The Real Estate Roundtable

November 26, 2018

Ms. Jean M. Lupinacci
Chief, Commercial and Industrial Branch
ENERGY STAR
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Ms. Lupinacci:

The Roundtable appreciates the ongoing engagement by you and your team following the suspension of ENERGY STAR building certifications in September. ENERGY STAR has been a success in the commercial real estate industry since EPA first started rating offices in 1998. However, the new scores released in August were highly troubling for many of our members. You have shown a sincere commitment to work with stakeholders including our Sustainability Policy Advisory Committee (SPAC) following the August update, as the most recent aspects of the dialogue with our industry since the program's inception.

EPA's responses to SPAC's recent information request and the productive meeting we had on October 29 have begun to provide greater transparency into ENERGY STAR ratings. Our joint goal is to work on durable, resilient, and sustainable refinements and improvements to the scoring process. We encourage EPA to provide owners and managers with all of the tools, models, and equations they need to better understand relevant data sources, how scoring methods have changed, and guidance as to how they may optimally direct their capital expenditure budgets – through investments in efficiency measures that will predictably save energy and improve ENERGY STAR scores.

We respectfully recommend and summarize the following areas for further joint analysis:

- EPA should apply its prior models and equations (used before the scoring update last August) against the most recent vintage of CBECS data from 2012. We would also appreciate if the agency would share its calculations, assumptions and model runs so building owners can be better educated as to how they can conduct such analyses themselves and assist EPA in its approach. EPA should also confirm that its useful "Target Finder" tool – which helps owners up-front with their design and investment decisions – will continue to reliably predict energy targets and resulting ENERGY STAR ratings under any new models and algorithms.

- After EPA applies prior methods to 2012 CBECS data, we request that it provide information on how resulting scores are distributed along ENERGY STAR's 1-100 scale. We are concerned that EPA constrained itself to achieve an outcome of "even" score distributions of buildings in the Portfolio Manager database, and changed its models and equations with this initial calculation to suit such an end. Buildings that use EPA's tool, however, are inherently more efficient than non-benchmarking assets. We believe it is logical that substantially more than 25% of Portfolio Manager office buildings would score at least "75" to earn the ENERGY STAR label. Indeed, such a result should be expected. EPA has estimated that Portfolio Manager properties have experienced significant score increases after they started benchmarking – and they are seven percent more efficient than the majority of the U.S. building stock which does not track and actively manage energy consumption.

- Actual data reflecting energy use of very large buildings (*i.e.*, at least 500K ft^2) is virtually non-existent in the 2012 CBECS – the data set used for ENERGY STAR ratings. As scores for such large buildings thus depend on estimates (as opposed to concrete data) of energy usage, it is critical that EPA develop models to accurately reflect electricity consumption in assets $\geq$ 500K ft^2. We respectfully request that EPA's models more precisely reflect authentic energy use in such sizeable assets, and explain its scoring methods in a manner that stakeholders can replicate themselves for large offices in their portfolios.

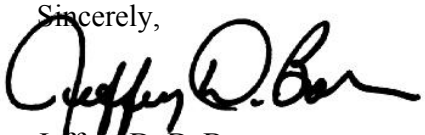
- EPA should re-incorporate heating degree days (HDD) as a key variable in its regression equations. According to National Oceanic and Atmospheric Administration (NOAA) data, 25 states in the first quarter of 2012 – the only year of weather data that EPA considered for its latest scoring methods – experienced the warmest winter in recorded history. Clearly, this will have an impact on outcomes. We would like to know if any adjustments were (or should be) made for this extremely warm winter in the scoring model.

- EPA should carefully assess whether a single electricity source EUI factor remains appropriate as part of the model to determine ENERGY STAR scores. Of course, buildings are located in diverse utility service areas across the country. The mix of fuels and energy sources that buildings rely on for power, and the efficiency of electric grid infrastructure that serves them, all vary widely from jurisdiction to jurisdiction. We recommend that EPA analyze regional differences in source EUI as a factor for ENERGY STAR calculations just as it considers variations for other factors like regional temperature differences.

- The impact of any new scoring models and equations on buildings that rely on district steam, whether for heating or cooling, warrants closer analysis by EPA.

The Roundtable addresses each of these points in more detail in the following attachment, with reference to the helpful slide deck EPA provided at our October 29 meeting. We look forward to the point when ENERGY STAR certifications can resume based on more recent data and our industry's input. Please continue to coordinate with Duane Desiderio, Senior Vice President and Counsel, on our staff regarding these matters.

Sincerely,



Jeffrey D. DeBoer
President and Chief Executive Officer