



# States Taking Action to Align Utility Policies with Environment, Energy, and Equity Goals

August 9, 2022 | 3 PM Eastern

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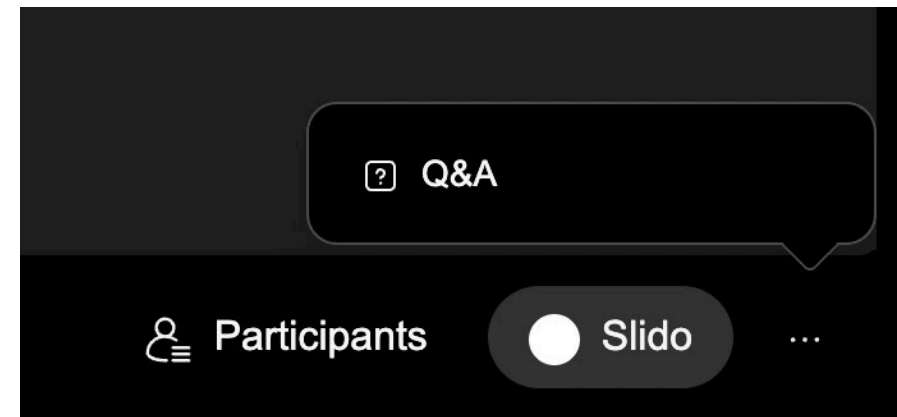
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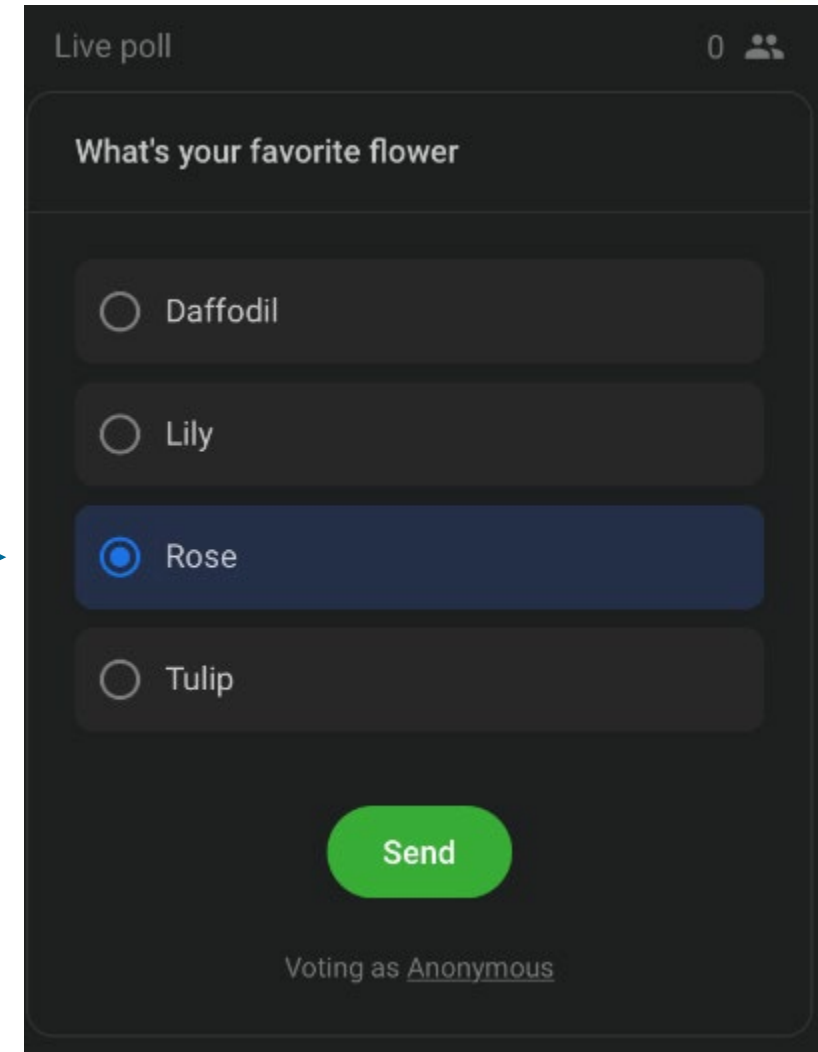
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Live poll 0

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- Lily
- Rose
- Tulip

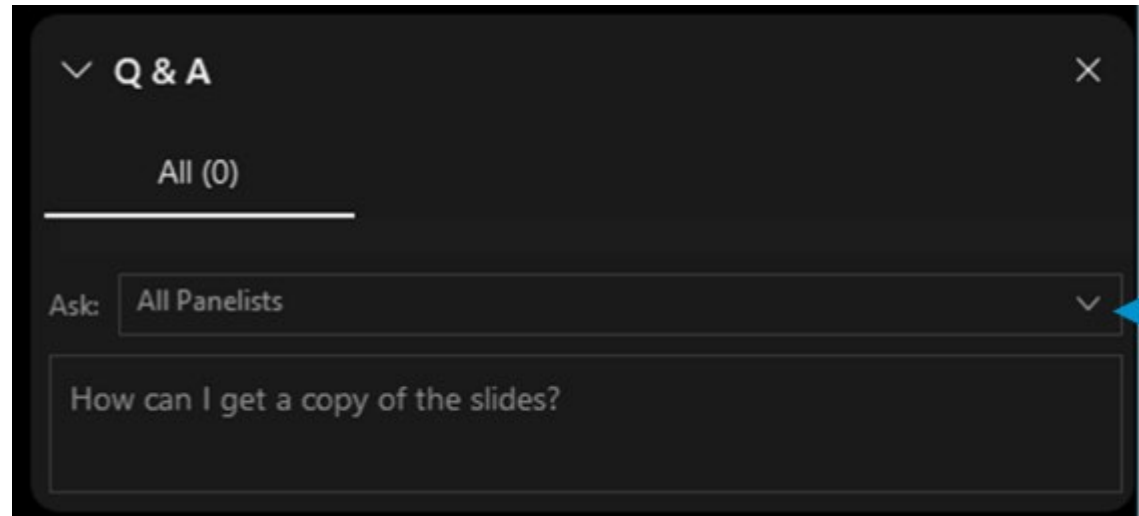
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# Today's Agenda

- Introduction
  - Phillip Assmus and David Tancabel, U.S. Environmental Protection Agency (EPA)
- Advancing Equity in Energy Efficiency to Address California's Climate Goals
  - Leuwam Tesfai, Deputy Executive Director for Energy and Climate Policy, California Public Utilities Commission
- How Utility Programs and Regulation are Evolving to Incorporate State Environment, Energy, and Equity Goals
  - Doug Scott, Vice President, Electricity and Efficiency, Great Plains Institute
- Arkansas's Process for Establishing and Achieving Energy Efficiency Goal (1977-2022)
  - Wally Nixon, Commissioners' Legal Advisor, Arkansas Public Service Commission
- Question and Answer Session

*The views expressed by speakers on this webinar are solely those of the participants and EPA does not endorse any products or commercial services mentioned in this webinar.*



# INTRODUCTION

**David Tancabel**

U.S. EPA

**Phillip Assmus**

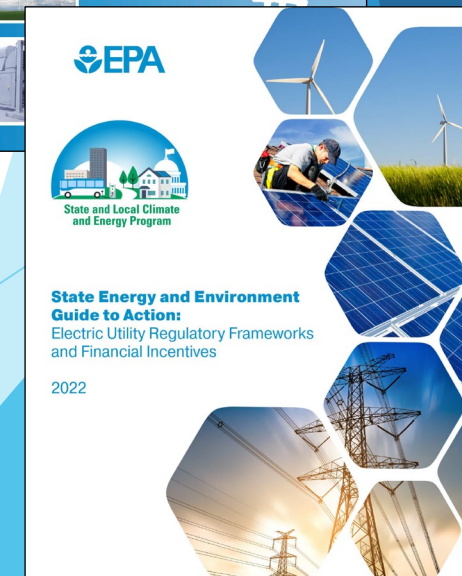
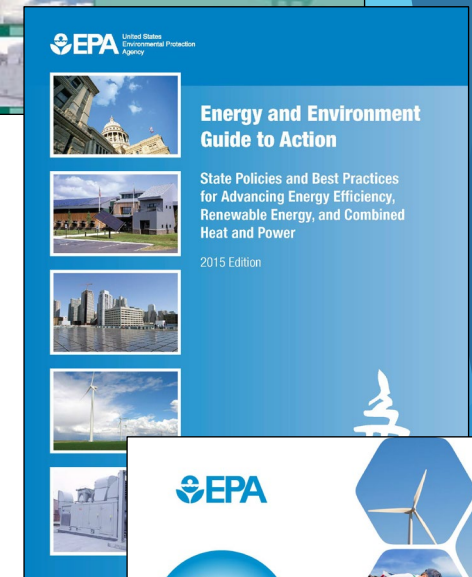
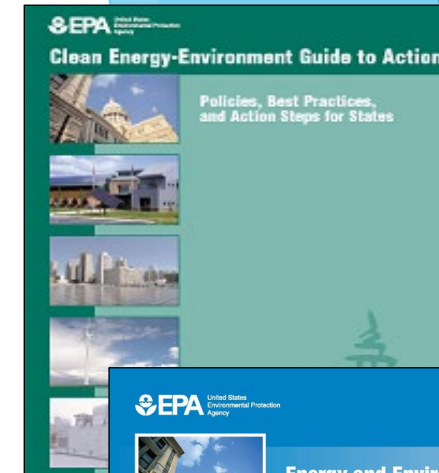
U.S. EPA

# The State Energy and Environment Guide to Action (Guide) Supports Clean and Efficient Energy Outcomes in States

- ▶ Longstanding EPA resource first published in 2006 and last updated in 2015
- ▶ Presents best practices to help states design and implement policies and programs that reduce emissions associated with energy consumption and electricity generation
- ▶ Illustrates best practices with state examples
- ▶ Each chapter covers a unique policy topic, provides descriptions and a regulatory landscape, explains environmental, energy, health, and equity benefits, and highlights design and implementation issues
- ▶ Five Guide chapters are being released today with more on the way

Access the Guide at:

[www.epa.gov/statelocalenergy/energy-and-environment-guide-action](http://www.epa.gov/statelocalenergy/energy-and-environment-guide-action)



# Utility Policy Chapter Release (August 9)

## ▶ **Electricity Resource Planning and Procurement**

Planning pathways states are using to achieve environmental and equity goals, primarily through the incorporation of supply- and demand-side clean generation resources like renewables and energy efficiency (EE)

## ▶ **Electric Utility Regulatory Frameworks and Financial Incentives**

Frameworks to remove disincentives for investment in distributed energy resources (DERs) and reward utilities for achievements in system operations, energy services, and other objectives aligned with policy goals

## ▶ **Interconnection and Net Metering**

State experience using interconnection standards and net metering policies to facilitate or encourage the adoption of DERs, such as rooftop solar photovoltaic, energy storage, and combined heat and power

## ▶ **Customer Rates and Data Access**

Setting utility rates and increasing access to customer energy use information to enable customers to use energy more efficiently and adopt DERs that reduce emissions and provide other benefits

## ▶ **Energy Efficiency Programs and Resource Standards**

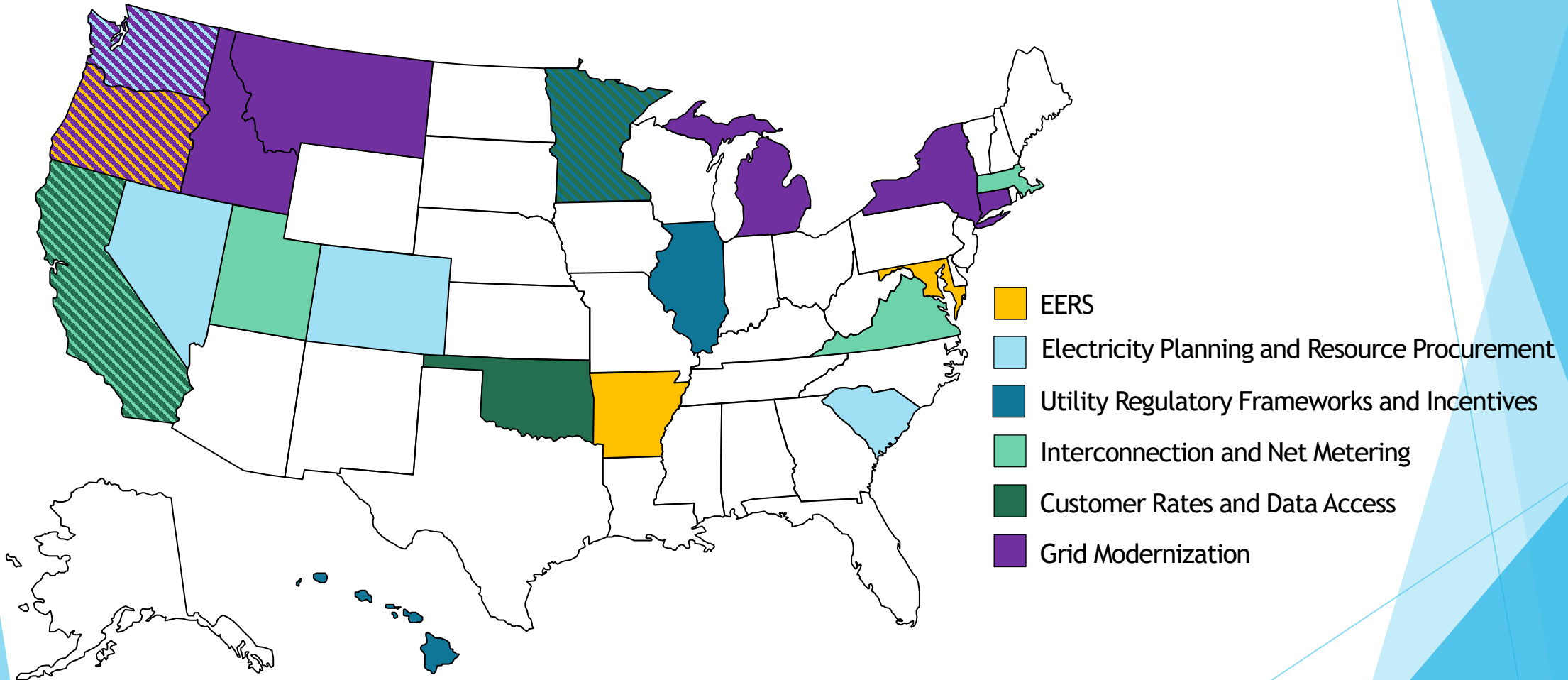
Customer-funded energy efficiency programs and energy efficiency resource standards (EERS), especially recent updates that set out to meet climate change, air quality, and equity objectives

## ▶ **Maximizing Grid Investments (Coming Soon)**

State opportunities to modernize their electrical distribution systems via one or more of the following: (1) improved distribution system efficiency; (2) clean energy integration; and (3) enhanced grid planning paradigms



# Detailed State Examples - Utility Policy Chapters





# Advancing Equity in Energy Efficiency to Address California's Climate Goals

**Leuwam Tesfai**

California Public Utilities Commission

# Advancing Equity in Energy Efficiency to Address California's Climate Goals

Leuwam Tesfai

California Public Utilities Commission



California Public  
Utilities Commission

EPA Webinar: States Taking Action to Align Utility Policies  
with Environment, Energy, and Equity Goals  
August 9, 2022

# Today's Agenda

## 01

### Advancing Grid Innovation

- + Climate Change Mitigation
- + Climate Adaptation

## 02

### Advancing Equity in EE

- + Governance
- + Goal-setting Process
- + New Total System Benefit Goals Metric
- + Cost-effectiveness
- + Portfolio Structure & Segmentation

## 03

### Advancing Equity in Low Income EE

- + New Program Design
- + Deeper Energy-Saving Pilots
- + Building Electrification Pilots
- + Universal Application System

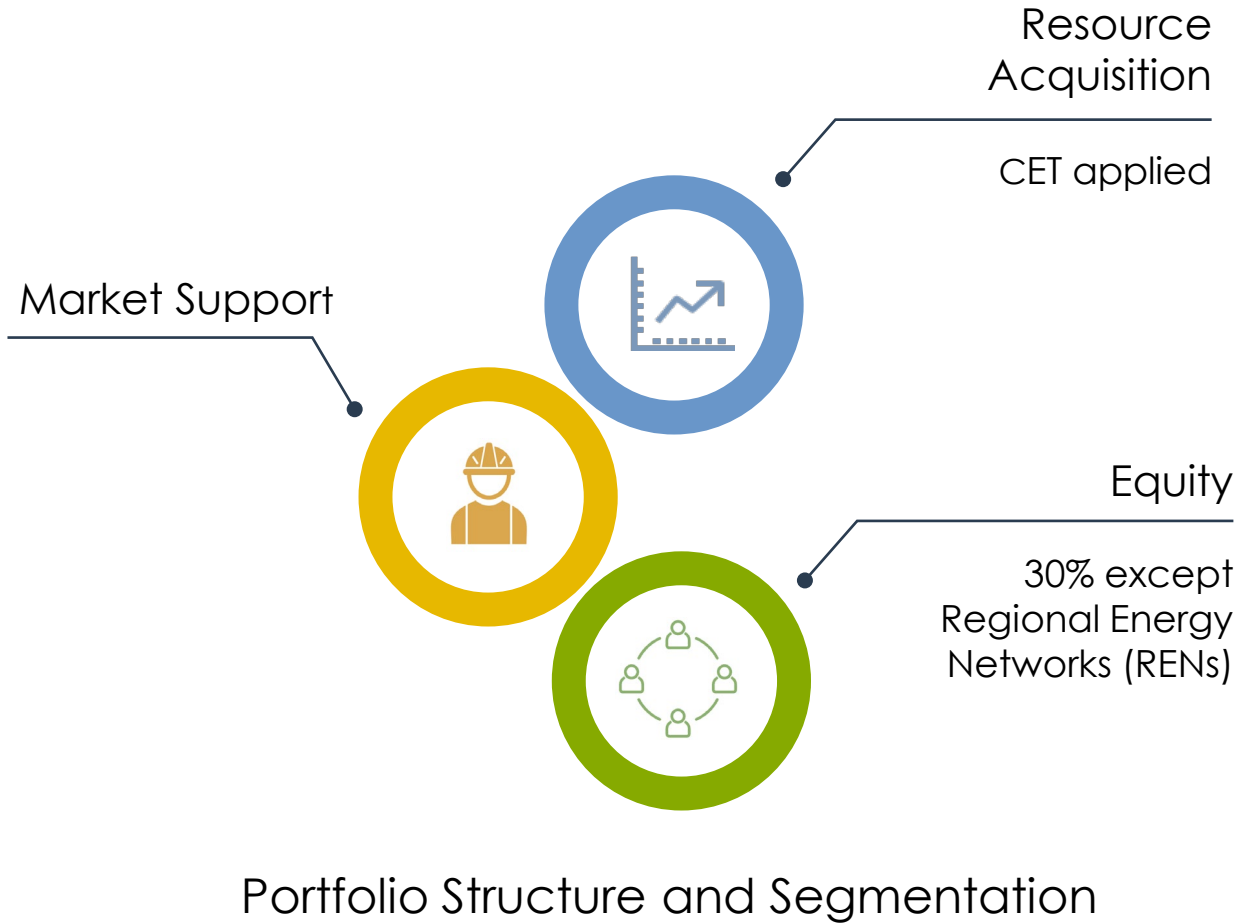
# California's New Energy Efficiency Policy



New Total System  
Benefit Goals Metric  
(\$)

**1.0**

Total Resource Cost  
Cost-Effectiveness Test  
(CET)

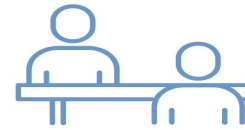
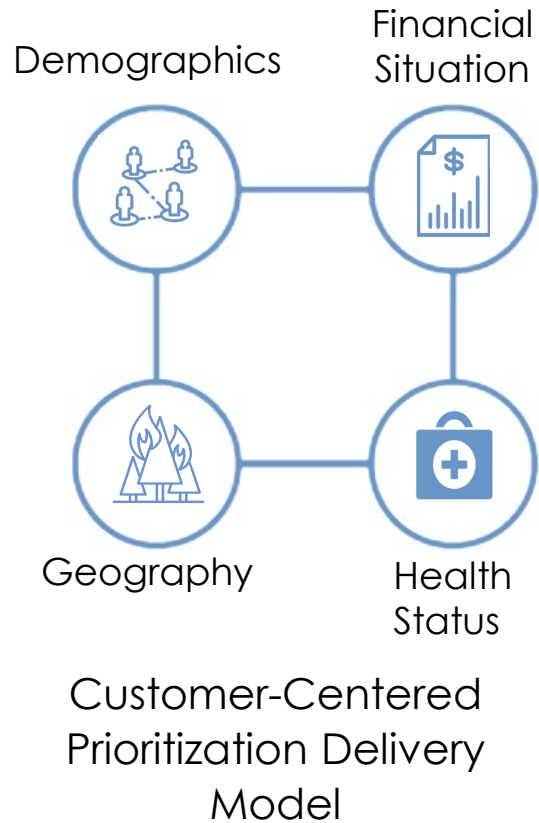


# California's New Energy Savings Assistance Program



Multifamily Whole Building Program solicitations

**1 million**  
homes treated by 2026



Workforce Education & Training and hiring within local disadvantaged communities

Up to **50%**  
savings from deeper energy-savings pilots

**\$2.2 billion**  
budget for 2021-2026



\$50 million for Southern California Edison's (SCE's) Building Electrification Pilots

# Low-Income Universal Application System

## California Alternative Rates for Energy • Family Electric Rate Assistance Program

Energy bill discounts



## Energy Savings Assistance

Free energy efficiency retrofits and weatherization

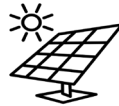


## Self-Generation Income Program •

### Solar on Multifamily Affordable Housing •

### Disadvantaged Communities-Single-Family Solar Homes

Rooftop solar for single-family, multifamily, and disadvantaged communities



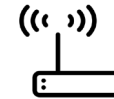
## Low Income Home Energy Assistance

Federal bill assistance and free energy efficiency and weatherization services



## LifeLine

Discounted home and cell phone services



## Affordable Broadband

Discounted wireless/internet services



## Arrearage Management Plan • Percentage of Income Payment Plan

Energy debt payment plans



## Disadvantaged Communities

Communities with the greatest needs and energy burden

# Questions?



## California Public Utilities Commission

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[cpuc.ca.gov/careers](http://cpuc.ca.gov/careers)





# How Utility Programs and Regulation are Evolving to Incorporate State Environment, Energy, and Equity Goals

**Doug Scott**  
Great Plains Institute

# How Utility Programs and Regulation are Evolving to Incorporate State Environment, Energy, and Equity Goals

Illinois and Minnesota  
Performance-based Regulation

August 9, 2022

Doug Scott  
Great Plains Institute



# TRANSFORMING THE ENERGY SYSTEM TO BENEFIT THE ECONOMY AND ENVIRONMENT

- INCREASE ENERGY EFFICIENCY AND PRODUCTION
- DECARBONIZE ELECTRICITY PRODUCTION
- ELECTRIFY THE ECONOMY AND ADOPT ZERO- AND LOW-CARBON FUELS
- CAPTURE CARBON FOR BENEFICIAL USE AND PERMANENT STORAGE



# Performance-based Regulation (PBR)

- **Upends traditional cost-of-service ratemaking**
  - **Not just about reliability**
- **Utilize utility distribution to accomplish additional goals**
  - **Environmental, clean energy, equity**
    - **How in incentivize spending, performance**
- **PBR now in many states, with more to come**
  - **Utilities' approach to PBR**



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# Minnesota PBR Desired Outcomes

- **Affordability**
- **Reliability, including both customer and system-wide perspectives**
- **Customer service quality, including satisfaction, engagement and empowerment**
- **Environmental performance, including carbon reductions and beneficial electrification**
- **Cost-effective alignment of generation and load, including demand response**



# Selected Minnesota Performance Metrics

- Average monthly bills for residential customers
- Total arrearages for residential customers
- Total carbon emissions and carbon intensity
- Criteria pollutant emissions/intensity
- Carbon Dioxide (CO<sub>2</sub>) emissions avoided by electrification
- Demand response
- Workforce and Community Development Impact



# Illinois (Climate and Equitable Jobs Act) performance-based metrics categories

- Reliability
- Reducing Peak Demand
- Supplier Diversity
- Affordability
- Integration of distributed energy resources
- Customer Service
- Others determined by Commission





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# THANK YOU

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# Arkansas's Process for Establishing and Achieving Energy Efficiency Goals

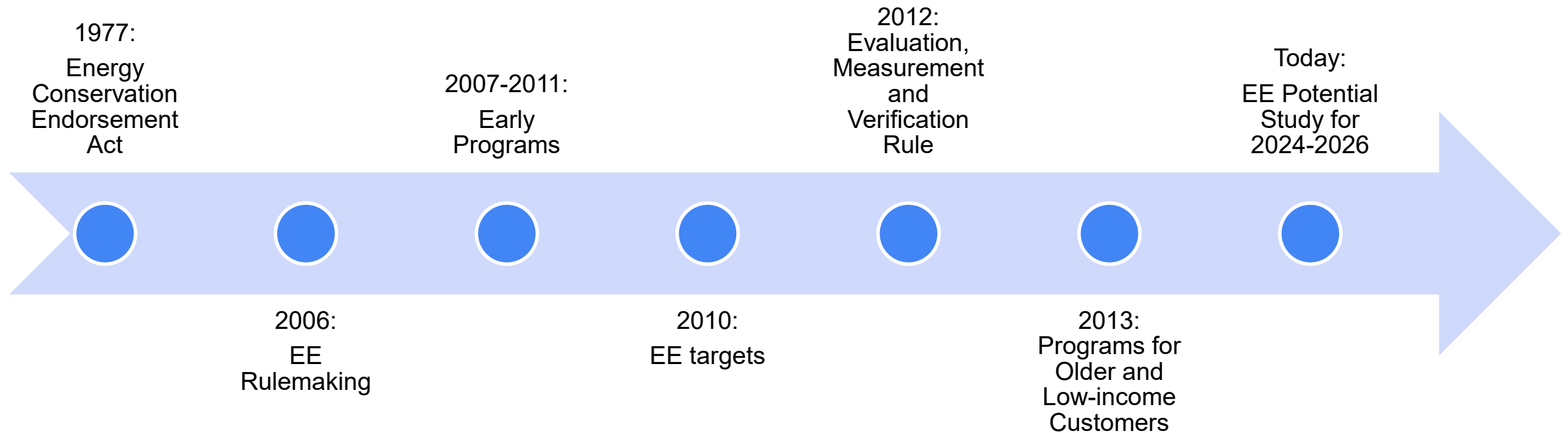
**Wally Nixon**

Arkansas Public Service Commission (PSC)

**ARKANSAS'S PROCESS FOR ESTABLISHING AND  
ACHIEVING ENERGY EFFICIENCY GOALS**  
**EPA WEBINAR: STATES TAKING ACTION TO ALIGN UTILITY POLICIES  
WITH ENVIRONMENT, ENERGY, AND EQUITY GOALS**  
**AUGUST 9, 2022**

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# Key Milestones in Arkansas' Energy Efficiency Journey



## *Quick-Start Programs (2007-2011)*

- Utilities began Quick-Start EE programs in 2007
- No cost-effectiveness requirement and thus no testing was applicable
- Modeled on programs showing “a high probability of providing aggregate ratepayer benefits to the majority of ratepayers”
- PSC rejected the Ratepayer Impact Measure test once the Quick Start phase ended
- PSC required all four California Standard Practice Manual tests for EE measures and programs, with the Total Resource Test (TRC) as the test for approving the entire portfolio

# *Ramp-up of Programs and Utility Regulatory Framework*

- Parties Working Collaboratively (PWC) - the state's energy efficiency collaborative – helps with topics including program design, evaluation, cost-effectiveness
- PWC investigated implementing savings targets, cost-effectiveness tests, and Lost Contribution to Fixed Cost (LCFC, sometimes called Lost Revenue Adjustment Mechanism) and Utility Shareholder Incentives
- Utility incentives are allowed on a performance-based sliding scale with a cap of 6% of EE portfolio budgets and are paid after a one-year lag from program evaluation
- In 2010, PSC required that utilities file three-year cycles of EE Plans, with targets:
  - Electric: 0.25%, 0.5%, 0.75%, 0.9%, 1.0%, to 1.2% now
  - Gas: 0.2% to a level of 0.5% now

# *Evaluation, Measurement and Verification (EM&V)*

- 2012 Rule requires each utility to engage an annual third-party evaluator of its measures, programs, and portfolios
- Report on cost-effectiveness, utility projections of savings, evaluators' reports on savings, and levels of customer participation
- In recent years, the PSC has adopted aspects of the National Standard Practice Manual (NSPM) on non-energy benefits that increase program cost effectiveness

# *Low-Income Programs and Equity Considerations*

- 2001 – Arkansas Supreme Court decision that the PSC could not engage in “social ratemaking” by deferring payment for natural gas customers
  - Hampered ability of the PSC to implement low-income programs
- 2013 – Law changed to allow programs for older (< 65) and low-income customers
- Utilities partnered with Community Action agencies delivering Weatherization Assistance Program services to low-income customers
  - Program was discontinued after the federal stimulus dollars ended
- The PSC directed the PWC to develop a “Consistent Weatherization Program” for each utility’s portfolio, offering service to customers based on the relative age and inefficiency of the home, without income or means testing

# *EE Program Results to Date*

- Most utilities have consistently overperformed against their targets, underspent their budgets, and earned annual incentives
- Each year utilities' costs are recovered, with LCFC and incentives recovered through an Energy Efficient Cost Recovery (EECR) Rider
- Utility EECR proceedings are routine and uncontested: reviewed by the Commission General Staff and approved by the PSC
- Some utilities place the EECR charges on their bills; others do not
- On-bill impacts of the EE programs for most utilities are below \$5 per month for the average customer using 1,000 kWh per month
- 17 electric cooperatives were granted an exemption from the EE Rules in 2007 and many of them offer some EE programs



# *Observations*

- In past 3-year cycles, utilities have proposed flat budgets
- Deemed savings are still used by Arkansas utilities to “estimate” savings
- Large industrial opt out of EE programs
- Better data is needed to determine the extent to which Low-Moderate Income (LMI) customers are truly being served by the Consistent Weatherization Program
- Essential to Arkansas’s EE success: ability and commitment of the PSC to set targets, ameliorate lost contributions to fixed costs associated with EE, opportunity for utilities to earn incentives for superior performance

# *Thank you!*

For questions not answered during today's presentation or for more information:  
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# Question and Answer Session

## Connect with the State and Local Climate and Energy Program

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