Environmental Justice and Climate Justice Priorities for New York State Energy Efficiency Targets

February 27th, 2018

Hon. Andrew M. Cuomo
Governor of New York State
Executive Chamber
New York State Capitol
Albany, New York 12224

Dear Governor Cuomo:

We were encouraged by the *2018 State of the State* commitment to establish statewide energy efficiency targets by Earth Day. Energy efficiency is a priority for environmental and climate justice communities across New York State that face disproportionate environmental burdens and climate vulnerabilities. Low-income people and people of color face a high energy burden, paying a higher proportion of their income on energy costs, and are also often excluded from energy efficiency and clean energy financing programs. As ratepayers, low-and-moderate income New Yorkers have paid surcharges on utility bills, but the money collected has not been redistributed in a proportional or progressive manner.

Strong statewide energy efficiency targets should comprehensively address the burdens and barriers environmental justice, climate justice, and low-income communities face, in order to maximize social, economic, and health benefits. We request that the new energy efficiency targets result in the following benefits:

- Lower rates of utility shut-offs
- Lower morbidity and mortality associated with lack of electricity, heating, or cooling particularly during extreme weather events such as heat waves and blizzards
- Significant reduction in utility bills resulting in reduced energy burden and additional income for households to apply towards other necessities
- Healthier indoor environments resulting in reduced asthma and other respiratory conditions
- Access to living wage green jobs for disadvantaged workers in communities with high rates of joblessness and underemployment

Policy Priorities for Governor Cuomo's New Energy Efficiency Initiative

We recommend the following policy priorities are included in the energy efficiency initiative:

- **Equity Screen** - Develop and implement an equity screening methodology to target no less than 40% of all New York State Energy Research and Development Authority (NYSERDA) and utility energy efficiency investments in climate vulnerable frontline communities. Clean Energy Fund (CEF) proceeds should prioritize frontline, environmental justice, low-to-moderate income, and disadvantaged communities, with at least 40% of the budget dedicated to projects that directly benefit these communities. The CEF should fund projects in the most impacted communities, those that have been the most burdened by fossil fuel intensive energy generation and stand to benefit the most from carbon and co-pollutant mitigation strategies both from an economic and public health standpoint. New York State should create a just energy policy to ensure that policy decisions not only provide environmental benefits, but are also tools to economically elevate disadvantaged communities.

- **Inclusive Finance** - Provide financing programs for implementing energy efficiency measures that overcome traditional barriers to capital and credit faced by low income households, communities of color, and small businesses. Inclusive tariff-based on-bill financing schemes, such as Pay As You Save (PAYS), have proven viable, cost effective, and equitable in other regulated utility jurisdictions. NYSERDA, utilities, and the NY Green Bank should collaborate on developing an inclusive finance strategy in line with recommendations submitted by the Clean Energy Advisory Council's LMI Working Group to the PSC in February 2017. This strategy should aim to increase access to energy efficiency for LMI households irrespective of a household's FICO score, utility bill payment history, or availability of upfront capital. As part of this strategy, the PSC should move immediately to require each regulated utility to pilot an inclusive financing program with robust customer service standards and consumer protections. The utilities, in partnership with NYSERDA, should draw third party capital from competitive sources to cover the upfront costs associated with inclusive financing programs, while leveraging NY Green Bank resources to lower the risks for third party capital investments through credit enhancements or by establishing a loan loss reserve.

- **Housing Affordability and Anti-Displacement** - Energy efficiency investments are a key driver of housing affordability for vulnerable renters and homeowners, and can help to stabilize housing costs in neighborhoods that are undergoing rapid real estate development and gentrification. Property owners making energy efficiency upgrades to buildings (which are expected to increase their profits) should be prevented from increasing rents and displacing tenants via Major Capital Improvements (MCIs) and other increases for rent-regulated households. The State should adopt model rules for rent and eviction protections, and property resale restrictions as they relate to investments in residential and commercial energy efficiency.

- **Multi-Family Housing** - Energy efficiency programming should provide options that specifically address the unique context of multi-family housing and the split incentive for tenants and landlords. Energy efficiency programs should incentivize in-unit measures, such as appliance upgrades, in addition to whole building measures, and should incorporate strategies for tenant engagement. Building-level and in-unit energy efficiency upgrades should provide direct and measurable benefits to residents.

- **Cost Effectiveness** - The cost-benefit analysis used by the regulated utilities and NYSERDA in evaluating energy efficiency investments should account for Non-Energy Benefits (NEBs), such as those associated with local job creation, public health, environmental justice, and preservation of affordable housing. Currently, New York State utilizes the Total Resource Cost (TRC) test to measure and evaluate both measure-level and program-wide cost effectiveness. The Societal Cost Test (SCT), for example in use in California, Arizona, and other states, is an alternative cost effectiveness test that incorporates NEBs in the evaluation of energy efficiency investments. The State should engage low-income and environmental justice stakeholders in a review of alternative cost effectiveness tests that can better account for NEBs.

- **Healthy Homes** - Energy efficiency programs should seek to couple efficiency upgrades with healthy homes improvements, such as Integrated Pest Management (IPM) and environmental hazard mitigation/remediation (including mold, lead, asbestos, radon). In addition, energy efficiency investments should support, either directly or indirectly through leveraged and braided funding, costs associated with structural building repairs to roofs and foundations that are needed in order to enable the installation of efficiency measures. In a recent CEF investment plan filing by NYSERDA, the PSC approved a healthy homes feasibility study. The PSC should take a next step by authorizing NYSERDA and the regulated utilities to implement healthy homes pilots across the State.

- **Coordinated Community-Based Program Delivery** - Energy efficiency programming, whether administered by NYSERDA or the regulated utilities, should be community-based, streamlined, and offered in coordination with the delivery of other social and community services. Relevant State agencies, e.g., NYSERDA, HCR, DOL, DEC, OTDA, and DOH, should partner with and support local stakeholders in the creation of a network of community-based one-stop resource hubs. A community-based one-stop approach can improve access to vital services, including energy efficiency programming and financing, as well as culturally sensitive education around the benefits of energy efficiency and healthy homes. As part of a one-stop strategy, the State should continue to invest in community-based program navigators and energy advocates who engage in direct outreach within vulnerable, frontline communities.

- **Public Accountability** - Utility administered energy efficiency programs, in particular, deserve additional layers of public accountability and oversight owing to the complexities of revenue decoupling and the PSC's preference for Earnings Adjustment Mechanisms (EAMs) as a key policy lever. Regulated utilities should publicly report geo-coded data on energy efficiency investment activity in relation to expenditures on low income utility bill discount programs, customer arrears, and customer account service termination. This information should be published in an easy to read and understand format. The PSC should structure EAMs to advance combined goals around energy efficiency investments, increased energy affordability, and decreased utility service termination, and if necessary, penalize regulated utilities for failing to meet goals in these areas.

- **Job Creation and Procurement** - Statewide energy efficiency programming and mandates should include meaningful and substantial opportunities for Minority and Women-Business Enterprise (MWBE) participation through equitable procurement policies, while also supporting the creation of viable community employment pipelines into the emerging energy efficiency sector. The State should prioritize investments in community-based workforce development strategies such as classroom and paid on-the-job training, including access to registered apprenticeships for disadvantaged workers; and local and targeted hiring standards. State policy should support program and portfolio-wide labor standards, and/or the creation of enforceable local community benefit and community workforce agreements tethered to public sector investments in energy efficiency.

We look forward to working with the State to develop and implement equitable energy efficiency targets that are inclusive of disproportionately burdened New Yorkers. If you would like discuss the comments outlined in this letter please contact Eddie Bautista (eddie@nyc-eja.org), Annel Hernandez (annel@nyc-eja.org), Kartik Amarnath (kartik@nyc-eja.org), and Clarke Gocker (clarke@pushbuffalo.org).

Sincerely,

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