Thank you for the opportunity to submit these comments on behalf of the Building Performance Association (the “Association”) and the American Council for an Energy-Efficient Economy (ACEEE). The Association and ACEEE file these comments pursuant to the Iowa Utilities Board Order Requesting Stakeholder Comment on Potential Rule Changes issued on January 23, 2019.

The Association is newly created, combining the expertise and resources of the Home Performance Coalition, Efficiency First, and Home Energy Magazine to better advance the home and building performance industry through advocacy, education, community building and publications. The Association is a 501(c)(6) organization dedicated to advancing the home and building performance industry by delivering the improved energy efficiency, health, safety, and environmental performance of buildings. As an industry trade organization that includes residential energy efficiency businesses in Iowa, the Association hopes our recent reorganization will help expand our partnerships with state-based contractors, inspectors, suppliers and other affiliated entrepreneurs as well as non-profit organizations in Iowa and throughout the Mid-Western states.

ACEEE is a nonprofit research organization that works on programs and policies to promote energy efficiency at the national, state, and local levels. As one of the country’s leading energy
efficiency groups, ACEEE has active for more than three decades, collecting extensive best-practice information on topics including energy efficiency potential studies and cost-effectiveness testing.

Over three decades, Iowa’s energy efficiency investments have made a significant impact on lowering energy prices. Iowa has some of the lowest prices in the Mid-West. By reducing demand, Iowa’s efficiency programs allowed utilities to avoid spending money on expensive new power plants. A January 2009 Report by the Iowa Utilities Board found that Iowa’s investor owned utilities’ energy efficiency programs enjoyed an annual benefit/cost ratio of “consistently about 2-to-1, meaning that $1 of investment in energy efficiency, yields $2 of benefits in reduced energy consumption.”

While these past results from energy efficiency programs in Iowa are a good reason to continue investments in energy efficiency, we believe that Iowa’s future commitment to energy efficiency spending is also a critical economic development tool that can help attract new private sector investments and entrepreneurs to the state. We offer the following recommendations to the Board, and explain further in the sections that follow:

1. Prioritize high levels of investment in energy efficiency, which will maximize job creation and economic development.
2. Bolster transparent and meaningful processes by maintaining guidelines for potential study development and requiring regular formal reports from stakeholder working groups.
3. Maintain an emphasis on the complete benefits of energy efficiency, including job creation and economic development, through use of the National Standard Practice Manual.

I. Maintain Rules that Maximize Economic Benefits of Energy Efficiency

There is a growing body of research and empirical evidence from other states that puts energy efficiency at the top of the list of job creators in the clean energy sector. For example, on January 13, 2017, the U.S. Department of Energy (DOE) released its 2nd Annual United States Energy and Employment Report (USEER) providing an updated, comprehensive analysis of data on energy related U.S. jobs. USEER indicated that in 2016 - 2.2 million Americans were employed, in whole or in part, in the design, installation, and manufacture of energy efficiency products and services; more than 133,000 new energy efficiency jobs were created in the U.S. in 2016; and that U.S. energy efficiency employers projected the highest job growth rate (9%) in 2017-2018 in all energy sectors surveyed. USEER found that there were approximately 19,000 energy efficiency jobs in Iowa in 2016.

Given the enormous job creation potential from energy efficiency investments, we believe that the Board should closely consider the impacts of the Potential Rule Changes issued on January 23, 2019 on economic development and jobs in Iowa. All Iowa state government Agencies and Boards are required by law to consider the job impacts that their programs and policies might have as they are implemented. The Board has a particularly important obligation to consider the economic development impacts of energy efficiency program changes in Iowa under SF 2311. Because Iowa’s energy efficiency investments have now been “capped” and therefore will be reduced, it is more important than ever that the Board develop rules that help select energy efficiency programs that maximize energy savings and participation, support Iowa businesses and most effectively save Iowa consumers save money. We urge the Board to make economic development and job creation a top of mind consideration as it develops new rules and procedures.
II. Ensure Transparency, Flexibility and Meaningful Stakeholder Engagement (Proposed Rule 35.4)

This rulemaking is an opportunity to strengthen and improve upon Iowa’s programs by developing processes that are more able to respond to changes in technology, the economy and the marketplace. Planning and implementation cycles should be responsive to market forces and new products. Iowa should also make certain that resources are directed to energy efficiency programs with the greatest impact by establishing transparent, data driven planning and reporting systems with high-quality, transparent potential studies and independent program evaluation.

The proposed rule would eliminate guidance and requirements for potential studies. Iowa Code requires potential studies to inform capacity and energy performance standards and resulting efficiency and demand response plans. Iowa Code § 476.6(15)(b). We urge the Board not to remove existing guidance for potential studies. Without clear regulatory guidance, the quality and value of these studies will be undermined which will in turn make it far more difficult for stakeholders to leverage this information in their participation both in formal docketed processes and informal engagement venues. ACEEE research finds that the quality and value of the potential study potential studies varies from state to state, and that successful studies are transparent, especially around assumptions behind maximum achievable and program/realistic potential scenarios, customer participation models, avoided costs, and emerging technologies.\(^2\) Clear guidance helps support transparency and supports higher quality results that better capture the full benefits of energy efficiency for customer and Iowa’s economy. Given the importance of potential studies to direct energy efficiency planning in Iowa, we caution against changes that might compromise their value.

Furthermore, requiring stakeholder engagement in energy efficiency resource planning is a

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critical component of any flexible and transparent decision making on energy efficiency program changes moving forward.\textsuperscript{3} We salute the Board for accepting comments and holding workshops on these proposed rule changes and encourage the Board to consider future comments on reforms to cost effectiveness testing with stakeholders. To the extent that the proposed rules eliminate the requirement to report on collaboration with stakeholders, we oppose those changes. Such a change would make stakeholder engagement a formality instead of a productive process.

**III. Cost Effectiveness Testing Reforms (Proposed Rule 35.5)**

The proposed rules suggest changes to the treatment of cost-effectiveness tests, eliminating the precedent of using the societal test as the primary cost-effectiveness test for planning. While Senate File 2311 added the total resource cost test to the list of acceptable tests and required an analysis of the ratepayer impact measure test for the purposes of determining whether customers could request an exemption, it did not change the primary cost-effectiveness test. Given the importance of cost-effectiveness testing to determine which efficiency resources are eligible for efficiency jobs and businesses to deliver, we recommend that Iowa incorporate the fundamental principles of the May 2017 National Standard Practices Manual (NSPM) on cost effectiveness testing of energy efficiency programs. The NSPM framework would allow Iowa an opportunity to “test its test” for cost effectiveness testing to see whether it reflects Iowa’s own energy, job creation and energy reliability policies.

The NSPM framework could also help Iowa assess whether its energy efficiency programs and policies are achieving its economic development, reliability and energy security goals. The NSPM outlines a common sense, practical approach to the development of energy efficiency policies and could help guide the Board and utilities toward the most effective and

impactful approaches to reducing energy costs and peak demands in Iowa. The NSPM principles include:

**National Standard Practice Manual Principles**

<table>
<thead>
<tr>
<th>Efficiency as a Resource</th>
<th>EE is one of many resources that can be deployed to meet customers’ needs, and therefore should be compared with other energy resources (both supply-side and demand-side) in a consistent and comprehensive manner.</th>
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<tbody>
<tr>
<td>Policy Goals</td>
<td>A jurisdiction’s primary cost-effectiveness test should account for its energy and other applicable policy goals and objectives. These goals and objectives may be articulated in legislation, commission orders, regulations, advisory board decisions, guidelines, etc., and are often dynamic and evolving.</td>
</tr>
<tr>
<td>Hard-to-Quantify Impacts</td>
<td>Cost-effectiveness practices should account for all relevant, substantive impacts (as identified based on policy goals,) even those that are difficult to quantify and monetize. Using best-available information, proxies, alternative thresholds, or qualitative considerations to approximate hard-to-monetize impacts is preferable to assuming those costs and benefits do not exist or have no value.</td>
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<tr>
<td>Symmetry</td>
<td>Cost-effectiveness practices should be symmetrical, where both costs and benefits are included for each relevant type of impact.</td>
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<tr>
<td>Forward-Looking Analysis</td>
<td>Analysis of the impacts of resource investments should be forward-looking, capturing the difference between costs and benefits that would occur over the life of the subject resources as compared to the costs and benefits that would occur absent the resource investments.</td>
</tr>
<tr>
<td>Transparency</td>
<td>Cost-effectiveness practices should be completely transparent, and should fully document all relevant inputs, assumptions, methodologies, and results.</td>
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We believe that applying these NSPM principles to cost effectiveness testing in Iowa could help Iowa continue to grow energy efficiency jobs and businesses while meeting many of its energy resilience and energy security goals. At a minimum, application of the NSPM principles would greatly enhance the Board’s ability to apply more informed and Iowa specific versions of the “Total Resource Test” and “Societal Test” than those contained in the proposed rules.

We also believe these benefits can be incorporated into cost-effectiveness testing through use of the NSPM, which sets forth a process for states to make their own decisions on
how best to achieve their own economic, energy, security and environmental goals. Examples of how other states have adopted or implemented reforms based upon the NSPM appear at the National Efficiency Screening Project’s web site at: https://nationalefficiencyscreening.org/.

Please note that the reforms and streamlined processes described on the NESP web site are based upon a rigorous analysis of the state laws in each of the states described (for example, case studies have been completed for Arkansas, Minnesota and Rhode Island). Consequently, any Iowa based NSPM analysis may produce very different results than those described in the case studies.

Respectfully submitted,

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