

CASE 07-M-0548 – EPS PROCEEDING

NAESCO RESPONSES TO JUDGE STEIN’S QUESTIONS TO THE PARTIES

The National Association of Energy Service Companies (NAESCO) appreciates the opportunity to provide comments to Administrative Law Judge Eleanor Stein (ALJ) as she oversees the development of the implementation of the Efficiency Performance Standard (EPS) for New York’s investor-owned utilities.

NAESCO's current membership of about 85 organizations includes firms involved in the design, manufacture, financing and installation of energy efficiency and renewable energy equipment and the provision of energy efficiency and renewable energy services in the private and public sectors. NAESCO members deliver about \$4 billion of energy efficiency and renewable energy projects each year – about equal to the total volume of energy efficiency projects delivered by all US utilities combined. NAESCO numbers among its members some of the most prominent companies in the world in the HVAC and energy control equipment business, including Honeywell, Johnson Controls, Siemens, Trane and TAC/Tour Andover. Our members also include many of the nation's largest utilities: Pacific Gas & Electric, Southern California Edison, New York Power Authority, and TU Electric & Gas. In addition, ESCO members include affiliates several utilities that have a strong presence in the New York Market including of ConEdison, Pepco Energy Services, Constellation, PP&L and Direct Energy. Prominent national and regional independent members include Custom Energy, DMJM Harris, NORESKO, Onsite Energy, EnergySolve, Ameresco, UCONS, Chevron Energy Solutions, Synergy Companies, Wendel Energy Services, WESCO and Energy Systems Group. NAESCO member companies have delivered energy efficiency projects to New York institutional, government, industrial, commercial and residential customers for the past twenty years and have delivered demand response, retail commodity energy supply including green power products, and renewables since the transition in the New York market to retail competition in the late 1990s.

NAESCO currently serves on the New York System Benefits Charge Advisory Group, the Program Advisory Groups for the California utility energy efficiency programs, the Energy Efficiency Task Force of the Western Governors Alliance, and the Leadership Group of the National Action Plan for Energy Efficiency.

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NAESCO Comments

NAESCO offers comments on four of the ALJ’s Questions for All Parties, as follows.

3. Can you please identify any specific energy efficiency programs targeted to existing building stock, appliances and fixtures rather than to new construction? If possible, provide a description, cost per MWh or Decatherm, and total resource cost test score for each such program.

NYSERDA currently offers a number of programs targeted at existing building stock, appliances and fixtures. The programs are described, and their results summarized and evaluated, in the quarterly and annual reports that NYSERDA prepares and the System Benefits Charge Advisory Group (SBCAG), of which NAESCO is a member, transmits to the Commission. The reports are available on the NYSERDA website at the following URL: www.nyserda.org. NAESCO does not want to do a disservice to NYSERDA or its fellow SBCAG members by excerpting or summarizing these comprehensive, professional and very readable reports.

4. Can you please identify any specific energy efficiency programs targeted to participants lacking available capital to invest in energy efficiency measures? If possible, provide a description, cost per MWh or Decatherm, and total resource cost test score for each such program.

One of the programs in the NYSERDA Energy \$mart program portfolio is the Commercial Industrial Performance Program (CIPP) that provides incentives for energy service companies (ESCOs) to develop and implement comprehensive energy performance contracting (EPC), which pay for themselves in with energy and operational savings. The CIPP is the largest single program in the Energy \$mart portfolio and one of the most cost-effective (see above-cited NYSERDA Energy \$mart Evaluation reports). EPC projects are delivered to all types of customers – residential, agricultural, commercial, industrial, institutional and low-income. EPC projects are typically financed with third-party capital, in the form of a lease, installment loan or shared-savings agreement, and typically provide the customer with positive cash flow throughout the life of the project, eliminating the need for the customer to provide any capital to finance the project. ESCOs typically guarantee that the savings from an EPC project will be sufficient to pay the full cost of the project financing.

CASE 07-M-0548 – EPS PROCEEDING

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Suppliers of third-party capital include major national, international and regional banks, as well as finance companies that specialize in energy projects. The EPC financing market offers very competitive rates and terms for individual or aggregated projects. It is NAESCO's experience that financing is readily available for credit-worthy customers who want to undertake comprehensive EPC projects.

For customers who are not credit-worthy, project financing is provided by special government-funded loan and grant programs, or by on-bill financing (OBF) programs that attach the obligation to repay the cost of the energy efficiency improvements to the utility meter rather than to the customer. To NAESCO's knowledge, utility experience with OBF programs is limited to small-scale programs in several New England states (CT, MA, NH), but seems to be promising as a financing vehicle for energy efficiency projects for small commercial customers.

6. What entities would be most appropriate and effective in delivering:

- **peak shaving/demand response type programs**
- **end-user rebate type programs**
- **weatherization type programs**
- **programs for participants lacking capital**
- **programs targeted to new construction**
- **programs targeted to existing building stock, appliances and fixtures**

Energy service companies (ESCOs) have significant history developing and implementing all of the various types of programs in the bulleted list above (a subset of the full set of program types listed in the ALJ's Questions to Parties). The ALJ should recognize that the several of the categories of programs in her list are often blended into a single EPC project. Such a project might well bundle demand response measures, third-party financing and targeted energy efficiency technologies and fixtures, and be delivered as part of new construction or substantial renovation. A bundled project could also be delivered to weatherization, low-income customers or hard-to-reach customers. ESCOs are more effective than other parties in implementing comprehensive projects, particularly projects in which the customer requires a guarantee that the project savings will pay the full project cost.

CASE 07-M-0548 – EPS PROCEEDING

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8. Is your entity or organization interested in being a provider of energy efficiency programs? If so, what types?

NAESCO member ESCOs are interested in providing the types of energy efficiency programs listed in Questions 6 above, as well as other energy efficiency technologies, such as cogeneration or combined heat and power facilities (with or without renewable energy components). NAESCO members are also interested in providing programs that implement combinations of energy efficiency, demand response and sustainability or “green building” products and services. NAESCO member companies have experience in all of these types of projects.

Conclusion

NAESCO hopes that these comments are useful to the ALJ as she supervises the process of assembling the EPS program portfolio. NAESCO looks forward to working with the ALJ, the Staff and with other stakeholders in this proceeding to develop an effective and economical EPS program for New York.

Respectfully submitted by,

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