BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Act 129 Energy Efficiency and Conservation Program Phase III	**:** **:** **:**	**Docket No. M-2012-2289411**

COMMENTS OF ENERGY EFFICIENCY FOR ALL

Jackson Morris
Director Eastern Energy
Natural Resources Defense Council (NRDC)
100 Center Rd
Danville, PA 17821
(570) 380-9474
jmorris@nrdc.org

On behalf of Energy Efficiency for All

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I. INTRODUCTION

These comments are submitted by the Energy Efficiency for All ("EEFA") coalition pursuant to the Pennsylvania Public Utility Commission's ("Commission") invitation for interested parties to comment upon issues related to the Act 129 Energy Efficiency and Conservation Program Phase III.[1]

EEFA is a partnership of Pennsylvania and national organizations that share a common goal to ensure that the owners and tenants of multifamily housing can access energy efficiency services to reduce the energy consumption of these buildings and to preserve existing affordable housing for economically vulnerable households, while also empowering this sector to play a more prominent role in reducing pollutants attributable to electric energy—the number one source of carbon emissions in the state.[2] EEFA is comprised of the following organizations: ACTION-Housing, Inc., Energy Coordinating Agency, The Energy Foundation, Evans Multifamily Services, Keystone Energy Efficiency Alliance, The National Housing Trust, The Natural Resource Defense Council, The Pennsylvania Utility Law Project, and Regional Housing Legal Services.

EEFA thanks the Commission for the opportunity to provide these comments.

II. DISCUSSION

EEFA applauds the Commission for its work to increase energy efficiency in Pennsylvania and for taking steps to ensure that energy efficiency improvements are extended to the subsidized multifamily market. EEFA strongly encourages the Commission to build upon the

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[1] *See Secretarial Letter Re: Act 129 Energy Efficiency and Conservation Program Phase III*, Docket No. M-2014-2424864 (Oct. 23, 2014).

[2] Pa. Dep't Environmental Protection, Climate Change Advisory Committee, Greenhouse Gas Inventory Update (Dec. 9, 2014), *available at* http://files.dep.state.pa.us/Air/AirQuality/AQPortalFiles/Advisory%20Committees/CCAC/2014/12-9-14/Greenhouse_Gas_Inventory_summary_(11-10-14).pdf.

foundation it created in Phases I and II, and makes the following recommendations in furtherance of that goal:

- Create and/or strengthen specific reduction goals for subsidized multifamily property owners and tenants within the Government, Educational, and Non-profit (GEN) and Low-Income Sectors, respectively.
- Require EDCs to create integrated, cross-sector multifamily programs to avoid unintentional exclusion of large numbers of low-income individuals and subsidized multifamily building owners from accessing the benefits of Act 129.
- Establish a work group of interested stakeholders to explore the issue of program coordination and establish best practices for coordinating energy efficiency efforts both within and beyond EDC Act 129 programs.
- Require EDCs to include programs that provide whole-home energy efficiency measures, and set a specific savings target attributable to those programs.
- Adjust the Total Resource Cost test to include quantifiable non-energy benefits that result from installing energy efficiency measures in subsidized, multifamily buildings.

Below, we address each of these recommendations in turn.

a. Include a Specific Reduction Target for Multifamily Properties Within the Government, Educational, and Non-Profit (GEN) Sector

EEFA urges the Commission to maintain its current carve-out for reductions in the GEN Sector, and recommends that the carve-out be *at least* 10% of total savings, as prescribed in Phases I and II. In addition, we urge the Commission to set specific reduction targets for multifamily housing within the GEN sector. A specific reduction target for multifamily buildings is necessary to ensure that multifamily building owners are able to access the benefits of Act 129, and will enable EDCs to achieve significant savings, as this sector has to date remained largely untapped.[3]

EEFA supports the inclusion of savings from multifamily properties that have been financed under a Federal or State or Local affordable housing program and have long-term use restrictions in place as the key criteria for this category. In Pennsylvania, there are more than 200,000 affordable multifamily apartments, all of which are subsidized with some combination of federal, state, and local funds. That said, we do not support limiting a multifamily carve-out to properties owned by nonprofits or government agencies, as that would significantly reduce the number of buildings eligible for inclusion in the carve-out. Federal and state housing subsidy programs, such as the Low Income Housing Tax Credit Program, bring many private owners into the fold as affordable multifamily housing providers and, as such, should be given the same opportunity to access EDC-run energy efficiency programs. Because such owners are not directly run by a government or non-profit agency, and are not technically an "institution", these owners have remained largely in the penumbra of energy efficiency programs –unable to access the rich energy efficiency programs within their EDC's portfolio of energy efficiency programs.

We support the Commission's direction to the SWE to assess the potential for consumption and peak demand reductions in the Government, Educational and Non-Profit Sector (G/E/NP) sector in both the energy efficiency and the demand response potential studies. EEFA

[3] A 2012 study by CNT Energy and ACEEE identified Pennsylvania as a state with the highest potential for energy reductions in the multifamily sector. *See* Anne McKibben et al., CNT Energy & ACEEE, *Engaging as Partners in Energy Efficiency* (Jan. 26, 2012), *available at* http://www.aceee.org/research-report/a122. A 2013 study by the same groups identified that, nationwide, savings from the multifamily sector could top 3.4 billion per year if current energy efficiency efforts were expanded and implemented to fully address the multi-family sector. McGibbon, CNT Energy & ACEEE, Engaging as Partners: Introducing Utilities to the Energy Efficiency Needs of Multifamily Buildings and their Owners (March 27, 2013), *available at* http://aceee.org/research-report/e137.

encourages the Commission to include multifamily properties in potential studies conducted by the SWE, including multifamily properties owned by non-profit and government entities, and properties financed under a Federal or State affordable housing program that have long-term use restrictions in place.[4]

We also recommend that the PUC strongly encourage EDCs to coordinate with the Pennsylvania Housing Finance Agency (PHFA) in administering multifamily programs. In their most recent Act 129 annual report, PECO identifies the challenge of reaching property owners and management firms as a barrier to installing prescriptive measures in multifamily housing through their Smart Multifamily Solutions program.[5] As explained in detail below, successful implementation of multifamily energy efficiency programs requires a concerted effort to coordinate across sectors, programs, and industries. In the GEN context, multifamily program success hinges on whether an EDC has access to key property decision makers. PHFA, as the agency responsible for administering many of Pennsylvania's affordable housing finance programs, is uniquely able to provide such access to facilitate close coordination between EDCs and property owners.

b. Include a Specific Reduction Target for Low-Income Multifamily Tenants Within the Low-Income Sector Carve-Out

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[4] Forthcoming Pennsylvania Affordable Multifamily Potential Analysis: We also note that the Natural Resources Defense Council, in conjunction with Elevate Energy, the Energy Foundation, and the National Housing Trust, has commissioned an energy efficiency potential study of affordable multifamily housing in eight states, including Pennsylvania. Although the study is not yet finalized, preliminary results of the study suggest that maximum achievable electric savings potential of 25% could be captured over the next 20 years, representing hundreds of millions of dollars in net benefits to customers. EEFA looks forward to presenting the complete findings from this analysis to the Commission, SWE, and other interested parties in future Act 129 comments and other venues.

[5] Final Annual Report to the Pennsylvania Public Utility Commission For the Period June 2013 through May 2014 Program Year 5 For Pennsylvania Act 129 of 2008 Energy Efficiency and Conservation Plan, Prepared by Navigant Consulting For PECO Energy Company November 14, 2014

EEFA further recommends that the Commission maintain its current carve-out for reductions in the Low-Income Sector, and that the carve-out be *at least* 4.5%, as prescribed in Phase II. As in the GEN Sector, EEFA requests that the Commission set forth specific energy savings targets for tenants residing in multifamily housing with incomes at or below 150% of the FPIG. Low-income tenants who reside in multifamily housing have been largely unable to enjoy the same benefits of the Act 129 programs enjoyed by low-income tenants and/or owners of single-family homes. The Commission recently recognized this disparity in a Final Order to PGW regarding its Universal Service program portfolio, stating that "low-income multifamily housing is often underserved", and ordering PGW to create a program within its Universal Services portfolio to address these underserved populations.[6]

But while tenants within this sector remain underserved by Act 129 programs, the savings potential in this housing stock – and the potential non-energy benefits for residential customers in general - is great.[7] While EEFA recognizes that EDCs were permitted to include savings for low-income multifamily tenants in Phase II, and thanks the Commission for that foresight, the lack of a specific savings target has curtailed such efforts, as initial penetration in the multi-family housing field has presented challenges that EDCs were not incentivized to overcome. If specific savings targets are included in Phase III, EDCs would be motivated to overcome these challenges. As explained below, EEFA does not suggest imposing specific targets in a vacuum: We encourage the Commission to couple a specific savings target for affordable multifamily buildings with specific coordination directives and best practices. In that way, we believe that

[6] *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016*, Final Order, at 56-57, Docket No. M-2013-2366301 (Aug. 22, 2014).

[7] *See supra* note 3. The potential non-energy savings in the multifamily housing sector are discussed below, and include a reduction in the total energy burden (the percentage of income that an individual must devote to energy costs) for vulnerable, low-income individuals; a reduction in the cost of Universal Services programs – such as the Customer Assistance Program (CAP), which are paid for by residential rate payers; and an increase in the overall health and safety of residents in low-income housing units.

Phase III has the potential to both incent EDCs to address multifamily properties, while also assisting EDCs in navigating the obstacles to integration by offering specific guidance and best practices for coordination and implementation.

c. Require EDCs to Create a Specific Plan for Cross-Sector Integration of the GEN and Low-Income Multifamily Programs.

EEFA recommends that the Commission recognize the difficulties inherent in sector categorizations of Act 129 by requiring EDCs to develop a plan to coordinate their multifamily programs across the GNI and Low Income sectors and to integrate those programs with other EDC programs – such as the Low Income Usage Reduction Program (LIURP) within their Universal Service portfolios. As the Commission is aware, there are significant challenges inherent to serving affordable multifamily housing units, chief among them the ability to reach multifamily tenants and building owners and to provide a meaningful benefit to both. But with carefully coordinated planning and implementation, these issues can be overcome.

For example, low-income multifamily residents and multifamily building owners in some areas are finding it difficult or impossible to access programs that they need, either because (1) the EDC's programmatic rules unintentionally exclude multi-family residents and/or owners[8] or (2) they are not properly referred to the appropriate program within the EDC.[9] The following

[8] One EDC excludes any building with four or more stories from their residential low-income program. While this rule was likely developed to prevent disproportionately large single-family homes from receiving services, the result has been to completely foreclose many multifamily residents from receiving Act 129 residential services.

[9] As an example, the evaluator of PECO's programs has made the following recommendation about PECO's Smart Multifamily Solutions program: "Program managers should work with the CSP staff to look for opportunities to promote participation in other programs. PECO program managers for similar program sectors (e.g., SHR and SMF) should be communicating regularly to know what is going on in each other's programs and how they can support each other. PECO program managers should leverage the on-site scoping audits conducted as part of the pre-installation visit to identify the potential for installation of cross-program measures." Final Annual Report to the Pennsylvania Public Utility Commission For the Period June 2013 through May 2014 Program Year 5 For Pennsylvania Act 129 of 2008 Energy Efficiency and Conservation Plan, pg. 218.

chart includes a sampling of actual issues encountered by clients of one EEFA member in Pittsburgh, and illustrates these potential gaps:

				Available Utility Incentives	
Building Type/Size	**County**	**Available Program**	**Meter Configuration**	**Common Area**	**Tenant Unit**
50-unit, 3 story senior housing building	Butler	Commercial Prescriptive Rebate	Master-metered	Common area/ outdoor lighting rebates	None
11 building, 48-unit Section 8 family development; 2-4 stories	Allegheny	Direct Install Master-metered Multifamily	Individually-metered electric, owner paid	Direct install on common area and exterior lighting	None
62 – unit, 7 story, senior building	Allegheny	Direct Install Master-metered Multifamily	Individually-metered electric, tenant paid	Direct install on common area/ outdoor lighting	None

These programmatic access problems could be solved by requiring EDCs to make a concerted effort to coordinate their Act 129 multifamily programs within their Act 129 portfolio – as well as outside of that portfolio – to ensure that all residential customers are able to access the program that best suits their specific needs. As a basic premise, there should be no “wrong door” for a potential participant to access Act 129 programs.

d. Convene a Coordination Work Group Tasked with Exploring the Issue of Program Coordination, Developing Recommendations for the Commission, and Establishing Best Practices for EDCs

To provide adequate direction to EDCs on coordination efforts, it is critical that the Commission have a full understanding of the potential avenues for collaboration – as informed by all stakeholders, including EDC's Act 129 and Universal Services program staff, Commission staff, consumer and low income advocates, and the environmental community. Other state agencies with a stake in coordination – such as the Department of Community and Economic Development (DCED) and the Department of Environmental Protection (DEP)– should also be included to address cross-program and department coordination. This would ensure that, moving forward, Act 129 programs are designed in a manner that leverages existing programs to provide direct and holistic services to all participants.

e. Require EDCs to include programs that provide whole-home energy efficiency measures.

EEFA supports the inclusion of whole-house measures, which can significantly impact the comfort, safety, and long-term affordability of low-income housing. In the past, programs have steered clear of whole-home measures, as the net savings potential is much less compared to the net savings potential of unit measures, such as light bulbs, power strips, and other consumables. However, as others have explained more thoroughly in their comments, the market penetration of these lower cost commodity-based measures is nearing exhaustion. To continue the momentum of Phase I and II, it is important that the Commission encourage inclusion of whole-home measures to reach deeper savings goals. EEFA strongly suggests that – to ensure meaningful focus on these deeper, whole-home measures, the Commission set a specific target savings amount within each sector to be achieved by whole-home projects. Doing so would ensure that the focus of EDCs shifts from nearly saturated commodity measures to meaningful whole-home measures capable of producing lasting savings.

f. Adjust the Total Resource Cost Test to Include Quantifiable, Non-energy Benefits Attributable to the Low-Income Sector Generally and, in particular, to Measures Installed in Affordable, Multifamily Housing.

In Phase II, the Commission considered, but rejected, requests to include non-energy societal benefits in the Total Resource Cost test, explaining that "there has been no showing that the EDCs need NEIs [Non-Energy Impacts] as cost-effective measures." But Phase I and II programs were primarily focused on commodity measures, such as lightbulbs and power strips, which had significantly less trouble reaching a basic TRC, without factoring in any of the plethora of non-energy societal benefits. Whole-home measures are more costly to install and, as a result, a quantification of some of the non-energy societal benefits becomes much more relevant to Phase III.

The Commission also explained in its 2012 Order that the statute does not specifically allow for consideration of non-energy benefits, which was the primary reason it cited for rejecting the inclusion of such benefits in the TRC for Phase II.[10] The statute – as the Commission pointed out in its 2012 Order – provides that the TRC may account for "avoided monetary costs of supplying electricity."[11] But in the context of the low-income sector, there are several quantifiable, monetary benefits to the installation of energy efficiency measures, such as the reduction in Universal Service program costs and uncollectible expenses, which are directly related to the monetary costs of supplying energy. Since 2012, there have been many national studies and models showing how to quantify such benefits.[12] EEFA encourages the Commission

[10] *2012 PA Total Resource Cost (TRC) Test*, Order, at 8, Docket No. M-2012-2300653 (Aug. 30, 2012).
[11] *Id.* (citing 66 Pa. C.S. § 2806.1(m)).
[12] See, e.g., The Nat'l Efficiency Screening Project, The Resource Value Framework: Reforming Energy Efficiency Cost-Effectiveness Screening (Aug. 16, 2014), *available at* http://www.nhpci.org/publications/NHPC_NESP-Recommendations_20140816.pdf.

to explore these studies and models, and to incorporate a reasonable accounting of non-energy, societal benefits.

CONCLUSION

EEFA thanks the Commission for the opportunity to submit these comments and encourages the Commission to maintain and strengthen specific set asides for multifamily properties in both the GEN and low-income sectors, and to require coordination between sectors and across programs/industries to more effectively reach the historically underserved multifamily housing sector. In addition, we encourage the Commission to set specific goals for the installation of whole-home measures and to adjust the TRC to account for the non-energy benefits associated with the implementation of more costly whole-home projects. We believe that adoption of these recommendations would continue to build upon the momentum in Phases I and II, and will allow Pennsylvanians to realize more significant savings as a result.

Respectfully submitted,

Jackson Morris
Director Eastern Energy
Natural Resources Defense Council (NRDC)
100 Center Rd
Danville, PA 17821
(570) 380-9474
jmorris@nrdc.org

/s/Kathryn Fantauzzi
The One Stop Program Manager
ACTION-Housing, Inc.
425 Sixth Ave, Suite 950
Pittsburgh, PA 15219
(412) 281-2102
kfantauzzi@actionhousing.org

/s/David L. Evans
Evans Multifamily Services LLC
955 Woodley Drive
Mechanicsburg, PA 17050
(717) 503-5191
dave@evansmultifamily.com

/s/Maureen Mulligan
Keystone Energy Efficiency Alliance
33 Greening Life Lane
Shermans Dale PA 17090
maureenamulligan1@gmail.com

/s/Todd Nedwick
Housing and Energy Efficiency Policy Director
National Housing Trust
1101 30th Street, NW, Ste. 100A
Washington, D.C. 20007
(202) 333-8931
tnedwick@nhtinc.org

/s/Harry S. Geller
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
(717) 236-9486
hgellerpulp@palegalaid.net

/s/Rachel Blake
Associate Director
Regional Housing Legal Services
2 S. Easton Street
Glenside, PA 19038
(215) 572-7300
rblake@rhls.org