Memo

4/28/21

To: Mass EEAC ma-eeac@mass.gov

From: Hank Keating, AIA, President Passive House Massachusetts

Re: PHMA comments on April 30, 2021 Mass Save Three-Year Energy Efficiency Plan 2022-2024

We have reviewed the Three-Year Energy Efficiency Plan 2022-2024 (the Plan) and will be offering detailed comments on many sections at each of the EEAC Public Hearings in June, but we wanted to begin with an overview.

The Executive Summary underscores the Plan's key features as follows:

1) The Plan coincides with the legal requirements of the Climate Bill to reduce GHG emissions by 50% by 2030 and achieve net zero emissions by 2050
2) The Plan calls for a market shift to electrification primarily through heat pump technologies combined with weatherization.
3) The Plan calls for efforts to mitigate systemic societal inequities as reflected in program participation and workforce development opportunities while balancing the need to do so in a sustainable and affordable way for customers.
4) The Plan recognizes that increasing baseline efficiencies and lower energy prices will put further pressure on cost effectiveness. The delivery of sustained benefits that continue to exceed spending is characterized as critical for maintaining the broad-based support for the Plan's programs.

These key features are supported at varying levels within the programs outlined in the Plan but there are many areas where, without more detail, it is difficult to see the Plan being aggressive enough to meet these key goals.

The Climate Bill explicitly changed the definition of "cost-effectiveness" by adding the following language in multiple locations "…provided however that when determining cost effectiveness, the calculation of program benefits shall include calculations of the social value of greenhouse gas emissions reductions." This a critical shift in perspective from saving money while saving energy to attributing real value to the reduction of GHG emissions required by the Climate Bill. However, the Plan makes no mention of this new definition and does not explain how it has influenced the calculations of benefits. Perhaps the updated calculations have been done and are built into the Plan's Total Benefits Estimate of $7,441,281,358, but it is difficult to imagine this without any explanation.

As noted in Plan feature #4 above, the Plan predicts "further pressure on cost effectiveness" but it still doesn't speak about the new definition. In addition, it speaks about "sustained benefits that continue to exceed spending", but never seems to address the definition of "exceed" – exceed by how much? If the Total Benefits are $7.44 billion and the Statewide Budget is $$2.94 billion, is the exceedance of $4.50 billion reasonable? Required? Could it be cut in half to fund more programs with deeper incentives?

Similarly, as noted in Plan feature #3 above, the Plan points to mitigating inequities "while balancing the need to do it in a sustainable and affordable way for customers." The Climate Bill is truly clear that equity is an over-arching goal that must be achieved. The “customers” must be seen as the voters that lobbied so hard to make sure the Climate Bill passed into law.

Late last year, PHMA submitted 5 program proposals to the EEAC , hopefully for inclusion in this Plan. At that time we noted that 4 of these proposed programs might not “pass” the cost-effectiveness test in use for previous 3-Year Plans and predicted that the new Climate Bill definition would have to be used to justify these program costs . These 4 programs included Passive House New Construction Incentive for 1-4 units, Passive House Retrofit for 1-4 units, Passive House Retrofit for 5+ units, and an expansion of the Alternative Energy Portfolio Standard (APS) Alternative Generation Units to include ground and air heat pump hot water heaters, waste heat hot water heaters and drain water heat recovery systems.

These 4 proposed programs are not to be found within the Plan’s Residential and Income Eligible Program descriptions. Is this because of cost effectiveness? This is difficult to determine because even the Plan’s similar programs like the Path to Zero 1-4 Initiative or Enhanced Low-Rise Incentives for Reaching 30% Savings do not include any estimated incentives amounts in dollars. Examples with estimates, like we included in our proposed programs, would at least allow a rough apples to apples understanding.

We will offer additional detailed comments on our program specifics but suffice it here to say that we believe that the current Passive House Incentive Plan with over 100 projects including over 7500 units enrolled is as successful as it is because of simplicity and predictability. The standard to be met is clear, the quality control is clear and the incentive amounts are clear. With the exception of the proposed continuation of the current Passive House Incentive Program, none of this is true of this Plan’s residential offerings.

Arguably, this 3-Year Plan is absolutely critical to the State’s ability to meet the 50% reductions of GHG emissions legally required by the Climate Bill by 2030. 2024 is almost halfway through that period. If this Plan is not adequate to meet these challenges, it is difficult to imagine how the lost progress could be recovered.

We thank you for your hard work and for your inclusive public process. We look forward to continuing to shape the final Plan.