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To: Comentarios <comentarios@jrsp.pr.gov>
Subject: Comments of the Southern Alliance for Clean Energy in re: the EE & DR TPP

October 28th, 2022

VIA EMAIL comentarios@energia.pr.gov

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RE: **Comments of the Southern Alliance for Clean Energy on proposed EE and DR Transition Period Plan, Docket No. NEPR-MI-2022-0001**

Now comes the Southern Alliance for Clean Energy ("SACE"). The Southern Alliance for Clean Energy promotes responsible and equitable energy choices to ensure clean, safe, and healthy communities throughout the Southeast United States. Founded in 1985, SACE has been a leading voice calling for smart energy policies that help protect our quality of life and treasured places.

SACE appreciates the opportunity provided by the Puerto Rico Energy Bureau ("PREB" or "the Bureau") to provide comments regarding the proposed Energy Efficiency ("EE") and Demand Response ("DR") Transition Period Plan ("TPP"), and looks forward to the chance to participate in the upcoming technical workshop and future comment opportunities.

In response to specific questions raised by PREB in its October 12th, 2022 Resolution and Order ("R&O"), we offer the following[1] for your consideration:

1. We strongly support the Bureau's two-step approach of initiating a Transition Period Plan prior to developing and deploying a more comprehensive, long-term energy efficiency and demand response strategy. This phased approach will enable LUMA to introduce the public to utility-administered energy efficiency programs and deliver bills savings to customers in the short-term, while laying the foundations for larger scale efficiency investments in the future. The experience and lessons learned from implementing the TPP will also yield invaluable insights to inform and strengthen the impact of future program development, and help to avoid potential pitfalls that could erode public confidence in the program over the long-term.

[1] These responses correspond to the numbered questions in PREB's October 12th, 2022 Resolution and Order.

Many of the specific questions asked by the Bureau should be considered from both a near-term perspective that directly informs implementation of the TPP, and from a longer-term perspective that leads to additional planning and preparations during the TPP that are ultimately aimed at achieving readiness for full scale deployment in the next phase. For instance, work to develop branding, a comprehensive workforce development strategy, expanded measure offerings, and on-bill repayment options for the next phase should all commence soon, rather than waiting until the TPP phase is wrapping up. The same applies to establishing expanded metrics-specific performance incentives and coordinating LUMA's EE program offerings with federal Infrastructure Reduction Act ("IRA") funds. While there are some near-term actions around marketing and workforce development that could also be applied towards implementation of the TPP, most of this planning work must be given ample time to ensure implementation of the next phase is positioned for success.

2. The most fundamental concern we have is the unresolved need for additional funding to fully implement the TPP. Without a fully funded budget, it is unlikely that the public will have access to program offerings that lead to meaningful bill savings, which in turn could jeopardize public support for future efforts to achieve Puerto Rico's ambitious goal of reaching 30% efficiency savings by 2040. Now that the Transition period has already begun, resolving this issue must be a top priority, though it is not a subject our organization feels equipped to address directly in these written comments.

   Utility-administered efficiency program are being offered for the first time in Puerto Rico, and ultimately the public will be asked to support funding EE and DR programs at an even higher level over the long-term. For this reason it is essential that large numbers of customers are able to access the programs, that they learn about and experience the benefits of lower energy bills themselves, and that the process be as convenient as possible.

   We are concerned that not enough customers will get the opportunity to personally participate in the efficiency programs during the transition period to build the public support necessary to grow the programs in the future. Direct install programs are not included in the transition plan but are a good strategy to reach large numbers of customers, deliver immediate (albeit relatively modest) bill savings, and create a dialogue with individual customers around future savings opportunities. Such programs are typically deployed at the neighborhood level and focus on reaching high percentages of all the customers in the designated area. There are direct install programs for both residential and business customers, who are typically reached by program representatives going door-to-door. In addition to receiving a relatively inexpensive set of measures (typically LED bulbs, low flow shower heads and faucet aerators, and minor air sealing), the representative also conducts an on-site assessment of efficiency needs, and talks with each customer about ways to reduce energy waste and save on their energy bills. This kind of hands on, direct contact experience creates an opportunity to both educate customers about energy efficiency (and PREB / LUMA's efforts to reduce costly energy waste) and motivate them to pursue deeper efficiency improvements, potentially though other utility program offerings. These programs also provide a vehicle through which many entry level program employees can gain valuable in-the-field experience, which can be tied in with a comprehensive workforce training strategy.

Because the TPP has already begun, it is likely too late to implement direct install programs now, but they could be a valuable addition to LUMA's program offerings in the near-term.

LUMA has already identified market transformation as part of its early rollout strategy, but there may be more that can still be done through midstream delivery channels, instant rebates, and in-store discounts. Each of these simplify the customer experience and accelerate customer participation. If these strategies are pursued, however, it may be necessary to put additional effort into marketing the programs' role in providing the incentives, since these offerings are less visible to the customer than they would be when filling out rebate forms. But the tradeoff may be worth it, considering the reduced hassle for participants and the potential to reach many more customers.

3. Expanding the local workforce must be a top priority during the TPP phase, both to meet immediate workforce needs and to quickly build capacity for expanded deployment in the next phase. There will be need for workers with different levels of skill, ranging from basic installers to experienced building science professionals. Because it is important that customers have positive experiences with their energy efficiency upgrades, careful attention should be paid to quality assurance and quality control from the beginning. To deliver quality work in the field, workers must be given the training and experience they need to succeed. Given the infusion of federal funds through the IRA and Infrastructure Investment and Jobs Act ("IIJA"), it may make sense to construct a hands-on demonstration training facility. Workforce needs will continue to grow and evolve over time, and should be informed by both the EE baseline study and workforce needs associated related to future program design.

4. Independent branding for energy efficiency could have many advantages, though it may be better to develop this brand identity and corresponding marketing materials in the leadup to deploying the next phase of energy efficiency operations following TPP. It takes time to develop and roll out a quality brand that is able to build customer awareness, confidence, and ultimately stand the test of time. Doing so during the middle of the transition period that is already underway could actually distract from and delay implementation of the TPP programs themselves. Rather, experience gained during the transition plan could instead inform development of brand identity. Efficiency Vermont,[2] Empower Maryland,[3] Energy Trust of Oregon,[4] and New Orleans' Energy Smart,[5] are just a few examples of branded efficiency programs that serve this purpose in other jurisdictions, and each has a suite of corresponding online and physical marketing materials that drive interest and guide people to resources for participation. A brand that is promoted without supportive resources (such as trade ally contact lists) could in fact damage public perceptions about Puerto Rico's nascent efficiency programs just as they are getting off the ground. The work to develop a brand identity should begin during the transition period for deployment in the next phase.

[2] https://www.efficiencyvermont.com
[3] https://energy.maryland.gov/pages/facts/empower.aspx
[4] https://www.energytrust.org
[5] https://www.energysmartnola.info

Affordability, resilience, and job creation are all good messaging themes for energy efficiency, but specific marketing decisions for the program at this level of detail should probably be made by the program administrator, rather than regulatory direction, and should be based on local market research and insights gained through operating the program.

Engagement with a wide range of community organization will provide valuable insights from multiple perspectives that can help to inform efficiency programs goals, design strategies, and associated communication materials, while also building momentum and buy-in that will be essential for long-term program success. Focus groups should also be conducted with individual customers to see how well they respond to various marketing materials. We defer on identification of particular community groups to those with stronger local ties, but at the very least we would encourage engagement with organizations that work on behalf of and support low-income residents, groups that have demonstrated an interest in Puerto Rico's clean energy transition, and business associations whose members are potential trade allies for Puerto Rico's efficiency programs.

5. Federal IRA and IIJA investments should provide a significant increase in efficiency savings for Puerto Rico, and coordination between federally funded efficiency incentives and programs operated by the utility will lessen customer confusion and increase overall savings impact. In addition to increasing energy savings for customers, IRA and IIJA funds for energy efficiency will also help to accelerate progress towards the Puerto Rico's clean energy targets. Because these federal investments will occur over a ten year period, LUMA should work with local government agencies to align their respective program design, public messaging, and operations as much as possible. However, critical details about use of the federal funds are still being developed and are unlikely to be available to the public until the TPP is concluding. So, while lines of communication should be established as soon as possible to coordinate development of utility and federally funded efficiency programs, such planning should target implementation following the transition period. Ultimately, technical assistance should aim to make the customer experience as seamless as possible, whereby someone wanting to implement efficiency measures can easily identify and access the full array of incentives available with the least amount of effort and complexity.

6. SACE agrees with the general principles identified in this question, but at this time defers to others on specific recommendations.

7. On this SACE also defers at this time.

8. Heat Pump Water Heaters are a promising technology that could yield significant efficiency savings impact. If incentives are to be offered for this measure, however, it will be important to assure adequate product availability and enough people who are willing and trained to properly install them. Generally speaking, during the transition period deference should be given to the program administrator to decide which measures warrant incentives. The upcoming baseline and demand side management potential study, program experience, and active stakeholder engagement could then help to inform potential expansion of measure offerings following the transition period.

9. Generally speaking, programs that are specifically designed to serve low-income customers do cover 100% of the cost of efficiency improvements, due to the financial constraints that tend to limit low-income customer access to standard efficiency program offerings. Because this approach covers the total measure cost, not just the incremental cost of higher efficiency versions, there is an inherent spending tradeoff with this approach that reduces the number of customers that can be served and the amount of total efficiency savings relative to other approaches. However, equitably serving low-income customers is an imperative for successful energy efficiency program portfolios, so whatever approach is taken in the TPP it should be in pursuit of strategies that will also best prepare the program to effectively serve the needs of low-income customers going forward. An important matter to consider is what criteria will qualify a customer as low-income and how income eligibility will be determined. Another important consideration is how issues like health and safety or incidental repairs needs will be handled in order to make a home weatherization ready. All of these subjects should be informed by active engagement with community organizations that work directly with Puerto Rico's low-income population, as well as further discussion at the upcoming technical workshop.

10. Maintaining program continuity is an essential feature of successful efficiency program operations. Not only can sudden stops and starts undermine public confidence in efficiency programs, they can also destroy relationships with the businesses and people who actually do the work of installing efficiency measures, and without whom the programs cannot succeed. For this reason, a reasonable level of budget flexibility is justified, both for moving dollars between programs and from year to year. Working through the details around such adjustments will become more important in the future, but for the TPP a greater degree of flexibility it probably appropriate – provided the utility communicates regularly about such actions and it continues to demonstrate its ability to meet the overarching energy savings goals and establish a workable foundation for future growth.

11. See SACE's response to Question 5 above.

12. On-bill repayment for energy efficiency upgrades could indeed be a powerful tool for expanding efficiency deployment in the future, and the Pay As You Save model has a strong track record of demonstrated results. We strongly support initiating work on this sooner than later, given the time it takes to develop and implement such systems. A wealth of information resources are readily available to assist with this work, which ideally would be supported by a workshop process similar to the one currently being conducted in Illinois.[6] Missouri also serves as a useful guide for what is possible, having launched programs within two years of tariff approvals by its Public Service Commission. Notably, these financing models can be applied not only to residential energy efficiency, but also to commercial and municipal properties, solar installations, and public bus and school bus transportation. Again, there is a wealth of information online as well as experienced individuals willing to share their insights, including at the U.S. EPA, Clean Energy Works, and LibertyHomes, to name just a few.

[6] https://www.icc.illinois.gov/informal-processes/Equitable-Energy-Upgrade-Plan

13. Each of the indicated metrics would be beneficial to track and report. Additional metrics could include:
    - Peak and average capacity reductions (MW) (this is also a resilience/reliability metric)
    - Bill and energy savings for low-income customers
    - Savings by housing type
    - Frequency of customer adoption of multiple building shell and HVAC system improvements
    - Average participant savings for each program as a percentage of their electricity usage
14. If performance incentives are implemented for the TPP at all, they should be kept very simple and relate specifically to the proposed two year energy savings targets and basic metrics around establishing core operational capabilities on which future programs will rely. Development of more detailed performance incentive policies and metrics could be discussed through technical workshops and comments for implementation following the TPP.

15. This may be the most important issue to address, and we are prepared to offer only very limited input at this time. Ultimately, recovery of energy efficiency costs ought to be collected through rates like any other energy resource, rather than singled out for separate collection. Energy efficiency budgets should be developed and approved for multiple years at a time with a reasonable degree of flexibility to permit carrying funds over from one year to the next. Approved budgets for energy efficiency should, however, be reserved exclusively for use with energy efficiency programs and should cover all administrative and customer incentive costs. We look forward to learning more about the best options for funding energy efficiency during the TPP and beyond, and participating in discussions on the subject during the upcoming technical workshop.

Other General Comments:
Launching energy efficiency program offerings for the first time requires the concurrent development and implementation of many interrelated activities, such as those identified in each of the questions above, without which it is impossible to effectively operate. In order to ensure each of these essential and interrelated activities do come together as planned, it is essential that adequate time be given to the process leading up to regulatory approvals and program implementation. This includes (but is not limited to):

- ensuring adequate time to develop plans,
- solicit and incorporate stakeholder feedback,
- receive necessary regulatory approvals,
- issue requests for proposals and complete contracting,
- prepare and implement programs, and
- evaluate program performance.

Puerto Rico has ambitious goals for energy efficiency, which carry significant implications for its transition to renewable energy generation, as well as increasing resilience and grid reliability. Building in enough time for each of these critical activities to take place (and including buffers to accommodate unexpected and unavoidable delays) is critical to avoiding costly mistakes that could undermine achievement of savings goals and erode public confidence. There will always be a tension between a sense of urgency and the methodical steps that are necessary to ensure goals are actually

met. The transition period provides a chance to get started, while taking additional steps now to be in a good position for the next phase in just under two years. In addition to the many substantive issues we are now discussing, the Bureau, LUMA, and stakeholders should also give careful attention to mapping out timelines for process planning and the implementation steps above. Doing this early on will help to avoid missed checkpoints and hurried work that reduce quality outcomes, and carries the risk of unintended consequences.

If Puerto Rico accomplishes its aims for energy efficiency, it will deliver tremendous financial benefit to customers, stimulate new jobs and economic development, and lead to a more resilient and reliable clean energy grid. This will involve challenging and exciting work and a willingness by many people and organizations to work together. We are honored and grateful to be a part of this effort and look forward to the chance to contribute as best we can to the ultimate success of Puerto Rico's clean energy future.

Sincerely,

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