



Washington, DC | Pittsburgh, PA
(800) 344-4866 | www.homeperformance.org

October 7, 2016

Via Email and Priority U.S. Mail

Maryland Public Service Commission
William Donald Schaefer Tower
6 St. Paul St., 16th Floor
Baltimore, Maryland 21202

Re: Public Service Commission Cases 9153, 9154, 9155, 9156, 9157, 9362
General Comments on 1st Half of 2016

Dear Maryland Public Service Commission:

The Home Performance Coalition (HPC) is a 501(C)(3) nonprofit organization that works with industry leaders in the home performance and weatherization industries to create energy-efficient, healthy and safe homes through research, education and outreach. HPC also organizes regional and annual conferences that bring together industry leaders to exchange ideas, solve problems and build momentum for the rapidly-growing residential energy efficiency industry. HPC has offices in Pittsburgh, PA and Washington, DC and has members and allied stakeholders throughout the state of Maryland.

The Home Performance Coalition's general comments on Public Service Commission Cases 9153, 9154, 9155, 9156, 9157, 9362 and general comments on the 1st Half of 2016 seek to highlight three fundamental issues that should inform the Commission as it continues to develop energy efficiency guidance for Maryland's utilities and formulate a three-year strategic plan.

1. Enormous Energy Efficiency Job Growth and Potential For Future Jobs in Maryland

Recently, the U.S. Department of Energy (DOE) released its first [Annual United States Energy and Employment Report](#) (USEER) providing the first national summary of energy related jobs in the U.S. The USEER study confirmed what many members of the Home Performance Coalition already know – that with almost 1.9 U.S. million jobs, Energy Efficiency firms are a significant and growing segment of the national energy economy. In addition, of the four market segments

analyzed in the USEER study, Energy Efficiency firms projected the highest growth rate over the coming 12 months, expecting to add another 257,000 jobs to the sector for a projected growth of 14% in 2016-2017. The first *Annual United States Energy and Employment Report* (USEER) found that 1.9 million people work, in whole or part, with energy efficiency technologies:

- 1.2 million of these U.S. EE jobs are in construction;
- 482,000 U.S. EE jobs are in Energy Efficiency business and professional services; and
- Some 35,000 Americans manufacture Energy Star products.

The first annual USEER Report confirmed what other studies have pointed out already about the enormous opportunity available through investments in energy efficient retrofits of U.S. buildings. For example, a March 2012 [Rockefeller Foundation/Deutsche Bank Report](#) concluded that a \$279 billion investment in U.S. residential, commercial and institutional building efficiency could yield more than \$1 trillion of energy savings over 10 years, create an additional 3.3 million jobs and reduce total U.S. carbon emissions by 10%. The Rockefeller Foundation Report noted that more than half (approximately 60%) of these financial returns, jobs and carbon reductions could be realized in the U.S. residential building market.

The Rockefeller Foundation Report noted that despite this promising potential, because the U.S. residential building stock is very diverse, scattered across the country in a variety of climates and subject to a confusing mix of regulatory jurisdictions many potential investments have been held back. ***Consumer awareness, access to financing, measurability of energy savings and incentives for utilities are critical components which vary by state and often present multiple barriers to investment.***

The Maryland Public Service Commission plays a critical role in regulating and overseeing energy efficiency programs in Maryland. The Home Performance Coalition believes that the Maryland Public Service Commission's activities over the next year have the potential for creating tens of thousands of new private sector jobs in Maryland's residential energy efficiency markets by improving and expanding Maryland's approach to the consumer awareness, access to financing, measurability of energy savings and incentives for utilities issues highlighted in the Rockefeller Foundation Report. It is an awesome responsibility given the number of potential jobs at stake, but the ***Home Performance Coalition looks forward to working with the Commission and its private sector members and partners to help advance the energy efficiency regulatory agenda in a manner that promotes job growth in Maryland.***

2. The Commission Should Further Adopt the Principles Set Forth in the Resource Value Framework to Improve Maryland's Energy Efficiency Cost Effective Screening Tests

HPC works closely with experts and industry partners to improve energy efficiency screening practices throughout the United States. By improving cost-effectiveness testing, HPC seeks to help state decision-makers determine which efficiency resources are in the public interest, and what level of investment in these resources is appropriate.

The Resource Value Framework

HPC participated in a two-year stakeholder process with industry representatives, non-profit organizations and experts and, in August 2014, helped release *The Resource Value Framework: Reforming Energy Efficiency Cost-Effectiveness Screening*. The RVF identified six principles that are central to ensuring that cost-effectiveness screening tests are designed and implemented according to best practices. They include:

1. **The Public Interest**. The ultimate objective of efficiency screening is to determine whether a particular energy efficiency resource is in the public interest.
2. **Energy Policy Goals**. Efficiency screening practices should account for the energy policy goals of each state, as articulated in legislation, commission orders, regulations, guidelines and other policy directives. These policy goals provide guidance with regard to which efficiency programs are in the public interest.
3. **Symmetry**. Efficiency screening practices should ensure that tests are applied symmetrically, where both relevant costs and relevant benefits are included in the screening analysis. For example, a state that chooses to include participant costs in its screening test should also include participant benefits, including low-income and other participant non-energy benefits, otherwise the test will be skewed against energy efficiency resources.
4. **Hard-to-Quantify Benefits**. Efficiency screening practices should not exclude relevant benefits on the grounds that they are difficult to quantify and monetize. Several methods are available to approximate the magnitude of relevant benefits, as described below.
5. **Transparency**. Efficiency program administrators should use a standard template to explicitly identify their state's energy policy goals and to document their assumptions and methodologies.
6. **Applicability**. In general, the Resource Value Framework can be used by regulators in any state to determine if customer-funded energy efficiency resources are cost-effective. The RVF may also be applicable for evaluating the costs and benefits of other demand-side and supply-side resources, although application in this context has not yet been fully examined.

The RVF recommends that each state ensure that its cost-effectiveness tests meet its specific needs and interests, as detailed in relevant energy policies and regulatory orders. One of the key principles of the RVF is that each state (or jurisdiction) takes its energy policy goals into account in designing and implementing the tests.

The National Standard Practice Manual

The Home Performance Coalition is currently working with a coalition of industry leaders, stakeholders and experts to develop a National Standard Practice Manual (NSPM) designed to be a definitive resource for cost-effectiveness testing. The NSPM will identify and describe best practices in evaluating energy efficiency. By addressing issues that have arisen as energy

efficiency programs have changed and evolved over the past three decades, the NSPM will build upon the framework developed for the California Standard Practice Manual, which has been a primary reference document for cost-effectiveness testing since it was first published in 1983. The National Standard Practice Manual will be designed to allow states to incorporate the principles of the Resource Value Framework.

HPC is currently participating in the National Efficiency Screening Project (NESP) which joins organizations and individuals with a common interest in improving the way that utility customer-funded electricity and natural gas energy efficiency resources are screened for cost-effectiveness. NESP is currently reviewing a working draft of the National Standard Practice Manual that should be finalized by the end of 2016 and published in early 2017.

The Home Performance Coalition requests that the Commission incorporate the principles set forth in the Resource Value Framework and consider the adoption and incorporation of the National Standard Practice Manual when setting energy efficiency cost effectiveness testing standards in 2017. The National Standard Practice Manual will be completed and published on a schedule that will allow its full incorporation into your decision making process. Together, the Resource Value Framework and the National Standard Practice Manual can assist the Commission in unleashing some of the potential for energy efficiency job creation potential described in first Annual United States Energy and Employment Report (and summarized in Section 1 above).

3. The Commission Should Continue To Refine, Modernize and Improve Maryland's Energy Efficiency Cost Effective Screening Tests

The Public Service Commission's July 16, 2015 Order Number 87082 (Order) culminated a deliberative review process by adopting an innovative new framework for cost-effectiveness screening in the state. The Order set an example of thoughtful and prudent analysis for other states to follow and could help insure that cost effective, job generating energy efficiency public policy is implemented in Maryland for years to come. The Home Performance Coalition supports continued adherence and refinement of the following principles described in the Order that are consistent with the Resource Value Framework:

- Both the Societal Cost Test and the Total Resource Cost Test be used for preliminary cost-effectiveness screening. Programs that pass the SCT will be recognized as cost-effective, while the results of the TRC "will function as a guidepost and comparative tool to other jurisdictions, as well as our own past programmatic performance." (Order pages 6-7);
- Recognized that methods for accounting for the demand reduction induced price effect (DRIPE) be applied to both cost-effectiveness tests (Order pages 11-13);
- Found that "cost-effectiveness testing must be symmetrical in how it considers both costs and benefits, and thus an inclusion of all participant costs in a test requires the inclusion of all participant benefits." In this way, the Order required that quantified non-energy benefits (NEBs) accruing to program participants must be included in the

- TRC, and that, in addition to participant NEBs, quantified NEBs accruing to society at large should be included in the SCT (Order pages 13-16); and
- Found that quantified NEBs related to air emissions, comfort, C&I, O&M, and reduced customer arrearages should be included in the cost effectiveness screening tests, and noted that as other NEBs were quantified, they could be incorporated into the tests in the future (Order pages 13-16).

Thank you in advance for your consideration of these three inter-related comments. The Home Performance Coalition and its partners and allies look forward to working with you on the details involved in improving energy efficiency cost effectiveness testing in Maryland. As always, you should feel free to call should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Castelli". The signature is fluid and cursive, with a large initial "B" and a long horizontal stroke extending to the right.

Brian T. Castelli
President and CEO
The Home Performance Coalition (HPC)