

ACTION -Housing inc.

Allegheny Council To Improve Our Neighborhoods

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July 9, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**Re: Docket No. M-2012-2289411
Act 129 Energy Efficiency and Conservation Program
Phase II Tentative Implementation Order**

Dear Secretary Chiavetta:

Enclosed for filing are comments of ACTION-Housing, Inc. in the docket referenced above. Thank you for providing the opportunity to comment. I apologize for submitting these comments late. I submitted these exact comments via email to Megan Good and Kriss Brown on 7/9/12 mistakenly believing I did not have to submit them to the PUC portal or as a hard copy as well. I apologize for this error and request that they please be accepted late. If you have any questions or comments, please do not hesitate to contact.

Sincerely,



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Comments of ACTION-Housing, Inc.

Introduction

ACTION-Housing, Inc. respectfully submits the following comments regarding Docket Number M-2012-2289411 to the Pennsylvania Public Utility Commission (“Commission”). In addition to ACTION-Housing’s stake in Act 129 Phase II as the state’s largest Weatherization Assistance Provider, we are developing the Energy Conservation Enterprise (temporary name), a one-stop shop that facilitates energy retrofits for multifamily affordable housing in Western PA. Our program provides property audits, a report detailing recommended interventions, assistance securing financing, contractor selection and construction management, tenant and property staff education, and energy savings tracking and analysis. In recognition of the Implementation Order having great bearing on our new program, we appreciate the opportunity to submit comments herein.

A(4)(b) – Inclusion of Multifamily Housing

ACTION-Housing agrees with the Commission’s recommendation to renew the 10% government/education/nonprofit carve-out. We appreciate the Commission’s consideration of multifamily housing in this carve-out and agree that it necessitates special emphasis, especially considering 80% of Pennsylvania’s affordable multifamily housing stock is 20 years in age or older.¹

We agree with Pennsylvania Housing Finance Agency, National Housing Trust and Pennsylvania Utility Law Project (collectively PHFA),² and the Residential Housing Legal Services and the Philadelphia Weatherization and Conservation Collaborative (collectively RHLS)³ that focusing energy retrofits on the relatively untapped multifamily housing market will: reach a significant and largely untapped market;

¹ PUC Tentative Implementation Order, p. 16

² PHFA comments on the Tentative Implementation Order, p. 2-3

³ RHLS comments on the Tentative Implementation Order, p. 3

capture economies of scale; remedy the effective exclusion of thousands of low-income Pennsylvanian's from the benefits of Act 129; lower operating expenses for property owners resulting in less frequent rent hikes thereby maintaining affordable housing's affordability; support low and modest income individuals and families who are most vulnerable to utility price hikes due to their minimal discretionary income; help preserve existing state investments; create healthier and more comfortable living environments; benefit all PA taxpayers through reduced demand on the state's energy system and increased economic output; and benefit the environment because of reduced energy demand.

Because of its potential benefit, we urge the Commission to implement specific mandates for affordable multifamily housing—provided by either for-profit or nonprofit owners—within the government/education/nonprofit carve-out. We suggest the Commission require EDCs to finance affordable multifamily housing proportionately to the size of the multifamily housing stock in each service territory. With regard to Tentative Implementation Order section F, we agree with PHFA that requiring specific funding targets for multifamily housing will ensure the equitable distribution of utility resources across rate classes, which is consistent with the intent of Act 129.⁴

1. Multifamily “One-Stop Shopping”

As the Commission implicitly recognizes in section A(4)(b), the lack of a streamlined application is one of the largest hurdles for multifamily property owners to surmount when applying for Act 129 funds. Owners must often apply separately to commercial utility programs and residential utility programs because multifamily properties often have a mix of individual and master metered accounts. To further complicate matters, an electric utility's program might only address lighting and appliances while not addressing building envelope and an inefficient heating system whereas a gas utility's program will not address lighting and plug loads. This separation of services—commercial/residential and

⁴ PHFA comments on the Tentative Implementation Order, p. 3

electric/gas—often forces property owners to apply to two separate utilities with multiple applications in order to address the entire building.

To maximize the benefits of a retrofit, multifamily buildings are best served by one comprehensive contract that addresses the building as whole, implementing interventions that range from mechanical systems to air sealing and insulation. Although we recognize the Commission does not have jurisdiction over the gas utilities through Act 129, this inefficiency warrants the Commission to initiate a working group to develop a streamlined energy retrofit application for multifamily property owners. A single comprehensive application will allow more multifamily buildings to be weatherized which will greatly benefit the low-income tenants who are the greatest beneficiaries of utility savings.

2. Workable Financing Mechanisms

As the Commission recognizes, affordable multifamily property especially find it very difficult to finance energy retrofit measures that do not see immediate paybacks. Owners of multifamily affordable housing typically do not have enough upfront capital to pay for improvements and are often prohibited from taking on additional debt secured by the property. To work around these barriers, we recommend the Commission institute workable financing mechanisms. These could include, but are not limited to:

- Bridge loans repaid by utility rebates and other incentives
- Utility provided grants to PHFA or CDFIs guaranteeing energy consumption reductions for utilities
- Utilities working directly with financial institutions to leverage low-interest financing for energy efficiency measures
- On-bill financing

We recognize the Commission is not interested in pursuing on-bill financing at this time, but we believe it is a viable option and are pleased to see the Commission plans to convene a working group to

continue exploring on-bill financing options. ACTION-Housing respectfully requests to be a part of this working group.

A(5)(a) – Prescription of a Low-Income Carve-Out

ACTION-Housing supports the Commission’s proposed 4.5% low-income reduction goal. Considering affordable multifamily housing provides for families and people that generally have incomes below low-income homeowners, this carve out will work in tandem with ACTION-Housing’s proposed multifamily carve-out. Supportive affordable housing that prevents or reduces homelessness should be included in the low-income carve-out.

A(5)(b) – 250% of the Federal Poverty Income Level Guidelines

ACTION-Housing supports the Commission’s proposal to allow the utility companies to voluntarily include households up to 250% of the Federal Poverty Income Guidelines as long as this expansion includes residents in multifamily properties.

Due to multifamily properties commonly housing tenants with varying incomes and the efficiencies of scale realized by weatherizing an entire building instead of select units within the building, we urge the Commission to set the 250% of poverty guideline as a standard to be met by each property as a whole instead of unit by unit. We propose that a multifamily building qualifies for the 250% of poverty guideline as long as the average of all of the tenant’s incomes at that property remains at or below the 250% threshold.

E(1) – Measuring Annual Consumption Reductions

ACTION-Housing urges the commission to set up a 3rd party pilot program to test the efficacy and cost of switching from the Technical Resource Manual, deemed savings accounting model to one

that is based on measured and actually realized weather-normalized savings. The deemed savings approach presents too many opportunities to unintentionally misrepresent actual savings and we believe it is worthwhile and necessary to set up a pilot program to test measuring realized savings.

The Western Pennsylvania Energy Conservation Collaborative (WPECC)—a consortium that ACTION-Housing convenes consisting of 15 affordable multifamily property owning organizations with 17,000 units of affordable housing in 313 buildings including a significant number of PHFA and NHT financed properties—has been measuring actual building energy consumption for the past three years in a third of our members' buildings. We have found that tracking energy consumption is the most effective way to understand how properties can best reduce their energy demand.

We have found that the multifamily housing sector has underutilized Act 129 Phase I funds due to the barriers listed above, especially the lack of a robust financing mechanism, the complicated application process, and the restrictive nature of only using deemed savings measures. We have also found that although implementing mechanical system retrofits (e.g. lights, refrigerators, air conditioning units) reduces demand slightly, the greatest savings to investment ratio comes from large-scale retrofits involving air sealing and insulation. ACTION-Housing is expanding the current WPECC model into a one-stop energy retrofit shop in order to best facilitate these large-scale retrofits. Having monitored building energy data for the past three years, we strongly encourage the Commission to implement a pilot program designed to monitor the difference in effectiveness of the deemed savings accounting approach and actual weather-normalized building energy consumption. To this end, ACTION-Housing welcomes the opportunity to participate in conversations with the PUC or any working group the PUC organizes around this issue.

We applaud the Commission's consideration of net to gross adjustment accounting and respectfully ask the commission to reconsider its use. Although we appreciate the Commission's concerns, we agree with Penn Future's assessment of NTG accounting benefits.⁵

C(2) – Technical Reference Manual

ACTION-Housing supports the Commission's recommendation to update the TRM on an annual basis. However, we agree with PHFA and NHT that retrofitting multifamily buildings involves much more than replacing mechanical systems and that the current TRM has an insufficient amount of information regarding non-mechanical upgrades such as air sealing and insulation.⁶

In order to ensure the most efficient application of Act 129, we suggest the commission attempt to disambiguate the effectiveness of various energy saving measures through a 3rd party audit. For instance, a pilot program should be set up to test the effectiveness of an energy audit in conjunction with strictly mechanical upgrades, or the implementation of deemed savings measures with resident education. Either way, Act 129 will benefit if the Commission could determine best practices and measured effectiveness for everything from deemed savings upgrades to client and property staff education.

We urge the Commission to allow utilities to invest in non-mechanical building shell measures such as air sealing and insulation, which is common practice in multifamily utility incentive programs in other states, including New Jersey, Maryland, and Massachusetts. This inclusion is necessary for achieving substantial long-term energy savings.

Considering our stake in residential and multifamily weatherization, ACTION-Housing respectfully requests to be a part of the proposed Technical Working Group to discuss new measure

⁵ PUC Tentative Implementation Order, p. 33-36

⁶ PHFA comments on the Tentative Implementation Order, p. 7, as well as the footnote (#7): "See the TRM dated June 2012, p. 221. The manual states that 'Wall and ceiling insulation is one of the most important aspects of the energy system of a building'. However, the manual goes on to state that this measure applies only to non-residential buildings heated and/or cooled using electricity."

protocols, existing measure protocols and any changes to standards, codes and regulations for inclusion in the 2013 TRM.⁷

1. Custom Projects

The Energy Conservation Enterprise one-stop retrofit shop will engender multiple energy savings possibilities that are not currently dealt with in the TRM or the Tentative Implementation Order which we will eventually want to have recognized by Act 129. Consistent with 66 Pa. C.S. § 2806.1 (a) (6), we recommend the Commission allow and encourage utility companies to implement custom projects—i.e. projects whose energy savings fall outside the currently accepted measures. For instance, the potential exists for utility companies to pay the ECE directly for the services provided to assist owners of multifamily affordable housing in the energy retrofits of their buildings.

This model could save ratepayers a great deal of money if utility companies only have to pay for ECE services and allow the property owner to finance through a low-rate loan. In order to determine the effectiveness of this, other proposed savings measures, and current TRM protocol, we encourage the Commission to vet projects with a 3rd party energy savings assessments instead of only relying on deemed savings.

Pursuant to section G of the Tentative Implementation Order, we ask that custom projects are not restricted to being reviewed only once a year when the Commission reviews proposed changes to the annual report. In order to be effective, custom projects should be reviewed in a timely fashion on a case-by-case basis.

⁷ PUC Tentative Implementation Order, C(2)(b), p. 30

Conclusion

ACTION-Housing, Inc. appreciates the opportunity to comment on the important issues discussed in the Tentative Implementation Order and looks forward to working with the Commission and its various working groups to resolve lingering issues regarding the development of any Act 129 Phase II requirements.

Respectfully submitted,



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