David Friedman

Acting Assistant Secretary

Office of Energy Efficiency and Renewable Energy

U.S. Department of Energy
1000 Independence Ave, SW
Washington, DC 20585

August 19, 2016

Dear Mr. Friedman:

The National Association of State Energy Officials (NASEO) greatly appreciates the efforts of the U.S. Department of Energy (DOE) Office of Energy Efficiency and Renewable Energy in updating the *Best Practice Guidelines for Residential Property Assessed Clean Energy (PACE) Financing Programs*. On behalf of the 56 State and Territory Energy Offices (SEOs), NASEO offers the following feedback and comments on this important document:

***Cost-Effective Measures****:* In the draft guidelines, DOE recommends that the “financed package of energy improvements…be designed to pay for itself over the term of the assessment,” minimizing the borrower’s debt-to-income ratio and increasing his or her likelihood and ability to repay the obligation. This recommendation holds merit as a general rule-of-thumb for PACE programs to follow; however, in some cases it may be overly restrictive if implemented as a firm program requirement. For this reason, NASEO suggests that DOE refine this guideline in the following ways:

*Clarify whether and how non-cost-saving should be financed*. Such measures may include improvements that affect the home’s energy systems (such as electrical system upgrades) as well as broader non-energy upgrades, but do not necessarily result in financial cost savings. It is unclear from the draft guidelines whether these measures are considered part of the “financed package of energy improvements” and would thus need to conform to the cost-effectiveness recommendation, which may potentially limit the homeowner’s ability to pursue such upgrades. In some cases, some improvements (such as mold mitigation, lead abatement, asbestos removal flu repairs, and minor roof repairs) are required by code to be addressed in order for the energy efficiency and renewable energy measures to proceed. Programs may wish to allow such ancillary and necessary improvements to be excluded from cost-effectiveness calculations if they do not exceed a threshold amount (e.g., 15%) of the total PACE obligation. NASEO recommends that DOE consider identifying such circumstances in the guidelines and providing guidance to programs on how to handle non-cost-saving measures.

*Consider identifying or factoring non-energy benefits:* Some PACE programs may wish to factor quantifiable non-cost-saving benefits into their cost-effectiveness calculations. While many of the benefits associated with home upgrades are difficult to quantify (e.g., health improvements due to reduced allergens, comfort improvements associated with reduced drafts and more consistent temperatures, and reduced ice damming from properly insulated and sealed attics), other benefits (e.g., reduced carbon emissions) are quantifiable and may help PACE programs justify deeper energy efficiency improvements to the home.

***Energy Assessments:*** The draft guidelines encourage the use of home energy assessments to help borrowers identify needed energy improvements in their homes. NASEO suggests that the assessment include an examination of the home’s energy equipment as well as historic energy usage to identify appropriate improvements and measures deemed to be cost-effective.

DOE should consider making its recommendations for energy assessments for emergency replacement of failed equipment more streamlined than those required for multiple-measure projects or whole home retrofits. This would help meet consumers’ needs for timely replacement while still providing information and options regarding the incremental cost and benefits associated with more energy-efficient measures. It may also help position PACE as a useful tool for homeowners opting for energy efficiency and renewable energy improvements in disaster recovery and rebuilding situations. In all cases, energy assessments associated with PACE programs should provide customers with an estimate of the energy savings, as well as a description of the potential non-energy benefits, to help consumers make fully-informed choices about the products and services they receive.

***Rebates and Tax Credits:*** The draft guidelines recommend that PACE programs coordinate with existing utility programs to take advantage of incentives and services (such as energy assessments) available to homeowners. NASEO would like to note that in addition to utility programs, non-ratepayer-funded federal, state, and local programs may offer financial and technical assistance that PACE programs may leverage. State Energy Offices may be well-positioned to educate PACE programs on the types of assistance available in their jurisdictions.

If you would like to discuss any of this feedback in further detail, please do not hesitate to reach me at dterry@naseo.org or 703-299-8800. NASEO thanks you for considering these suggestions and appreciates the valuable leadership role that DOE has taken in advancing the PACE market.

Sincerely,

David Terry

CC: AnnaMaria Garcia, Director, Weatherization and Intergovernmental Programs Office, U.S. Department of Energy; David Nemtzow, Director, Building Technologies Office, U.S. Department of Energy