



December 19, 2008

To: Pennsylvania Public Utility Commission

RE: Act 129 Follow-on Comments

The following comments are in response to “*Energy Efficiency and Conservation Program and EDC Plans, Docket No. M-2008-2069887* -- released by the Pennsylvania Public Utility Commission on November 26, 2008.

Recently RealWinWin, Inc. submitted comments in advance of the first en banc hearing on this matter on November 19, 2008. Doug Bloom, our CEO, attended that initial hearing and also attended the working group that was convened in Harrisburg on December 10, 2008.

RealWinWin is committed to continuing to offer its support and suggestions to the Pennsylvania Public Utilities Commission in the hope that the final product of these hearings and working sessions will be a system that has the greatest chance of succeeding to deliver its conservation goals.

We thank you for the opportunity to participate in this process and are available for further involvement as the Commission sees fit.

Best Regards,

Doug Bloom, CEO
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RealWinWin’s Recommendations:

In reviewing the above-referenced document released by the PUC on November 26th, we have the following specific recommendations:

- 1) The PUC should mandate that all of its EDCs coordinate with each other and take a state-wide approach to whatever programs they eventually offer. This nuance will be particularly important to large owners and managers of commercial and retail real estate whose portfolios span multiple utility jurisdictions. Offering

dissimilar programs in adjoining utility territories unnecessarily complicates decision-making and adds transaction costs to the process.

- 2) This suggestion includes an expectation that the PUC will oversee and coordinate the determination of “prescriptive” energy savings across its EDCs such that, while payouts may differ in amount due to differing cost bases, the amount of energy savings attributable to energy conservation efforts across utilities is consistent.
- 3) It is imperative that whatever programs are developed to help commercial real estate players meet the following two criteria:
 - a. The process has been proven to recruit buildings into the program, identify savings opportunities, and motivate buildings owners to implement those potential savings opportunities elsewhere in the country; and,
 - b. The process has already been (or can immediately be) piloted with the assistance of nationally recognized trade organizations to which the end-use customers look for guidance and best practices.
- 4) The success of virtually any state-wide conservation program will depend on fast-tracking energy conservation assessment services, which would include the US EPA’s ENERGY STAR portfolio manager energy performance benchmarking tool that is now available for many different property types (including but not limited to office, retail, and hospitality-related commercial real estate). In that regard, the PUC would do well to require that EDCs provide end-users (and properly authorized vendors/service providers) with historical utility usage data at no charge. Such data are necessary for performing a timely ENERGY STAR building benchmark, and given the record-keeping of many end-users, these data are often more easily obtained directly from the utilities themselves when an energy-conservation study is about to begin.
- 5) Perhaps most importantly, the PUC should require EDCs to provide ALL data on utility usage at a given building address, even if there are direct tenant meters in place at that location. If desired, data for tenant-direct meters can be masked to protect the meter identity. This global reporting protocol will greatly facilitate the benchmarking of multi-tenant buildings in that it would eliminate the need for the landlord to petition individual tenants to provide the 12 months of building-wide (i.e., common area AND tenant space) utility data needed to benchmark the facility as a whole.
- 6) We believe the PUC should only recognize energy savings that are attributable to EDC programs, whether run by EDC or by CSPs. We do not believe that energy-conservation which is a result of price elasticity should be counted towards the reduction goals stated as part of the Act.
- 7) We believe the PUC should consider the affects of “Free Ridership” and “Free Drivership” as offsetting and should foster an environment of aggressive

PRESCRIPTIVE compensation for energy savings where possible. It is our belief that such an environment fosters greater awareness and participation. We recognize and agree that CUSTOM, DEEMED or MEASURED savings must be filed for in advance by customers seeking those incentives.

- 8) We believe the PUC should take an aggressive, immediate approach towards requiring EDCs to pursue Commercial and Industrial (C&I) programs from day one. Too much interest in “grabbing the low-hanging fruit” will set the State backwards with respect to its necessary pursuit of the C&I efforts that will take longer to gestate yet will have a greater overall impact over the middle-term. The State cannot afford to complete its grab of the easiest results to find it has no work in process for the longer term.

About RealWinWin, Inc.:

RealWinWin, Inc. is a Delaware Corporation headquartered in Center City Philadelphia. RealWinWin’s clients include:

- building owners and managers who collectively control nearly one billion square feet of commercial real estate, most of which is located in the US;
- electric and gas utilities;
- energy-efficiency-focused non-profits; and,
- other agencies.

RealWinWin is nationally regarded as a subject matter expert on creating value at the intersection of energy engineering, property management, leasing, appraisal and real estate finance.

More than 10 years ago, members of RealWinWin’s team worked closely with the US Environmental Protection Agency and were instrumental in creating and promoting EPA’s ENERGY STAR Buildings for Commercial Real Estate program. During the course of that assignment, they helped create software that allocates the costs and benefits of energy-efficiency upgrades in income properties. On the strength of that software, they successfully recruited building owners and managers representing more than a billion square feet of commercial real estate into the ENERGY STAR program.

More recently, RealWinWin has been supporting Xcel Energy (a leading eight-state electric and gas utility headquartered in Minneapolis) by creating and deploying Xcel’s Commercial Real Estate Efficiency (CREE) program. This program is widely regarded as a game-changer in providing energy-efficiency services to owners and managers of income-producing properties, one of the most hard-to-reach sectors for utilities to manage when it comes to energy conservation. In fact, it has been a featured success story at several national conferences over the past 12 months, such as the Building Owners and Managers Association (BOMA) Annual Congress, the Association for an Energy-Efficient Economy (ACEEE) Summer Study, and the Association of Energy Services Professionals (AESP) National Conference.

Pennsylvania's Act 129 working sessions have in-part focused on two distinct innovations advanced by the Xcel/RWW CREE program:

1. The CREE program takes a holistic view of a subject property, considering both retrofit and retro-commissioning (i.e., low-cost/no-cost building tune-up) measures in the same multi-phase study designed to be time-efficient and cost-effective; and,
2. The CREE program combines *energy* engineering with *financial* engineering. In other words, most utility programs offer technical assistance (or rebates to help pay for the cost of studies) to determine opportunities to save energy; however, CREE goes a step further and offers *financial engineering assistance* that helps assess the expense-sharing provisions contained in a multi-tenant building's existing leases. This extra level of commercial-real-estate-specific diligence allows RealWinWin to determine how a building's owner could invest in energy efficiency and actually realize a meaningful return on his investment.

Many other utility programs throw engineering studies and hardware rebate dollars at their multi-tenant building customers and wonder why they don't see greater participation in these programs among commercial real estate players. The answer is deceptively simple: If a landlord is convinced his tenants will receive 100% of the benefit of any efficiency improvement done in the middle of existing leases, a utility's offer to pay half the cost of that upgrade only makes it *half as bad* a deal from the landlord's standpoint. And since it's still a bad deal, the landlord is not likely to dedicate time and capital to implement the upgrade.

On the other hand, the CREE process allows the utility to step into the shoes of the landlord and assesses how the existing leases would allocate the costs and savings of potential efficiency improvements. The utility can then tender a report that speaks the commercial real estate decision-maker's language. By focusing on how that contemplated upgrade will boost the subject property's net operating income and asset value, the utility gains tremendous leverage in convincing the commercial building owner or manager to proceed with further investigation-grade studies and, ultimately, with implementation of those conservation measures.

In the case of CREE and Xcel Energy, we engaged the assistance of BOMA Minneapolis, BOMA St. Paul --- and now that the State of Colorado has just approved Xcel Energy's application to expand the program to its Colorado service territory, BOMA Denver --- to facilitate market penetration and enhance the program's credibility with commercial real estate decision-makers.

It is important to note that many of RealWinWin's current clients, including many participants in the Xcel Energy offerings in MN and CO, have building footprints in Pennsylvania. That fact, together with RealWinWin's close relationships with BOMA Philadelphia and BOMA International, would greatly facilitate a pilot program and

subsequent full-scale roll-out of a CREE-like offering for Pennsylvania's commercial *office* buildings.

On a related note, RealWinWin has existing relationships with retail commercial players who control nearly one billion square feet of stores, distribution centers and the like; many of those firms have building square feet in Pennsylvania. Again, those pre-existing relationships could be leveraged into a CREE-like program focused on Pennsylvania's commercial *retail* sector.