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Case 07-M-0548: Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard

Response to Motion for Clarification and/or Petition For Rehearing of the Pace Energy and Climate Center and the Natural Resources Defense Council (November 23, 2011)

The Alliance to Save Energy (the Alliance) is grateful for the opportunity to provide comments in support of the above noted Motion submitted by the Pace Energy and Climate Center (Pace) and the Natural Resources Defense Council (NRDC).

The Alliance is a nonprofit coalition of business, government, environmental and consumer leaders that supports energy efficiency as a cost-effective energy resource and advocates energy-efficiency policies that minimize costs to society and individual consumers, enhance energy security and reliability, and lessen negative environmental impacts. The Alliance has worked extensively with energy utilities, commercial and industrial firms, public agencies, consumer and environmental organizations, and others to promote energy efficiency through ratepayer programs, energy efficiency resource or portfolio standards, and other means.

Application of the TRC test to measures and projects versus programs and portfolios.

We support the Joint Petitioners' request for a rehearing on a narrow aspect of the Total Resource Cost (TRC) test. We concur with the recommendation of various parties, including the New York State Energy Research and Development Authority (NYSERDA) and Joint Utilities, that the TRC test should not be applied at the level of individual measures and projects but rather should be employed at the program or portfolio level.¹

While the Alliance actively supports robust evaluation, measurement, and verification, we are very concerned that inappropriate use of cost-effectiveness tests that were never intended to be part of individual project implementation will bring to a halt to rather than facilitate cost-effective energy efficiency programs.²

Application of TRC tests to individual measures and projects imposes complex, costly and time-consuming requirements on individual contractors who may not have the tools and training to conduct TRC analyses and who may be reluctant or unable to package more

¹ Case 07-M-0548, NYSERDA Comments Regarding an Energy Efficiency Portfolio Standard (filed August 22, 2011), pp. 6-7 and Joint Utilities Comments Regarding Energy Efficiency Portfolio Standard Program Review White paper (filed August 22, 2011), pp. 17-18.

² Joe Loper, Steve Capanna, Rodney Sabin and Tom Simchak, "Scaling-Up Energy Efficiency Programs: The Measurement Challenge," (Alliance to Save Energy, 2010) available at <http://ase.org/resources/scaling-energy-efficiency-programs-measurement-challenge> discusses various evaluation, measurement and verification issues and impediments to energy efficiency programs.

complete energy efficiency projects because of the complexity and burden of performing TRC tests on individual measures.

Project and measure level TRC tests also inhibit more comprehensive pursuit of energy efficiency, such as through whole-home/building retrofits, in favor of “cherry picking” only the easiest and fastest payback options. Cherry picking and narrow use of TRC on a measure-by-measure, transaction-by-transaction basis will miss synergies and interactions among measures and across building and process systems that can achieve deeper energy savings as well as other benefits. By encouraging cherry picking and only having the “cheapest” (i.e., easiest and fastest payback) measures undertaken, it will be harder to convince customers to undertake other cost-effective energy efficiency measures on an individual basis due to longer paybacks and additional hassle.

The Alliance believes that program administrators should have the latitude to conduct projects and implement measures that may not individually meet the TRC test but meet energy efficiency and other program objectives so long as the overall program and portfolio achieve cost-effectiveness.

We note that application of the TRC test to individual energy efficiency measures would be analogous to, on the electricity supply side, requiring a utility to show cost-effectiveness for every individual piece of equipment at a power plant or in transmission and distribution facilities, and every individual vehicle and tool used by maintenance personnel.

Broader revision of the TRC test

The Alliance also adds its voice in support of the Pace and NRDC Joint Petitioners’ request for clarification regarding the Commission’s decision not to revise or convene a Technical Conference to consider potential revisions to the TRC test. The need for revisions was extensively discussed by the Department of Public Service’s Staff in its Energy Efficiency Portfolio Standard (EEPS) White Paper.³

We support the Joint Petitioners’ request to the Commission to clarify either why it did not act to improve the TRC test and/or its application to the EEPS, or that it intends to decide on this issue before the end of the first quarter of 2012. We also support the request that the Commission direct Staff to hold a Technical Conference open to interested stakeholders and experts in cost-effectiveness evaluation in order to present perspectives and suggestions for possible improvements to energy efficiency cost-effectiveness testing.

We are concerned that the narrow construal of cost-effectiveness in New York, beyond the issue of applying the TRC test at the measure and project level, will impede many energy efficiency projects that would benefit New Yorkers and that will be important for meeting the State’s ambitious “15 by 15” goals (15% reduction in forecasted electricity consumption by 2015 with comparable natural gas efficiency goals). We do not provide here a detailed critique of TRC (for which, as noted in the Pace-NRDC Motion, there is a significant literature) and how it is employed in New York.⁴ However, we point to several important issues and impediments to achieving the benefits of energy efficiency posed by New York use of the TRC test.

³ Case 07-M-0458, Staff White Paper (July 6, 2011), pp. 4-5.

⁴ Case 07-M-0548, Response to Motion for Clarification and/or Petition For Rehearing of the Pace Energy and Climate Center and the Natural Resources Defense Council (November 23, 2011), pp. 7-8.

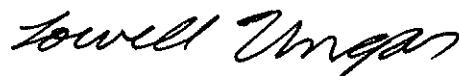
1. **Wholesale electricity price suppression.** Reduced demand for electricity from energy efficiency investments reduces, or at least reduces the growth of, electricity prices, benefiting all New Yorkers. The current TRC test assumes this effect to be zero when it is not. There are methods of estimating such electricity price benefits.⁵
2. **Environmental Externalities.** The current test values carbon dioxide at \$15 per ton while other literature suggests significantly higher values.⁶
3. **Discount rate.** There are concerns about use of the weighted average cost of utility capital (WACC) as the discount rate for the TRC test. While WACC may be an appropriate estimate of the opportunity cost of capital for a utility, it may not be an appropriate rate for the TRC test, which is intended as a societal cost-effectiveness test.⁷

In summary, the Alliance, again joining Joint Petitioners, respectfully requests the Commission to:

1. **Direct Staff to apply the existing TRC test at the program or portfolio level rather than on individual projects and measures, and**
2. **Convene a Technical Conference on, and then proceed to consider, revisions to the TRC test and cost-effectiveness to assess current approaches and explore improvements.**

We again thank you for the opportunity to comment on this important matter and thank you for your kind attention.

Sincerely,



Lowell Ungar
Director of Policy

⁵ See, for instance, Paul J. Hibbard, Susan F. Tierney, Andrea M. Okie, and Pavel G. Darling, "The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States: Review of the Use of RGGI Auction Proceeds from the First Three-Year Compliance Period" (Analysis Group, November 15, 2011) at http://www.analysisgroup.com/uploadedFiles/Publishing/Articles/Economic_Impact_RGGI_Report.pdf and Hornsby, *et al.*, "Avoided Energy Supply Costs in New England: 2011 Report" (Synapse Economics, Inc., July 21, 2011).

⁶ Cited in Case 07-M-0548, Response to Motion for Clarification and/or Petition For Rehearing of the Pace Energy and Climate Center and the Natural Resources Defense Council (November 23, 2011), p. 9.

⁷ Case 07-M-0458, Comments of PACE, NRDC, NEEP, and Supporters, Attachment A Optimal Analysis of NY TRC, p. 3.