**State Commission Staff Surge Call: Energy Efficiency and COVID-19**

**August 3, 2020**

On August 3, 2020, NARUC facilitated a discussion about managing energy efficiency (EE) programs through the COVID-19 pandemic. This conversation was a follow up to an April 27, 2020, state commission staff surge call to discuss how the pandemic would impact ratepayer-funded clean energy and transportation electrification programs. Discussion in April focused on the need for state public utility commissions (PUCs) to avoid adding any unnecessary costs to customer bills during the pandemic and the challenge of balancing clean energy programs with affordability concerns as customers try to continue paying their bills. During the August call, commission staff noted that many PUCs and utilities are making tough decisions about managing the cost of programs that deliver benefits to customers. For example, EE programs can deliver bill savings, but they have upfront costs that may be difficult for customers to bear, especially if they are already having trouble paying electric bills due to challenging economic circumstances. On this call, state PUC and other agency staff from Connecticut, Georgia, Michigan, and Minnesota shared how the pandemic is affecting EE programming in their states.

**Connecticut**

Connecticut's governor issued an executive order shutting most non-essential businesses on March 10, 2020. Construction was considered essential, enabling some larger EE programs to continue. However, home and small business visits were paused. A staffer from the Department of Energy and Environmental Protection (DEEP) shared how the office oversees EE programs and how EE can contribute to economic recovery. DEEP expressly wanted to help EE vendors stay in business through the pandemic.

DEEP held a virtual public meeting shortly after the shutdown order to gather input. DEEP held meetings monthly with commercial and industrial (C&I) contractors and vendors to continue to get comments on how programs were affected and how they could resume. To improve cash flow to vendors, DEEP made sure partial payments were made for projects that were interrupted by the shutdown, added administrative payments for residential work that was continuing while home visits were paused, and had utilities decrease the number of days until payment to turn around invoices more quickly. DEEP also set up online EE planning and training, partnering with other states to control costs, and added virtual inspections where possible.

Virtual residential home energy assessments were also an option, if customers had smartphones or the ability to send photos to a technician, and if vendors agreed to participate. After going through a virtual pre-assessment, customers would receive a self-install package for some energy savings products, mainly lighting measures and smart energy strips that were easy for customers to install and could deliver quick benefits. Vendors could also schedule an in-home visit at a later date to look at air sealing, duct sealing, or other hot water saving measures that could benefit the customer but were not easy to self-install. Participating vendors have praised the virtual assessment option, but lack of access to technology was a problem for low-income and elderly customers. DEEP also added a small business virtual pre-assessment, helping identify energy-saving opportunities and preparing a list of potential solutions. Anything self-installable would be shipped to the customer right away, with solutions requiring a follow-up visit delayed.

Utilities hired a health and safety expert to institute protocols for in-person visits. DEEP received feedback on the equipment requirements associated with the protocols and made some adjustments that let vendors resume in-home visits. DEEP also increased both residential and commercial incentives. Raising the home insulation rebate, in particular, has been very effective at getting more work for contractors and delivering energy savings.

**Georgia**

A large portion of Georgia's EE program was shut down in the early days of the pandemic in March 2020. Two new Georgia Power programs for low-income ratepayers and a commercial behavioral EE program were delayed. The utility paused all non-COVID marketing and communications and held back new program launches for several months. As of early August, several programs had re-launched and Georgia Power had resumed marketing EE programs, with even more effort to make up for the lost time over the spring and summer. The Georgia Public Service Commission (PSC) will not penalize Georgia Power for failing to reach program targets, but the utility is still reporting progress to the PSC. Georgia Power is projecting a 45% drop in overall savings from EE programs and a 35% drop in program budgets. The utility retained and paid most EE contractors through the pause rather than having to cancel and renegotiate contracts once programs were resumed. In addition, the timing of the integrated resource plan (IRP) cycle requires Georgia Power to find a new set of implementation contractors, further contributing to administrative costs.

Looking forward to fall 2020, the PSC approved a vast increase in the lighting program, focusing on achieving the residential LED goal. Custom and prescriptive commercial EE goals are live and can go forward, but many commercial customers are facing financial uncertainty and are delaying EE investments. Municipal buildings are participating at near-normal rates. Small commercial direct installations and the commercial behavioral program are still delayed.

The PSC continues to communicate with Georgia Power about allowing EE contractors to resume in-person work, provided safety protocols are in place to protect both contractors and customers. This resumption would open up the Whole Home Pathways program (offering large residential retrofits) and the small commercial direct installation program. The PSC is also considering a streamlined pre-approval process for customer prescriptive EE. Georgia Power is considering a virtual audit system, but the utility is cautious about making a major investment in a tool that may not be fully utilized. The PSC expects Georgia Power to request an increase in commercial EE incentives, particularly for the prescriptive commercial program that makes up a large part of the portfolio. PSC staff will need to approve the change in incentives, balancing the increase in energy savings with program costs. Overall, the PSC is committed to saving as many EE jobs as possible and getting the highest level of EE savings in 2020, and looking to resuming normal operations in 2021.

**Michigan**

Michigan's governor issued an executive order shutting non-essential businesses, including EE, on March 13, 2020. On April 15, 2020, the Public Service Commission (PSC) issued an order requiring utilities to report on activities that would adversely affect customers, explicitly including EE and demand response. Utilities were asked to submit monthly reports detailing specific disruptions in programming and how COVID-19 would reduce service offerings. The PSC has also held stakeholder meetings on April 21, May 1, and May 14 to discuss how EE programs and energy savings are affected and how the customer base is impacted, with particular attention to low-income customers. Many of the state's larger utilities quickly sent out information to customers on how to reduce energy usage when working from home.

On May 14, EE programs were able to resume services, with virtual in-home assessments and an increase in rebates. Many utilities reported energy savings as customers working from home developed a better understanding of how to control their usage into the late spring and early summer. Larger utilities expect to meet legislative EE targets of 1% savings in 2020. Some utilities have filed amendments to their EE plans requesting PSC approval to spend more money to offer higher rebates while still keeping programs cost-effective.

The PSC's order requested a progress report from PSC staff by June 15. The staff report included recommendations for multi-year targets if utilities were unable to meet 2020 targets; additional safety considerations for customers, contractors, and utility employees; and three- and six-month updates from utilities on their EE programs. The PSC also requested that staff continue existing low-income programming, energy waste reduction, and demand response workgroups to evaluate the impacts of COVID-19 on these programs and customer groups. Staff are consciously trying to share successful strategies employed by larger utilities with the many smaller and cooperative utilities in Michigan.

PSC staff will produce a final report in February 2021 summarizing the pandemic's impacts in 2020 and recommending changes to 2021 programs. Overall, PSC staff cited positive outcomes in Michigan and productive collaboration between the PSC, utilities, and stakeholders to continue EE programs through the pandemic.

**Minnesota**

Staff from the Minnesota Public Utilities Commission (PUC) and Department of Commerce (DOC) joined the call to share both agencies' approach to EE programs during the pandemic. Like other states, non-essential businesses in Minnesota closed as of a March 13, 2020 executive order. Shortly after, the PUC and DOC sent out a joint letter requesting that utilities consider restricting disconnections, waiving late fees, and arranging payment plans with customers falling behind on their bills. The PUC opened a docket in April to discuss reporting and accepted comments from natural gas and electric utilities on COVID-19 issues. On April 20, utilities filed a petition requesting authority to track COVID-related expenses. The PUC also opened an inquiry into the financial impacts of the pandemic on gas and electric utilities.

One commissioner filed a memo asking the PUC to request information from utilities on investments that could assist the state in economic recovery. A PUC order dated May 22 opened a new docket on economic stimulus, laying out a number of conditions that utility investments would need to meet, including consistency with existing plans and PUC orders, system benefits, emissions reduction, job creation, and use of woman-, minority-, or veteran-owned businesses when possible. Utilities filed responses on June 17, and the PUC is determining next steps, including performance metrics and cost recovery.

The DOC has the authority to approve EE programs and expenditures for regulated utilities in Minnesota. Prior to the PUC's docket, the DOC coordinated with utilities to pivot to virtual audits and other measures to maintain program continuity, with strong participation. The DOC is currently reviewing tri-annual utility conservation improvement program plans that were submitted on July 1. Stakeholders can also review and comment on the plans.

DOC staff noted that some plans included proposals to address the challenges of customers experiencing impacts from COVID-19 and social unrest through summer 2020. One notable proposal is the idea of doubling the statutory minimum for low-income spending, much of which leverages weatherization assistance program funding to create local, good-paying jobs. The DOC is focused on maintaining and bolstering a network of weatherization providers both to support Minnesota's economic recovery and decrease the bills of income-qualifying customers. Utilities have also proposed increasing rebates for market-rate programs and high-efficiency systems for small businesses. The DOC will issue decisions by November 12 to enable programs to go into effect on January 1, 2021 through December 31, 2023.

**Discussion**

Comments from Connecticut, Georgia, Michigan, and Minnesota generated a couple of questions from other state commission staff on the call.

The first question asked about how to target EE investments to reach low-income customers or communities experiencing hardships.

- Connecticut collects customer data and uses census information to market to census tracts with high low-income populations, where DEEP can assume that anyone residing in those tracts meets income qualifications. Connecticut also uses participation in other means-tested state programs to determine eligibility for low-income utility programs.
- Georgia does not require utilities to collect economic data, but works with community action agencies. PSC staff also cited a Georgia Tech study on implementing on-bill financing in low-income areas in Atlanta.
- In Michigan, utilities have collected data on the past decade of EE programs, spending between 10 to 12% of EE program budgets on low-income programs. Utilities anticipate even higher levels in 2021.
- In Minnesota, energy assistance providers, weatherization assistance providers, and utilities share data with each other, but reporting to the PUC is not required. This arrangement relies on existing relationships between local groups and their familiarity with customers and communities in need of assistance.

A follow-up question asked about changes in demand as a result of more customers working from home during the pandemic, and whether those changes have affected EE programs.

- Minnesota PUC staff cited Xcel Energy reporting that demand has largely returned to pre-COVID levels, with large commercial customers still lower than normal but a near-offset with increases in residential use.
- A New York State Public Service Commission staffer noted that the state has seen some recovery from the initial decrease in commercial load as well as an increase in residential load. More recently, peak demand has been shifting to later in the evening, although the level of peak demand is still down from pre-pandemic levels.

**Conclusion**

The discussion among state PUC and DEEP / DOC staff demonstrated that states have experienced varying impacts on EE programs from COVID-19. Michigan seemed to be on track or even ahead of schedule to reach EE goals, but many other states have fallen behind and are considering how to delay or adjust goals with an eye towards resuming business as usual after stay-at-home orders and other pandemic-driven restrictions are lifted. Implementing protocols ensuring provider and customer safety, holding virtual meetings to gather utility and stakeholder input, and instituting virtual EE assessments have been successful measures to maintain program continuity as much as possible, enabling EE to continue to deliver energy savings to customers.

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