Via electronic submission

October 26, 2015

Hon. Kathleen Burgess
Secretary to the Commission
New York State Public Service Commission
Agency Building 3
Albany, New York 12223-1350

Re: Case 14-M-0101, Proceeding on the Motion of the Commission in Regard to Reforming the Energy Vision

Dear Secretary Burgess,

On behalf of Northeast Energy Efficiency Partnerships (NEEP)[1], please accept our comments regarding Staff's White Paper on Ratemaking and Utility Business Models, submitted to the Commission on July 28, 2015. NEEP is a regional non-profit organization that works to accelerate energy efficiency in homes, buildings and industry across the Northeast and Mid-Atlantic states. NEEP is one of six Regional Energy Efficiency Organizations (REEOs), as designated by the U.S. Department of Energy, which works in cooperation with the DOE to support states receiving U.S. Department of Energy Guidance. Our Policy Outreach and Analysis group serves as an information resource for policymakers and program administrators to support the adoption and implementation of public policies and programs that advance energy efficiency.

INTRODUCTION

We applaud the Commission's continuing steps toward a reformed energy vision that helps achieve the long-term strategic goals of the Cuomo Administration. As noted within the 2015 State Energy Plan, energy efficiency is "[T]he most powerful tool at New York's disposal to achieve the State's aggressive GHG reduction goals."[2] Our comments, thus, entail some high level recommendations regarding proposals for energy efficiency in Staff's White Paper on Ratemaking and Utility Business Models ("the Staff White Paper"), with an emphasis on how New York State would benefit from establishing a permanent energy efficiency stakeholder collaborative.

In addition, NEEP has participated in the New York Clean Energy Organizations Collaborative, a group of organizations concerned about the direction of clean energy in the state within the context of the REV proceedings. While that group, led by the Natural Resources Defense Council and the Pace Energy and Climate Center, has submitted its own joint comments, NEEP at this time has chosen to submit its own comments, focused specifically on some of the high level issues related to energy efficiency in the Staff White Paper, as well as the specific issue of stakeholder collaboratives. Nonetheless, we are supportive of many of the points raised by the Clean Energy Organizations Collaborative, and include in these comments points of agreement with regard to energy efficiency policy.

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

[2] 2015 New York State Energy Plan: The Energy to Lead. Page 77. Available at: [http://energyplan.ny.gov/-/media/nysenergyplan/2015- state-energy-plan.pdf](http://energyplan.ny.gov/-/media/nysenergyplan/2015-state-energy-plan.pdf)

MODIFICATIONS TO THE UTILITY/DSP REVENUE MODEL

Public Policy Achievement

The Staff White Paper cautions that, "While a key objective [of the REV proceeding] is to create a vibrant market resulting in greater levels of energy efficiency by making efficiency an attractive business opportunity, maintaining minimum targets is important to ensure sustained effort and demonstrated commitment."[3] We applaud this emphasis on sustained effort and demonstrated commitment to energy efficiency, which has consistently proven itself as the least cost energy resource.[4] For precisely this reason, we suggest prudence around Recommendation Five, which directs that Utility-sponsored energy efficiency should transition from general resource acquisition to targeted and market-based approaches, with goals informed by the ETIP, DSIP, and State Energy Plan processes."[5]

In perfectly functioning market conditions, the excellent rate of return provided by energy efficiency would incentivize private capital's movement toward such an opportunity. Yet, well documented market barriers such as imperfect consumer/vendor access to information, split incentives, the low saliency of energy efficiency retrofits, and silos within organizational hierarchies have stood in the way of investments in energy efficiency.

As a result, policy-makers around the country have directed investment of ratepayer funds toward energy efficiency projects, capturing broad public benefits that might otherwise go unrealized.

We applaud New York's work to break down the barriers to private investment in energy efficiency, but echo Staff's assertion that "[T]he transition in approach to utility efficiency programs should be phased and should provide reasonable continuity to vendor communities that have developed to serve the Commission's programs."[6] It is entirely possible that turn-key, third-party DER developers might not emerge on the timeline—or to the extent—initially envisioned in this proceeding. For this reason, we urge the Commission to continue support for current or expanded MWh resource acquisition goals *at least* until alternative approaches have been demonstrated to be as effective as current programs. Further, and in agreement with a recommendation made by the Clean Energy Organizations Collaborative, New York cannot and should not rely solely upon market-based earnings as a replacement for ratepayer funding until such time as MBEs have demonstrated the ability to serve as a stable, sufficient funding source that can deliver energy efficiency savings consistent with the goals articulated in the State Energy Plan.

As the utilities begin this transition away from pure resource acquisition programs and toward the DSIP process, one strategy to prevent lost traction for energy efficiency could be borrowed from nearby states that have contemplated their own efficiency program overhauls: the Enhanced Energy Efficiency Collaborative.

The Value of an Energy Efficiency Collaborative

[3] NY DPS Staff White Paper on Ratemaking and Utility Business Models. Page 48.

[4] Lazard's Levelized Cost of Energy Analysis- Version 8.0. Page 3. (September 2014) Available at: http://www.lazard.com/PDF/Levelized%20Cost%20of%20Energy%20-%20Version%208.0.pdf

[5] *Supra*, at note 2. Page 107.

[6] *Supra*, at note 2. Page 49.

The U.S. Department of Energy's State and Local Energy Efficiency Action (SEE Action) Network recently published an extensive guidance document detailing successful policies around the country that promote energy efficiency through the establishment of Energy Efficiency Collaboratives.

According to the Department of Energy, Energy Efficiency Collaboratives bring value to the their regulators and ratepayers because "the inclusive planning and evaluation efforts undertaken by the collaboratives can greatly enhance the delivery and design of programs, making better use of the program funds."[7] Stakeholders need look no further than the Reforming the Energy Vision (REV) process to understand that such collaboratives incorporate differing perspectives into the deliberative process *before* a decision reaches adjudication, greatly limiting the amount of administrative burden associated with such processes.

A primary role of Energy Efficiency Collaboratives is to "Gather stakeholder input on changing program budgets and program changes in response to performance or market shifts, as well as… identify additional energy efficiency opportunities and innovations, assess the role of energy efficiency in new regulatory contexts, and draw on lessons learned and best practices from a diverse group."[8] The above-linked resource outlines six design principles core to any successful energy efficiency collaborative, including:[9]

- **Establish a clear objective** to ensure progress is tracked and achieved;
- **Clarify rules of the road** such as a code of conduct to ensure balanced participation;
- **Solidify a public, transparent, and inclusive processes** to ensure stakeholders can remain informed, possibly through document and agenda publication on the web;
- **Conduct regular evaluation efforts** to ensure effective progress toward the body's objective;
- **Recruit a strong, experienced facilitator** to ensure a diversity of positions find their voice with the collaborative;
- **Grant influence with the regulatory body** in a way that gives weight to the efforts of the collaborative, creating a virtuous cycle of collaboration and engagement rather than intervention and litigation.

Supporting REV Principles through an Enhanced Permanent Collaborative

In particular, the above-linked resource examines the success of the "Enhanced Permanent Collaborative" model, which is based upon dedicated funding, permanence, and a broad array of specific tasks and responsibilities. An enhanced collaborative tends to have a statewide scope,[10] maintain independent staff, engage consultants, and prepare recommendations for the state utility commission.[11] Voting members typically include heads of appropriate state agencies (or their designate), as well as representatives from consumer, industrial, trade, and environmental groups.[12]

[7] US Department of Energy. State and Local Energy Efficiency Action Network. *Energy Efficiency Collaboratives*. Michael Li and Joe Bryson. (2015) Page 14.
[8] *id.* at Page 1.
[9] *id.* at Page 5-6.
[10] With the possible exception of small municipal or cooperative utilities who may lack the resources to participate in such collaboratives.
[11] *Supra*, at note 7. Page 11.
[12] *Supra,* at note 7. Page 12.

New York's neighbors in Massachusetts,[13] Connecticut,[14] and Rhode Island[15] all provide examples of successful enhanced collaboratives tasked with overseeing the procurement of "all cost-effective" energy efficiency.

The Staff White Paper invites parties to comment on proposed EIM categories "as well as specific suggested measurements or methods to develop such measurements."[16] We suggest that the Commission establish an Enhanced Permanent Collaborative to help determine the amount of cost-effective energy efficiency achievable in the state of New York, and the extent to which the utilities are actively procuring such opportunities. In fact, Enhanced Permanent Collaboratives are often "[C]reated or modified as part of a shift in the state's energy efficiency approach,"[17] similar to the shifts present within the Commission's present undertaking. The establishment of a Permanent Enhanced Collaborative would ease the administrative burden on the commission by vetting program designs and approvals with stakeholders before they enter the Commission's jurisdiction. Such a process would also comply with Staff's DSIP guidance, which directs that the DSIPs "[I]dentify the process of collaborating with stakeholders to develop and implement ways for various DERs [including energy efficiency] to be substituted for traditional grid-based solutions in order to avoid or reduce utility capital or operating costs."[18]

CONCLUSION

NEEP commends the utilities, staff, and the Commission for continuing to support energy efficiency in the Empire State. It is our belief that continued coordination between staff, the utilities, and NYSERDA can help grow the economic engine that is energy efficiency and provide savings for ratepayers for decades to come.

Please accept these comments in the spirit they are intended: to aid the Commission, NYSERDA, the Utilities, and, ultimately, the people of New York, in securing a more affordable, reliable, cleaner and sustainable energy future.

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[13] Massachusetts Energy Efficiency Advisory Council (EEAC), About. Available at: http://ma-eeac.org/about/
[14] Connecticut Energy Efficiency Board, (EEB) About. Available at: http://www.energizect.com/about/eeboard/overview
[15] Rhode Island Energy Efficinecy Resource Management Council (EERMC), Powers and Duties. Available at: http://www.rieermc.ri.gov/powers/
[16] *Supra*, at note 2. Page 55.
[17] *id*. at Page 19.
[18] 14-M-0101 Distributed System Implementation Plan Guidance. Page 14.