NAESCO National Association of Energy Service Companies

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Mr. Frank Norcross
EE-2K
U. S. Department of Energy
1000 Independence Ave., S.W.
Washington, DD 20585-1290

Dear Mr. Norcross:

The National Association of Energy Service Companies (NAESCO) appreciates the opportunity to provide comments on the Department of Energy's proposed rule changes to reporting requirements for Energy Efficiency and Conservation Block Grant (EECBG) and State Energy Program (SEP) recipients. NAESCO's current membership of about 65 organizations includes firms involved in the design, manufacture, financing and installation of energy efficiency and renewable energy equipment and the provision of energy efficiency and renewable energy services in the private and public sectors. In 2009, NAESCO members delivered about $6 billion of large energy efficiency and renewable energy projects.

Many of our members will be providing energy efficiency and renewable energy services to EECBG and SEP grantees and sub-grantees. As a result, they will be involved in meeting the reporting requirements directly or indirectly. Therefore, on behalf of our members, NAESCO offers the following comments.

Additionality and Non-Federal funds

NAESCO finds the description of Non-Federal funds in section **4.0 DEFINITIONS**, which is excerpted below, confusing:

> **4.0 DEFINITIONS**
> • Non-Federal funds – Funds used in execution of a Recovery Act-supported project that do not come from DOE or any other Federal entity. These funds should be:
>
> 1. Cognizable and verifiably applied to the Recovery-Act project, not assumed or projected; and
> 2. Additional to Recovery Act funds (*i.e.*, they would not have been applied to the project in the absence of Recovery Act funds).

NAESCO's understanding is that DOE and OMB are seeking data about the leveraging of Recovery Act funds with funds from other sources, such as utility or state rebates, incentives, grants, cash that may be invested in a project by a facility owner, loans, leases and other funds. The projects implemented by NAESCO member companies typically combine funds from a number of these sources into a project financing package that optimizes the benefits to the customer. As we look at this definition, we can see two possible interpretations of what is to be reported.

The first interpretation is that the grantee is supposed to report all Non-Federal funds that are cognizable, verifiable and additional to Recovery Act funds. In this interpretation, "additional" means that Federal funds are added to the funding from other sources, rather than replacing the funding from other sources. Providing this data should be a relatively simple task for most grantees.

The second interpretation is that the grantee is to report only the additional funds from projects that would not have been implemented if there were no the Recovery Act funding. The key concept seems to be that the Recovery Act funding caused the project to happen.

This second interpretation is problematic, in NAESCO's experience, because it is very difficult to determine whether or not a large project will be implemented if one potential funding source is not available. The project financing world is dynamic. We expect that Non-Federal funding sources will show significant variation during the three-year period of performance of the Recovery Act. Utility rebates can go up or down significantly. A state may start or end a grant program for a particular technology (*e.g.*, renewable energy installations in schools). The commercial credit markets may significantly change interest rates and/or loan terms. It is NAESCO's experience that the scope of a project may vary, but the project will often not be abandoned if one of the potential funding sources is not available.

This second interpretation thus appears to lead DOE and the Recovery Act grantees into a very complicated area of energy efficiency program evaluation. Utility and state energy efficiency program managers across the country spend millions of dollars each year on studies that try to define and quantify program causality and additionality. The results of the studies, which are conducted by experienced teams of program evaluators, often produce either uncertain or controversial conclusions when applied to large projects, and are the subject of ongoing debate among energy efficiency stakeholders. The basic problem with the studies is that the primary data is often subjective, in that it involves determining, usually from interviews, what a large project customer might have done if the situation were different. In NAESCO's opinion, it is unrealistic for DOE to expect thousands of non-expert Recovery Act grantees to be able establish the causality and additionality of tens of thousands of large projects in their various programs.

Based on this understanding of the situation, NAESCO urges DOE to clarify exactly what data it is looking for in this area, and suggests that DOE specify that grantees report the data that corresponds to our first interpretation above.

Dual Reporting Requirements

The requirement of dual reporting to both DOE and OMB seems unnecessarily burdensome. We believe that one of the two entities should be designated to receive the reports and the entities should coordinate their reporting systems so that they can both use a single data input. NAESCO's experience with utility programs across the country during the past two decades is that it often takes the program managers a year or two to really understand a single set of reporting requirements, such as that required by the state utility regulators, and several cycles of reports to get the reported data into the format that the regulators want. These utility program managers typically have no other jobs (unlike many of the Recovery Act grantees), and are assisted by expensive teams of expert consultants (which most Recovery Act recipients will not have). So a dual reporting requirement seems to make reporting errors much more likely, and to significantly increase the workload on DOE, OMB and grantees to correct the errors.

Monthly Reporting

We agree with other commenters that the proposed requirement that EECBG recipients receiving more than $2 million in funding file monthly reports is unnecessarily burdensome. By the nature of the way the projects will be implemented, there will be little or no difference with regard to the amount of monthly workflow between those funding recipients receiving over $2 million and those receiving under $2 million. The recipients with more money will simply be undertaking more projects over a greater period of time. As such, we believe that quarterly reporting requirements should be implemented and all recipients regardless of the dollar amount be subject to that requirement.

Thank you for the opportunity to submit these comments.

Sincerely,

Donald Gilligan
President