



**Comments of Northeast Energy Efficiency Partnerships (NEEP)
To the Joint Committee on Telecommunications, Utilities and Energy
Regarding Various Acts Pertaining to Energy Efficiency**

June 30, 2015

The Honorable Benjamin B. Downing, Senate Chairman
Joint Committee on Telecommunications, Utilities and Energy
State House Room 410 Boston, MA 02133

The Honorable Thomas Golden, Jr., House Chairman
Joint Committee on Telecommunications, Utilities and Energy
State House Room 473B Boston, MA 02133

Chairman Golden, Chairman Downing and Members of the Committee:

On behalf of Northeast Energy Efficiency Partnerships (NEEP)¹, thank you for the opportunity to provide comments on several of the bills before you today. NEEP is a regional non-profit whose mission is to serve the Northeast and Mid-Atlantic to accelerate energy efficiency in the building sector through public policy, program strategies and education. Our vision is that the region will fully embrace energy efficiency as a cornerstone of sustainable energy policy to help achieve a cleaner environment and a more reliable and affordable energy system. NEEP is designated by the U.S. Department of Energy as the Regional Energy Efficiency Organization (REEO) serving the Northeast and Mid-Atlantic states.

Based on our technical understanding energy efficiency policy matters and best-practices, we offer our insights on some of the bills before your committee.

S. 1761- Relative to home energy efficiency

NEEP supports the acceleration of adequate valuation of home energy efficiency through a mandated energy audit prior to time of listing of the property and the development of a useful statewide energy label to be incorporated into the Mass Save® program. Requiring audits as proposed will deepen the penetration of home energy efficiency information into the real estate sector compared to current voluntary programs and hasten the effective use of this information as a consistent decision criterion in the minds of prospective home buyers and sellers.

In addition to consumer empowerment and long term market transformation, the proposed legislation would yield more immediate and tangible energy savings through increased energy retrofit activity: efforts such as the state's HomeMPG pilot have demonstrated that supplying

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

homeowners with scorecards and a custom list of recommended upgrades corresponds with increased uptake for energy improvements.

However, NEEP recommends that the sections addressing the validity an energy assessment conducted within the past three years be amended. First, we recommend that Section 1(c)(8) be revised to stipulate that such an energy assessment is only valid if no significant improvements or deteriorations (including, but not limited to: additions, renovations, or other substantial property alterations that would trigger the state building energy code; gut-rehab of the building envelope or substantial decay of the envelope due to storm damage or other wear; failure of HVAC equipment or replacement with more efficient systems; or installation of renewable or other alternative energy generation infrastructure or failure of any such existing systems). Section 1(c)(10) should likewise be revised to guard against these potential improvements and/or deteriorations within the three year period. Second, this section should also be modified to allow for a HERS rating of the property to qualify as a valid assessment regardless of whether it was undertaken as part of the ENERGY STAR® Homes certification process or for any other reason.

H. 755 - Relative to Appliance efficiency standards

Appliance efficiency standards are a proven and cost-effective way to save consumers energy and money by culling the least-efficient products from the market as technology advances, while maintaining an array of customer choices. This new package of state appliance efficiency standards will save Massachusetts consumers 65 GWhs annually by 2020 (equivalent to the annual electricity used by nearly 9000 Massachusetts homes), preventing emission of 37,000 Metric tons of associated CO₂ (equivalent to approximately 7250 cars being removed from Massachusetts roads).²

The marketplace has a provided a variety of products that currently meet these efficiency standards. The products included in H. 755 have already been passed in at least one states, and several have been adopted in Northeast states specifically³:

- Hot food holding cabinets and water dispensers- (adopted in CT, MD, DC, NH, RI)
- Water Dispensers (adopted in CT, DC, MD, NH, RI)
- Portable electric spas (hot tubs)- (adopted in CT)

NEEP has been the manager of the Northeast Appliance Efficiency Standards Project for over a decade and we commend the Commonwealth its leadership in for embracing standards as central to its energy efficiency and clean energy programs. Appliance standards are now part of the state's joint energy efficiency plans. National Grid has been particularly supportive of these initiatives through the Northeast region.

² The Appliance Standards Awareness Project (ASAP) savings estimates for Massachusetts: http://www.appliance-standards.org/sites/default/files/2011_Model_Bill-MA.pdf

³ A full list of states approving recent standards: <http://www.appliance-standards.org/states#states-table>

Infrastructure to monitor qualifying products (except for portable light fixtures) already exists through the [Multi-State Appliance Collaborative](#).⁴ Adoption of these standards will maintain Massachusetts' leadership in the area of energy policy and in the area of appliance standards specifically. Following the successful passage of a large standards package in 2005, this bill would represent the second round of appliance standards in the state.

In addition, new appliance efficiency standards was specifically cited in the Commonwealth's Clean Energy and Climate Plan for 2020 as a key policy to advance in order to meet the state's greenhouse gas reduction goals. If enacted, this legislation will enhance energy and consumer savings and help maintain the Commonwealth's leadership in energy efficiency and clean energy.

H. 2912/ S. 1766 - Relative to oilheat efficiency funding

Approximately 30 percent of homes in the Commonwealth – close to 900,000 people – currently heat with oil. NEEP believes it is important to give all customers access to energy efficiency programs that could help them insulate their homes and buildings and upgrade to efficient heating equipment.

Over the past several years, we have been working with allies including consumer and environmental advocates, faith groups and businesses to urge creation of an oilheat energy efficiency fund. While the residential customers of the investor-owned electric utilities have access to the MassSave® programs which offers some relief to people who heat with oil, a large number users are shut out of these award-winning programs – namely municipal electric customers and businesses, schools, non-profits who heat with oil.

The creation of an oilheat efficiency fund would leverage existing efficiency programs. The proposed fund calls for a fixed 2.5 cents per gallon fee to be collected at the wholesale level. This would yield annual revenue of nearly \$20 million that will in turn lower consumers' energy bills by more than \$120 million annually.

These programs would be administered with transparency, accountability and independence to ensure that consumers get real savings. The fund would keep more of our energy dollars in-state as well; current estimates are that about 80 cents of every dollar spent on energy now leaves the region. The fund would enable oilheat retailers to offer broad energy efficiency solutions to their customers in tandem with existing electric utility programs. It would greatly expand efficiency offerings for customers of municipal electric companies, some of whom do not currently offer efficiency programs.

These increased investments in efficiency would create jobs. Massachusetts has already proven that investing in clean energy and efficiency leads to real job creation. Expanding our award-winning efficiency programs to serve more oilheat customers would foster job growth even further.

⁴ <http://appliancestandards.org/>

Reducing energy waste reduces pollution. While the Commonwealth should be proud of energy and global warming efforts, we are currently falling short of the carbon reduction targets of the Clean Energy and Climate Plan for 2020. Meeting those goals will not be possible without addressing the need for increased investments in oilheat efficiency.

H.2912/S1766 would bring many benefits: economic, environmental and public health. We thank the bill sponsors and Chairman Downing for your leadership on behalf of this important bill, and urge you to maximize your efforts to ensure passage and enactment.

H. 2889 - Promoting Residential Energy Efficiency Improvements

This bill provides the Massachusetts Development Finance Agency and the Massachusetts Department of Energy Resources with the authority to establish a residential Property Assessed Clean Energy (PACE) program in Massachusetts. PACE programs help building owners invest in energy improvements by attaching the costs of said improvements to their property tax bill through a special tax assessment that remains in place for the life of the obligation.

PACE programs help property owners overcome first-cost barriers associated with energy improvements that – on a lifecycle basis – can provide significant return on investment to building owners. If a property owner sells their property, the energy investment and associated property tax assessment or lien remain with the property beyond the time of sale.

Residential PACE would facilitate private investment. Portfolios secured by investments resulting from PACE programs hold great potential for supplementing ratepayer funded energy efficiency programs with an additional infusion of private capital. These programs have enjoyed nationwide success in the commercial sector, and private markets are now expressing an appetite for residential PACE investments.

For example, in March 2014 the Western Riverside Council of Governments in California issued notes backed by more than \$103 million worth of residential PACE obligations for sale to Deutsche Bank removing the obligation from their balance sheet at a 4.75 percent coupon. More locally, in May 2014 Connecticut's Green Bank recently placed approximately \$30 million worth of commercial PACE investments with private investors, removing the obligation from their balance sheet and allowing for the issuance of even more PACE assessments.

We suggested minor additions and alterations to the bill's current language. We support this bill because legislation establishing a residential PACE program can help draw private investment to energy efficiency in Massachusetts. However, we recommend a few small revisions to the bill, detailed below.

First, the enabling language could explicitly direct that the Department of Energy Resources and Massachusetts Development Finance Agency coordinate with the Massachusetts Clean Energy Center and Utility Program Administrators to engage the public regarding financing options associated with clean energy. Second, the bill could explicitly allow for usage of the

residential PACE program in conjunction with leases and power purchase agreements. Third, the bill as written may conflict with M.G.L. Chp. 25A §10(c)(4), which describes a 20 percent reduction in baseline energy usage as limited to municipal buildings, rather than including energy usage reductions associated with the municipally enabled residential sustainable energy program as described by the PACE legislation. A slight alteration of language to account for this conflict would be prudent, and allow for a thriving residential PACE program in Massachusetts.

H. 2912 - Relative to capturing cost-effective energy savings

This bill would require energy efficiency potentials studies to be conducted under the auspices of the stakeholder Energy Efficiency Advisory Council (EEAC). Every three years the electric and gas program administrators – the investor-owned utilities and the Cape Light Compact – develop joint statewide programs aimed at capturing all energy efficiency that is less than supply, as mandated by the Green Communities Act of 2008. Studying what cost-effective potential is available will help the Council and the program administrators to develop reasonable and attainable goals to ensure that as much demand as possible is met by energy efficiency as a least-cost, first order resource. NEEP supports this bill.

S. 1771 - Promoting zero net-energy buildings

NEEP has been active in promoting zero-net energy buildings (ZNEB) with our partners at the Department of Energy Resources, the electric and gas utilities and the Cape Light Compact, including serving on the Massachusetts Net Zero Energy Buildings Taskforce. The intent of this legislation is to accelerate progress toward ZNEB set under the Global Warming Solutions Act by developing advanced ZNEB building standards.

The Bill requires a ZNEB standard be created for residential and commercial buildings that incrementally increases from 30 percent better than code to net zero. However, Bill 1771 stops short of requiring such a standard be implemented. The Bill only requires that a ZNE standard be part of the code. We recommend that an implementation plan be included in the Bill or indicate that the plan is to be produced in the rule making process.

The Bill states (page two, line seven) that more stringent energy efficiency provisions can be enacted at the discretion of the DOER. ZNE is a very stringent standard; we recommend that this language, “more stringent”, be defined or struck from the text.

ZNEB standards exist today as well as ZNE building certifications. The United States Department of Energy definitions for ZNEB could be included within Bill 1771 accelerating the implementation of a Massachusetts ZNEB standard.

The standard timing within the Bill, 2020 for residential and 2030 for commercial buildings, is acceptable to educate the public, design professionals, and code enforcement officials, however since standards, as well as definitions, for ZNEB exist the time frame for creating the standard and definitions can be accelerated to meet the growing demand for high-

performance buildings, energy efficiency and carbon reduction. We recommend that at the discretion of the Commissioner of DOER that other public and private ZNEB standards be able to be used in addition to the States ZNEB Standard.

Legislation that would, in NEEP's view, not be optimal for energy efficiency:

While most of the following bills are well-intentioned, NEEP's extensive experience in energy efficiency policy, building energy codes, high performance buildings and efficiency program design inform our determination that these bills should not be enacted as conceived. We therefore suggest the Committee to report unfavorably on the following titles:

S. 1793/ H.2886 - Expanded "opt-out" of efficiency program for large C&I users

NEEP opposed the original voluntary accelerated efficiency rebate pilot program ("opt-out" or "self-direct) created through legislation 2012. Based on results to date, we strongly oppose its expansion and continuation as proposed in these mirror bills. Two and a half years into a three-year pilot meant to give the largest commercial and industrial (C&I) customers freedom to spend their efficiency dollars as they see fit, the program has clearly not done what it set out to achieve. According to utility program administrators, **far less efficiency has happened with these very large electric and gas accounts than might have otherwise had they stayed in the statewide programs.** Further, those who choose to "opt out" of the MassSave® programs and run their own projects were still heavily reliant on the technical support of the utilities (Cape Light Compact is exempt from this program).

Some customers choose to set aside their efficiency funds for self-directed projects, but then decided not to undertake projects, waiting until the end of the pilot when they can rejoin the traditional program offerings to take advantage of rebates. This money has sat idle, unable to be used by other customers for efficiency projects. Ultimately it will be credited on customer utility bills, but not towards the statewide efficiency fund.

According to one utility employee familiar with the pilot: **"In all cases, without exception, our teams have been in there doing a lot of hand-holding. This is not self-directed. This didn't spur more energy efficiency activity; in fact there is evidence that it hindered it."**

The statewide electric and gas energy efficiency programs run under the Mass Save® banner work because of the unified and coordinated funding, marketing, operation and evaluation. They work because system benefit charge (SBC) funds are pooled together and available for customers to tap when they are ready to undertake an efficiency project, rather than tying that money up for an undetermined amount of time, with uncertain energy savings, as this bill would allow for the ten largest customers in each utility service territory.

The so-called "self-direct" pilot allowed the five largest customers of each program administrator them to access ninety percent of the funds they would pay in over a three year period, and use it to do their own efficiency programs with minimal cost-effectiveness

oversight. While some entered the pilot, a number of these large customers realized there is far greater value in staying in the Mass Save® programs, having the technical support of the program administrators, not the headaches and uncertainties of running their own programs. Many also realize that they stand to gain even more efficiency incentives than what they pay into the SBC. Expanding opt-out to the ten largest customers in each service territory, as this bill proposes, risks drastically undermining the efficiency program funding for *all* commercial customer classes above 200 kW – which in essence includes all users bigger than a small business. These large customers have tied up millions of dollars in program funds over these three years (2013-15), with no guarantee as to whether or when they would use it for efficiency projects.

Opting out also increases the program costs for all other C&I customers that remain in the program. Allowing the largest commercial and industrial users to opt out of efficiency programs does not represent the best use of ratepayer dollars to advance energy efficiency, and would in fact present additional burdens on these businesses as well as harm those that do not have the option of special treatment. We urge the Committee to reject this bill.

H. 2857 - Relative to energy efficiency literacy for commercial property managers

This bill would require the utilities to create an in-depth education program offered statewide for commercial building managers and operators to learn how to economically achieve greater energy efficiency and reduce energy use as part of their three-year energy efficiency plans. NEEP certainly believes that large buildings need trained managers who understand how building systems work together and, in turn, how to find and mitigate energy waste. We believe that developing such a program legislatively, would circumvent the state's Energy Efficiency Advisory Council and the existing efficiency programs which currently offer some training assistance. Any new offering should be developed under the auspices of Mass Save® and the existing framework for efficiency program delivery and should incorporate the U.S. Department of Energy Workforce Accreditation Guidelines rather than develop a program through the Department of Public Utilities.

In Closing

We thank the Committee and bill sponsors for your many good efforts to harness the power of energy efficiency and clean energy in the Commonwealth, and thank you for the opportunity to provide these comments. Please do not hesitate to contact me or my NEEP colleagues with any questions regarding this testimony or other matters related to energy efficiency policies in Massachusetts or across the region.



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