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May 15, 2018

Pennsylvania Public Utility Commission
Attn: Secretary Rosemary Chiavetta
Commonwealth Keystone Building,
Second Floor 400 North Street
Harrisburg, PA 17120

Re: Docket No. M-2015-2518883

Dear Ms. Chiavetta,

Attached are two (2) documents.

The first describes the advantage of the Metered Energy Efficiency Transaction Structure (MEETS). It describes the benefits of this structure for the building owner and utility when implementing energy efficiency measures in buildings.

The second is the most recently expansion of the structure authorized by the City of Seattle. The City Council voted to expand the use of this structure to encompass 30 buildings.

Graboyes Commercial Window Company has been a member of the MEETS Coalition for several years, and I, through my engineering consulting business, EG2 Engineering, have been a member of the coalition as well for four (4) years.

I personally believe this structure will, as it becomes more widely implemented in the marketplace, create thousands of jobs, improve the built environment through deep energy retrofits of all types of buildings, increase utility revenue and profitability, and improve the comfort, safety, and health of the people who work, play, and live within the buildings that are improved.

We would be glad to testify before the commission on MEETS and provide more information into how it works.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ellis G. Guiles', written in a cursive style.

Ellis G. Guiles, P.E., LEED AP
Owner / President

MEETS: A Simple Path to Deep Energy Efficiency and Healthy Utilities

MEETS is the Metered Energy Efficiency Transaction Structure.

It is currently in use under a long-term contract between Seattle City Light and the Bullitt Center.

MEETS is a structure, not an incentive. It was designed to avoid the lost unit “death spiral” utilities face from traditional EE.¹

MEETS is a significantly simpler and more cost-effective way to make buildings more energy efficient and keep utilities healthy.

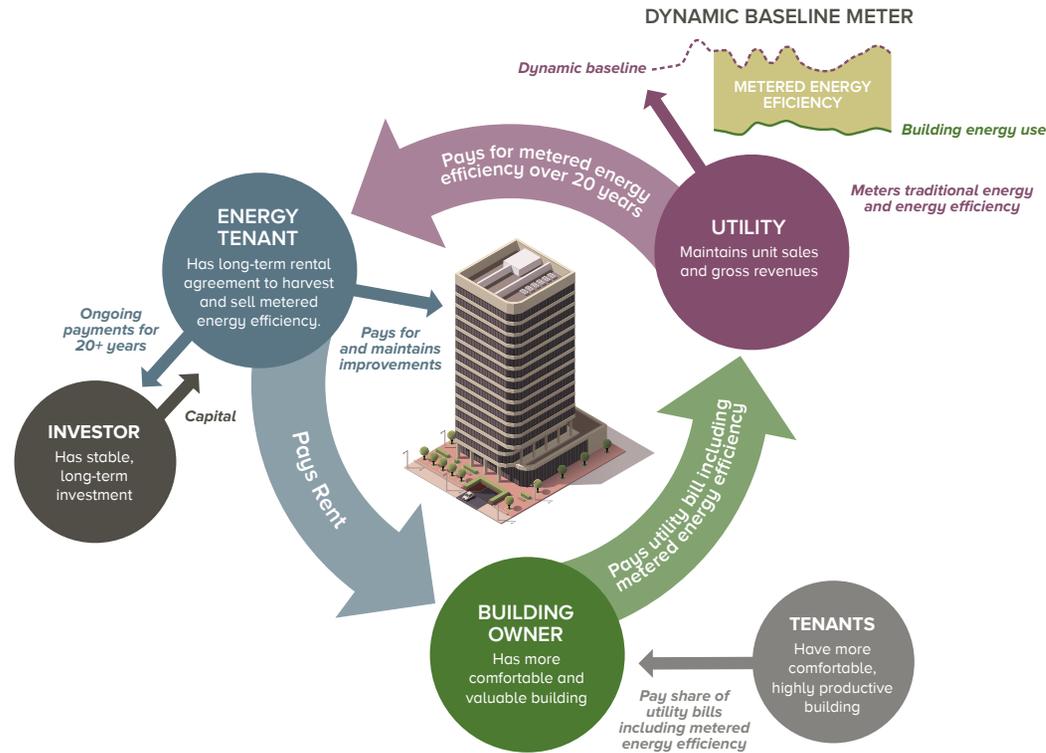
Under MEETS

- 1) The energy efficiency is metered against a dynamic baseline, agreed to by all parties.
This creates a monthly reading of the number of saved kWhs.
- 2) The utility then bills the building at retail rates for both energy and EE, in kWh units.
- 3) The utility is now selling both energy and EE units. Hence, there is no loss of unit sales or gross revenue loss from EE.
This reduces upward pressure on rates.²
- 4) The utility pays no incentives.
This reduces upward pressure on rates.
- 5) The utility pays the EE investor under a long-term power purchase agreement (PPA) for the delivered, metered EE.
- 6) The utility pays the EE investor *less* under the PPA than the utility collects from the building for the metered EE.
Hence, the utility ratebase (customers) come out *ahead*.
This reduces upward pressure on rates.
- 7) The EE investor pays the building owner a negotiated portion of the PPA revenue as rent for use of the building.
(Like a windfarm developer pays a rancher for use of the land.)
- 8) The building owner shares whatever amount they wish with the tenants.
- 9) The tenants get a much better building for free.
- 10) Investors have a long-term contract with the (highly credit worthy) utility, allowing for much deeper retrofits of buildings and much more capital investment in the community, resulting in many more local jobs.

¹ Traditional EE results in fewer units in the system. This forces the utility to raise rates on the remaining units to meet the utility’s costs. MEETS avoids this.

² *ibid*

How MEETS Works



Using MEETS at the Bullitt Center, Seattle City Light avoiding paying out \$84,000 in upfront incentives, and over the 20-year contract, the utility will receive more than \$33,000 in net revenues from the transaction. In addition, the transaction retained 630,000 kWh per year in the ratebase that would normally have left the ratebase, reducing upward pressure on rates.



SEATTLE CITY COUNCIL

Legislative Summary

CB 119225

Record No.: CB 119225

Type: Ordinance (Ord)

Status: Passed

Version: 3

Ord. no: Ord 125556

In Control: City Clerk

File Created: 02/28/2018

Final Action: 04/11/2018

Title: AN ORDINANCE relating to the City Light Department; authorizing execution of agreements for up to 30 buildings, including buildings participating in the City's 2030 Challenge High Performance Existing Building Pilot, for the purchase and/or sale of energy occurring as part of the Energy Efficiency as a Service pilot projects with a contract length of up to 20 years to test the viability of providing Energy Efficiency as a Service as part of the utility's pay for performance program.

Date

Notes:

Filed with City Clerk:

Mayor's Signature:

Sponsors: Mosqueda

Vetoed by Mayor:

Veto Overridden:

Veto Sustained:

Attachments:

Drafter: Alan.Matthews@seattle.gov

Filing Requirements/Dept Action:

History of Legislative File

Legal Notice Published:

Yes

No

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Mayor	03/19/2018	Mayor's leg transmitted to Council	City Clerk			
1	City Clerk	03/20/2018	sent for review	Council President's Office			
1	Council President's Office	03/23/2018	sent for review	Housing, Health, Energy, and Workers' Rights Committee			

Action Text: The Council Bill (CB) was sent for review. to the Housing, Health, Energy, and Workers' Rights Committee

Notes:

1 Full Council 04/02/2018 referred Housing, Health, Energy, and Workers' Rights Committee

1 Housing, Health, Energy, and Workers' Rights Committee 04/05/2018 pass as amended Pass

Action Text: The Committee recommends that Full Council pass as amended the Council Bill (CB).
Notes:

In Favor: 2 Chair Mosqueda, Vice Chair Juarez
Opposed: 0

1 Full Council 04/09/2018 passed as amended Pass

Action Text: The Motion carried, the Council Bill (CB) passed as amended by the following vote, and the President signed the Bill

Notes: ACTION 1:

Motion was made by Councilmember Mosqueda, duly seconded and carried, to amend Council Bill 119225, Section 5, second sentence, as shown in the underlined language below:

Section 5. City Light will report to the City Council Committee with jurisdiction over City Light twice a year from the effective date of the ordinance introduced as this council bill on pilot project implementation and how the proposed EEaS structure can be applied to a broader set of use cases. These reports shall include, but not be limited to, number of contracts entered into, apprenticeship utilization percentage, priority hire utilization, utilization of women and people of color, women and minority business enterprise utilization, women and people of color from pre-apprentice programs, project costs, completion times, and energy savings estimates compared with actual energy savings for participating buildings.

ACTION 2:

Motion was made and duly seconded to pass Council Bill 119225 as amended.

In Favor: 7 Councilmember González, Council President Harrell, Councilmember Herbold, Councilmember Johnson, Councilmember Mosqueda, Councilmember O'Brien, Councilmember Sawant

Opposed: 0

3 City Clerk 04/11/2018 submitted for Mayor's signature Mayor

Action Text: The Council Bill (CB) was submitted for Mayor's signature. to the Mayor
Notes:

3 Mayor 04/11/2018 Signed

3 Mayor 04/11/2018 returned City Clerk

3 City Clerk 04/11/2018 attested by City Clerk

Action Text: The Ordinance (Ord) was attested by City Clerk.

Notes:

CITY OF SEATTLE

ORDINANCE 125556

COUNCIL BILL 119225

1
2
3
4
5 AN ORDINANCE relating to the City Light Department; authorizing execution of agreements
6 for up to 30 buildings, including buildings participating in the City's 2030 Challenge
7 High Performance Existing Building Pilot, for the purchase and/or sale of energy
8 occurring as part of the Energy Efficiency as a Service pilot projects with a contract
9 length of up to 20 years to test the viability of providing Energy Efficiency as a Service
10 as part of the utility's pay for performance program.

11
12 WHEREAS, the City Light Department ("City Light") acquires energy efficiency as its first
13 priority energy resource and has been doing so since 1977; and

14 WHEREAS, the City Council, through various ordinances and resolutions, has supported City
15 Light's ongoing efforts to improve on the utility's long history of conservation and
16 energy efficiency efforts; and

17 WHEREAS, in 2016 the City Council passed Resolution 31631, establishing the criteria for use
18 of ratepayer funding to acquire cost-effective energy efficiency; and

19 WHEREAS, City Light is committed to innovative means of promoting energy efficiency,
20 including efforts to pilot innovative strategies and programs, as demonstrated by the
21 Metered Energy Efficiency Transaction Structure ("MEETS") proof-of-concept at the
22 Bullitt Center, as authorized by Ordinance 124604; and

23 WHEREAS, City Light acknowledges the success of the Bullitt Center and would like to apply
24 the lessons learned from the MEETS prototype to a broader spectrum of Energy
25 Efficiency as a Service ("EEaS") projects; and

26 WHEREAS, the EEaS structure is explicitly designed to address untapped potential for energy
27 savings in commercial buildings resulting from building owner's reluctance to invest in
28 comprehensive energy efficiency when costs savings will accrue to tenants; and

1 WHEREAS, The City of Seattle's 2013 Climate Action Plan, adopted by the City Council
2 through Resolution 31447, included a recommendation that City Light "[p]ilot a utility
3 incentive program that would pay for actual energy savings over time instead of
4 providing up-front payment for projected savings"; and

5 WHEREAS, these jobs and benefits, as well as benefits from energy conservation, will help to
6 ensure that Seattle is meeting its goals for social justice, and creating opportunity for
7 historically disenfranchised communities; and

8 WHEREAS, Seattle Municipal Code subsection 21.49.130.B provides authority for City Light to
9 enter into agreements to purchase power, including energy savings, that is currently
10 limited in duration of two years; and

11 WHEREAS, EEaS requires extension of existing authority for length of contract; NOW,

12 THEREFORE,

13 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

14 Section 1. Findings

15 Under current energy efficiency programs offered by the City Light Department ("City
16 Light"), there is little incentive for a building owner or investor to finance deep energy retrofits
17 whose benefits accrue to tenants. To address this issue, often referred to as a split incentive,
18 innovative financial transaction structures are needed. The Energy Efficiency as a Service
19 ("EEaS") model, which allows for payments to owners or investors over time based on verified
20 energy efficiency performance, addresses the split incentive challenge because investors can
21 finance projects with a predictable return, owners can generate a new revenue stream, and
22 tenants can occupy productive and energy efficient spaces. The pilot projects authorized by this
23 legislation will be the basis for determining feasibility and design of a standard program

1 addressing the gap in costs and benefits between tenants and owners at scale across a variety of
2 building types.

3 Section 2. The General Manager and Chief Executive Officer of City Light, or his
4 designee, is hereby authorized to execute, for and on behalf of The City of Seattle, agreements of
5 up to 20 years for up to 30 buildings, including buildings participating in the City's 2030
6 Challenge High Performance Existing Building Pilot, for the purchase and/or sale of energy
7 occurring as part of the Energy Efficiency as a Service Pilot. At the end of the term, if City Light
8 and participant mutually agree, the agreement may be extended for up to two additional terms up
9 to seven years each per Seattle Municipal Code subsection 21.49.130.B. Selection of the projects
10 in existing buildings or new construction will be based on transparent evaluation criteria
11 included within a formal public recruitment solicitation to be issued in 2018. The EEaS will be
12 available to commercial customers. Projects will not include distributed energy resources, such
13 as on-site solar generation, wind, etc. and will be focused exclusively on building energy
14 efficiency across capital, operational, and behavioral improvements.

15 Section 3. The methodology used in the EEaS structure will ensure that the energy
16 efficiency savings are shared with the investor. Bill payers will be charged by City Light for both
17 electricity delivered at the appropriate customer class rate and a service fee based on measured
18 electricity savings consistent with the applicable class rate. City Light will return a portion of the
19 amount collected for energy efficiency to the investor that made the energy efficiency
20 investment.

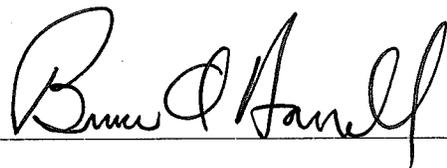
21 Section 4. Any contracts entered into pursuant to this section shall aim to meet or exceed
22 the standards set forth in Seattle's Priority Hire statute, use labor that is receiving area standard
23 wages and bona fide benefits, and meet apprenticeship utilization goals of 15% per craft.

1 Section 5. City Light will report to the City Council Committee with jurisdiction over
2 City Light twice a year from the effective date of the ordinance introduced as this council bill on
3 pilot project implementation and how the proposed EEaS structure can be applied to a broader
4 set of use cases. These reports shall include, but not be limited to, number of contracts entered
5 into, apprenticeship utilization percentage, priority hire utilization, utilization of women and
6 people of color, women and minority business enterprise utilization, women and people of color
7 from pre-apprentice programs, project costs, completion times, and energy savings estimates
8 compared with actual energy savings for participating buildings.

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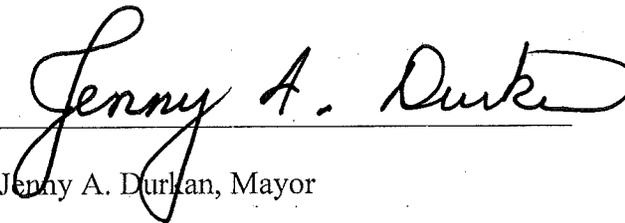
1 Section 6. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the 9th day of April, 2018,
5 and signed by me in open session in authentication of its passage this 9th day of
6 April, 2018.

7 

8 President _____ of the City Council

9 Approved by me this 11th day of April ^(APRIL - A.S.), 2018.

10 

11 Jenny A. Durkan, Mayor

12 Filed by me this 11th day of April, 2018.

13 

14 Monica Martinez Simmons, City Clerk

15 (Seal)