



Energy solutions
for a changing world

Finding Common Ground

Presented for

Panel 8: Climate Change and Energy Efficiency Policy
ACEEE Summer Study on Energy Efficiency in Buildings

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The Regulatory Assistance Project (RAP)

We are a global, non-profit team of experts focused on the long-term economic and environmental sustainability of the power and natural gas sectors, providing assistance to government officials on a broad range of energy and environmental issues.

About RAP – US

RAP provides technical and policy support at the federal, state and regional levels, advising utility and air regulators and their staffs, legislators, governors, other officials and national organizations.

We help states achieve ambitious energy efficiency and renewable energy targets and we provide tailored analysis and recommendations on topics such as ratemaking, smart grid, decoupling and clean energy resources. RAP publishes papers on emerging regulatory issues and we conduct state-by-state research that tracks policy implementation.

Consumer Concerns

- Rate impacts and affordability
- Too many customers in poverty or at the edge of poverty
 - Large number of disconnections – 10% annually on average in some states
 - Short-term rate increases for long-term benefits
- Political repercussions in some states for being associated with environmental positions

Environmental Positions

- Climate change and its fast acceleration predicted by scientists
- Short-term rate increases pale in comparison to cost of damage and adaption



Finding Common Ground Project

- Partnership between
 - Regulatory Assistance Project
 - National Consumer Law Center (Olivia Wein)
 - Sierra Club (Jennifer Miller)
- Sponsored by Energy Foundation
- Goals:
 - Bring national, regional, and state consumer and environmental advocates together to create a dialogue
 - Build trust, knowledge, understanding and respect among advocates by exchanging information on the quest for collaborative solutions

Mechanics of the FCG Project

- Participants drawn equally between consumer and environmental advocates who are active in the regulatory process
- Carefully designed questionnaire and interview on topics preceded the meeting:
 - Consumer protections, including: service disconnections and related issues, prepaid service meters, and weatherization;
 - Energy efficiency;
 - Renewable energy;
 - Dynamic pricing and smart meters;
 - Transmission investments; and,
 - Carbon policies

Mechanics of the FCG Project

- Two facilitated in-person meetings
- Caucus discussions led by NCLC and SC partners respectively
- 8 webinars along with educational presentations at the meetings led by RAP
- Working groups on specific issues such as codes and standards, on-bill financing
- Ad-hoc coalition work done on weatherization funding, etc.
- Ground rules built on mutual respect for all interactions

Lessons Learned

- Be Patient – Building trust takes some time as parties have scars from interactions in previous cases
- Process Matters – Set forth a process and adhere to it, but retain flexibility to detour
- Set Ground Rules – Respect, confidentiality, transparency, opportunity to comment
- Be Prepared to Do the Time – Reaching consensus, issues around use of consensus, etc.

Lessons Learned

- Recognize the Regional Differences – Facts on the ground vary and they matter
- Be Prepared For Meetings – Time is limited. When helpful, plan short, factual unbiased presentations
- Start with a Few Less Controversial Issues - A few early successes will give the group a sense of accomplishment and demonstrate that this can be done
- Know Your Group - Look towards identifying areas where parties while not embracing a solution, might not object to it

Lessons Learned

- Get Participants to Move Past Their Talking Points - Have parties respond to the legitimate concerns raised by others and focus on how to address the concern in a constructive way
- Gently Explore Boundaries - Dissect the issue and find out which parts the other participant group could live with and which are absolute deal-breakers
- Look for the *Quid Pro Quo* - Agreement in principle to help each other out by adding a little sweat equity to issues that each party agreed to but which was not a priority

Lessons Learned

- Create a Comfortable Forum – Create an environment that is non-threatening and where participants feel that their views are being heard and taken seriously.
- Keep the Momentum and Communications Going – Enable communications between meetings

Finding Ways To Work Together

Weatherization

- Provides energy efficiency
- Helps low income customers reduce their bills

Benchmarking

- Multi-family homes hard to reach to assess energy efficiency potential
- Consumer groups concerned about privacy
- NASUCA resolution supports benchmarking and calls for aggregated data

Finding Ways To Work Together

Energy Codes and Appliance Standards

- Codes and standards reduce consumption and therefore reduce bills
- Not ratepayer funded, making it easy for consumers to support

Process and Fairness

- Process matters – Level the playing field
- No surprises that catch one group off guard and provides benefit to other

Crossing The Bridge Issue By Issue

- Identify issues most important to each group
- One-size fits all “playbook” may not be feasible depending on the issue, the location, the organizations involved, and the limitations or opportunities within a political landscape, etc.
- Willingness to “endorse” each others’ positions even if not central to one of the advocacy groups builds stronger alliances and increases the likelihood of success on the merits of the issue

Crossing The Bridge: Weatherization

- Low-income weatherization addresses chronic unaffordability of energy services
- Significantly reduces energy consumption, making energy bills more affordable
- Reduces the subsidies paid by other consumers or frees-up funds for other customers to get bill assistance
- Reduces reliance on fossil fuels
- **Some FCG participants joined forces to lobby together for the restoration of federal weatherization funding**

Crossing The Bridge: Affordability and Protection From Shut-offs

- Shut-off issues include:
 - Notice provisions;
 - Payment arrangements;
 - Reconnection provisions;
 - Medical certification;
 - Notifications to tenants when utility service is included in the rent and the landlord does not pay;
- Disconnection in the winter can cause hypothermia and in the summer, especially among seniors, heat stroke
- **Good faith and stronger ties are built when environmental groups can support consumer groups on these issues, even if it is just on a “me too” basis.**

Crossing The Bridge: Prepaid Service

- Consumer advocates view prepaid service as a credit and collections strategy used to target low-income communities
- Prepaid meters often deprive customers of disconnection procedures and protections
- Studies by some consumer advocates suggest that pre-paid service has accelerated the number of disconnections
- **Good faith has been built in instances where environmental groups have come out against prepaid meters**

Crossing The Bridge: Energy Efficiency (EE)

Program Size and Cost Recovery

- Consumer advocates generally supportive of EE but wary of up-front costs and bill impacts
- Environmentalists see EE as a least-cost option and key to fossil fuel replacement
- Tools that can help include:
 - Agreement on cost-effectiveness screening
 - Programs for low-income (include reduction in uncollectible expenses and other societal benefits to help these programs pass)
 - Robust EM&V that demonstrate the savings
 - Development of an array of programs to help as many differently situated customers as possible
 - Discussion on level of increase consumers can tolerate

Crossing The Bridge: Energy Efficiency

Lost Revenues – Very Controversial and Challenging

- Explaining to the public that the utility is being paid for the energy not sold is a challenge
- Consumer perceptions of allowing utilities additional revenues
- Dislike for additional riders
- If you get past the barrier to agree to lost revenue recovery:
 - Straight-Fixed Variable (SFV) is universally disliked
 - Discuss Lost Revenue Adjustment Mechanism (LRAM) and its failure to reduce throughput incentive, its ability to increase utility revenues, and the litigious resource intensive verification aspects
 - Discuss decoupling and what customers could live with including decision points on symmetry, rate caps, attrition adjustments, application to customer classes, true-up periods, adjustments to return on equity, etc.

Crossing The Bridge: Energy Efficiency

Incentives - Also Controversial and Challenging

- Some consumers believe utilities should not be rewarded just for doing their job
- Environmentalist want to change the utility/management culture to embrace EE
- In exploring common ground, consider and discuss:
 - No incentive unless 100% compliant (if you need to adjust targets, do so)
 - Graduated incentive, such that the size of the incentive increases with the percentage of over-compliance
 - Caps on size of incentive

Crossing The Bridge: Energy Efficiency

Energy Efficiency Planning – Areas for Discussion:

- Agreement on recovery of prudent costs and the mechanism for it
- Cost-effectiveness test – use of non-energy benefits (NEB) for low-income programs
- Portfolio of programs approved by all stakeholders – establishes fairness in process
- Funds allocated by ratepayers should not be diverted for other purposes

Crossing The Bridge: Energy Efficiency

Energy Efficiency Design – Areas for Discussion:

- Agreement on best practices and robust program design
- Funding of independent consultant to assist intervenors
- Agreement on contractors utility will hire
- Agreement on need for EM&V

Third Party Administrators of EE programs

- Some consumer advocates view third party administrators as a substitute for lost revenues and incentive in that it can be treated analogously to a customer choosing to do EE on its own
- If utility is recalcitrant or uninterested in EE, third party administrator can be an option

Crossing The Bridge: Carbon Policies

- Agreement on need for a policy as climate change impacts customers, including vulnerable communities
- Creates opportunity to discuss cap and trade
 - Discussions on distribution of auction allowances
- EPA 111d proposed rules
 - Opportunity for agreement on EE as a compliance strategy
 - Opportunity to explore least cost compliance options that result in fossil fuel plant closures

Conclusion

- Strong relationships and understanding among consumer and environmental advocates can enable swift, collaborative actions and can minimize the ability of other stakeholders to put a wedge between consumer and environmental interests.
- Ultimately, the goal of such collaboration is building long-term relationships that result in a sustainable model for collective action and paving the way to meaningful victories that benefit consumers and the environment.
- Biggest challenge is getting parties to be comfortable agreeing to a principle. At the ten-thousand foot level, this might be possible, but as the discussion becomes more granular, consensus becomes more difficult.
- By committing to work together, environmental and consumer public interest groups can strengthen their advocacy and their ability to achieve more public interest outcomes.

About RAP

The Regulatory Assistance Project (RAP) is a global, non-profit team of experts that focuses on the long-term economic and environmental sustainability of the power and natural gas sectors. RAP has deep expertise in regulatory and market policies that:

- Promote economic efficiency
- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

Learn more about RAP at www.raponline.org

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