



May 25, 2022

Re: Business Support for the Investment of Federal Infrastructure Funds to Support State Energy Efficiency Projects

Dear Governors, State Energy Offices, and Additional State Decision-Makers,

As major businesses, institutions, trade associations, organizations, employers, and large energy consumers, we write to offer the following recommendations for prioritizing the use of funds from the American Rescue Plan Act of 2021, Infrastructure Investment and Jobs Act (“Bipartisan Infrastructure Law”), and future monies from federal legislation or budget reconciliation.

The influx of dollars for states presents an opportunity to reinvigorate state economies in the immediate aftermath of COVID-19, while also investing in their long-term prosperity and enhancing energy security. Energy efficiency investments can help states improve public health and recover economically from the COVID-19 pandemic. Efficiency investments are smart investments that support local family-wage jobs, save customers money, mitigate energy cost volatility, and help modernize buildings and facilities to prevent future crises. These investments can also be rapidly deployed through existing programs and can maximize value by leveraging collaborative public/private funding opportunities.

In addition to helping state economies, energy efficiency investments will also mitigate the worst impacts of climate change. Climate change poses a significant risk to the long-term economic success of our operations. It threatens the health and livelihood of the communities in which we operate and disrupts the value chains on which we rely. Because of these risks, companies and institutions nationwide are making significant commitments to reduce their greenhouse gas (GHG) emissions.

However, companies and institutions are often constrained in how much they can do to drive down their total GHG emissions footprint. For example, their direct ability to optimize the sources of energy that power the economy is limited. Therefore, they have a significant interest in finding ways to systematically improve the emissions performance of our electricity and gas systems, including through the support of policies and programs that eliminate energy waste and reduce peak demand.

The following are our broad recommendations for strategic program investments that states can make to achieve short and long-term economic and public health goals. Some of these recommendations fall within the eligibility criteria for specific federal funding packages that have already been dispersed, while others may be eligible for funding in future packages. We urge you to invest in these programs through whichever funding mechanisms most directly apply.

I. Federal Infrastructure Funds Should Support Investments in Indoor Air Quality, Full HVAC Retrofits, Water Heating, Efficient Lighting, and Other Building Performance Measures that Cost-Effectively Save Energy and Boost Public Health Outcomes

We recommend directing funding to upgrade building ventilation systems, HVAC, water heating, efficient lighting, and envelopes in public schools, hospitals, small businesses, and other critical infrastructure, including government buildings.

Indoor air quality has profound effects on the long term health of a building’s occupants, and influences the transmissibility of illnesses within buildings. This is a particular concern with COVID-19 and its variants, especially as businesses and government buildings continue to reopen. Data suggests that air handling systems that can bring more fresh air from outside, with less

recirculation of indoor air, can decrease the likelihood of disease transmission by diluting any viruses that are present.

Through technical support and education of building managers and the purchase of new equipment and controls, air quality can be managed and significantly improved. These improvements are desperately needed. For instance, a 2020 U.S. Government Accountability Office report found that over half of public schools in the U.S. need to update or replace HVAC systems.¹ When implemented with the dual goals of public safety and energy efficiency in mind, these building improvements can be completed as cost effectively as possible. Ventilation system retrofits should be completed as part of a comprehensive approach to retrofitting HVAC systems. These are projects that would have an immediate public health impact and are capable of completion through existing efficiency programs with some refocusing. These projects would also add local, family-wage jobs and result in long-term building operations and maintenance cost savings.

There is precedent for this. In 2020, the Vermont energy efficiency program administrator VEIC deployed \$16.3M in federal funds to over 300 schools to upgrade and improve ventilation systems in coordination with existing energy efficiency programs.² In 2021, VEIC was allocated an additional \$15M in funds for deployment.

II. Federal Infrastructure Funds Should Support the Expansion of Demand Side Management Programs that Serve Both the Residential and Commercial Sectors

We recommend increased investments in grid-integrated efficiency measures and programs that can help residents and businesses save money and energy using advanced technology.

Demand side management (DSM) is an extremely flexible and diverse resource composed of numerous strategies, products, technologies, and programs that can relieve grid strain during critical time periods such as heat wave events. The COVID-19 pandemic, the Texas grid failure in the winter of 2021, and the western summer heat waves of 2020 and 2021 have each highlighted the importance of flexible load and resource management. As extreme weather events increase in strength and frequency, DSM's importance to the grid will increase.

DSM also offers long-term opportunities for reductions in energy costs and greenhouse gas emissions. When deployed alongside effective consumer education, these technologies give consumers the ability to manage their energy consumption and their electricity bills. Widespread investment in efficiency measures for residential and commercial buildings will result in deferred or avoided development of utility-scale generation resources, which means less costly investments and greater energy security for the grid overall. Moreover, as utilities and other energy service providers increasingly turn to these resources instead of fossil fuel plants, carbon and other greenhouse gas emissions will decrease.

III. Federal Infrastructure Funds Should Support Increased Funding for Low Income Energy Efficiency Programs and Services

We recommend significantly increasing funding for existing low income energy efficiency programs. To

¹ U.S. Government Accountability Office. June 2020. *School Districts Frequently Identified Multiple Building Systems Needing Updates or Replacement*. <https://www.gao.gov/assets/gao-20-494.pdf>

² School IAQ Program Update, Efficiency Vermont, March 24, 2021, <https://tinyurl.com/a2a4xwhv>

achieve the biggest impact on public health and quality of life, funds should support both general building repair and upgrades as well as efficiency measures.

The profound connections between environmental and human health underscore that a just, sustainable future cannot exist without an end to inequality. Unfortunately, due to a historic lack of policy protections, low income communities and communities of color disproportionately bear the brunt of climate change. These customers tend to be hardest to reach, spend a higher portion of their income on energy bills, and, if they are renters, may not have the ability to participate in some program investments. To address this, states should invest funds in low income weatherization and energy efficiency programs to support the deployment of energy efficiency measures in low income households and multifamily housing. These investments would have the benefit of saving low income customers on their energy bills while also relieving strain on the grid as well as our overburdened healthcare system.

Residential buildings with mold and other health and safety issues are obstacles to attaining deep energy efficiency gains. States should also ensure that funds are available to conduct necessary repairs and pre-weatherization measures to enable efficiency investments. The availability of these funds for repairs plus energy efficiency measures will significantly improve health, safety, and quality of life for low income customers over the long-term.

IV. Federal Infrastructure Funds Should Support Upgrades Of Critical Public Buildings and Facilities

We recommend that states direct funding to improve public building performance in order to prepare for future disaster response and relief. These investments should be leveraged in tandem with private investments, tax credit programs, and existing demand-side management programs to maximize impact.

During natural disasters and other emergencies, communities rely on public buildings such as hospitals, airports, universities, and schools to provide shelter, medical care, and other critical services. Over the years, maintenance and repairs have often been deferred, leaving these buildings with a backlog estimated at over \$1 trillion.³ To address this costly backlog, federal funds should be leveraged alongside private investments, tax credit programs, loans, leases, and/or existing demand-side management programs to maximize impact. For example, a federal infrastructure grant can be combined with these other funds to pay to upgrade the ventilation system or the old windows in a school or police station. Most of the cost of the project can be repaid from energy savings over time, while the grant can pay for improvements that do not produce energy savings, such as adding storm proofing to the window upgrade or COVID-level ventilation equipment to the HVAC upgrade. Investing in public buildings will improve government efficiency and service; ultimately, the greatest beneficiaries will be the taxpayers. We urge states to facilitate this type of leveraging with clear and detailed program rules, guidance documents, and promotional efforts (meetings, webinars, etc.) to expedite the deployment of funding resources.

We know that climate change increases the number and severity of extreme weather events. The world continues to grapple with COVID-19 variants and other potential pandemics. Public buildings play an important role in disaster relief efforts and as disease testing and vaccination sites. By directing funds

³ Alliance to Save Energy, June 8, 2020. *New GAO Report On School Infrastructure Underlines Need For Urgent Public Facilities Stimulus Funding.* <https://www.ase.org/blog/new-gao-report-school-infrastructure-underlines-need-urgent-public-facilities-stimulus-funding>

towards much needed building repairs and upgrades that target health and efficiency, we are better prepared for the next disaster or the next pandemic.

V. Federal Infrastructure Funds Should Support Workforce Training and Residential Retrofits

We recommend that states fully invest HOPE for HOMES funding to train building contractors in energy efficiency, building science-focused upgrades, and incentives for residential performance-based upgrades.

Deep energy efficiency measures and other home performance upgrades provide significant value but can be difficult to scale in the residential sector. The “HOPE for HOMES” funding in the House Budget Reconciliation bill provides approximately \$6 billion to states to ramp up residential energy efficiency retrofits through homeowner rebates and contractor training. Specifically, HOPE for HOMES directs \$5.89 billion towards a Homeowner Managing Savings (HOMES) performance-based rebate program which provides rebates to homeowners and multifamily property owners who undertake home energy efficiency home retrofits. These rebates, which are doubled for moderate-income families, are based on the energy saved in the home, thereby incentivizing homeowners and multifamily property owners to undertake retrofit measures that will lead to more significant reductions in energy use. In addition, the HOPE for HOMES section of the Reconciliation bill provides over \$300 million in Home Online Performance-Based Energy Efficiency (HOPE) workforce training grants to contractors to undertake online or in-person training to advance their understanding of home performance and undertake expanded job opportunities through the new rebates. The HOPE for HOMES funding offers unprecedented opportunity to create jobs, save families money, strengthen energy security, improve quality of life, and decrease greenhouse gas emissions. We recommend that states work with the Department of Energy and their energy offices to fully invest HOPE for HOMES funds to the benefit of contractors and residents throughout the state.

While some states are already making some of the above recommended investments, there is still so much more work to do, and we are facing a climate crisis whose effects are already disrupting communities and the economy. If we have learned anything from the COVID-19 pandemic, it is that preparation is critical towards protecting the community. **This is why efforts to strengthen the economy and recover from the COVID-19 crisis should be aligned with states’ climate leadership ambitions by prioritizing investments in energy efficiency.** There are many competing interests for state resources. We believe efficiency investments will provide critical short and long term benefits to state residents, businesses, and institutions.

Thank you for the opportunity to provide these recommendations and share the perspectives of the private sector. We welcome the opportunity to continue discussions with you and provide additional information on the many benefits that these recommendations can provide to your state.

Sincerely,

**A1 Energy
AIQUEOUS
American Council for an Energy-
Efficient Economy (ACEEE)
Ameresco, Inc.
AO Smith**

**Arizona Technology Council
Ayers Saint Gross
Boulder Associates, Inc.
Building Performance Association
California Energy Efficiency and
Demand Management Council**

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Energy (CICE)
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ZGF Architects