

ECONOMIC OPPORTUNITY STUDIES

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Introduction to: Best Practices in WAP/ Utility Energy Efficiency Programs or: *Lessons Learned the Long Way*

Economic Opportunity Studies, Inc. studies elements of successful utility-WAP partnerships in programs combining utility-funded energy efficiency programs and Weatherization Assistance Program services. A series of group meetings and interviews resulted in the attached presentation of both successful program designs and of program problems in eleven states. Very specific issues related to the design of and rules for the programs and relationships. They are organized into seven categories:

- Audits & Diagnostics
- Goals and Performance Measurements, Including Costs and Benefits
- Quality Assurance and Growth Management
- Client Eligibility Criteria
- Timing
- Allowable Measures
- Management and Sharing of Client and Fiscal Data

The focus group discussions made it clear that conventional wisdom and past practice can lead to utility/WAP program designs that are counterproductive. This guide addresses the 'Don'ts' as well as the Best Practices, or 'Do's'. The abbreviated advice presented in the matrix summarizes several long stories. EOS is prepared to share the stories with parties interested in design and policy issues and to provide referrals to the relevant project participants for peer-to-peer advice. A list of key participants appears as the last page of the matrix.

Using the Matrix of "Do's and Don'ts" – Key Questions and Answers

Q # 1 Who should use the matrix?

A

Current or potential program managers in local Weatherization agencies and in utility corporate offices who are considering the implementation, or the re-design, of a utility sponsored low-income energy efficiency program.

State regulators or legislators with responsibility for design and/or oversight of Public Benefit Fund programs or similar significant utility low-income efficiency initiatives.

Private sector contractors, ESCO's, consultants, and evaluators who need to know why an initiative may have fallen short and what really works.

Q # 2 What is in it that I can use?

A The matrix shows simplified advice on very specific elements in the design of electric and gas utility programs that invest in energy efficiency in low-income housing. Its purpose is to alert those working on utility/WAP projects to a list of policy and management issues that have important in the success or failure of recent utility programs managed by local DOE Weatherization agencies. It summarizes the advice of those who have years of experience in resolving those issues in eleven states.

Q # 3 Where can we get more detail on these points?

A This format only shows the program design issues to consider and the locations where they have been tested with either good or poor results. Once introduced to the issue or problem, program designers should try to get detailed information, including the context and history in which design element was tried. Many of the Weatherizers who have participated in the in-depth discussions that have kept this paper growing over two years have volunteered to speak to peers and colleagues who are considering new or changed programs. They are listed at the back of this paper. The staff at E.O.S. is also available to show details that emerged from the peer group contacts as this advice is updated throughout FY 2002.)
For more detail E-mail Meg Power the project manager at: megDower@opportunitystudies.org.

Q # 4 Isn't every state's, and even every utility's, situation different? Isn't it hard to compare to these other programs?

A Of course! However, not really. Look at the number of states shown per issue or per piece of advice, and note that experiences and opinions were shared in very different places and in spite

Certain program problems are the same in many places:

- 4- The structure, rules, and resources of the DOE/WAP& the problems of separating these from utility funds
- 4- The extreme poverty of those eligible and their consequent lack of capital for long term investment;

*The skills of

- 4- The technological inputs – how to determining cost-effective efficiency investments;
- 4- Good diagnostics;
- 4- The evaluation of major space conditioning and appliance investments;
- 4- The quality of materials and equipment needed;
- 4- The types of consumption and expenditure data available from energy suppliers;
- 4- The desire to make a program successful to all the key stakeholders the government and the ratepayers at once
- 4- Different partner objectives regarding who gets served and how.

All of these factors limit some possible activities and make others dramatically more promising.

Q # 5 What if I disagree, or what if I think you are missing a key program design element?

A Please e-mail EOS at once to be interviewed and recruited into our upcoming focus group meetings! info@opportunitystudies.org This project continues with support from the U.S. Department of Energy Weatherization Assistance Program through FY 2005. More Weatherizers and utility programs are gaining experience every year; we need to include your judgments.

Economic Opportunity Studies

Do's	WHAT?	Why?	Where?
<u>Structure</u>			

Do!	Choose a single model of utility-to-agency relationships and programs statewide		MA, WA, TX
	Consider one of three successful models		
	utility \$ to one lead local agency w/subcontracts		MA, NYC
	utilities \$ to each local w/ identical program and state agency oversight		TX , OH (Gas)
	utilities to state WAP agency		TX, OH (Electric)
Audit & Diamostics			
DO!	Adopt, unified, statewide, audit for government and utility that standardizes most measures and tests	High cost of performing multiple tasks/or different audits in one home: multiple testing or cost standards	MA
	Make that standardized audit broader than NEAT for measures and similar cost/benefit or "R.O.I."	Confusion and differences in PUC registration or legislation. Multiple tests inhibit smart mix of funds	WA
	Make the audit the guide to level of investment	Ceilings or flat rate will keep you from meeting energy cost R.O.I	KY, WV
	Ensure discretion for some crew investment decisions.	Need choice of investments in various sources or DOE, also choice of various standard audits to adapt to buildings.	WA, MA

		conditions	
	Allow groupings of buildings to be eligible and all units to get treatment if R.O.I is positive for all together, i.e. (not only unit-by-unit)	Indirect cost savings and or group efficiencies are a legitimate goal; community scale impact.	MA, NY
Goals & Results Measurement			
DO!	Make all utility investments 'fuel-blind'.		MA, WA, WV, KY, TX
	Include as program goals:		
	1) Sustainability/affordability/safety and protection (i.e. goals of client, not just those of utility)	See below: Test of costs/benefits need to have non-energy benefits added	WA, MA
	2) The positive consumer added to the energy benefits;	Fits WAP & LIHEAP goals and allowable expenditures. Reduces system's collection, bad debt and customer service costs.	MA
	3) The positive community impacts added to energy benefits	Fits community goals of both local agency and the utility	
Costs			
Do!	Use (at least) expected retail (KwH, mcf) costs as the standard		WI pilots
	Assure information-sharing with utility on program cost and customer fuel costs and bills		MA, TX,
	Include competitive salaries for crews and managers-and/or performance incentives (may be different from CAA Pay system). Consider a salary survey		WI, MA, TX

Management & Quality			
Do!	Have a plan for managing growth & checking quality Ensure utility information sharing on costs important data on effectiveness and value. Do not allow the utility investments, costs, or benefits to be a utility "trade secret".	Partners must agree on changed rules and on form of reports evaluation studies.	MA, WV, WA, VA
	Build Quality Control into WAP control. Use program and utility procedures together		MA, WA
	State program involvement builds support in WAP network and outside		TX, IL, OH
	In implementation phase, include frequent, close communication among locals. Meet, write, include an attorney in the group, make adjustments as needed.		MA, NY
	Ensure regulators are involved in oversight / enforcement		MA, TX, OH
	Conduct training for and provide follow-up contacts for multi-family building management staff. Cost effective element of utility programs.		TX, NY
Eligibility			
Do!	Consider usage level as one factor along with income.	High usage closely related to high burden and high savings. Allowances for family special needs, provides authentic estimate of burden. Targeting most'in need' of investment requires significant sample size- i.e. large pool of possible homes.	IN, ME pilot, Ohio
	Have flexible method of calculating incomes. Use deductions; (Rx? child care?) use at least max federal eligibility level		MA, ME, NY
	Allow groups/blocks/neighborhoods not just individual unit	Economy of scale, overall higher benefit-to-cost ratio	NY

Timing /Schedules			
Do!	Include ramp-up period	Training, hiring & equipment issues - utilities can not anticipate as well as the WAP partner. You need time-plan for it. Get goals low enough for start-up of utility program; raise	MA, WA, IN
	Use (and train) contractors for faster build-up.	Makes adjustments simpler, deploys energy technology to the private sector	MA, PA
	Establish a bonus payment system for crew/contractor managers who meet or exceed goals.	Use utility funds.	TX
Installed Measures-Utility Prowarn Must			
Do!	(Again! Be sure utility Program is fuel blind)		MA, WI
	Include appliance replacement	Major source of savings of gas and/or electricity	All
	Include combustion air safety tests & repairs	If not done, liability or walk-away policy are problems. DOE cannot cover these alone.	CA
	Include administration and direct costs in plan!	Utility partners must see 'real' cost; an honest comparison to their own overhead will demonstrate the efficiencies in local agencies	MA, WV, WA, VA
Do Not's			
Costs, Benefits/ Results:		Rationale	
Do Not!	Accept measure and/or expenditure ceilings per unit	Short term cost orientation will yield poor results on energy savings test. Also, it skews DOE investments to accommodate utility accounting-	KY WV TX WA
	Agree to traditional utility cost test of success. (TRC, avoided costs performance-based, etc.)	Low usage, like that of most of the poor, obviously predicts lower savings potential in plus and money. Residential sector savings are marginal anyway in utility programs. Many benefits accrue to the client, utility and community. All are a return on the investment.	All!
	Allow inclusion of utility costs for 'soft' elements of their work.	When calculating costs, utilities will allocate a portion of their PR, billing, mailing cost if they can (see info DO's above)	MA, NH, WA

	Accept utility reports of any costs without an agreed method of audited, shared accounts	Your costs/investments will be documented. Require similar standards for all items included in utility reports to PUC/stock	MA
	Forget cost of appliance disposal	Utility must help cover	TX
	Measures		
Do Not!	Require sharing with WAP <u>per each unit</u>	Limits utility funds overall and by unit. Needs vary--some may need one utility measure. (WAP Plus may permit support-only units)	KY, WA,OR
	Exempt utility from administrative cost share	It's false costing; public money would have to support private --could be political issue too as well as DOE rules issue.	KY
	Require customer lease or payment on appliances	High cost of collection information/billing even if customer <u>can pay eventually is not cost-effective.</u>	TX
	Use only NEAT or a checklist	Added modules or selection tools are essential for mobile homes, large multi-family, appliance replacement	WA, TX, OH
	Limit to heating and cooling measures	Baseload offers big savings. Audit all options and then choose.	CA TX MA, OH, KY
	Eligibility		
Do Not!	Prioritize payment-troubled customers	Use payment record as a warning sign Weatherization may be needed. But just because these are the source of a problem the utility cares about does not assure they will be the best WAP candidate. Also, this will exclude those who sacrifice to make payments.	NY
	Forget high users as priority	Utility collections problems clients may not be related to max energy savings.	MA, NY, ME, PA
	Promise too many completions	Utilities fuel the need to serve the max. number of customers even if that limits savings per home. Could be it uses many contractors and gets low return.	CA, KY
	Restrict to DOE eligibility or to individual units only (like DOE). Allow whole building or block.	Big efficiencies in administrative overhead, etc. covers the near-poor better; just assure R.O.I of whole project.	NY

Management			
Do Not!	Start a new state governing entity to new programs	Big delays, long-lead times can mean failure	CA, WA
	Sunset the program	There's no incentive for utility to get it right	MA
Information			
Do Not!	Allow limits on shared utility data regarding all program costs (marketing, collections, purchases, etc.) and all benefits (customer service, arrears etc.)	The expectation is that many more will be served; high users, LIHEAP participants, not only payment troubled should be provided by utility to agency for outreach along with stepped-up utility communications to these customers.	WA, MA
	Allow limits on shared utility data regarding participants	The more restrictions on utility money, the more they should help outreach. Info-sharing/privacy policies should be in the Act, Order, and or rules, this avoids excuses.	MA
	Do not provide all other agency leveraging & other federal reports to utility	They may not understand your program constraints and rules and /or decide how to run your job better.	WA, KY
	Do not take all the responsibility for getting info & doing outreach to find homes; utility info & communications work must be built in and paid for.		KY, WV, CO WI pilots
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People Who Learned WAP/Utility Lessons the Long Way.

The PEER Contacts

Obviously, there's quite a story behind each of these lessons learned. Our staff has elicited them from Weatherization pathfinders during peer group discussions and individual interviews.

You may 1) Call Meg Power, who directs this EOS project at our office or 2) get the story directly from the following participants who have offered to discuss it! They are listed next to their state.

MA	Elliott Jacobson, ACTION Energy, Art Wilcox, SMOC, Jerry Oppenheim, attorney	ej@netway.com artw@smoc.org jerroldopp@tgic.net
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Lifetime Learning

This collection of ideas and best practices is an ongoing project and we need to hear your advice as your own experience unfolds. Please e-mail or write us with comments and questions about the ideas in this paper or to give us input on other lessons you are learning. We would be interested in focus groups we could organize in your state or region, too. Let us hear from you at the address and e-mail shown above. Thanks in advance for helping others progress!