programs be implemented in such a way that the utilities encourage the municipal procurement officials to consider the broader pool of energy efficiency benefits that can be delivered when a comprehensive/strategic approach is utilized. Energy savings performance contracting (ESPC) is one method that should be considered for project delivery as opposed to, or at least as a compliment to the current dominant way that utilities deliver single-measure energy efficiency projects for their municipal customers. The current processes as practiced by the utilities may be an expedient way to achieve modest kWh/therm savings program goals, but by removing all of the quick payback energy efficiency measures the municipalities lose the opportunity to achieve the much more substantial gains that could be made through a comprehensive approach.

Our hope is that this issue is understood by the stakeholders and the policymakers engaged in the MA EEAC process – and that the utilities are ultimately encouraged to work with energy services companies in support of more robust results for municipal energy efficiency programs. By engaging in this fashion, the municipalities and the utilities that happen to serve them can implement more impactful projects that will result in broader bundles of energy efficiency measures at their facilities. Using performance contracting, where appropriate, to help bring about a broad array of benefits will result in much more profound and long-lasting impact for the utilities' municipal customers as compared to the way the municipal programs are currently executed.

Sincerely,

Charles E. Wheeler
Regional General Manager