ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE REQUEST FOR APPROVAL OF ITS QUICK START ENERGY EFFICIENCY PROGRAMS AND THE TARIFF RELATED TO THE PROGRAM BY OKLAHOMA GAS AND ELECTRIC COMPANY	)	DOCKET NO. 07-075-TF ORDER NO. 88
IN THE MATTER OF THE REQUEST FOR APPROVAL OF ITS QUICK START ENERGY EFFICIENCY PROGRAMS AND THE TARIFF RELATED TO THE PROGRAM BY THE EMPIRE DISTRICT ELECTRIC COMPANY	)	DOCKET NO. 07-076-TF ORDER NO. 80
IN THE MATTER OF THE APPLICATION OF ARKANSAS OKLAHOMA GAS CORPORATION FOR APPROVAL OF QUICK START ENERGY EFFICIENCY PROGRAMS	)	DOCKET NO. 07-077-TF ORDER NO. 88
IN THE MATTER OF THE APPLICATION FOR APPROVAL OF ARKANSAS WESTERN GAS COMPANY'S INITIAL ENERGY EFFICIENCY PROGRAM PLAN	)	DOCKET NO. 07-078-TF ORDER NO. 81
IN THE MATTER OF THE APPLICATION OF CENTERPOINT ENERGY ARKANSAS GAS FOR APPROVAL OF ITS "QUICK START" ENERGY EFFICIENCY PROGRAM, PORTFOLIO AND PLAN INCLUDING ITS COST RECOVERY RIDER	)	DOCKET NO. 07-081-TF ORDER NO. 107
FOR APPROVAL OF SOUTHWESTERN ELECTRIC POWER COMPANY'S INITIAL ENERGY EFFICIENCY PROGRAM PLAN	)	DOCKET NO. 07-082-TF ORDER NO. 110
IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL OF THE ENERGY EFFICIENCY ARKANSAS QUICK START PROGRAM	)	DOCKET NO. 07-083-TF ORDER NO. 58
IN THE MATTER OF THE APPLICATION OF ENTERGY ARKANSAS, INC. FOR APPROVAL OF ENERGY EFFICIENCY PROGRAMS AND ENERGY EFFICIENCY COST RATE RIDER	)	DOCKET NO. 07-085-TF ORDER NO. 150

IN THE MATTER OF THE CONTINUATION, EXPANSION, AND ENHANCEMENT OF PUBLIC UTILITY ENERGY EFFICIENCY PROGRAMS IN ARKANSAS	))))	DOCKET NO. 13-002-U ORDER NO. 51

ORDER

On March 15, 2019, Arkansas's seven investor-owned electric and natural gas utilities (IOUs) each filed with the Arkansas Public Service Commission (Commission) in the above-styled TF dockets its 2020-2022 Energy Efficiency Plan (3-Year Plan). On March 20, 2019, the Arkansas Energy Office (AEO) on behalf of the IOUs filed a Memorandum of Understanding (MOU) for the Energy Efficiency Arkansas (EEA) Third Comprehensive Program. On May 1, 2019, the Office of Arkansas Attorney General Leslie Rutledge (the AG) filed in each of the utilities' Energy Efficiency (EE) dockets its *Responsive Comments to the Three-Year Portfolio Plan Filings* (AG Comments) of the IOUs.[1] Also on May 1, 2019, the General Staff (Staff) of the Commission filed in each of the above-styled dockets its *Initial Comments to the Three-Year Plans for Program Years 2020-2022* (Staff Comments), including Comments on AEO's MOU with the IOUs.

By this Order filed in each of the aforementioned TF Dockets, upon the recommendations of Staff and the AG, the Commission:

- For Entergy Arkansas, LLC (EAL), Southwestern Electric Power Company (SWEPCO), Oklahoma Gas and Electric Company (OG&E), CenterPoint Energy Arkansas Gas (CEA), Black Hills Energy Arkansas (BHEA), and Arkansas Oklahoma Gas Corporation (AOG):

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[1] On the same day, the AG filed the same Comments in Docket No. 13-002-U.

  - Approves the 3-Year Plans as submitted, including the Act 1102 pilots and expanded EE programs for low-income- and age-qualified customers, but notes that the concerns ably expressed by the AG will be addressed by a subsequent order;
  - Allows these utilities to continue to add or remove measures within a program as more information becomes available so long as the Company's overall portfolio remains cost effective; and
  - Allows the utilities the continued ability to shift dollars among the various programs within the EE portfolio without notice to the Commission to meet changing conditions, provided that no program is reduced by more than ten percent and its EE portfolio remains cost effective;
- For The Empire District Electric Company (Empire), the Commission will rule on the plan after Staff and other parties file Supplemental Comments by August 19, 2019;
- Approves the 3-Year MOU for EEA as proposed by AEO and agreed to by the IOUs in Docket No. 07-083-TF; and
- Directs the Parties Working Collaboratively (PWC) to convene and consider the comments and recommendations of the AG regarding EE Plan and program inconsistencies and opportunities to improve standardized reporting that enhances the ability of Staff, the AG, and the Commission to compare the performance of the utilities in delivering EE services.

Positions of Staff and the AG

Staff Comments

In its Comments, Staff notes that new to the proposed 3-Year Plans is a pilot Low-Income (LI) Program component that addresses the language of Act 1102 of 2017,[2] which allows the Commission to approve financial assistance and EE programs specifically for utility customers who are sixty-five years of age or older or who meet the income eligibility qualification of the Low Income Home Energy Assistance Program (LIHEAP) administered by the Arkansas Department of Human Services (DHS). Staff states that the proposed LI Program component will authorize each of the IOUs to provide weatherization services similar to those allowed by the Core Weatherization Approach (CWA)[3] approved by the Commission in Order Nos. 22 and 23 in Docket No. 13-002-U. The proposed LI Program will allow for the installation of home repairs necessary to address any health and safety (H&S) concerns related to the EE measures proposed. Staff Comments at 3-4.

In Comparative Comments discussing all of the utilities' 3-Year Plans, Staff states that it has conducted a comprehensive review of each of the 3-Year Plans for compliance with the requirements of the Commission's rules and orders. As part of its review, Staff evaluated the reasonableness of the proposed program budgets, as well as the qualitative aspects of each of the 3-Year Plans. Staff states that, with the exception of

[2] Ark. Code Ann. § 23-2-304(a)(11) and Ark. Code Ann. § 23-3-405(a)(1)(B).
[3] Now in its fourth year of implementation, the Core Weatherization Program is now called the Consistent Weatherization Approach (CWA).

Empire's 3-Year Plan,[4] the filed 3-Year Plans should meet or exceed the annual net energy savings targets set by the Commission pursuant to Order No. 43 in Docket No. 13-002-U. *Id.* at 4.

Staff states that the 3-Year plans filed by the six IOUs substantially comply with the Commission's *Rules* for *Conservation & Energy Efficiency Programs* (C&EE Rules) and that the individual plan years within the 3-Year Plans for each of the utilities are substantially consistent with the EE plans currently approved by the Commission. Staff adds that the IOUs have already demonstrated that these plans are comprehensive and cost-effective through independent process and impact evaluations. In addition, Staff states that the plans reflect policy issues resolved by Commission orders, including adoption of a Consistent Weatherization Approach (CWA) for residential programs and a common approach to Commercial and Industrial programs. In its analysis of the electric and gas utilities' budgets, program costs, and net energy savings in kWh and therms respectively, Staff states that the EE spending of the utilities is comparable among all of the utilities for each of the years 2020-2022. *Id.* at 4-6.

Staff's Utility-Specific Recommendations

Staff's Comments provide tables showing the budgets and projected energy savings of each utility's EE programs and overall portfolios for 2020-2022 and discuss the major categories of expenses, finding all of them to be reasonable. Staff states that all of the utilities' EE program portfolios appear to be cost-effective under the state's

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[4] By Order Nos. 78 and 49, respectively, in Docket Nos. 07-076-U and 13-002-U, the Commission granted Staff and other parties to Empire's docket leave to file Supplemental Comments related to Empire's 3-Year Plan on August 19, 2019 and modified, by waiver of Rule 5.H of the C&EE Rules, the requirement for an order regarding Empire's 3-Year Plan from September 11, 2019, to October 15, 2019.

primary cost-effectiveness program and portfolio screening test, the Total Resource Cost (TRC) Test. For each of the six utilities it reviewed, Staff recommends:

- Approval of its 3-Year Plan;
- Allowing the utility to continue to add or remove measures within a program as more information becomes available so long as the Company's overall portfolio remains cost-effective; and
- Allowing the utility the continuing ability to shift dollars among the various programs within its EE portfolio without notice to the Commission to meet changing conditions, provided that no program is reduced by more than ten percent and its EE portfolio remains cost effective.

Id. at 8-30.

<u>Staff's Comments on Specific Utility Programs Addressing Low-Income Assistance Under Act 1102</u>

Staff describes and comments on the specific programs proposed by each of the six utilities to implement Act 1102:

> EAL proposes to offer a Low-Income Solutions program that will provide the same weatherization services provided in its Home Energy Solutions programs, with the addition of H&S measures. *Id.* at 8.
>
> SWEPCO proposes to offer an Income Qualified Weatherization (IQW) Pathway Pilot program that will provide the same weatherization services provided in its Res Energy Improvement Pathway and Home Performance with ENERGY STAR (HPwES), with the addition of H&S measures. *Id.* at 12.

OG&E proposes to carve out five percent of the CWA program funds that will provide the same weatherization services provided in its dual-fuel OG&E/AOG Weatherization Program with the addition of H&S measures. *Id.* at 15.

CenterPoint proposes to offer a Low-Income Saving Homes Program (LISHP) to qualified customers following the guidelines developed for the Core Weatherization Program approach approved by the Commission in Order Nos. 22 and 23 in Docket No. 13-002-U. *Id.* at 21.

BHEA proposes to offer a Low-Income Pilot Program that will provide the same weatherization services provided in its RSP weatherization component, with the addition of H&S measures. *Id.* at 25.

AOG proposes to add a Low-Income Pilot Program (LIPP), a comprehensive EE program targeting severely energy-inefficient homes occupied by customers eligible to participate in LIHEAP. *Id.* at 27. Staff notes that the AOG Weatherization Program (AOGWP) accounts for 62 percent of its total budget and 47 percent of its projected net energy savings, adding that AOGWP is jointly implemented with participating electric utility OG&E, serving overlapping service territories. *Id.* at 27.

<u>Staff Comments on the Energy Efficiency Arkansas Program</u>

Staff describes the AEO's proposed MOU for the EEA Third Comprehensive Program, which is voluntarily funded by the seven IOUs. The current MOU expires on December 31, 2019. Staff notes that the EEA's Comprehensive Program cost of $1,474,160 is $382,684 or 21 percent less than the 2017-2019 Comprehensive Program cost of $1,856,844, and adds that the Arkansas Electric Cooperative Corporation has given notice in Docket No. 07-083-TF that it will conclude its voluntary participation in EEA effective at the conclusion of the current MOU period ending in 2019. Staff sets forth the allocation of the EEA's 2020-2022 Comprehensive Program cost for the seven IOUs, as agreed to by AEO and the sponsoring utilities, and states its belief that the program will deliver information and training that likely results in decreased energy consumption. Staff recommends that the Commission approve the 3-Year MOU for EEA as proposed by AEO. *Id.* at 30-31.

AG Comments

After review of the IOUs' Plans to ensure that they are compliant with prior Commission orders, are reasonable and achievable, follow best practices, and are beneficial to ratepayers, the AG's Comments provide an overview of the proposed plans, and the programs and pilots proposed under the provisions of Act 1102, as well as a review of new measures and programs proposed by the IOUs. The AG provides recommendations for consideration by the Commission in its review and approval of the respective Plans. AG Comments at 4-5.

The AG provides Table 1, showing the IOUs' proposed Plan Energy Savings and Costs for 2020-2022, and notes that each IOU Plan meets or exceeds the Commission's established energy-savings targets (1.2% of 2018 baseline electricity sales and 0.5% of baseline natural gas sales).[5] In addition to meeting the energy-saving targets, the AG states that the Plans must meet the Commission's Comprehensiveness Checklist of seven factors to ensure that the portfolio offering and program designs are

[5] The AG notes that Order No. 62 of Docket No 07-076-TF excludes Empire from meeting Commission electric energy savings targets and was granted flexibility in meeting the Comprehensiveness Checklist adopted in Order No. 17 of Docket No. 08-144-U. Accordingly, the AG does not address Empire in its Comments, with the exception of its proposed plans and new programs. AG Comments at 5, footnote 3.

comprehensive. The AG states that the Plans for the six IOUs appear to meet the seven factors, except for Factor 4,[6] specifically with respect to the Act 1102 program offerings, and recommends that the IOUs implement additional measures and efforts to fully achieve Factor 4 for Act 1102 program offerings. However, the AG states that it does not believe that the lack of robust offerings under Act 1102 should delay approval of the Plans, due to the fact that for many of the IOUs, Act 1102 efforts are pilots or extensions of an existing program. Instead, the AG recommends that the IOUs concentrate efforts to fully meet the intent of Act 1102 by marketing and expanding offerings to eligible customers above and beyond what is currently being offered in existing programs. *Id.* at 5-6.

The AG observes that the majority of the proposed Plans are a continuation of successful programs offered previously by the IOUs, with some proposed modifications, measures, or new programs mixed in. On a total portfolio basis, however, the AG expresses concerns about the lack of innovation in the overall portfolios and in the programs themselves and notes that as EE programs mature and the easier-to-achieve opportunities, known as "low-hanging fruit," have been captured, programs will inevitably experience participant saturation and increasing costs, thus challenging their overall cost effectiveness in later program years. This, the AG notes, will in turn hamper the sustainability of the portfolios and programs over time. The AG states that innovative measures and novel program offerings, either piloted or fully implemented, can help to maintain program cost effectiveness and continue to provide benefits to

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[6] Factor 4 of the Checklist asks "[w]hether the programs and/or portfolio, to the maximum extent reasonable, comprehensively address the needs of customers at one time, in order to avoid cream-skimming and lost opportunities." Docket No. 08-144-U, Order No. 17 at 39.

ratepayers as efforts mature. The AG recommends that the IOUs consider implementing innovative technology pilots, such as CenterPoint's Conveyor Broilers and combi-boiler programs or EAL's residential advanced lighting controls program, during the 2020-2022 Plan cycle in an effort to explore potential program offerings beyond 2022, including innovative technology pilots and programs being offered by utilities in other jurisdictions. *Id.* at 6-7.

Drawing from her review of the IOUs' Plans, the AG states that it is apparent that there is a lack of consistency on information provided in the Plans – for example, the Commission-established energy savings targets are not provided in all of the filings, and the term "participant" varies by IOU and sometimes by program. As a result, the AG states that it is difficult to make comparisons between the IOUs or understand what is being forecasted. The AG recommends that the Commission task the PWC with developing Plan templates for the IOUs to use during the next plan cycle, and other steps to address Plan inconsistencies. The AG suggests that this effort could include an expansion of the glossary, a list of specific metrics to be provided for each program at its filing, and other standardized presentation methodologies. The AG believes such an effort would provide concrete value to parties such as the AG and Staff, who are reviewing the portfolios and programs from all IOUs, and could prove useful to the Commission as it monitors and directs overall effective strategies for energy efficiency throughout Arkansas. *Id.* at 8.

The AG's Comments on Specific Utility Programs
Addressing Low-Income Assistance Under Act 1102

According to the AG, prior to Act 1102, the Commission was not explicitly authorized to approve income- or age-qualified programs or initiatives. The AG states that these customer segments often have difficulties with fully participating in utility EE programs due to the up-front participant costs they are required to pay. The AG comments that inclusion of a low-income or age-qualified program will allow these customer segments to participate in a wider array of utility program offerings, as the utilities can design targeted residential EE programs that reduce or eliminate the financial barrier of participant costs. *Id.* at 8-9.

During 2018, the AG participated in the Act 1102 Working Group, a subgroup of the PWC, where the AG recommended that each of the IOUs consider a low-income program, with less stringent eligibility requirements than those in the CWA programs, and offering measures above and beyond those offered through CWA, in order to increase the efficiency of the low-income housing stock. Measures suggested by the AG that could be offered under Act 1102 programs include:

- Heating, Ventilation, and Air Conditioning (HVAC) tune-ups,
- Smart thermostats,
- Water heater replacement,
- HVAC repair or replacement,
- Refrigerator/freezer replacement, and
- Occupancy sensors.

Id. at 9.

With the exception of Empire, the AG notes, all of the IOUs included an element or program within their respective Plans identified to address Act 1102. However, the AG states, most of the proposed pilots have not adopted the AG's recommendations because, with the exception of EAL, the proposed Act 1102 programs essentially repackage the existing CWA, where Act 1102-qualified customers previously eligible for CWA will now participate through the dedicated low-income program. The AG states her "firm belief" that the intent of Act 1102 was to extend the efficiency offerings to vulnerable populations within the utilities' service territories. Instead, the AG observes, it appears that most of the IOUs are aiming to implement a high-energy-usage weatherization program, currently available in their portfolio of programs, but re-labeling them as an Act 1102 program. Doing so is, according to the AG, more akin to re-packaging the CWA for Act 1102-eligible customers, instead of providing a robust program above and beyond what currently exists. Furthermore, the AG states, for the IOUs that are piloting a re-labeled CWA program under Act 1102, it is unclear what the purpose of the pilots is, or what the IOUs are trying to achieve or learn from offering the pilot, since experience with CWA is already accessible to the utilities. *Id.*

The AG provides Table 2, a summary of the IOUs' Act 1102 efforts, including details on the number of participants, spending, and cost-effectiveness. Based on the project participation numbers, the majority of programs are limited in size over the three-year plan period, with the method of implementation and the measure offerings varying by utility, resulting in limited consistency among the IOUs. *Id.* at 10.

The AG's Specific Comments on the Six IOUs' Act 1102 Offerings

- **EAL** -- The AG applauds EAL for its proposed Low-Income Solutions program, noting that it is the most comprehensive program offered by an IOU pursuant to Act 1102. The AG states that EAL's proposed program builds upon its Home Energy Solutions program, which offers the CWA measures approved in Order No. 22 of Docket No. 13-002-U, with additional measures such as HVAC tune-up and system replacement (if cost-effective), floor and wall insulation, air infiltration remediation, smart-water heater control, advanced power strips, advanced lighting controls, and health and safety measures up to $500. The AG notes that this program will address participants who meet the income-eligibility requirements and is not intended to address those customers who are 65 years of age or older, except to the extent the criteria overlap. The AG states that when it encouraged the IOUs to offer measures above and beyond their existing CWA program, EAL's Low-Income Solution was generally what was envisioned. *Id.* at 11-12.
- **OG&E** – The AG notes that OG&E has proposed to allocate five percent of the funding of its CWA Program specifically for utility customers who are 65 years of age or older or who meet the income eligibility qualifications of LIHEAP administered by DHS. The measure offerings will be the same as OG&E's CWA, but will have a soft cap of $3,800 per home. The AG states that it is unable to determine how an Act 1102-qualified participant is

better off under the Act 1102 program than if the separate funding were not dedicated to serving Act 1102 customers. *Id.* at 12.

- **SWEPCO** – The AG observes that SWEPCO's Income-Qualified Weatherization Pathway Pilot (IQWPP) is slightly more comprehensive than its current CWA program, since it offers all of the State CWA measures, as well as wall insulation, advanced power strips, smart thermostats for participants with wireless internet access, and safety measures. The AG asserts that SWEPCO could add additional measures to ensure that qualified Act 1102 participants are not missing out on opportunities to reduce their utility bills, in what is likely to be the only opportunity to do so. *Id.*
- **CenterPoint, BHEA, and AOG** – According to the AG, with a few exceptions, the Act 1102 programs proposed by the natural gas IOUs are nearly identical to their existing CWA programs. The AG notes that AOG and BHEA added no additional measures to those already included in their CWA programs. While acknowledging acceptance of the gas IOUs' approach to shift a percentage of their respective weatherization budgets to fund the Low-Income Pilot Program, the AG clarifies that it consistently encouraged the IOUs to consider measures above and beyond what was already included in the CWA program and expresses disappointment that the recommendation was not pursued more vigorously. The AG notes that CenterPoint's Plan includes eligibility for homeowners who are 65 years of

age or older and has added the possibility of providing smart thermostats. *Id.* at 13.

With respect to eligibility for participation in the Act 1102 programs, the AG observes that the IOUs' reliance upon CWA programs adds unnecessary restrictions to who is eligible for participation in the program and can hamper the effort to increase the efficiency of housing stock for the low-income and age 65 and older populations. For example, the AG states, the CWA programs require that homes are occupied for a minimum of twelve months prior to participation, are at least ten years old or severely inefficient, and have ducted central heating and/or air conditioning. The AG argues that unnecessarily adding these eligibility restrictions to the Act 1102 programs creates a barrier to participation that is not contemplated by statute, which only specifies income and age requirements. The AG recommends that a duplication of CWA restrictions is limiting, inappropriate, and inconsistent with public policy. *Id.* at 13-14.

While acknowledging that these eligibility requirements aid in the cost-effectiveness of the CWA program by only including those homes that will achieve the most energy savings, the AG points out that there is no specific requirement in Act 1102 requiring programs to be cost-effective, and notes that in many EE programs in other states, dedicated low-income programs have TRC scores below 1.0. The AG asserts that including these eligibility requirements may also harm the long-term sustainability of the program, as only the most cost-effective projects will occur in the early pilot years of the program, leaving less cost-effective homes for future years. Expanding the eligibility pool, the AG argues, will help avoid "cream-skimming" of low-income homes. *Id.* at 14-15.

The AG's chief concern, with the exception of EAL's program, is that the IOUs' approach to largely mirror their existing CWA programs will cause lost opportunities to install EE measures, not already included in CWA programs, that provide long-lasting benefits to participants who are also the most in need of these improvements. The AG notes that this may be the one and only opportunity an IOU gets to be in a given customer's home, and the IOUs should take advantage of such an opportunity by installing all EE measures, within reason, even if this includes measures that are not as cost-effective as the measures currently proposed but would be cost-effective if installed jointly. Ideally, the AG asserts, contractors would utilize an opportunity to install the measures at a lower labor cost than if they were installed on a separate contractor visit, thereby lowering the program cost and improving their cost-effectiveness. As the IOU programs are addressing the low-income housing stock, which often remains low-income, the AG states, it is best to include all reasonable and comprehensive measures, such as HVAC repair/replacement. While adding measures to the Act 1102 program may also cause the program TRC to be below 1.0, the AG notes that there is no explicit requirement in Act 1102 for a program under this law to have an individual TRC greater than 1.0. The AG asserts that Act 1102 programs should be recognized as an opportunity to assist the customer populations identified by the General Assembly as those which could benefit from assistance greater than that which is already being offered. The AG states that it is better to achieve a higher level of savings now even if it means implementing programs in fewer homes (given the same budget), noting that although the savings per dollar spent may be lower, this will enhance the sustainability of the program over the long term. *Id.* at 15-16.

If there are concerns about the negative impact of a low-income program on the cost-effectiveness of a portfolio, the AG asserts that there are potential ways for a utility to evaluate the benefits of a project, while also providing comprehensive measures. The AG suggests using a savings-to-investment ratio (SIR), so as to allow the IOUs to establish a SIR threshold to ensure that the overall EE portfolio remains cost-effective, while offering a program that is borderline or not cost-effective. *Id.* at 17.

The AG notes that there will be instances when a residence is not eligible to participate in an Act 1102 program based on the condition of the home or the fact that needed repair costs could exceed the amount allotted for EE improvements. In those instances, the AG believes that the homeowner should be given the choice to invest in home repairs to achieve the condition necessary for weatherization to occur. If the homeowner or landlord is unwilling to make an investment, the AG states that it may be beneficial for the program and the participant for the IOU to offer no-cost direct-install measures, which will provide energy savings for the participant and will assist in offsetting the cost of the IOUs' auditors' visit to the home. The AG notes that EAL provides this option through its Low-Income Solutions program, which offers a Tier 1 walk-through audit with direct install measures and a Tier 2 comprehensive audit with weatherization measures. Finally, the AG states that the IOUs should refer homes that are not in the proper condition to receive weatherization through an EE program to the Community Action Partnership (CAP) weatherization program. *Id.* at 18.

The AG supports approval of EAL's Act 1102 program, with the following recommendations:

- Remove eligibility requirements for age of the home and the requirement that homes must be severely inefficient;
- EAL (and all of the IOUs) should spend up to $500 on any necessary H&S measures and specify that customers must pay any amount above the $500 to be eligible to receive measures under the Act 1102 program. The IOU should refer homes that cannot receive weatherization to the CAP weatherization program;
- EAL (and all of the IOUs) should track homes that cannot participate or who opt to not participate after an audit, indicating the reason for not participating. Since the majority of these programs are being piloted, tracking data such as this will provide insight, if or when the pilots transition to full-fledged programs.

Id. at 18-19.

For OG&E, SWEPCO, AOG, CenterPoint, and BHEA, the AG recommends that the Commission require the IOUs to further develop their pilots, based upon the recommendations in its filing or with additional Act 1102 recommendations and guidance that the Commission deems proper, and propose updated pilots for approval. *Id.* at 19.

If the Commission does not wish to delay approval of the Act 1102 pilots, the AG offers the following specific recommendations:

- Pilots should have their own targets for participation, savings, and spending to ease the evaluation at the conclusion of the pilots;
- IOUs should explicitly state the goals of the pilot;

- Act 1102 efforts should offer eligibility requirements that are less restrictive than the CWA programs, namely by removing the age requirement of the home and the requirement that homes must be severely inefficient. The AG does not oppose limiting the program to homes that have not received state weatherization services within the past five years;
- Programs should include measures above and beyond the CWA programs in an effort to meet the needs of a participant at one time. Examples of additional measures are:
  - HVAC tune-ups,
  - Smart thermostats,
  - Water heater replacement,
  - HVAC replacement or repair,
  - Refrigerator/freezer replacement, and
  - Occupancy sensors.

Id. at 19-20.

<u>Specific AG Comments on the IOUs' New EE Programs</u>

The AG states that several of the IOUs' proposed new programs or measures in addition to those proposed under Act 1102. The following are the AG's comments and recommendations for each of those utilities.

EAL – EAL proposes a Smart Direct Load Control Pilot (SDLCP) that will utilize smart thermostats to enroll customers in an opt-in demand response (DR) program that will curtail central air conditioners during summer peak loads. The pilot, available to residential and commercial customers, would be used to evaluate whether there is a market for smart thermostats and to evaluate the sufficiency of the proposed incentives. The pilot would also be utilizing three methods of curtailment: temperature rise, pre-cooling with temperature rise, and adaptive cycling. The AG describes four ways a participant can enroll in the DR program and notes that customers can also receive installation of smart thermostats through the proposed Low-Income Solutions Program, under which participants would need to opt out of the SDLCP. The AG expresses concern that there may be instances in which a participant accepts a smart thermostat from one of EAL's programs and is automatically enrolled in the SDLCP. The AG supports EAL's SDLCP, but recommends that the pilot be offered as an opt-in, regardless of the program in which a participant may receive a thermostat. *Id.* at 21-22.

The AG describes and recommends approval of EAL's proposal to combine its Residential Lighting & Appliances program and its Commercial Midstream program into one – Point of Purchase Solutions (POPS). POPS will provide buy-downs at the retailer and distributor levels for lighting, appliances, equipment, and building materials. Combining the programs is considered likely to reduce administrative costs and streamline the participant's experience. *Id.* at 22.

SWEPCO -- The AG describes and, with the exception of the Act 1102 recommendations above, recommends approval of SWEPCO's proposal to structurally change its program offerings by consolidating its various programs into four major programs, with various "pathways" included under each program. The four programs are: Business/Industrial Solutions; Home Solutions, including the Act 1102 IQWP discussed above; the EEA Program; and the Educational Solutions program. *Id.* at 22-24.

OG&E – The AG made no comments regarding new programs for OG&E.

Empire – Although the AG does not evaluate and make recommendations on Empire's overall Plan in its Comments, it has no immediate concerns with Empire's proposed changes to the residential portfolio of programs, although the AG is concerned about saturation rates in the future and the effectiveness of the Residential Products Program (RPP), which offers two no-cost conservation kits to residential customers: A Lighting Kit, including LED bulbs, and an Energy Efficiency Kit, which contains direct-install measures such as low-flow showerheads, advanced power strips, and water-heater jackets. The AG notes that the RPP kits will be complementary to the only other Residential program, the School Based Energy Education Program, which also offers kits for students that could include measures such as lighting, faucet aerators, etc. The AG recommends that Empire assess the saturation rate and effectiveness of the kit programs prior to the development of plans for the 2023-2025 program cycle, to ensure that the programs remain cost-effective and are desired by customers. *Id.* at 24-25.

AOG – The AG has no concerns with AOG's proposal to add smart thermostats as an available measure for commercial buildings in its Equipment Rebate Program, based on the recommendation by CLEAResult, AOG's EE consulting firm. *Id.* at 25.

BHEA – The AG has no concerns with BHEA's proposal to combine residential program offerings under one program umbrella called the Residential Solutions Program (RSP), which will have two pathways: the Equipment Rebate Pathway (ER) and the Home Energy Savings Pathway (HESP). As the cost effectiveness of ERP lessens, BHEA will be able to continue offering rebates through the RSP, which will remain cost-effective, boosted by the cost-effectiveness of HESP. *Id.* at 26.

CenterPoint – The AG has no concerns with CenterPoint's proposed additions to its Natural Gas Equipment Program or Commercial Food Service Program: a $1,500 rebate for a hydronic combi-boiler (space and water heating) for multi- and single-family homes and a 3rd Tier Fryer Rebate of $1,000 per unit for ultra-efficient units and a rebate of $70 per unit for Conveyor Broilers. *Id.* at 26-27.

Findings and Ruling

On the basis of the Plans submitted by the utilities and the comments of Staff and the AG, the Commission finds reasonable the budgets and projected energy savings of each of the six IOUs (EAL, SWEPCO, OG&E, CenterPoint, BHEA, and AOG), and approves the utilities' Plans, EE programs, and overall portfolios for 2020-2022. The Commission further finds the major categories of expenses to be reasonable and notes that all of the six utilities' EE program portfolios appear to be cost-effective under the state's primary cost-effectiveness program and portfolio screening test, the Total Resource Cost (TRC) Test. Accordingly, as recommended by Staff for the six IOUs, the Commission:

- Approves its 3-Year Plan;
- Allows the utility to continue to add or remove measures within a program as more information becomes available so long as the Company's overall portfolio remains cost-effective; and
- Allows the utility the continuing ability to shift dollars among the various programs within its EE portfolio without notice to the Commission to meet

changing conditions, provided that no program is reduced by more than 10 percent and its EE portfolio remains cost effective.

While the Commission approves the various Act 1102 pilot programs and extensions of existing residential programs as proposed, including their budgets, the Commission takes under advisement the comments and recommendations of the AG regarding ways to improve the quality and reach of the low-income and age-qualified EE programs, including ways to improve the consistency of such programs across the utilities. The Commission will issue a subsequent order addressing these concerns and providing additional guidance to utilities implementing the pilots and extensions of existing residential programs.

The Commission also approves the 3-Year MOU for the EEA Program as proposed by AEO, including the allocation of the EEA's 2020-2022 Comprehensive Program cost for the seven IOUs, as agreed to by AEO and the sponsoring utilities.

Finally, the Commission adopts the AG's recommendation that the PWC be tasked with developing Plan templates for the IOUs to use during the next plan cycle, and other steps to address Plan inconsistencies across the utilities and within Plans and programs. As the AG suggests, this effort could include an expansion of the glossary, refinement of the definition of "participation," a list of specific metrics to be provided for each program at its filing, and other standardized presentation methodologies. The AG believes such an effort would provide concrete value to parties such as the AG and Staff, who are reviewing the portfolios and programs from all IOUs, and could prove useful to the Commission as it monitors and directs overall effective strategies for energy efficiency throughout Arkansas. The Commission directs the PWC to convene on this topic and report its recommendations to the Commission by December 31, 2019.

BY ORDER OF THE COMMISSION,

This 17th day of June, 2019.

Ted J. Thomas, Chairman

Kimberly A. O'Guinn, Commissioner

Justin Tate, Commissioner

Mary Loos, Secretary of the Commission

I hereby certify that this order, issued by the Arkansas Public Service Commission, has been served on all parties of record on this date by the following method:

____U.S. mail with postage prepaid using the mailing address of each party as indicated in the official docket file, or

✓ Electronic mail using the email address of each party as indicated in the official docket file.