



Community Environmental Center

Energy Efficiency & Green Building Solutions

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VIA ELECTRONIC FILING

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Hon. Kathleen H. Burgess

Secretary

New York State Public Service Commission

Three Empire State Plaza

Albany, New York 12223-1350

Re:

- Case 07-M-0548 – Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard
- Case 03-E-0188 Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard
- Case 13-M-0412 Petition of New York State Energy Research and Development Authority to Provide Initial Capitalization for the New York Green Bank

Community Environmental Center Comments on Petitions Currently Considered by the Public Service Commission

Introduction to Community Environmental Center Comments

Community Environmental Center (CEC) welcomes the opportunity to provide comments and input on the important modifications being made to a suite of Public Service Commission programs. Based on CEC's extensive experience in the energy efficiency sector and the valuable information provided in the October 15 technical conference, we would like to submit comments on the three petitions currently facing the Public Service Commission: Case 03-E-0188 Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard; Case 13-M-0412 Petition of New York State Energy Research and Development Authority to Provide Initial Capitalization for the New York Green Bank; and Case 07-M-0548 Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard. In sum, we are encouraging of the petitions, particularly with regards to 'fuel neutrality' proposals and the less-competitive coordination of Utility and NYSERDA-administered programs. CEC also respectfully suggests the closer coordination of other non-PSC energy efficiency resources in New York State with these programs, and the incorporation of post-retrofit monitoring and support for buildings that benefit from either financing or incentive support.

CEC is a not-for-profit energy efficiency implementer based in New York City since 1994. As the largest Weatherization Assistance Program subgrantee in New York State, we have longstanding expertise in the residential energy efficiency sector, and we have been closely involved in the development and deployment of a range of EEPS, SBC, and RPS-based programs, primarily working through the New York State Energy Research and Development Authority.

CEC welcomes the proposals put forth by NYSERDA and Department of Public Service Staff. We are excited by Governor Cuomo's demonstrated commitment to environmental sustainability and creating the infrastructure necessary to develop the private sector markets which efficiency technologies and investments will need in order to grow exponentially. Combined

with NYSERDA's ongoing expertise in, and effective administration of, efficiency and renewable projects, we believe approval of these petitions will help maintain New York's lead as a sustainable role model for our country.

CEC Comments on Case 03-E-0188 'NY-Sun 2014-2015 Funding Considerations and Other Program Modifications' Petition

As stated, CEC welcomes NYSERDA's commitment to perpetually enhancing the performance and structures of programs under the auspices of the Renewable Portfolio Standards. Our experience working with both NYSERDA and homeowners in the renewable energy sector lead us to strongly support NYSERDA's petition. Particularly with regards to allowing greater flexibility in setting incentive levels (especially on a regional basis to account for highly divergent 'soft costs' between urban and less-populated areas) and determining program mechanisms, we believe that NYSERDA has the expertise and on-the-ground experience to determine how these programs can work most effectively. CEC also believes that NYSERDA is best-placed to determine the appropriateness of a '40% of installed cost' cap for incentives, and we support their suggestion to do away with this restriction. Similarly, we believe that any efforts that can be taken to consolidate the implementation of renewable-supporting efforts in the State between Long Island and the rest of the State will enhance overall program delivery and make it easier for renewable energy contractors to operate within New York.

We are also particularly encouraging of the idea discussed by NYSERDA staff during the technical conference that they be given the flexibility to combine renewable and energy efficiency projects in single buildings via a consolidated program path. Implementing efficiency in a building is a critical step to ensuring that renewable energy strategies benefit a building as much as possible. From outreach and construction management perspectives, it is also highly efficient when a building owner can be convinced to undertake energy efficiency and renewable energy generation strategies simultaneously.

Lastly, although it was not included as a component of the petition – CEC would like to emphasize NYSERDA staff’s comments on solar thermal programs. In order to supplement our offerings to buildings interested in sustainability, CEC has developed the capacity to model and install Solar Thermal systems. However, in the absence of significant incentives for non-electrically heated buildings we have found great difficulty in growing this market in New York City. Being ‘pigeonholed’ to a certain type of building has limited the growth of the sector and the ability for contractors to grow to scale. We support NYSERDA staff’s intention to modify the program to become fuel neutral, and be permissible for space (as well as water) heating – we believe this would allow the market for Solar Thermal to thrive in New York State.

CEC Comments on Case 13-M-0412 Petition of New York State Energy Research and Development Authority to Provide Initial Capitalization for the New York Green Bank

CEC is highly supportive of the goals and methodologies associated with the New York Green Bank. We have a long history of experience with energy efficiency projects that are economically viable, but not currently financeable through existing products – any efforts that the Green Bank can undertake to make the efficiency-financing markets more robust and support a wider range of efficiency projects will be greatly appreciated. In the ongoing development of the Green Bank, CEC would request that consideration be given as to how the Green Bank will be coordinated with the New York City Energy Efficiency Corporation (NYCEEC), an organization that is tasked with very similar mission in the 5 boroughs. Will there be overlapping efforts undertaken by these groups in the City or will the Green Bank focus primarily outside of NYC?

CEC would also like to provide a suggestion regarding the Green Bank’s apparent emphasis on persuading financial institutions and banks about the reliability of energy efficiency savings in buildings. While we recognize that this is an important goal, CEC has found that owners of multifamily buildings are at least as skeptical about energy savings as financial institutions, and it is the owner’s unwillingness to take on debt for cost-effective energy improvements that is the bigger hurdle to developing these financial markets. CEC suggests that the Green Bank develop a strategy to address this impediment alongside the development of financial products.

CEC also particularly recommends a form of credit enhancement where Green Bank funds are used to extend the term of energy efficiency loans to encompass the full lifetime of the measures being installed. By extending the term of the loan to the actual lifetime savings of energy efficiency investments, the reduced debt service will make it possible for much deeper energy savings to be deployed in buildings.

Lastly, although we recognize the importance of funding the Green Bank and the specific opportunities associated with the currently uncommitted funds identified in the petition, CEC has initial concerns about the approach associated with repurposing funds originally meant for implementation and subsidy of energy efficiency and renewable deployment. More than anything, CEC urges that funds are allocated for the Green Bank only after a clear demand for funds is realized, rather than simply to achieve the headline ‘\$1 billion’ capitalization goal. For example, it is worth considering whether the \$44 million allocated from RGGI auctions could be better deployed in support of the ongoing GJGNY program if there are not immediate applications at the Green Bank for this funding. We strongly believe that the Green Bank should not be seen as a replacement for ongoing energy efficiency and renewable energy generation support programs. We also support the formation of a Green Bank Advisory Board that includes practitioners as well as financial expertise.

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

First and foremost CEC applauds DPS staff and their proven commitment to continual enhancement of EEPS programs. The wide-ranging and substantive modifications outlined in the staff’s petition represent well thought out program changes that CEC believes will enhance the energy savings achieved in both the remainder of the current program cycle as well as in the upcoming 2016-2020 cycle. We welcome the opportunity to provide feedback on these proposals, both in terms of supporting a range of the proposals put forth, as well as calling your attention to a selection of topics that are not currently under consideration. We will limit our comments to those sections of the petition where we have direct experience and expertise.

Role and Role-Related Issues:

CEC's experience as an implementer of NYSERDA's Multifamily Performance Program, the EmPower NY program, and other PSC-administered energy efficiency initiatives has led us to concur with the Moreland Commission and DPS staff's recommendations that PSC restrain itself to a role consisting primarily of oversight, monitoring, and providing broader guidance, rather than the close oversight and direct involvement that has characterized EEPS administration to-date. Providing NYSERDA and the utilities a broader programmatic context in which to make implementation and planning decisions will reduce the administrative burden on the programs as well as optimize the use of NYSERDA's invaluable expertise related to energy efficiency and on-the-ground implementation.

Similarly related to roles and responsibilities, CEC's experience as a program implementer has shown that the competitive nature of the current EEPS programs is counterproductive to achieving the goals of widely deployed energy efficiency and a more sustainable economy. Specifically, working with multifamily buildings in NYC, the competing and mutually exclusive program offerings of NYSERDA and Consolidated Edison has resulted in much staff time being allocated to determining which program should be utilized for any given project, without significant benefit being obtained by the building or additional energy efficiency measures being undertaken. In coordinating the new relationships between NYSERDA and the utilities, CEC suggests a substantial change to the program that would combine program savings targets and associated incentives for utilities and NYSERDA, so that they are working toward a shared goal and cooperate in a way that allows them to reap the benefits of incentivized energy efficiency program administration. The utilities that CEC has worked with directly in relation to energy efficiency deployment in New York State have certainly demonstrated a commitment to energy efficiency and have the access to and relationships with customers necessary for truly effective program deployment in the years to come. Remodeling the nature of EEPS implementation in a way that allows NYSERDA and the utilities to work together in the deployment of energy efficiency efforts will greatly enhance the overall impact of these programs and Public Service Commission efforts.

CEC believes that the best way to “advance a customer-centric program model that provides easy access to information and services that help customers choose the energy efficiency services appropriate for them and ensure high quality delivery of the services they choose” (page 6) is for NYSERDA and the utilities to determine a program implementation structure whereby New Yorkers have a single point of access for the full range of energy efficiency programs in New York State (including non-PSC administered programs, as discussed below).

CEC recommends that a not-for-profit program administrator be retained as a one-stop point of contact for New Yorkers interested in participating in energy efficiency programs (or possibly different administrators for different regions). This non-profit administrator would work closely with customers to much more easily navigate the array of programs and determine the most appropriate incentives for any given building or undertaking.

It may also be most useful for the PSC to mandate that at some point practitioners be included in the conversations that utilities and NYSERDA have to determine the new structure of energy efficiency programs in New York State.

Core Technical and System Infrastructure Issues:

CEC strongly supports the development of a revised approach to cost-effectiveness testing in New York that recognizes the State’s broader energy, environmental, and economic objectives. Particularly with regards to global warming and air quality/health impacts associated with energy consumption in urban environments, the current cost-effectiveness mechanisms do not fully reflect the impacts of current energy consumption patterns, nor the true benefits associated with energy efficiency improvements. CEC has some experience incorporating externalities into the costs and benefits of energy efficiency based on our work with the Federal Department of Energy’s Weatherization Innovation Pilot Program. Specifically, CEC worked with Forsyth Street Advisors to develop a Societal Externality Assessment Model (SEAM) that assesses the non-financial impacts of mitigated fuel consumption from retrofits, monetizes them according to governmental estimates, and then incorporates these benefits into the Savings-to-Investment Ratio determinations that are used to develop workscopes. CEC believes that thoroughly incorporating externalities as discussed in the petition (such as air pollutants as

well as an increased cost of carbon) as well as additional factors such as the mitigation of the urban heat island effect due to reflective roofs etc. would more accurately model the costs and benefits associated with energy efficiency programs and measures. CEC recommends an approach to energy efficiency whereby the societal benefits that will result from energy efficiency improvements are wholly supported through public funds and financing is available to support owners' contributions to the rest of a workscope.

Similarly, on a programmatic basis we believe it would be of great benefit to program implementation to cease mandatory TRC compliance at the measure level – limiting the PSC's role to monitoring energy efficiency at the sector level will allow program administrators to more efficiently develop program guidelines and deploy programs in the real world. Similarly to the discussion of roles and responsibility above, by limiting the 'in the weeds' involvement of the PSC in program implementation, NYSERDA will be able to more effectively achieve the energy efficiency goals of EEPs and E².

Perhaps the most important proposal discussed in the DPS staff proposal is the encouragement of an approach to fuel-neutrality that no longer precludes oil-heated buildings from the valuable opportunities associated with energy efficiency in New York State. Particularly in the context of a higher proportion of oil-heated buildings being occupied by low-income populations, as well as the regressive impact electric surcharges place on these households, it is critical that the PSC determine mechanisms by which these buildings are able to benefit from the State's ambitious energy goals. As an energy efficiency implementer in New York City, it has been very discouraging for CEC to tell owners of oil-heated buildings over and over again that they are not eligible for a large portion of funds made available for energy efficiency efforts in New York State. We recommend the strategy proposed whereby surcharges are only collected on electric bills and efficiency measures are rolled out to buildings regardless of the heating systems used in buildings. These efforts could also be supported through the recommendation in the proposal to determine goals and metrics for the low-income sector separately from the rest of the E² portfolio, allowing for more lenient guidelines and supportive incentives to ensure

that historically marginalized populations reap the benefits of New York State's ambitious energy goals.

Timeline Considerations:

Lastly, CEC greatly appreciates the PSC's recognition that many of these program modifications can be taken before 2016, and that 3 more years working with the programs as they are currently structured will miss many valuable energy efficiency opportunities. CEC supports any efforts by NYSERDA, the Utilities, or DPS staff to implement these recommendations in advance of the E² program cycle.

We specifically recommend that the restrictions on funds collected from gas-heated buildings that preclude oil- and steam-heated buildings from participating in comprehensive energy efficiency programs be removed as soon as possible. Although we recognize that there are concerns related to distribution of funds to buildings that have not had heating surcharges levied against them, CEC believes there is an over-riding public interest in allowing these buildings (which are disproportionately multifamily and occupied by low-income populations) to fully participate in New York's energy efficiency programs.

Secondly, we believe that the PSC should immediately restructure savings goals for electric and gas programs so that NYSERDA and utilities work jointly toward single energy savings targets. This will lay important groundwork for the negotiations between NYSERDA and the Utilities that will determine the structure of upcoming energy efficiency programs and ensure that all parties are poised to act cooperatively and with New York State's energy interests as the highest priority.

Additional Suggestions Related to EEPS Restructuring:

In addition to the specific proposals incorporated in the EEPS restructuring proposal that CEC supports, there are a number of points that we believe should be considered by the PSC, NYSERDA, and Utilities as they substantially overhaul New York State's energy efficiency sector.

Coordinating State Efficiency Resources:

Primarily, CEC recommends that more be done at the State level to coordinate the various energy efficiency resources available to New Yorkers. Although DPS staff helpfully recommended the closer coordination of NYSERDA and utility roles in energy efficiency deployment, and we have heard encouraging thoughts on how ‘Green Bank’ activities will be closely coordinated with E² efforts, this overlooks the valuable resources associated with the Federally funded (but State-administered) Weatherization Assistance Program and weatherization-targeted LIHEAP funds. Although it is currently outside of the PSC’s purview, we believe that a comprehensive state approach to energy efficiency should entail coordination of all of the resources available to New Yorkers through a single intake coordinator. This should also be coordinated with an increased proportion of LIHEAP funds targeted toward weatherization activities (from the current ~10% to the legally permissible 15% of the overall LIHEAP allocation).¹

Post-Retrofit Support:

CEC’s long-term experience in the Weatherization Assistance Program and New York State energy efficiency programs has led us to believe that one major aspect of most energy efficiency programs that could be greatly enhanced is the post-retrofit monitoring and technical assistance. Although NYSERDA currently performs valuable quality assurance and monitoring to ensure that efficiency gains are achieved, we believe it would be more effective if funds were made available for program implementers and partners to provide follow-up services to buildings directly for two years after a retrofit. A recent analysis we performed under the auspices of our Weatherization Innovation Pilot Program with the Department of Energy demonstrated that where energy efficiency savings were not achieved as predicted, it was generally due to minor technical difficulties that could have been averted with fuel-monitoring and technical assistance provided to operators, and that energy savings and the governmental funds supporting them could be protected for low marginal costs.

¹ Additionally, CEC has the understanding that it is permissible under federal guidelines to allocate a full 25% of LIHEAP funds to energy efficiency improvements for low-income populations. While this approach would require a legislative change by New York State, we would strongly support the exploration of this avenue toward dramatically increasing program funding for one of the most beneficial low-income programs in New York State.

Post-retrofit support should be further supplemented by the delivery of owner, occupant, and operator education alongside capital upgrades. CEC has worked with our affiliate Solar One to develop comprehensive education strategies to deploy alongside capital retrofits. We are currently performing quantitative analysis on its impact through a research project undertaken by Cornell University and sponsored by the Federal Department of Housing and Urban Development's Energy Innovation Fund, and preliminary results are promising. Although there are many benefits associated with capital upgrades to buildings, truly sustainable buildings will only come about once the actual residents' behavior is greened.

Nature of Incentive Strategies:

Although we briefly referenced this proposal above, CEC would like to reemphasize our recommendation that the internal logic of incentive structures be revised to more accurately reflect inputs and benefits. Specifically, as opposed to the current model where programs pay for a portion of the marginal costs associated with energy efficient measures, we recommend an approach whereby an entire workscope is developed for a project, and incentive levels are determined based on the societal benefits and the owner 'payback'. Building owners should be accountable for paying the entire portion of the workscope that will be repaid within 5 years (whether out of pocket, or through financing), with the public purse paying for the societal benefits associated with the workscope. For example, a given cost-effective, comprehensive efficiency workscope may cost \$100,000 and have \$12,000 in expected annual savings for the owner. Since the owner would expect \$60,000 in savings over the first 5 years of the retrofit, we would expect them to contribute this much to the workscope. The additional \$40,000 is more than outweighed by the long-term societal benefits associated with mitigating greenhouse gas emissions, decreasing urban air pollution, reducing the need for fossil fuel extraction etc. and should therefore be funded by government.

Supporting Green, Good Jobs:

Although this is more relevant to the direct administration of programs and may be beyond the purview of PSC involvement, CEC recommends that NYSERDA and the Utilities incorporate strategies to support the development of green jobs through the deployment of energy

efficiency. We think this could be accomplished by dividing energy efficiency between introductory and comprehensive worksopes. Specifically, when residential buildings are first being assessed for energy efficiency opportunities, program administrators should deploy green jobs trainees to perform outreach to tenants and install low-cost measures such as in-unit lighting, faucet aerators, and potentially such measures as smart strips (i.e. measures that have a proven cost-effectiveness and should be deployed in every building targeted through E² programs). CEC undertook an effort along these lines with the workforce readiness organization 'Green City Force' in order to more expediently complete our weatherization work through the American Recovery and Reinvestment Act with great success. This approach will ensure that even when buildings decide not to pursue comprehensive worksopes based on building modeling, that basic energy efficiency measures will have been performed regardless, and historically marginalized populations gain valuable experience in the budding green economy.

Thank you again for the opportunity to submit comments on this range of petitions being submitted to enhance New York State's clean energy economy.