

November 30, 2017

West Virginia Office of Energy
State Capitol Complex Building 3, Suite 200
Charleston, WV 25305-0311

Re: Draft Report: Energy Efficiency in the 5-Year Energy Plan

Dear West Virginia Office of Energy:

I write in support of the Draft Report: Energy Efficiency in West Virginia: Research 5-Year Plan. West Virginia continues to lag behind neighboring states in developing the energy efficiency industry. The report gives a clear, thorough summary of the efforts to be taken to help grow the economy, improve the building stock, and make the state's built environment healthier and more comfortable.

In 2017, the American Council for an Energy Efficient Economy (ACEEE), for the first time in several years, lowered West Virginia's ranking on its energy efficiency policies and programs, from 44th to 47th in the nation. We rank especially low on utility energy efficiency programs, energy efficiency in government buildings, and financing opportunities.

While EEWV has no specific changes to suggest from the program, we would like to highlight several key provisions and provide input on them:

1. Utility programs

EEWV supports continuing the previous recommendation of establishing energy savings targets that are cost-effective and beneficial to ratepayers. Additionally, as noted on page 17 of the report, long-term funding is important for making energy efficiency investment and planning for larger companies that provide energy services, for example.

Finding a consistent rubric for evaluating energy efficiency programs is an important aspect of this process. There are four main methods for evaluating the cost-effectiveness of programs.¹ EEWV would recommend adding a recommendation that the Public Service Commission utilize the Utility Cost Test and/or Total Resource Cost Test to assess cost-effectiveness.

¹ There are two main manuals utilized for directing how cost-effectiveness is measured. For decades, the most-used manual has been the California Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects (2001). The National Standard Practice Manual for Assessing Cost Effectiveness of Energy Efficiency (2017) was recently developed by energy efficiency experts to modernize the process of evaluating cost-effectiveness from the California manual.

Finally, while more than 90% of the state has access to energy efficiency programs through their electric utility, there are no programs for the smaller utilities, including cooperatives and municipal utilities. Additionally, as well-described on pages 4-6, there are large differences between FirstEnergy's utilities and AEP's utilities. Natural gas utilities have no energy efficiency programs, unlike other states. EEWV would recommend that the Public Service Commission incorporate energy efficiency programs uniformly, or as uniformly as possible, throughout all electric and natural gas utilities in the state. Alternatively, the Public Service Commission could consider decoupling utility revenues from kilowatt-hour usage. Currently 25 states have decoupled profits from sales, either for natural gas or electricity - including most of West Virginia's neighboring states.

2. Leading by example: energy savings in government buildings

The state government needs to be good stewards of taxpayer funds, including the amount that the government pays in energy bills. The recommendations contained on page 19 very clearly outline how to implement a savings program. By incorporating benchmarking, goals, and requirements for energy efficiency in public buildings, the state will save taxpayers money, make government work spaces healthier and more attractive, and create economic development while also saving money. By creating initial demand for more energy efficiency services, the state can kick start businesses into working in the state.

3. Financing

The main impediment to economic development through energy efficiency is the upfront cost to make improvements, which is why financing is a critical aspect to growing energy efficiency in the state. Qualified Energy Conservation Bonds (QECBs) are a key way to help local governments access financing for their buildings and Local Energy Efficiency Partnerships (LEEPs) provides greater access to finance for the commercial sector. The LEEP Act is a method for businesses to access private capital for improving their buildings and repaying the improvements on the tax ticket. There is no economic risk to local or state governments.

Thank you for your leadership in taking on the task of planning for West Virginia's future. Both the West Virginia Office of Energy and Marshall University Center for Business and Economic Research have impressive staffs and it shows in this report. We look forward to helping implement the goals of this report, and broaden the economic base of the state.

Sincerely,

Emmett Pepper
Executive Director
Energy Efficient West Virginia