Better Buildings
NEIGHBORHOOD PROGRAM
U.S. DEPARTMENT OF ENERGY

Program Sustainability Peer Exchange Call:
Transitioning to a Utility Funded Program Environment: What Do I Need To Know?

January 17, 2013

Utility Funded Programming: What Do You Need to Know?
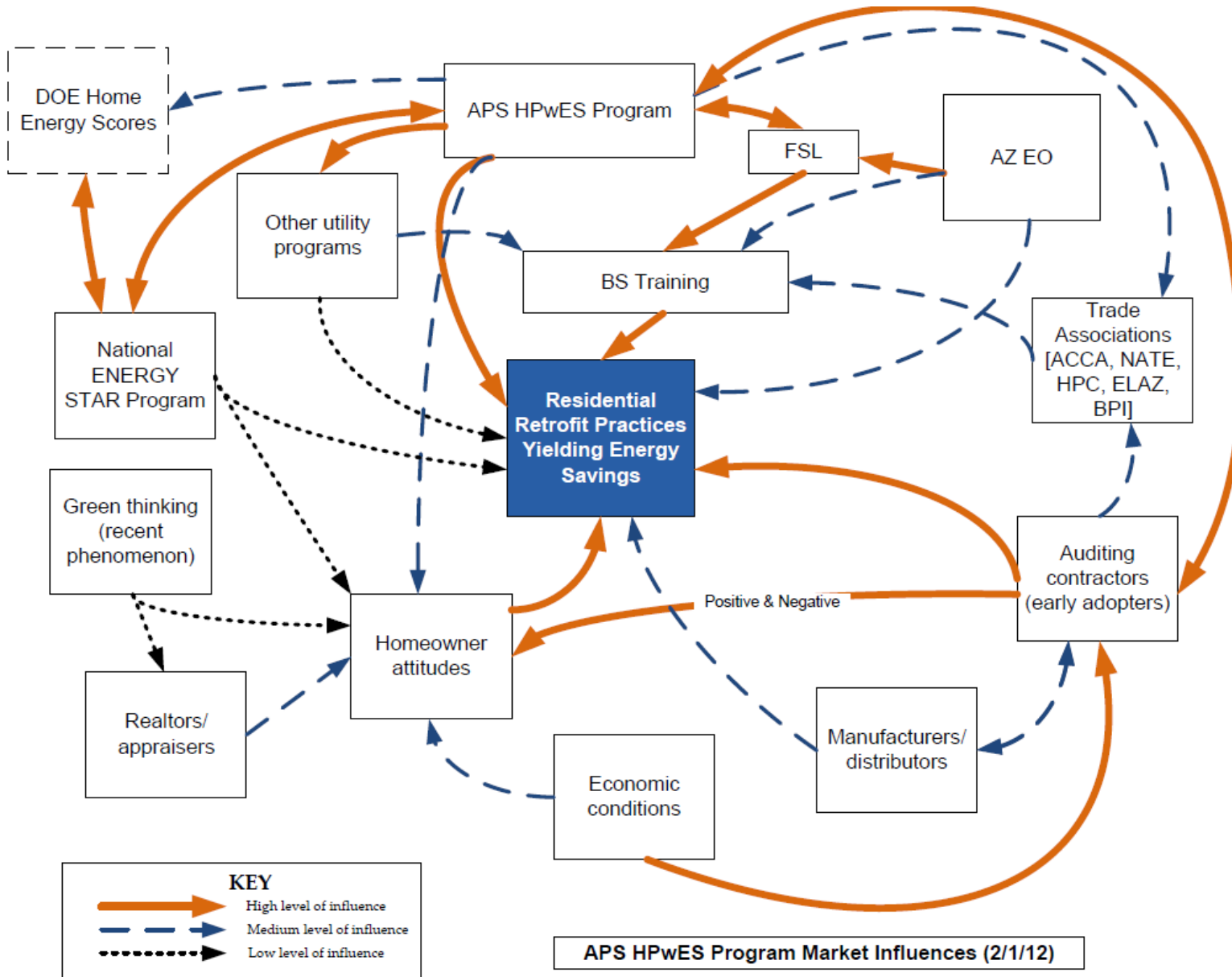
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Better Building Neighborhood Program
Peer Exchange Call: Jan. 2013

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Roadmap Please!

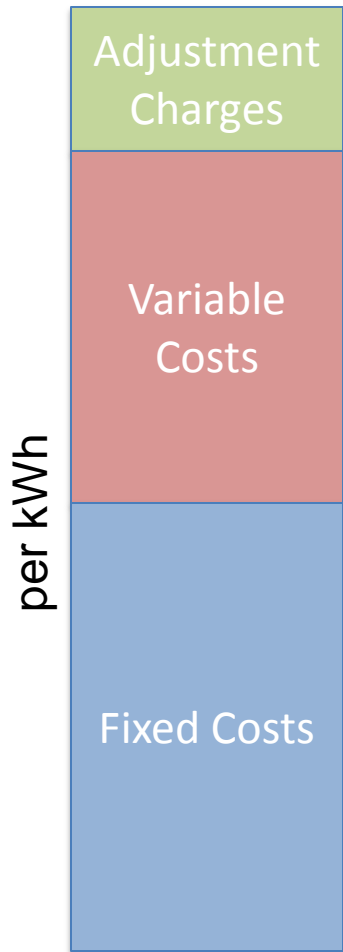APS HPwES Program Market Influences (2/1/12)

Overview

- Critical Areas of Focus

  - Funding (Regulatory/Rates/Process)
  - Data, Data, Data
  - Collaborative Relationships
    - AZ Case Study

- Questions and Discussion

Utility Funding 101

- How does a utility fund energy efficiency?

- Does your program meet local utility cost effectiveness tests?

- What is the timing and steps to get funding approved?

Utility Funding Needs

per kWh
Adjustment Charges
Variable Costs
Fixed Costs

- Program Cost Recovery:
  - System benefits charge
  - Rate-basing
- Lost Revenue Recovery:
  - Performance Incentives
  - Lost Fixed Cost Recovery
  - Decoupling
- Usually determined during rate case settlement

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Cost Effectiveness Tests

- Test Vary by Jurisdiction (both in type and Implementation)
    - **TRC**, SCT, PACT, PCT, RIM
    - Measure vs. Portfolio

- You must procure technical experts with local knowledge
    - Person: former commission staff or utility employee
    - Local/Regional Advocacy Groups or interveners
    - **Measure and Evaluation Contractors (Ex. Cadmus, Navigant, or whoever your utility uses)**

Cost Effectiveness 101: TRC/SCT

$$TRC = \frac{\text{Benefits (Avoided Cost* x Measure Life)}}{\text{Costs (Program Admin + Customer Incremental Cost)}}$$

* Cost Avoided by the **<u>utility</u>** by not needing to generate or distribute a unit of energy.

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Cost Effectiveness 202: TRC/SCT

Demand, Capacity, Discount Rate, Externalities (CO_2, SOx, Water, etc), Measure Life, Fuel Escalation Rate, Net to Gross Ratio, NEBs, Etc.

$$TRC = \frac{\text{Benefits (Avoided Cost* x Measure Life)}}{\text{Costs (Program Admin + Customer Incremental Cost)}}$$

Customer Incremental, Program Admin (measure, program, portfolio), M&V, performance incentives

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Cost Effectiveness Places to Start

- Read:
  - "Best Practices in Energy Efficiency Program Screening" Wolfe, et al. 2012
  - "A National Survey of State Policies and Practices for the Evaluation of Ratepayer-Funded Energy Efficiency Programs," Kushler, Nowak, and Witte, 2012.

- Ask your utility or local PUC

- Reach out to major local and regional EE advocacy groups and interveners

- **Procure a measure and evaluation contractor**

Regulatory Cycle Time/Process

- Implementation Plans filed annually or every two years (usually at the same time every year)

- Approach Utility, 6 months prior to filing

- Design and Calcs, 3 months prior to filing

- Once filed, Regulatory approval, 3-9 months.

- Implementation, 1-3 months

- Total Time: usually <u>1 to 3 Years</u>

Data, Data, Data

- Legal:
  - Customer Ownership
  - Confidentiality
  - Data Security
  - Release forms
- Structural:
  - Data Collection Standards
  - Data Collection System

Data Action Items

- Collaboration
  - Use-case development
  - Acquisition strategies
- Large Scale Adoption of Data Standards
  - HPXML
  - BPI Data Collection Standard
  - DOE Data Taxonomy
- Paperless legal releases
- Explore Green Button More
- Build better software architecture

Sustainability through Collaboration

- Market Consistency
  - Contractor Requirements
  - Program and Incentive Design
  - Customer education
- Cost Share and improved cost effectiveness
  - Infrastructure Development
  - Training and Contractor Recruitment
  - Marketing
  - R and D
- Must transcend local markets!

Arizona Example

- Funders
  - Utilities: APS, SRP, SWG, Unisource
  - State Energy Office
  - Grantees
- Local Non-Profit (Foundation for Senior Living)
  - Training (Super-Lab)
  - Contractor Management and QA
  - Must transcend local markets!
- Southwest Home Performance Collaborative

Arizona Results

MARKET EFFECTS	2012 RESULTS*		TOTAL PROGRAM 2012 YEAR	AZ Home Performance Program to Date (2010-2012)
	APS	SRP		
Audits	4,992	3,157	8,149	20186
Completed Jobs	1,762	1,039	2,801	7534
Conversion Rates (Avg)	35.30%	32.91%	34.10%	37.61%
kWh Savings Annual	6,652,915	3,947,228	10,600,143	27,445,494
kWh Savings Lifetime	111,211,100	39,001,880	150,212,980	375,797,577
Pounds of GHG Reduced Annual	5,981,727	5,802,425	11,784,152	29,935,402
* actual data is for January - October 2012, provided by APS and SRP				

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