



**Case No. 18-M-0084—In the Matter of a Comprehensive Energy Efficiency Initiative**

**ENERGY EFFICIENCY FOR ALL NEW YORK**

**COMMENTS ON NEW EFFICIENCY: NEW YORK WHITE PAPER**

**July 16, 2018**

**Introduction**

The Energy Efficiency for All New York coalition<sup>1</sup> appreciates the opportunity to present these comments in response to the New Efficiency: New York White Paper filed by the Department of Public Service (“DPS”) and the New York Energy Research and Development

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<sup>1</sup> Energy Efficiency for All (EEFA) New York includes the Association for Energy Affordability, Enterprise Community Partners, Green and Healthy Homes Initiative, Local Initiatives Support Corporation (LISC) NYC, Natural Resources Defense Council, Pace Energy and Climate Center, WEACT for Environmental Justice and Working Families. EEFA is a national initiative headed by Elevate Energy, the Energy Foundation, National Housing Trust, and Natural Resources Defense Council to support state-based coalitions, including EEFA NY, and to bring together the energy, affordable housing, and health communities to tap the benefits of energy efficiency and other holistic building measures for millions of low-income families. The project’s focus is on increasing and improving the pool of resources available to support efficiency and health upgrades in affordable housing and removing barriers that prevent owners from accessing those resources. The project also conducts research, education, and outreach on a national scale and has a national social impact network, the Network for Energy, Water and Health in Affordable Buildings (NEWHAB), to engage and empower an even broader array of stakeholders.

Authority (“NYSERDA”) on April 26, 2018.<sup>2</sup> The White Paper provides a suite of recommended activities to meet the challenge of Governor Cuomo’s goal of reducing New York’s energy consumption by 185 trillion British thermal units (“BTUs”) by 2025.<sup>3</sup> Some of those activities apply to actions within the Public Service Commission’s (the “Commission”) jurisdiction, while others require the cooperation or efforts of other state agencies or the state legislature. The approaches outlined in the White Paper are consistent with, and are key components of, the state’s Reforming the Energy Vision (REV) effort to align utility business models with support for a resilient, cleaner, more distributed grid. The novelty of the White Paper’s new efficiency effort is aggressive targets and a renewed commitment to energy efficiency as a major contributor to the state’s climate goals. Taken together, the recommendations represent a strong push toward a more energy efficient New York.

Energy efficiency can decrease customers’ energy burden by 35%<sup>4</sup> and can result in a roughly 31% reduction in annual electricity demand for New York’s affordable multifamily sector.<sup>5</sup> Lower utility bills helps maintain housing affordability by lowering bills and operation and maintenance costs. In addition, energy efficiency has a number of “non-energy” benefits vital to quality of life, including “improvements in health, comfort, and financial stability” for

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<sup>2</sup> Case 18-M-0084, In the Matter of a Comprehensive Energy Efficiency Initiative, *New Efficiency, New York* (April 26, 2016).

<sup>3</sup> Press Release, *Governor Cuomo Announces New Energy Efficiency Target to Cut Greenhouse Gas Emissions and Combat Climate Change* (April 20, 2018), <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7B972BCAD4-EFBE-4605-9988-E0003022A8DA%7D>.

<sup>4</sup> Ariel Drehobl & Lauren Ross, *Lifting the High Energy Burden in America’s Largest Cities*, American Council for an Energy-Efficient Economy, (2016), p. 19, available at [http://energyefficiencyforall.org/sites/default/files/Lifting%20the%20High%20Energy%20Burden\\_0.pdf](http://energyefficiencyforall.org/sites/default/files/Lifting%20the%20High%20Energy%20Burden_0.pdf).

<sup>5</sup> Optimal Energy, *Potential for Energy Savings in Affordable Multifamily Housing* (2015), p. 9, tbl. 4, available at <http://www.energyefficiencyforall.org/sites/default/files/EEFA%20Potential%20Study.pdf>.

residents.<sup>6</sup> EEFA NY strongly supports the Governor’s efficiency target and DPS and NYSERDA’s efforts to develop workable steps to achieve it, while also recognizing that the White Paper is only the first step in the process of developing immediately actionable proposals, supported by robust budgets.

However, in its current form, the White Paper does not include sufficient specificity to ensure that New York will be able to meet its goals. Issues that remain unresolved and require greater clarity include developing firm near-term targets for utility energy efficiency program ramp-ups, and clarifying funding streams for utility and NYSERDA programs. It is imperative that New York take a holistic view of the role of utilities in meeting its efficiency targets, rather than a piecemeal rate-case by rate-case approach. The recommendations below focus on those sections of the White Paper that deal with energy efficiency for low-income New Yorkers and the affordable<sup>7</sup> multifamily housing sector, but the need for funding and clear ramp-up targets apply more broadly.

## **I. Financing Recommendations**

EEFA NY firmly believes in the importance of NYSERDA and utility programs to advance energy efficiency, especially for low-income households and low-income housing providers. Robust programs focused on overcoming barriers to adoption are critical in the near-term as the state pursues market transformation. While they are a crucial piece of the puzzle, programs alone cannot scale efficiency retrofits in the LMI sector. Financing solutions are necessary, and financing solutions that adapt existing financing mechanisms to support

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<sup>6</sup> Ruth Ann Norton, et al., Non-Energy Benefits of Energy Efficiency and Weatherization Programs in Multifamily Housing, Green & Healthy Homes Initiative, (2016), p. 11-2, available at <http://www.greenandhealthyhomes.org/sites/default/files/Binder3.pdf>.

<sup>7</sup> “Affordable” as used here refers to both regulated affordable housing and unregulated housing with affordable market-determined rents.

efficiency rather than creating new products are preferable. Financing is essential to the achievement of nearer-term goals, and longer-term goals focused on increasingly market-driven demand for energy efficiency in affordable, multifamily buildings. Achieving the state's affordability (energy and housing) and climate goals requires a comprehensive approach that includes utility and NYSERDA technical and financial assistance programs, as well as New York Green Bank support for incorporating efficiency into traditional affordable multifamily financing mechanisms. And, both programs and financing solutions must be aligned with other agency programs.

#### A. NY Green Bank Support

The New York Green Bank should offer support specifically to affordable multifamily housing, both subject to rent regulation and unregulated but naturally affordable. This will give the lending community the confidence they need to begin incorporating efficiency into the capital investments they support in LMI housing and to underwrite to a portion of efficiency savings.<sup>8</sup>

A revolving loan loss reserve to support innovative, market-driven approaches to delivering efficiency products and services could help offset the perceived risk of underwriting to a percentage of expected savings, while building a portfolio of projects where proof of the concept can be illustrated. The New York Green Bank could serve as a credit enhancement or guarantee facility for housing finance agencies, CDFIs and/or private lenders committed to serving this sector, particularly regulated affordable housing, not just through a loan-loss reserve, but by partnering with CDFIs and lenders who underwrite the LMI sector to help provide much

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<sup>8</sup> Underwriting to savings is explored in this step-by-step guide: <http://communitytp.com/resources/underwriting-energy-efficiency-lender-handbook/>.

needed debt capital to intermediaries who can underwrite and do project development for this undeserved sector. We encourage NYSERDA to discuss these options with the lender community and housing providers.

The above approaches are ideal for projects in refinance where underwriting to savings can be incorporated into loans and evaluated by all parties in the often complex ownership and management structures and lender relationships. Other approaches will be necessary for buildings and portfolios that are in the middle of their refinancing cycle but in need of serious upgrades, particularly for debt-averse or under-capitalized projects operating on thin margins, as is often the case in this sector. NYSERDA and utility programs can provide critical incentives for mid-capital cycle work but for larger needs, loan products tailored to this community will be necessary.

#### **B. NYSERDA Data and Technical Support**

NYSERDA can also play a crucial role in delivering research and technical assistance that will support lenders in transitioning to supporting efficiency with traditional loan products. NYSERDA has access to a wealth of data on actual versus predicted savings in real projects, tools that help determine reasonable ranges for savings and cost estimates, and experienced training teams to successfully review energy audits. These and other resources could be adapted and used to provide support to lenders and empower them to begin to evaluate and fund efficiency upgrades. NYSERDA could commit to funding and providing this type of support to building owners and the lender community, perhaps in conjunction with the New York Green Bank approaches described above, or in conjunction with NYSERDA programs offering support for energy audits and project scopes.

## **II. Level of Funding for Energy Efficiency in Affordable Multifamily Housing**

EEFA NY strongly supports the White Paper’s recommendation that a percentage of “additional level of investment in energy efficiency be dedicated to services for low- to moderate-income New Yorkers.”<sup>9</sup> Twenty percent or more of incremental efficiency investments would be a good starting point, and New York has made notable efforts to provide efficiency and weatherization services to low-income customers. Still, significant barriers remain, including access to capital and other financing challenges unique to this customer segment. Given the challenges that remain and the fact that the LMI customer segment represents a larger proportion of the population than the proportion of efficiency program dollars that it receives, it would be appropriate that a higher percentage of incremental efficiency investment be directed toward LMI New Yorkers.

The White Paper appropriately recognizes that “[m]ultifamily affordable housing is a crucial component of New York’s residential landscape, with more than 40% of New York’s LMI population living in buildings exceeding five units, and nearly 20% living in buildings with more than 50 units.”<sup>10</sup>

While the traditional definition of multifamily housing focuses on buildings with more than five units, New York has many rental units in multifamily properties in the 2-4 unit range. As with the 5-plus housing stock, affordable multifamily buildings in the 2-4 unit range often lack weatherization and efficiency upgrades, and residents occupying these units face the same challenges as those in 5-plus unit buildings. Smaller multifamily buildings under 25 units typically have many of the energy efficiency financing barriers identified in the White Paper, from lack of access to capital to underwriting challenges and split incentives.<sup>11</sup>

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<sup>9</sup> White Paper at p. 59.

<sup>10</sup> White Paper at p. 56.

<sup>11</sup> White Paper at p. 56.

In order to ensure that New Yorkers in a wider range of multifamily units have an increased opportunity to access energy efficiency services and products, EEFA NY further recommends that energy efficiency programs for low-income customers target financing proportionately to the housing stock. For example, of the 20% of efficiency funding for low-income customers, a portion should go toward smaller rental properties, including those with 2-4 units, as well both the “5 to 25” and “over 25” unit buildings, based on the relative representation of housing stock in the utility’s service territory.

### **III. Utility / NYSERDA Role in Efficiency Solutions**

#### **A. Program Design**

EEFA NY strongly supports the White Paper’s recommendations in relation to the affordable multifamily housing sector, including NYSERDA’s continued efforts to develop net-zero energy retrofits, NYSERDA’s work with the Department of Housing and Community Renewal (HCR) to address barriers to access to underwriting and other challenges, and the expansion of C-PACE.<sup>12</sup>

The design of programs is just as crucial as the funding provided to them. While EEFA NY enthusiastically supports ambitious and innovative programs like RetrofitNY and the “lead-by-example” projects, we do not believe that affordable multifamily buildings (and their residents) can wait until those programs provide vetted scalable solutions. We do, however, see much opportunity to improve the design process of NYSERDA and utility programs and many ways in which those programs can begin to support more ambitious efficiency retrofits for low-income customers.

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<sup>12</sup> White Paper at p. 56.

From EEFA NY's perspective, effective program design would:

- Ensure key stakeholders have the opportunity to inform the design process.
- Ensure the sector is served across the state, with robust coordination between programs and resources and a commitment to collaboration and not competition between NYSERDA and utilities.

Programs should:

- Address efficiency from a fuel-neutral perspective, similar to the way low-income programs were structured under the original System Benefits Charge (“SBC”). This would serve to ensure that programs can support comprehensive retrofits for all customers, including those who exclusively use deliverable fuels and those who are dual-fuel customers.
- Support beneficial electrification. Most HVAC systems installed now will still be in place in 2050. If the state is going to meet its carbon reduction goals, programs need to aggressively support beneficial electrification for systems that are near the end of their useful life, and support for clean heating and cooling technology as well as holistic efficiency upgrades should be provided simultaneously. Protections should be in place to protect LMI renters when heating or cooling costs are transferred from owners to residents due to electrification.
- Provide seamless and timely access to technical and financial assistance for properties applying for refinancing through HCR, HPD and HDC<sup>13</sup> and any private lenders who

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<sup>13</sup> New York State Homes and Community Renewal, New York City Housing and Preservation Development, and New York City Housing Development Corporation.



commit to requiring energy audits as part of a refinance process. Programs serving this segment of the market should be designed to align with the refinancing process, provide support that can be considered part of the capital stack, and accommodate construction timelines. Ideally, this would be done in partnership with the housing agencies and would be supported by requirements on their side to apply for that assistance.

EEFA NY also supports the following program design recommendations from the Clean Energy Advisory Council LMI Working Group report<sup>14</sup>:

- Incorporate a portfolio approach to clean energy upgrades that would enable owners to evaluate and treat a group of buildings. Affordable building owners often may wish to refinance several properties within their portfolio as part of comprehensive refinancing project. Carrying out clean energy upgrades throughout a portfolio that is being refinanced can take advantage of this optimal intervention point. Aggregating buildings may also result in an overall reduction in costs for third parties to deliver their services.
- Encourage the phasing in of clean energy improvements over time for a more comprehensive approach. The development of a multi-year “Energy Master Plan” approach for affordable multifamily buildings could guide the phasing of measures in a specific building or portfolio of buildings. Incentives could be provided to encourage this more comprehensive approach.
- Encourage a whole building approach for both residential and multifamily buildings whenever possible to realize the greatest energy savings. For multifamily buildings this should include treatment of dwelling units, as well as common areas.

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<sup>14</sup> Matter 16-01007, New York Clean Energy Advisory Council *Report on Alternative Approaches to Providing Low and Moderate Income (LMI) Clean Energy Services* (February 3, 2017).

- Require (and provide financial support for) a multifamily building’s management, supervisory, and maintenance staff to have or develop the experience, training and credentials necessary to operate the building, and its energy efficiency upgrades, in a manner that will ensure that the planned energy efficiency goals of the upgrades can be achieved and savings retained.
- Program Administrators should consider increasing incentives or reducing cost share requirements for buildings that have a larger proportion of low-income residents, or can meet a lower income threshold. This approach would provide additional encouragement for owners of affordable housing to pursue clean energy upgrades.

#### B. Workforce Development and Training

A trained workforce is essential to scale efficiency retrofits and ensure investment in efficiency results in real savings. Best practices for workforce development and recommendations from the CEAC LMI report include:

- The integration of workforce development into program development and implementation, including standalone workforce development programs/initiatives that incentivize training for building professionals and that support training for disadvantaged workers.
- On-the-job training programs.
- Specific goals set and funds dedicated to workforce development.
- All ratepayer funded programs should adopt industry-recognized workforce training and certification standards for installers, energy auditors, and quality control inspectors.
- Hire and train workers from within the communities served.

### C. Increase Awareness and Uptake of Programs

Utilities can work with NYSERDA to ensure that more low-income customers and providers of affordable housing are aware and take advantage of energy efficiency programs such as the Weatherization Assistance Program (WAP) and EmPower. Currently, the percentage of low-income customers who are referred to NYSERDA through their utility and actually enroll in EmPower varies from one service territory to another, and in some cases is below 15% of referred customers.<sup>15</sup> The utilities, NYSERDA, and DPS should work together to identify the barriers to higher enrollment rates and develop actionable solutions. They can also work together to develop mechanisms for identifying and prioritizing referrals of low-income customers who have the highest energy usage. In addition, New York currently earmarks approximately ten percent of HEAP money for WAP while it may, under federal rules, automatically allocate fifteen percent, and with a letter of request, up to twenty-five percent.

### **IV. Inter-Agency Coordination**

The White Paper recognizes inter-agency coordination as an area of opportunity for significant improvement.<sup>16</sup> Energy and housing agencies can improve the efficiency of customer referrals to energy programs, assist in leveraging funding, and address challenges related to ensuring new and rehabilitated buildings incorporate energy efficiency. EEFA NY supports the White Paper's recommendations in this regard, including that NYSERDA, DPS, housing organizations, lenders and owners, nonprofits, and the utilities, address these issues. It is critical that DPS, NYSERDA, and the state's constellation of housing agencies reinforce the state's

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<sup>15</sup> Cases 17-E-0459 and 17-G-0460, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Electric and Gas Service, Direct Testimony of Sheryl L. Musgrove (November 21, 2017) at p. 27, lines 1-8.

<sup>16</sup> White Paper at p. 59-60.

policy goal of transforming the housing marketplace while preserving affordability and accessibility to low-and moderate income consumers. Programmatic initiatives, financial incentives, and regulatory energy targets should encourage owners and operators of multifamily housing to incorporate deep energy retrofitting during the refinancing cycles of their portfolios.

Another EEFA NY recommendation is that HCR, HPD, and HDC collaborate to develop and execute efficiency underwriting pilots within their own organizations, which will make full use of the data now being collected by the Integrated Physical Needs Assessment (IPNA), and ensure efficiency upgrades are not value engineered out of work scopes. Building or refinancing affordable housing that does not meet the state's highest standards for energy efficiency and green buildings is a wasted opportunity with real adverse ramifications for residents and the climate.

EEFA NY supports the continued efforts of the state's Low-Income Task Force, or what we believe was a recent effort at enhanced communication and collaboration. However, if this does not now exist, we recommend that it be created. EEFA NY recommends that the Low-Income Inter-agency Task Force be transparent and accessible to advocates, including service providers. It is imperative that these efforts include feedback from stakeholders directly engaged with this work on the ground, who have direct visibility into the challenges and opportunities attendant to inter-agency coordination in a program implementation context. Such an interagency task force should include, as one agenda item, specific goals and timelines for an effort focused on leveraging energy and housing resources to deliver deep efficiency retrofits in LMI housing (distinct from RetrofitNY). Non-agency stakeholders should have an opportunity to help shape the goals and strategies the task force develops.

Another area for better coordination and potential changes in funding allocations and program management is the Low Income Home Heating Assistance Program (“LIHEAP”) and the Weatherization Assistance Program (“WAP”). Each program provides critical help, however, there is room for improved coordination to target the root problems of inefficient and substandard housing. EEFA recommends that New York take lessons learned from other states that have successfully coordinated housing and energy programs in service of low-income residents. In addition, we are pleased that NYSERDA and the DPS under REV have acknowledged the need to avoid a return to the competition between NYSERDA and the utilities under EEPS. That competition created confusion and prevented collaboration to reach the common goal of providing services to customers and collectively meeting our clean energy goals.

Finally, we believe New York should consider establishing a strong advisory group or management council to help coordinate and oversee energy efficiency efforts by NYSERDA and the utilities similar to the System Benefits Charge Advisory Group used by New York in the past (which was chaired by Steve Nadel of ACEEE and included a broad range of NY stakeholders). The approaches to stakeholder engagement and oversight of utility and state initiatives used by the states of Massachusetts, Connecticut, Rhode Island and Vermont also are good models to consider.

## **Conclusion**

EEFA NY appreciates the opportunity to submit these comments in response to the New Efficiency: New York White Paper. We look forward to continuing to work with DPS, NYSERDA, the utilities, other stakeholders, and state agencies, to develop actionable solutions and identify funding mechanisms for improved energy efficiency program design, reduced

financing barriers, and expanded offerings to low income New Yorkers and the affordable multifamily housing sector.