

I am writing today on behalf of the Virginia Energy Efficiency Council (VAEEC) to provide comments on the 2018 Virginia Energy Plan. Energy efficiency is one of the most practical, cost-effective tools to reduce our energy consumption and dependency on fossil fuels, which in turn, helps reduce carbon emissions.

The VAEEC is a 501c3 organization, headquartered in Richmond, providing a platform for stakeholder engagement while assessing and supporting programs and policies that advance energy efficiency in Virginia. We engage our members to identify barriers and opportunities to energy efficiency advancement in Virginia, and to develop a strong, fact-based and balanced industry voice before local, state and national policymakers and regulators. Our diverse group of nearly 100 members includes Fortune 500 companies, nonprofits, local governments, state agencies, utilities and individuals. The VAEEC's goal is to ensure that energy efficiency is recognized as an integral part of Virginia's economy and clean energy future.

The VAEEC is currently focused on several program areas which reflect our role in advancing innovative and effective strategies in the energy efficiency field: launching Commercial Property Assessed Clean Energy (C-PACE) financing; advocating for rigorous energy requirements in the Virginia Uniform Statewide Building Code; expanding utility energy efficiency programs; and supporting benchmarking and data access initiatives. Expanding energy efficiency provides Virginia residents with affordable energy bills and healthier, more comfortable homes.

Our comments on how the 2018 Virginia Energy Plan can help VAEEC with our mission are broken down into the four main focus areas provided by the Department of Mines, Minerals, and Energy (DMME):

1. Achieving the 10% voluntary electricity reduction target
2. Developing lead-by-example strategies for state government
3. Initiating financing programs for energy efficiency projects
4. Exploring program design for DMME-managed programs

Achieving the 10% voluntary electricity reduction target

There are many opportunities for the Commonwealth to achieve its voluntary goal of reducing electricity use 10% by 2022.

The recent passage of the Grid Transformation and Security Act of 2018 paves the way for some of these opportunities. This law provides tremendous opportunities to Virginians over the next decade, including a combined commitment by the electric utilities to spend over \$1B on energy efficiency programs.

To ensure those funds are spent in the most effective and streamlined way, it is imperative that DMME has the ability to engage in the various processes related to utility filings before the State Corporation Commission (SCC). To that end, the state budget should continue to include funding for one FTE at DMME who is responsible for tracking and participating in SCC

proceedings, including the energy efficiency stakeholder process as well as the Integrated Resource Planning process.

Active participation in the SCC energy efficiency stakeholder group will be important as that group provides support and guidance to the electric utilities to design energy efficiency programs, ensuring that the utilities are on track to spend at least \$1B on efficiency programs over the next ten years.

As a stakeholder participant, DMME should advocate for changes to the cost-benefit tests. Whether it is through discussions on considering different inputs for tests (i.e., inclusion of non-energy benefits, particularly as they relate to economic development), advocating for review at the portfolio level instead of at measure or program level, or considering new tests all together, such as the ones published in the National Standard Practice Manual (NSPM). Each of these changes will allow for expanded programs to pass such tests, which will help maximize savings for consumers while helping utilities achieve their spending goals.

In addition to DMME's participation in the stakeholder group, the Governor should also issue policy statements on the importance of diversifying EE programs both in terms of customers (low-income, market rate residential, commercial) and program type (i.e. financial incentives and behavioral programs) as well as initiating customer engagement tools/data access as it relates to smart meter deployment, which includes easy-to-read data analysis.

One legislative initiative to consider to help achieve the ten percent energy reduction goal (and more) would be to provide performance incentives to utilities to encourage more robust energy efficiency programs in the future.

In addition to the utility programs, there are public and private programs that should be tracked in order to capture all of the energy reduction activities happening throughout the Commonwealth. DMME should develop tools to track energy savings not currently included in our progress such as:

- Efforts by localities and institutions of higher education (i.e., public and commercial benchmarking, Energy Performance Contracts (EPC), consumer incentive programs)
- Efforts by the industrial sector
- Transportation initiatives at the state and local level
- New efficiency requirements in the Uniform Statewide Building Code

DMME should actively participate in the Department of Housing and Community Development (DHCD) code update process, via the energy sub-working group, to provide information on energy efficiency benefits and actively champion efforts by efficiency advocates, like VAEEC, to ensure that the 2018 International Energy Conservation Code (IECC) is fully incorporated into the USBC.

Developing lead-by-example strategies for state government

For this focus area, we are making recommendations in three categories: Reducing energy use in public buildings; promoting EPC and; providing benchmarking resources to localities.

Reducing energy use in public buildings

In 2017, the energy reduction goal for public buildings expired. Governor Northam should immediately issue an Executive Order to reinstate the 15% energy reduction goal in public buildings and include clear goals and guidelines for benchmarking energy savings data in the Virginia Energy Management Program (VEMP). DMME should be directed to identify ways to increase participation in VEMP, particularly from municipal, university, school, and hospital (MUSH) markets.

Promoting Energy Performance Contracting

Energy Performance Contracting (EPC) is a great financing mechanism to meet public savings targets. DMME should actively promote the new EPC framework to state facilities' managers and the MUSH market via a "publicity tour" where DMME staff travel to different regions of the state to discuss the benefits of EPC and the new guidelines.

DMME staff should also begin tracking deferred maintenance data to showcase how EPC can be beneficial, making it easier for agencies with limited capital to make energy efficient improvements. Further, DMME should require energy savings data reporting throughout the life of the project instead of for the first few years.

Finally, the Northam administration should identify legislative fixes to help localities overcome financial barriers, which prevent them from undertaking Energy Performance Contracting.

Providing Benchmarking Resources to Local Governments

DMME should provide resources, including the development of a toolkit, to localities on how to benchmark public buildings, how to promote energy awareness among staff, and/or how to initiate commercial benchmarking programs. DMME should also continue the Data Access Stakeholder group to help identify solutions to technical issues brought up during the 2017 stakeholder meetings and support enabling legislation for mandatory benchmarking programs.

Initiating financing programs for energy efficiency projects

Two opportunities to initiate funding for energy efficiency projects are to continue promoting Commercial Property Assessed Clean Energy (C-PACE) Financing and to identify new funding options for the Virginia SAVES (Sustainable, Verifiable Energy Savings) program.

Commercial Property Assessed Clean Energy (C-PACE)

DMME should continue working with the Mid-Atlantic PACE Alliance (MAPA) partners and C-PACE stakeholders to:

- Launch C-PACE programs in localities across Virginia
- Increase deal flow within the Mid-Atlantic region
- Actively promote the MAPA Regional Toolkit to Virginia localities
- Play a supporting role to host a clean energy conference in 2019

Virginia SAVES program

Funding for the Virginia SAVES program ended in 2017 with the overhaul of the federal tax law. To establish a new funding mechanism for this program, Governor Northam should include, in

his legislative package, a proposal to establish new tax credits or a rebate program to maximize savings in the residential and commercial sectors.

The Virginia SAVES program should also eventually incorporate funding from the energy efficiency offsets proposed in the carbon trading rule, as discussed below.

Exploring program design for DMME-managed programs

For the final focus area, we are providing recommendations on two DMME programs: the Energy Data Warehouse pilot program and the energy efficiency set aside of the proposed carbon trading rule.

Energy Data Warehouse

The Energy Data Warehouse is a pilot program supported by DMME and Department of General Services (DGS) to track energy consumption at state facilities. VAEEC encourages the state to permanently adopt this pilot program and expand it to include energy usage at all state-owned and leased buildings. DMME should also open the program to local governments that are already benchmarking their public buildings to help establish a common methodology among state and local governments.

In order to continue the program, funding should be maintained for DMME and DGS to manage the energy data software used for this program. We also encourage the Northam administration to invest in funding to train and educate state facilities managers on maintaining accurate records and using the software.

The data collected should also be made publicly available to highlight and promote success in statewide energy analysis, consumption reduction, awareness, renewable energy and green building programs in order to enhance the Commonwealth's public image and to attract energy-conscious organizations, businesses and people to Virginia.

One major benefit of tracking energy usage at all state-owned buildings is the ability to identify facilities that would benefit Energy Performance Contracting. In addition, as DMME staff embark upon the EPC "publicity tour," they should also promote the Energy Data Warehouse, in order to gain broader participation in the program.

Carbon Trading Rule

As part of the proposed Virginia Carbon Rule, five percent of the emissions allowances generated will be allocated to DMME to invest in energy efficiency projects. As mentioned above, this set aside is an opportunity to continue funding the Virginia SAVES programs in order to invest in both public and private sector energy efficiency projects.

Some suggested project financing options could include creating a Revolving Loan Fund for public building upgrades (similar to Commonwealth Energy Fund for commercial buildings) and providing technical assistance to the industrial sector since they are exempt from utility energy efficiency programs.

There is tremendous potential for new energy efficiency programs over the next four years and beyond. By implementing most of these no-cost, low-cost options, under Governor Northam's leadership, we can tap into these new opportunities and spotlight Virginia as a leader in energy efficiency. Attached to our comments is a table listing out our recommendations in an easy-to-digest format. Thank you for providing us with the opportunity to submit input on the 2018 Virginia Energy Plan.

Sincerely,

A handwritten signature in black ink that reads "Chelsea Harnish". The signature is written in a cursive, flowing style.

Chelsea Harnish
Executive Director
Virginia Energy Efficiency Council

Legislative Action
BUDGET: Continue to include funding for one FTE at DMME who is responsible for tracking and participating in State Corporation Commission (SCC) proceedings.
BUDGET: Continue funding for DMME and DGS staff to manage the Energy Data Warehouse software.
BUDGET: Invest in funding for DMME staff to train and educate state facilities managers on maintaining accurate records and using the Energy Data Warehouse software.
BUDGET: Establish a new funding mechanism for the Virginia SAVES program via tax credits or a rebate program to maximize savings in the residential and commercial sectors.
Provide performance incentives to utilities to encourage more robust energy efficiency programs in the future.
Identify legislative fixes to help localities overcome financial barriers, which prevent them from undertaking Energy Performance Contracting for building upgrades.
Administrative Action
Authorize DMME to engage in utility filings before the State Corporation Commission (SCC), including the energy efficiency stakeholder group, DSM filings and IRP proceedings.
Advocate for changes to the cost-benefit tests to maximize savings for consumers while helping the electric utilities achieve their energy efficiency spending goals.
Issue a policy statement on the importance of diversifying energy efficiency programs both in terms of customers (low-income, market rate residential, commercial) and program type (i.e. financial incentives and behavioral programs).
Issue a policy statement on the importance of initiating customer engagement tools/data access as it relates to smart meter deployment, which must include easy-to-read data analysis.
Authorize DMME to develop tools to track energy savings not currently included in the stated progress towards the 10% voluntary electricity reduction goal.
Authorize DMME to actively participate in the Department of Housing and Community Development (DHCD) code update process, via the energy sub-working group.
Issue an Executive Order to reinstate the 15% energy reduction goal for public buildings and include clear guidelines for benchmarking energy savings data.
Actively promote the new Energy Performance Contracting (EPC) framework to state facilities' managers via a "publicity tour" and include education and training on the Energy Data Warehouse software.

Actively promote the new Energy Performance Contracting (EPC) framework and the Virginia Energy Management Program to the municipal, university, school, and hospital (MUSH) markets via a “publicity tour”
Require energy savings data reporting throughout the life an EPC project instead of for the first few years.
Authorize DMME to begin tracking deferred maintenance data to showcase how EPC can be a great financing mechanism to meet public savings targets and make it easier for agencies with limited capital to make energy efficient improvements.
Continue working with the Mid-Atlantic PACE Alliance (MAPA) partners and C-PACE stakeholders.
Permanently adopt the Energy Data Warehouse program to track energy consumption at state facilities and expand the scope to include energy usage at <u>all</u> state-owned and leased buildings. In addition, make the data publicly available.
Open the Energy Data Warehouse to local governments that are already benchmarking their public buildings to help establish a common methodology among state and local governments.
Provide resources, including the development of a toolkit; to localities on how to benchmark public buildings, how to promote energy awareness among staff, and/or how to initiate commercial benchmarking programs.
Authorize DMME to continue the Data Access Stakeholder group convened in 2017.
Regulatory Action
Change the cost-benefit tests to maximize savings for consumers while helping the electric utilities achieve their energy efficiency spending goals.
Create a Revolving Loan Fund for public building upgrades with dollars from the energy efficiency set aside of the proposed carbon trading rule.
Provide technical assistance to the industrial sector; DMME staff time could be funded with dollars from the energy efficiency set aside of the proposed carbon trading rule.