

# ECONOMIC OPPORTUNITY STUDIES

## Weatherization Leveraging Partnership Resources A Leveraging Issues Paper

### What Weatherizers Need to Know About Designing Utility Partnerships

This paper presents a typology of the three basic types of today's utility rate-financed Energy Efficiency and other low-income program funding. It then offers some details about how coordination with W.A.P. delivery works and how well coordinated delivery works. It concludes with a list of strategic issues faced by the managers of these **Weatherization Plus** programs over the past two decades.

#### Typology:

#### 1. "Public Benefit" System-Wide Program: Two Types

- ❖ **A Public Benefits or System Benefits "Fund"** - The charges paid by consumers are collected by the utility and, essentially kept as an escrow fund, which is regularly transferred to one or more public agencies which implement programs.
  - i. Examples would be an energy authority, the regulatory Commission, or a state department that manages the federal-state Weatherization program. (IA, IL, TX, and WI are examples of states whose gas-weatherization programs are allocated to the Weatherization Assistance Program from such SB Funds.)
  - ii. Alternatively, a Fund administrator is responsible for planning/contract for input, (e.g. the programs in MI, MN, and NY). The state agency managing the funds solicits plans, and it is not the Weatherization Assistance Program grantee.

- ❖ **A Utility-Directed Public Benefit Program**, in some places called a Public Purpose or Public Benefit program. In this model, utilities owe equivalent contributions, but they submit plans for their low-income programs to their regulators and the plans follow specific guidelines. When approved, they contract for the approved activities and spend the amount they are obligated to collect for that purpose. The expenditure is credited against the Fund obligation that is uniform for all utilities (e.g. CA, NY gas programs pre-2004). The Commissions have established fairly detailed guidelines and demand frequent public reports.

#### 2. **Utility-Directed Program for its Service Territory** – The management structure is like a Type 2 Public Benefit program. The amounts and programs are designed and approved utility-by-utility and usually vary. The utility proposes the level and uses of low-income Weatherization funding as part of a rate case or other filing within broad guidelines and implements a program with PUC approval. (This is the case for gas programs in AZ GA, KY, OH PA, MD, MA, IN, and NV).

- ❖ Not every utility has a program in these states, but in MA and PA, at least, the expected utility contribution and the burden on ratepayers is essentially uniform for the gas programs among all utilities in PA and MA. While their programs are, similar to Category #2. The flexibility offered is broader. Today, MA gas utilities have voluntarily adopted a nearly uniform program design based on federal Weatherization while the PA utilities' programs vary more.
- ❖ There is variation among the policies and offerings of the utilities and the delivery systems they choose. This is largely because in the '80s and '90s, there was a variety of Weatherization initiatives and the PUCs were respectful of established

practice this model requires also close Commission supervision and transparent, detailed utility reports.

**Utility programs that are Weatherization Plus:** *Why should Weatherization Assistance Program state or local agencies coordinate the resources?*

*Simple answers:* running separate programs either in other networks or having the Weatherization Assistance Program network manage two different sets of priorities (like: Utility funds only for extremely high users, or for disconnected, payment-troubled customers) has been tried in many areas and performed poorly.

- ACEEE's report on best practices in utility low-income programs emphasizes coordinated delivery as a best practice ([www.aceee.org](http://www.aceee.org)).
- See case study of Ohio Warm Choice with citations to its outside evaluations before and after consolidating programs. See short sad Maryland case study of (Electric) Efficiency fund, both at <http://www.opportunitystudies.org/weatherization-plus/leveraged-programs/wap-plus-utility-index-intro/>
- See the evaluation of NM's Southwest Gas Efficiency Pilot Projects that found only the low-income efficiency element was cost-effective because of coordinated Weatherization Assistance Program delivery.

*More:*

- This network has identified the market- population in need, and keeps waiting lists of those with verified income and utility bills
- It has systems for sharing utility bill information
- It has access, i.e. trust, to be allowed into homes.
- It has a transparent financial and work-order reports system
- It has training and tools that are not found in the conventional building trades (blower door, computerized audit, dense pack etc...)
- It offers additional resources to participants, especially when more resources become available, from energy ed. to bill and credit counseling etc.

**Major Considerations for Weatherization Leadership Re:** Adding Utility Resources and Assignments to the Weatherization Assistance Program:

There are highly successful partnered programs and there have been some real duds.

The EOS Leveraging Project handbook of advice on Best Practices from experienced Weatherization Assistance Program leveragers is at

<http://www.opportunitystudies.org/weatherization-plus/leveraged-programs/best-practices-introduction/>.

**Goals**

Is the goal of the utility program **compatible** with the Weatherization Assistance Program procedures and investments? Will it require a completely different set of activities, participants or record keeping?

If so, is the difference meeting an urgent unmet need that the Weatherization Assistance Program cannot meet, such as safety interventions like furnace replacement or re-wiring? Will the personnel information system and costs adversely impact Weatherization Assistance Program production? Is it worth it? How can the adverse impacts be reduced?

Is the test of success an energy-only result? How will it be measured? (A lot of writing and testimony is available on this at the Leveraging Resources Site.) Will social benefits be added? Health? Affordability? Independent living? Reduced renter mobility?

Is the utility commission ready to invest in other, but related, non-energy benefits? (Like housing rehab? Case management?) If so, how will Weatherizers deliver or coordinate the required work?

Can the Weatherization Assistance Program system help the utility industry meet other goals/solve other problems, like testing residential renewable energy or bio-fuels or carbon reduction by replacing "dirty" oil or gas heat systems?

### **Process**

If the program runs "with" the Weatherization Assistance Program or is run by the state Weatherization Assistance Program office, is the resource distribution equitable within each utility's territory? What about a performance based system? What about a completely consolidated state program?

Will the state, a third party, or the utility staff provide quality control? If so, how will the lines of authority and monitoring in the Weatherization Assistance Program system be affected?

### **Structure**

There are a variety of arrangements and subcontract structures in use in other states. There is some information on many. For instance, an umbrella organization of the biggest Weatherization Assistance Program Agencies and/or a state association can provide a third party service. Which are appropriate? One CAA Association, KY, plays a major monitoring role in the state program and for utility programs. Other models include

- ❖ MA: an independent non-profit agency made up of Weatherizers and utility members that contracts with the utility, sub-contracts to all Weatherization Assistance Program local agencies, but predominantly uses three high-capacity Weatherization Assistance Program agencies, and is responsible for inspection and quality.
- ❖ WA: an independent project coordinator housed in a CAA. The advocate (with support staff) provides the advocacy and tracks the management of multiple utility programs in Weatherization Assistance Program agencies.

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