

Monday April 22, 2013

The Honorable John D. Keenan, House Chairman
Joint Committee on Telecommunications, Utilities and Energy
State House Room 473B
Boston, MA 02133

Dear Representative Keenan,

On behalf of our organizations, we are writing to call your attention to a trio of problematic budget amendments that would negatively impact the Commonwealth's leading energy efficiency programs. These amendments to H. 3400, sponsored by Representative Bradley Jones and colleagues, are #363, #389 and #396. We urge you and your colleagues in the House of Representatives to reject these three budget amendments.

As you know, Massachusetts has some of the leading energy efficiency programs in the country and has been recognized for the last two years as the state with the most advanced energy efficiency policies by the American Council for an Energy-Efficient Economy (ACEEE). The Commonwealth is pursuing aggressive electric and gas efficiency goals as a means of wringing out waste, increasing competitiveness, keeping more money in people's pockets, controlling costly investments in our energy infrastructure, and curbing greenhouse gas emissions.

These programs are achieving nearly two percent reductions in electric load, and more than one percent in natural gas. They are well-coordinated by the Energy Efficiency Advisory Council (EEAC), a stakeholder board overseen by the Department of Energy Resources (DOER), and have the benefit of the nation's leading expert consultants as well as dozens of years of experience in energy efficiency program design, implementation and evaluation by the state's regulated utilities and the Cape Light Compact (program administrators). Moreover, the Department of Public Utilities (DPU) ultimately reviews and approves all program proposals.

The proposed amendments would create significant disruptions in the existing programs and could create a large set of unintended consequences. Below is a summary of our concerns with each of the proposed amendments:

- 1) **Amendment #363** would weaken the current contractor approval system and cost-structure by allowing any contractor to contract directly with the program participant without any control on pricing. While the idea of greater customer freedom sounds appealing, we caution that such a change would undermine the consistency, quality assurance and cost-control that makes these programs effective. Indeed, all customers already have a range of choices when they select vendors to install efficiency measures through the "Mass Save" website. Such a change could in fact leave customers without protection and recourse, and would likely add cost and administrative complexity to the programs. Furthermore, the EEAC and the program administrators have a Best Practices Working Group where the concerns of contractors are addressed on an on-going basis.
- 2) **Amendment #389** would require a duplicative report or audit of all energy efficiency programs in the Commonwealth. We stress that the state's efficiency programs are among the best designed, run and evaluated programs in the nation. Last year, the program administrators and consultants to the DOER oversaw approximately 42 evaluation studies on a range of technical issues. The goal is to ensure that ratepayer funds are well-spent, that planned savings are achieved, that technological and market advances are considered, and that the program

administrators can learn and apply these findings to future programs for continual improvement. We see a call for any additional outside audit or study as an undue burden and unnecessary cost that would duplicate current efforts, tie up staff resources and take funds away from their highest and best use.

- 3) **Amendment # 396** would undermine Massachusetts' award winning energy efficiency programs by reducing support available to ratepayers and reducing the ability of key stakeholders and regulators to make decisions about program investments and benefits.

First, the provision requiring a minimum of 75% of program funds be directed toward rebates would reduce the budget for technical assistance and customer education. Recent data show that successful states from around the Northeast region spend less than this amount and provide higher amounts for the type of technical assistance and marketing initiatives that can identify useful energy savings projects and provide awareness of these cost saving programs. Massachusetts already spends about 72% of ratepayer funds on customer incentives. This requirement will do very little to improve program performance or reduce administrative costs, and would place an arbitrary and unnecessary burden on program administrators.

Second, the budgetary process should not be used to constrain the DPU's ability to make decisions about the cost-effectiveness of energy efficiency programs that it deems are beneficial for Massachusetts ratepayers. Current cost-effectiveness screening protocols have been informed by input for a broad group of business, energy, and environmental stakeholders and achieve a balance between energy, economic, and environmental benefits. Prescribing the program administrator cost test (PACT) threatens to undermine the current energy efficiency programs that serve all customer classes fairly and achieve significant savings for program participants.

In closing, we believe that the state's efficiency program portfolio, as designed and implemented, makes good use of ratepayer funds, is equitable across rate classes, has sufficient oversight, is responsive to the concerns of small contractors while balancing the need for quality and consistency, and allows for innovation and flexibility in the Commonwealth's drive to capture all cost-effective energy efficiency.

We urge you to reject these three amendments. Please do not hesitate to contact us if you have further questions.

Sincerely,

Jeremy McDiarmid, Massachusetts Director
ENE (Environment Northeast)

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Vince Maraventano, Executive Director
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Elliot Jacobson, Executive Director
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Rob Garrity, Executive Director
Massachusetts Climate Action Network

Susan Reid, Director, CLF Massachusetts
Conservation Law Foundation

Charlie Harak, Senior Attorney
National Consumer Law Center (on behalf of its low-income clients)

Cindy Luppi, New England Co-Director
Clean Water Action

George Bachrach, President
Environmental League of Massachusetts

Noemi Ramos, Executive Director
New England United For Justice

Aaron Tanaka, Executive Director
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Darlene Lombos, Executive Director
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Pamela Bush, Lead Organizer
Greater Four Corners Action Coalition

Tim Fisk, Interim Executive Director
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Gladys Vega, Director
Chelsea Collaborative

Loie Hayes, Coordinator
Boston Climate Action Network

Jeremy Shenk
On behalf of the Green Justice Coalition

CC:

The Honorable Benjamin B. Downing, Senate Chairman
Joint Committee on Telecommunications, Utilities and Energy

The Honorable Frank Smizik, Chairman
House Committee on Global Warming and Climate Change