

1 **PUB/CAC - 10**

2 **Reference:** Evidence of J. Oppenheim p. 7; CAC/Centra I-20 (hh) Attachment 1 p. 21-
3 23 and 31 of 91

4 **Request:**

5 Some customers have negative experiences dealing with utilities by nature of the utility, through
6 its credit and collections department, demanding payment of arrears in potentially forceful
7 language, while subsequently benevolently offering energy efficiency benefits and bill
8 assistance to those same customers. Please provide recommendations for addressing this
9 problem of customers potentially choosing to not access the LIEEP and bill assistance
10 programs because of previous negative experiences dealing with the utility.

11 **Response:**

12 It should be recognized that a utility withholding assistance until it has threatened or completed
13 disconnection of service will not be warmly received. The obvious solution is to offer help in time
14 to avoid such extreme events. In addition, my experience is that community-based
15 organizations often have an excellent trusting relationship with people in their communities,
16 particularly in lower income communities (see, for example, the Board cited Attachment at 24).
17 They may therefore be more successful than others in presenting energy efficiency and bill
18 assistance programs.

PUB/CAC - 11

1 **Reference:** Evidence of J. Oppenheim p. 7

2 **Request:**

3 a) Please provide your views on the appropriate level of administration expense, as a
4 percentage of the total program budget, for programs such as LIEEP and FRP.

5 **Response:**

6 As noted in my testimony, a reasonable level of administrative expense for evaluation is 3%-5%.
7 A reasonable level of administrative expense for coordinating among community-based
8 organizations is 2% (LEAN is budgeted for less and spends under budget), perhaps more for
9 smaller programs since some costs are fixed.

10 b) Please provide specific examples of the proportion of administrative expenses at LEAN
11 and other programs.

12 **Response:**

13 Massachusetts 2013 Gas budgets are typical and appropriate. They provide for the following
14 administrative expenses in their low-income programs:

15 Planning and administration (includes LEAN), 6.3%
16 Marketing, 3.2%
17 Evaluation, 4.1%

18 My recommendation is that the marketing expense should be managed by community
19 organizations. Similarly, there is a category imprecisely labeled as sales, technical assistance,
20 and training expenses ("STAT,"17.3%), some of which could be considered as administrative
21 and which should also be managed by community organizations that implement programs.

- 1 Taking all these expenses together totals 30.9% (if all are considered to be administrative and
- 2 not implementation, e.g., energy audits) for the most successful low-income program in the US;
- 3 lower than Centra's apparently less productive administrative expense (32.0%) for a failed
- 4 program.

1 **PUB/CAC - 12**

2 **Reference:** Evidence of J. Oppenheim p. 8

3 **Request:**

4 Please describe the information that should be gathered in a demographic study to assist the
5 LIEEP.

6 **Response:**

7 The type of information gathered and published by Centra (e.g., income, housing, energy
8 burden, furnace efficiency) is useful, but is needed on a neighborhood level. Additional
9 information that would be useful to inform marketing decisions would relate to relative reliance
10 by lower income customers, by neighborhood and demographic factors, in such media outlets
11 as church communications, community meetings and events, community organization mailings,
12 newspapers and television, web sites, outside advertising, cold calls, bill inserts, notices from
13 public benefits agencies, and direct mail. It is also important to identify community leaders
14 (including public officials) and active community organizations that can help spread the
15 message about energy efficiency.

1 **PUB/CAC - 13**

2 **Reference:** Evidence of J. Oppenheim p. 8; PUB/Centra I-59(a) and PUB/Centra II-172(d)

3 **Request:**

4 Centra assumes that roughly 50%¹ of the standard efficiency furnaces in lower income
5 households have been or will be replaced without accessing funds from the FRP. Please
6 provide recommendations for increasing customer participation in the FRP to specifically
7 address the numbers of lower income customers that are replacing their standard efficiency
8 furnaces without accessing the FRP.

9 **Response:**

10 It would be reasonable for potential participants in the FRP to determine that the FRP financing
11 terms are not advantageous. Therefore, as recommended in my testimony, Centra should
12 reduce the amount of co-payment 50% so participants see benefits right away. In addition,
13 community-based organizations should be funded to conduct marketing campaigns and
14 engagement should be sought with community leaders (including public officials) and other
15 active community organizations. Other marketing strategies may suggest themselves upon
16 completion of the neighborhood demographic study discussed in response to PUB/CAC-12. For
17 example, it may be determined that greater reliance on church communications, community
18 meetings and events, and community organization mailings would be more effective and cost-
19 effective than some current marketing efforts.

¹ The reduction in the target furnace market from 16,034 to 11,576 (totaling 4,458) was accomplished by funding the replacement of only 2,555 furnaces. Centra's forecast is for the remaining 11,576 furnaces to be replaced by an additional 8,088 - 2,555 = 5,533 funded by the FRP. Figures from PUB/Centra I-59(a) and PUB/Centra II-172(d).

1 **PUB/CAC - 14**

2 **Reference:** Evidence of J. Oppenheim p. 7 & 10

3 **Request:**

4 a) Please provide the references for the source data and the supporting calculations for the
5 costs presented in the paragraph beginning on line 18 in respect of the costs and
6 recommended funding for the FRP. Please indicate to what extent your your
7 recommendation to halve co-payments has been incorporated into the analysis.

8 **Response:**

9 Centra's strategy for the Furnace Replacement Program appears to be to collect \$3.8 million a
10 year for low-income furnace replacements, spend a fraction of this amount, and assume that
11 low-income homeowners are somehow replacing furnaces on their own. Lacking hard numbers,
12 the Company projects the latter activity based on undisclosed assumptions, undocumented
13 expectations, and unexplained "analysis." *E.g.*, Appendix 7.3 at 83 notes ** and ***. I took the
14 Company's revised 2009 estimate of the universe of low-income standard efficiency furnaces
15 (18,319 per Appendix 7.3 at 83; but note that the entire series of estimates is of questionable
16 validity since they are based on customer reporting and memory (IR CAC/Centra I-20(t)). The
17 2132 reported cumulative FRP units (Appendix 7.3 at p. 86) was then subtracted, thus
18 computing a difference of 16,187 furnaces untreated by the FRP. Appendix 7.3 reports for the
19 four quarters ending September 30, 2012 show total FRP spending for that year of \$1,719,000.
20 At a Company cost of \$2420 per unit (IR PUB/Centra 1-59(c)), the FRP installation pace is 710
21 per year. Dividing 16,187 untreated furnaces by 710 furnaces per year yields 22.8 years to
22 completion. (Due to a typographical error, this was reported as 27.8 years in my testimony)

1 Consistent with its apparent strategy of assuming low-income furnaces replace themselves, the
2 Company now estimates there are only 11,576 standard efficiency furnaces remaining in low-
3 income homes (IR PUB/Centra II-172(d)). It is more than likely that the truth is in between the
4 two estimates of untreated low-income furnaces, but taking the Company's latest estimate and
5 its actual per unit cost of \$3555 (computed from IR PUB/Centra II-172(g) and (c) for the year
6 2012-13) still yields an unacceptable 23.9 years to program completion.

7 b) Please provide the supporting calculation of the 27.8 years estimate to complete all of the
8 furnace replacements.

9 **Response:**

10 As explained in my testimony, my calculated funding for the FRP assumed "current unit costs,
11 including Company administrative costs" (Testimony p. 10, line 25). If the Board accepts my
12 recommendation to halve the co-payment, then the result is, of course, different. Halving the co-
13 payment would add \$570 to the Company's unit cost (see IR PUB/Centra I-59(c)), bringing it to
14 \$4125. A six-year program at the Company's assumed remaining universe of 11,576 furnaces
15 would require \$47.8 million at \$4125 per unit, less the current fund balance of about \$14.9
16 million (IR PUB/Centra I-59(b)), or about \$32.8 million. This would require additional annual
17 funding of \$1.7 million over six years (in addition to the ordered level of \$3,800,000) or,
18 alternatively, \$300,000 if stretched out over eight years. Therefore, my recommendation based
19 on these values would be to increase annual funding subject to periodic review of (a) future
20 costs of the program, (b) future pace of the program, (c) successful contracting to transfer the
21 program to community-based implementation, and (d) an accurate assessment of the actual
22 number of standard efficiency furnaces remaining in low-income homes.

1 **PUB/CAC - 15**

2 **Reference:** Evidence of J. Oppenheim p. 10

3 **Request:**

4 Please provide your view on whether the insulation portion of Centra's LIEEP is inadequate,
5 considering in-home evaluations are done that will more accurately assess the insulation level,
6 and funding is currently provided by Manitoba Hydro's Affordable Energy Fund.

7 **Response:**

8 I understand the question to relate to the adequacy and quality of the insulation services
9 performed. It is not clear that the Company performs sufficient quality control review to help
10 assess the adequacy and quality of the insulation services performed. (Only twenty percent of
11 any measure installations are inspected, but the Company does not specify whether insulation
12 is among the measures subject to inspection or if the inspection is by anyone other than the
13 installation contractor.) If the question relates to whether an adequate fraction of lower income
14 homes are served by the insulation program, it is not possible to determine this question in the
15 absence of an accurate inventory of the number of homes with fair or poor insulation levels. In-
16 home audits can accurately assess the need for insulation in a particular home; but, obviously,
17 in-home audits provide no information about homes not audited.

1 **PUB/CAC - 16**

2 **Reference:** Evidence of J. Oppenheim p. 11

3 **Request:**

4 a) If Mr. Oppenheim or the CAC have identified any candidate community organizations within
5 Manitoba that would be capable of operating lower income energy efficiency programs of
6 the size and scope of LIEEP and FRP, please provide them.

7 **Response:**

8 A network of community organizations (including social enterprises, neighbourhood renewal
9 corporations, and other non-profits) should be selected across the province, with Board review
10 and perhaps by RFP, using criteria such as the following:

- 11 a. Experience serving lower income communities,
- 12 b. Experience delivering energy efficiency in lower income communities, or
13 experience in contracting for services for lower income communities,
- 14 c. Community-based, with a Board that reflects the composition of the community
15 and represents the community,
- 16 d. A track record of trust in the communities to be served,
- 17 e. For the overall coordinator of the network, experience in contract management
18 and communication among community organizations that serve lower income
19 communities, as well as the other factors on this list., and
- 20 f. Demonstrated commitment to high quality service delivery.

21 It should be made clear that the organizations and network would be responsible to the Board
22 and not to the Company.

- 1 b) Please comment on whether it would be preferable to create a new community organization
2 “from scratch” to implement energy efficiency programs.

3 **Response:**

4 It would probably not be necessary or preferable to create a new organization “from scratch” to
5 implement lower income energy services, although the RFP process described above would
6 probably create a new network of existing organizations. By the time a new entity could be
7 organized, incorporated, funded, trained, and introduced to the community, precious time would
8 be lost. Using already existing organizations with established contacts in the neighborhoods
9 (even though some would need additional specialized training and/or would need to hire experts
10 in the field) would be a faster and more efficient and cost-effective alternative that would more
11 easily establish the needed trust in the communities to be served.

1 **PUB/CAC - 17**

2 **Reference:** Evidence of J. Oppenheim p. 12

3 **Request:**

4 Please explain what is meant by “redundant quality control” and how such a mechanism would
5 assure savings.

6 **Response:**

7 The Massachusetts 1-4 unit low-income program provides a high quality example. The
8 community agencies implementing the low-income programs perform 100% quality control
9 inspections of the work performed by their contractors, including inspection of paperwork and
10 implementation; which includes at least 50% in-process inspections in addition to 100% final
11 post-implementation inspections. In addition, 20% of the work is inspected by an independent
12 contractor and/or government agency. If work has not been performed to meet the rigorous
13 standards of the program, the implementing contractor is called back to the house to remedy
14 whatever problems are found; thus assuring that energy efficiency measures are installed and
15 are providing energy savings as planned.

1 **PUB/CAC - 18**

2 **Reference:** Evidence of J. Oppenheim p. 17 Lines 8 – 17

3 **Request:**

4 a) Please provide an example agreement between a utility and a landlord whose purpose is to
5 ensure that benefits flow to the tenant.

6 **Response:**

7 Attached are two examples of landlord agreements (ABCD & Tri Cap Agreements) to assure
8 benefits flow to the tenant where a landlord's property is being improved.

9 b) Please provide a description of Massachusetts low-income program that targets renters.

10 **Response:**

11 Attached are portions of the currently approved Massachusetts Joint Statewide Three-Year
12 Electric and Gas Energy Efficiency Plan, which covers the years 2013-2015. The Low-Income
13 "Single Family" program is described in the Plan at document pp. 180-194 (numbered pages
14 175-189, referring to the page numbers at the bottom of each page). This program serves low-
15 income renters in 1-4 unit buildings (as well as low-income homeowners). The program
16 currently receives a small amount of funding from the US federal government. The Low-Income
17 "Multi-Family" program is described in the Plan at document pp. 180-187 (numbered pages 185-
18 192). This program serves low-income renters in buildings with 5 or more units; the program is
19 currently exclusively funded by utilities and one non-utility municipal program administrator.

PUB/CAC – 19

1 **Reference:** Evidence of J. Oppenheim p. 20

2 **Request:**

3 a) Please recommend the percentage of LIEEP-retrofitted homes that Centra should perform
4 post-implementation verification of, either on its own or by engaging an independent entity.

5 **Response:**

6 Please see the response to PUB/CAC-17.

7 b) Please provide some representative examples of program design changes that may flow
8 from the proposed independent evaluations.

9 **Response:**

10 Some examples are contained in my testimony, such as my recommendations of increased
11 pace of implementation, increased quality control, implementation and marketing by community-
12 based agencies, and periodic performance of process and impact evaluations. Other examples
13 include introduction of customer education (including development of education materials),
14 performance of customer satisfaction surveys (also as an element of quality control),
15 improvements in data management (e.g., automation, consistent labeling, integration of audit
16 and tracking data), consideration of additional efficiency measures, increased technical training
17 of auditors and contractors, and more effective marketing.

PUB/CAC – 20

1 **Reference:** Evidence of J. Oppenheim p. 29 & 30

2 **Request:**

3 a) Please provide illustrative examples of each of three discount programs and how such a
4 program could be adapted by Centra given the integrated (gas/electric) nature of the bill.

5 **Response:**

6 A fixed percentage of the bill is probably the most common low-income discount. An example is
7 in Massachusetts, where the percentage discount is stated on the bill as an additional separate
8 line-item deduction from the pre-discount total bill. In the case of Manitoba Hydro, such a line
9 could be added directly after each (electric and gas) Subtotal. Alternatively, a separate rate
10 class can be established with each rate element adjusted to reflect the discount.

11 The fixed dollar discount is commonly applied as a waiver of the customer charge (the Basic
12 Charge on Manitoba Hydro bills), which is a fixed dollar amount. Examples are El Paso Electric,
13 which waives its \$5 customer charge, and Atlanta Gas Light, which provides a \$14 credit
14 against its \$11 customer charge. One simple way to apply this discount would be to show the
15 Basic Charge as zero or a negative amount. Alternatively, a line reflecting the credit could be
16 added directly after each (electric and gas) Subtotal.

17 A discount rate that varies by usage is more complex to apply and would require additional lines
18 on the bill, showing the rate applied to each block of usage. The original California Lifeline rate,
19 providing a discount for the first (“lifeline”) block of usage, is an example of this method of low-
20 income discount. Arizona Public Service Co. offers a discount of 65% on the first 400 kWh,
21 reducing the discount in steps as usage increases. For Manitoba Hydro, this method would
22 require reprogramming bills to reflect a block rate design.

- 1 b) Please indicate the level of percentage discount that could be afforded lower-income
2 individuals to provide a more bearable energy burden.

3 **Response:**

4 A typical discount that balances reduction in lower-income energy burden to a more bearable
5 level with reasonable bill impact on non-participants is 25%. This is the level of discount, for
6 example, in Massachusetts. To reduce the lower income energy burden to the level of the non-
7 low-income energy burden in Manitoba would require a discount of 60%, which I do not
8 recommend. Another approach is a percentage of income discount program. In Minnesota, for
9 example, low-income gas utility payments are limited to no more than 6% of income. This
10 requires income screening, best contracted to an entity with experience in income screening.

PUB/CAC – 21

1 **Reference:** Evidence of J. Oppenheim p. 31

2 **Request:**

3 Please reconcile the recommendation of increasing the annual funding of FRP to \$4.05 million
4 with the recommendation that the co-payment be decreased by at least 50%, recognizing that
5 the reduction in the co-payment would result in additional program costs of approximately \$6.6
6 million for the remaining 11,576 eligible furnaces identified in PUB/Centra II-172(d).

7 **Response:**

8 Please see the response to PUB/CAC -14