

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

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

Case 13-M-0412      Proceeding on Motion of the Commission Regarding a Green Bank

**Reply Comments  
of the  
National Association of Energy Service Companies**

NAESCO appreciates the opportunity to offer these reply comments to the comments of a number of parties that filed comments in the above-referenced matter on October 28 and 29, 2013.

**Introduction to NAESCO**

NAESCO is the leading national trade association of the energy services industry. NAESCO numbers among its members some of the world's leading energy services companies, including: ABM Energy, AECOM Energy, Aireko Energy Solutions, Ameresco, Burns & McDonnell, CM3 Building Solutions, Chevron Energy Solutions, Clark Energy Group, ClearEnergy Contracting, Climatec, Comfort Systems USA EnergyServices, ConEdison *Solutions*, Constellation New Energy, Control Technologies and Solutions, CTI Energy Services, Eaton Corporation, Energy Control, Energy Solutions Professionals, Energy Systems Group, Excel Energy, The Fulcrum Group, NextEra Energy Solutions, Green Campus Partners, Honeywell, Johnson Controls, M360, McClure Energy, Navitas, NORESKO, NXEGEN, Onsite Energy, Pepco Energy Services, Performance Services, Schneider Electric, Siemens Industry, Synergy Companies, Southland Industries, Trane, UCONS, Wendel Energy Services, and Wipro Limited. Utility members include the New York Power Authority, Pacific Gas & Electric, and Southern California Edison.

During the last twenty years, NAESCO member companies have delivered hundreds of millions of dollars worth of energy savings performance contracts to New York Commercial,

industrial, residential and institutional customers. Nationally, NAESCO member company projects have produced:

- \$45 billion in projects paid from savings
- \$50 billion in savings – guaranteed and verified
- 400,000 person-years of direct employment
- \$30 billion of infrastructure improvements in public facilities
- 450 million tons of CO2 savings at no additional cost

In addition, NAESCO has been a party to the Public Service Commission proceedings on the Systems Benefits Charge, the EEPS and other matters. NAESCO serves as a member of the Evaluation Advisory Group and the New York RGGI Advisory Group and has served as a member of the SBC Advisory Group.

### **Summary of Comments**

1) NAESCO supports the comments of several parties that the EEPS portfolio of programs should be re-designed to be more customer-centric, which means significant changes in the coordination of programs between Program Administrators (PAs), flexibility in structuring incentives, and the reformulation of cost effectiveness calculations for different classes of customers.

2) NAESCO supports the comments of NYSERDA and NRDC that urge the Commission to structure the EEPS programs around the goals of the State Energy Plan.

3) NAESCO supports the comments of several parties about the proper role for the Department of Public Service in the ongoing EEPs programs, and cautions that failing to properly match the responsibilities of the DPS to its staff capabilities may seriously harm programs.

4) NAESCO supports the comments of several parties that urge the Commission to abandon the TRC as the primary tool for evaluating cost-effectiveness, because the TRC is cumbersome and inappropriate at the measure or project level, and the TRC does not adequately value the Non Energy Benefits (NEBs) that motivate many customers to undertake energy efficiency projects.

5) NAESCO supports the comments of the NRDC and NYSERDA, which urge the Commission to establish a new EEPS Program Advisory Group (PAG) that is representative of

all of the stakeholders in EEPS programs (e.g., the SBC AG) and is fully involved in planning the next phase of the EEPs programs.

## **Discussion**

**1) NAESCO supports the comments of several parties that the EEPS portfolio of programs should be re-designed to be more customer-centric, which means significant changes in the coordination of programs between Program Administrators (PAs), flexibility in structuring incentives, and the reformulation of cost effectiveness calculations for different classes of customers.**

NAESCO supports the comments of several parties (NRDC at 7, NYSERDA at 17) that the next phase of EEPS programs should be more customer-centric. Specifically, this means that the Commission should:

- Start the planning process by establishing the goals of the program (“goals before roles” - NYSERDA at 11);
- Ensure that the work of all of the PAs, including NYPA and LIPA (NYSERDA at 17) is coordinated so that the customer sees a unified set of program offerings that are not competing with each other and that steer the customer to contribute to the achievement of the goals;
- Replace the tools the Commission uses to evaluate program cost effectiveness (see discussion below), applying different and more realistic discount rates to different classes of customers. For example, the appropriate discount rate for a K-12 school or state building is probably the rate at which it can arrange long-term project financing, currently municipal lease at about 3.5%.
- Allow the PAs more flexibility in setting incentive rates to achieve the program goals (Joint Utilities at 6, NYSERDA at 18). One of the curious aspects of the regulation of SBC energy efficiency programs in New York and in many other states is that the regulators, while espousing a policy of market-based programs, fail to respond to the most basic market signals. Many energy efficiency programs today have not been successful in penetrating key market segments (e.g, whole house or Class A commercial building retrofits). In market terms, the owners of the energy efficiency resources the programs seek to acquire are not willing to sell the resources at the price (incentive)

offered by the programs. But the programs refuse to use a market response, which is to raise the price to the level at which the owners of the resource are willing to sell.

**2) NAESCO supports the comments of NYSERDA and NRDC that urge the Commission to structure the EEPS programs around the goals of the State Energy Plan.**

As noted above, NAESCO supports the comments of NYSERDA (NYSERDA at 11) and the NRDC that the planning for the next phase of the EEPS programs should start with the state's energy policy goals, as embodied in the State Energy Plan and other documents. In NAESCO's opinion this means coordinating the EEPS and Green Bank programs so that both are contributing to the achievement of the goals. NAESCO supports the comments of the NRDC (NRDC at 5) and NYSERDA (NYSERDA at 23) that this means putting EE first in the "loading order" for both programs and individual customers. The reason for this loading order is very simple: unless we make New York homes and buildings as energy efficiency as possible, the migration of the generation system to clean energy sources will simply not be affordable. An widely debated current example illustrates the point. The cost of the power from the first US offshore wind power project that has actually negotiated supply contracts with utilities (Cape Wind) starts at \$.195 per kWh and escalates at 3.5%/year for the twenty-year duration of the contract. Getting customers who use Cape Wind power to a breakeven point on their electricity bills thus means lowering their electricity usage by half to two-thirds, depending on their current commodity charges. NAESCO suggests that the EEPS and Green Bank programs should be structured around this reality: customers should have to minimize their energy use before receiving incentives or low-cost financing for renewables.

*Please note that NAESCO member companies implement both EE as well as the largest customer-sited RE technologies in the US for their customers, so we are not advocating against RE because we don't install RE. Rather, our projects implement the loading order priorities we advocate -- EE before RE – because it makes economic sense of the customer.*

**3) NAESCO supports the comments of several parties about the proper role for the Department of Public Service in the ongoing EEPs programs, and cautions that failing to properly match the responsibilities of the DPS to its staff capabilities may seriously harm programs.**

NAESCO, based on its experience in California, strongly urges the Commission to define the ongoing role of the DPS staff as oversight, rather than assigning the DPS key roles in

program development and implementation. NAESCO urges the Commission to consider the unfortunate example of California, where the Public Utilities Commission has assigned the Commission's Energy Division (the California equivalent of DPS staff) key program functions, including the management of program impact (as opposed to process) evaluations, development and updating program and measure cost-benefit analysis, review and approval of PA applications for new technologies, and review and approval of custom projects, which are typically delivered to large commercial, industrial and institutional customers. Unfortunately, the Commission did not increase the Energy Division (ED) staff sufficiently, so that the ED is literally years behind in some areas of its work. A particularly glaring example is the inability of the ED to complete the program evaluations for one program cycle so that the evaluations can inform the planning for the next cycle. This timing is critical if the Commission seeks to continually improve programs (NYSERDA at 12). NAESCO therefore urges the Commission to limit the DPS role to oversight and to ensure that the DPS has sufficient staff to complete its assigned work on schedule.

**4) NAESCO supports the comments of several parties that urge the Commission to abandon the TRC as the primary tool for evaluating cost-effectiveness, because the TRC is cumbersome and inappropriate at the measure or project level, and the TRC does not adequately value the Non Energy Benefits (NEBs) that motivate many customers to undertake energy efficiency projects.**

NAESCO supports the comments of several parties that the TRC has outlived its usefulness as the primary tool for evaluation program cost effectiveness (Joint Utilities at 6-7, NYSERDA at 14). Applying the TRC at the measure level violates the principles of customer-centric programs, because most customers that are implementing multi-measure projects are interested in the total project payback, not a complex analysis of the individual measures. Furthermore, since the TRC inputs are usually based on the incremental improvements from either current building code or current industry practice, rather than actual field conditions, the TRC test does not accurately capture the full value of the customer's actual energy savings. Finally, the TRC cannot readily quantify the value of some Non Energy Benefits (*e.g.*, increased home comfort or increased productivity and decreased absenteeism among office employees) that are critical factors in motivating many customers to undertake the type of comprehensive EE (and RE) projects that are key to achieving policy goals. NAESCO therefore urges the Commission to replace the TRC with a more appropriate evaluation tool.

**5) NAESCO supports the comments of the NRDC and NYSERDA, which urge the Commission to establish a new EEPS Program Advisory Group (PAG) that is representative of all of the stakeholders in EEPS programs (e.g., the SBC AG) and is fully involved in planning the next phase of the EEPs programs.**

NAESCO, as noted above, serves on the EEPS EAG and the RGGI Advisory Group, and previously served on the SBC AG. Our experience is that the SBC AG, which was designed by the Commission to represent all program stakeholders, is much more useful to stakeholders like project implementers than the EEPS EAG, whose role is limited to technical aspects of program evaluation. For example, at the beginning of the SBC I program, NAESCO and its member companies believed that several design flaws in the program designed to facilitate performance contracting were limiting program participation. NAESCO, through its membership in the PAG, was able to suggest several changes in the program's project application and processing procedures that did not increase program incentives to NYSERDA, which promptly adopted the changes. These simple changes resulted in the program's participation from near zero in the first year to full capacity in about six months. The lesson that NAESCO learned from this experience is the value of having stakeholders (in our case project implementers) involved in program design. NAESCO therefore believes that as the Commission embarks on the planning for a set of programs that are much more ambitious and complex than SBC I, the value of stakeholder (implementers as well as customers) input into the program planning process at the earliest stages (e.g., the relationship between EE and RE) is crucial if the Commission wants to roll out successful programs.

### **Conclusion**

NAESCO appreciates the opportunity to submit these reply comments, and urges the Commission to accept the recommendations that we make in support of the comments previously submitted, as follows.

1) NAESCO urges the Commission to re-design the EEPS programs and to design the Green Bank program to be more customer-centric, which means significant changes in the coordination of programs between Program Administrators (PAs), flexibility in structuring incentives, and the reformulation of cost effectiveness calculations for different classes of customers;

2) NAESCO urges the Commission to structure the EEPS programs around the goals of the State Energy Plan;

3) NAESCO urges the Commission to structure a limited oversight role for the Department of Public Service in the ongoing EEPs programs, and cautions that failing to properly match the responsibilities of the DPS to its staff capabilities will seriously harm programs.

4) NAESCO urges the Commission to abandon the TRC as the primary tool for evaluating cost-effectiveness, because the TRC is cumbersome and inappropriate at the measure or project level, and the TRC does not adequately value the Non Energy Benefits (NEBs) that motivate many customers to undertake energy efficiency projects.

5) NAESCO urges the Commission to establish a new EEPS Program Advisory Group (PAG) that is representative of all of the stakeholders in EEPS programs (e.g., the SBC PAG) and is fully involved in planning the next phase of the EEPs programs.

Respectfully submitted by,

Donald Gilligan  
President  
National Association of Energy Service Companies  
[dgilligan@naesco.org](mailto:dgilligan@naesco.org)  
978-740-8820