

September 16, 2011

Mr. Brian U. Ray  
Executive Secretary  
Mississippi Public Service Commission  
PO Box 1174  
Jackson, MS 39725-1174

RE: MPSC Docket No: 2010-AD-2

Southern Alliance for Clean Energy (“SACE”) files the following comments on the proposed rule that the Mississippi Public Service Commission (“PSC) issued on August 4, 2011. In accordance with the Order, SACE has also filed a notice of intent to participate in the public hearings associated with this proposed rule.

SACE strongly supports the Mississippi PSC’s investigation of the development and implementation of energy efficiency programs and standards, and generally supports the proposed rule. We have reviewed the proposed rule, and appreciate the efforts of the Mississippi PSC staff to answer many of our procedural questions.

SACE has participated extensively in energy efficiency proceedings in North Carolina, South Carolina, Florida, Georgia and before the Tennessee Valley Authority Board of Directors. Our interests and engagement in Mississippi relate primarily to TVA distribution utilities within the state. We also have a special interest in encouraging all regulated affiliates of Southern Company to lead on energy efficiency. Recently Georgia Power and Gulf Power have expanded their energy efficiency programs. Entergy, Southern Company, and TVA are all making progress in saving customers money, and we commend the Mississippi PSC for stepping forward to ensure that these programs are properly implemented to ensure accountability for the use of ratepayer money in pursuing cost-effective opportunities to save energy.

Of the many proceedings that SACE has been involved in, we would particularly draw the attention of the Mississippi PSC to the work of the North Carolina Utilities Commission in Docket No. E-100, Sub 113, Rulemaking Proceeding to Implement Session Law 2007-397. Widely known as the “REPS Docket,” the deliberations in that proceeding touched on many of the issues that the Mississippi PSC is now considering. Based on our experience in North Carolina and elsewhere, we offer several ideas and comments.

**1) Applicability of Proposed Rule**

SACE congratulates the Mississippi PSC for applying the proposed rules to both electric and natural gas service providers. Natural gas service providers are often overlooked when crafting energy efficiency regulations, although they have significant energy savings potential.

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There is some ambiguity regarding whether the proposed rule will be applied to municipal and electric cooperative utilities. The proposed rule states “The rules apply to...service providers subject to the jurisdiction of the Mississippi PSC.” On the Mississippi PSC website, the Electric Division page states, “Although the PSC has limited regulatory authority over the electric systems of municipalities, electric cooperatives and wholesale power generators...”

SACE strongly encourages the PSC to apply the rule to municipal and electric cooperatives that serve over 25,000 customers. We suggest that the Mississippi PSC consider relevant deliberations from the North Carolina REPS Docket. Session Law 2007-397 required municipal and electric cooperatives to meet a Renewable Energy and Energy Efficiency Portfolio Standard (REPS). This experience may be of particular interest because, as in Mississippi, the jurisdiction of the NCUC over these utilities differed significantly from its jurisdiction over investor-owned utilities.

Similarly, the two largest municipal utilities in Florida are regulated under its energy efficiency statute, but with significant differences related to the limited jurisdiction of the Florida Public Service Commission over those two utilities. Furthermore, in August 2010, the TVA board adopted a renewed vision to be one of the nation’s leading providers of low-cost and cleaner energy by 2020. One of TVA’s specific goals is to be, “The Southeast’s leader in increased energy efficiency.” As there are several TVA served municipal and cooperative utilities in northern Mississippi, applying the proposed rule to the municipal and cooperative utilities would align with TVA’s stated goals.

We endorse applying the rule in this way, but with sensitivity to the more limited jurisdiction of the Mississippi PSC. For example, there are obvious advantages to requiring a uniform system of reporting cost and impact data for review. Without such a system, utilities will find it difficult to compare results and improve program design.

## **2) Quick Start Programs**

The proposed rule defines Quick Start programs as “A portfolio of energy efficiency programs selected from programs that have been widely implemented in other jurisdictions...can be implemented more quickly in Mississippi because they are already well-defined, have well-established track records.”<sup>1</sup> Based on SACE’s experience working with other utilities on energy efficiency programs, we have provided a table with examples of some Southeastern utilities that have implemented energy efficiency programs from the general list of program categories provided in the order as an attachment to this comment letter, in Appendix A.

## **3) Utility Collaboration**

Given the short time frame provided for the energy efficiency Quick Start program implementation, SACE suggests that the Commission create a working group to aid in the program ramp up. We believe that a working group could serve multiple goals: 1) a

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<sup>1</sup> Proposed Rule at page 2.

working group will create a venue for the utilities to discuss what the appropriate state wide efficiency messaging is, per the Commission suggestion; 2) the utilities can discuss other possible program overlaps, either through design, geographic boundaries or implementation contracts; 3) it can create a formal opportunity for the utilities to share best practices, and allow interested stakeholders to provide useful feedback; and, 4) serve as a venue for the utilities to discuss how to finance, and receive credit for, efficiency programs administered across utility jurisdictions.

Utility collaboration in program design and implementation is demonstrated in several regions of the country. In Indiana, utilities participate in some statewide programs but also offer their own programs, targeting different markets. In the Pacific Northwest, several programs such as hospital efficiency, residential ductless heat pumps, and energy efficient televisions are offered in a multi-state region by the Northwest Energy Efficiency Alliance with funding from utilities in each of the states.

#### **4) Flexibility**

In Part 103 (4), the PSC lists what the Quick Start program descriptions must include. Upon review, SACE suggests that the Commission consider what the goal of (h) is, which requires “A plan for addressing oversubscription to the program and avoiding disruptive stop-start funding cycles.” The goal of having a smooth funding cycle is important, but SACE encourages the Commission to consider broadening this aspect of the program description requirements to focus on funding flexibility.

For example, instead of providing a plan for oversubscription, the Commission may consider asking the utility how it will remain flexible and responsive to under and oversubscription of programs over the course of a year (or longer). An additional consideration the Commission may want to include is how the utility will address the introduction of new measures to programs. Both of these points work to the end of creating clarity around how much flexibility the utilities will have in between annual true-up cycles. Clarifying this up front is advantageous to the utility because it allows the utility to rapidly change to meet customer needs, and clearly lays out what changes require the utility to come before the Commission for program reauthorization.

In our review of actual program implementation, we have seen that program flexibility results in more effective and less costly program implementation. We have not seen instances of utilities misusing flexibility provisions to overspend on excessive and questionable measures. While the PSC should not overlook its responsibility to place appropriate restrictions and accountability in place, the balance of control and flexibility should emphasize accountability for results over accountability for process.

#### **4) Measurement & Verification criteria**

SACE supports the PSC allowing the utility to recover program costs, and allowing the utilities to propose an incentive mechanism. The proposed rule states that the Commission will set a specific numerical energy savings target in the future, and that the utilities will receive their incentive payment (if they propose an incentive funding mechanism) based on their performance achieving that stated target. This makes

evaluation, measurement and verification incredibly important, thus it is very useful for the utilities and PSC to clearly articulate and agree on how EM&V will be performed and how the annual “true-up” will be performed. Again, we suggest that the experience of the NCUC in the REPS Docket and related energy efficiency proceedings would be useful to the Mississippi PSC in anticipating issues that may arise.

### **5) Utility Incentive**

The structure of the incentive mechanism that the utilities could be eligible for is still a work in progress based on the language in the proposed rule. An incentive mechanism for energy efficiency cannot be derived from traditional ratemaking principles in a straightforward manner. For more perspective on this, please see SACE’s paper, *Seeking Consistency in Performance Incentives for Utility Energy Efficiency Programs*, which discusses some of the choices made by regulators in designing incentive mechanisms.<sup>2</sup> We anticipate updating this paper in the near future to discuss recent incentive mechanisms adopted in Virginia and Georgia, as well as changes in other jurisdictions. SACE encourages the PSC, when it discusses the incentive mechanism with the utilities to also discuss whether the savings achieved in pilot programs will count towards the utility achieving its target, and therefore its incentive payment.

### **6) Reporting Requirements**

SACE strongly agrees with the PSC that the utilities should provide annual reports on performance of all approved energy efficiency programs, as outlined in section 107 of the proposed rule. SACE encourages the PSC to consider adding three additional criteria to the annual reporting requirements. First, in addition to the utilities providing annual reports on performance of approved programs, the utilities should also report on how they are performing as compared to their goal. This is a minor additional requirement that will make it easy for the PSC and interested stakeholders to quickly evaluate the utilities perspective on how much of their target they are achieving.

Second, in both the annual reporting requirements, and the quick start plan individual program descriptions (section 103 (4)) SACE recommends that the PSC ask that the utilities include projections about program savings and costs, and participation in the future. This is important so the PSC and interested stakeholders will understand the utilities’ efficiency trajectory.

Finally, SACE recommends that the PSC broaden the annual reporting requirements (2) and (3) to be more specific. Currently, (2) requires that the utility present “a measure of each programs savings.” SACE recommends that this be expanded to include savings, by measure, for each program. Requirement (3) asks for amounts spent on each efficiency program and the total amounts spent on all programs. SACE recommends this be amended to amounts spent on efficiency by measure, by program. It may also be useful for the utility to provide program expenditures by defined categories for ease of comparison, such as administrative, incentives, and measurement and verification. This granularity will allow the PSC and stakeholders to evaluate which measures are the most

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<sup>2</sup>[http://www.cleanenergy.org/images/files/Financial\\_Incentives\\_Utility\\_Efficiency\\_ACEEE\\_2010SSB\\_Pre\\_pub.pdf](http://www.cleanenergy.org/images/files/Financial_Incentives_Utility_Efficiency_ACEEE_2010SSB_Pre_pub.pdf)

cost-effective and also provide the data necessary to benchmark Mississippi's programs with other programs around the country.

In closing, SACE appreciates the PSC's leadership on energy efficiency in Mississippi and strongly supports their investigation of the development and implementation of energy efficiency programs and standards. Our recommendations, listed above, are meant to provide guidance on how to avoid some stumbling blocks that we have encountered in our work on energy efficiency in the Southeast. We look forward to continuing to work with the PSC and other interested stakeholders in this important process.

Sincerely,

A handwritten signature in black ink that reads "Natalie Mims". The signature is written in a cursive, slightly slanted style.

Natalie A. Mims

Energy Policy Manager

## Appendix A

Table 1. Quick Start program categories and Southeastern utility examples.

| Program Categories                               | Description                                                                                                                                                                                                                             | Southeastern Utility example                                                                                                                                                                                                                  |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customer Education                               | Education of customers on EE and conservation. Consistent statewide group of messages. Education of buildings and equipment installers. Increase awareness of opportunities to use electricity and NG efficiently. All customer classes | <b>Tampa Electric Company (TECO)</b> began implementing an Energy Education Outreach program in 2011. Several other SE utilities offer educational components to all of their measure specific programs.                                      |
| Energy Audits and Evaluations leading to savings | Residential, commercial and industrial audits to produce recommendations for opportunities to implement EE and conservation measures                                                                                                    | <b>Progress Energy Florida, Gulf Power and TECO</b> offer commercial and industrial audits. <b>Duke Energy, and TECO</b> offer an in person and online residential audit.                                                                     |
| HVAC inspection and tune up                      | Residential, commercial and industrial HVAC systems. Programs apply to all customer classes                                                                                                                                             | <b>Progress Energy Carolinas</b> offers a residential HVAC tune up as part of its Home Energy Improvement Program. <b>Gulf Power</b> offers a residential HVAC Efficiency Improvement Program.                                                |
| Lighting                                         | Improved lighting for residential, commercial and industrial                                                                                                                                                                            | <b>Duke Energy</b> was very successful with its residential CFL program in 2010, and its commercial lighting program. In the future, it will be important to offer more than only CFLs to customers to achieve ongoing lighting savings.      |
| Appliances                                       | Programs that offer rebates or other incentives on high-efficiency appliance and work with upstream allies to increase sales of these products through the distribution chain.                                                          | <b>Georgia Power</b> began a Residential and Lighting and Appliance Program in July 2011. Entergy Arkansas offers a Residential Appliances Program.                                                                                           |
| Demand Response                                  | Program that looks for additional opportunity to offer DR programs including interruptible service, curtailment service, and off-peak service.                                                                                          | <b>Gulf Power</b> offers an EnergySelect and EnergySelect Lite residential demand response program. <b>TECO</b> offers a commercial demand response program. <b>Duke Energy</b> offers a commercial and residential demand response programs. |
| Weatherization and Whole Home                    | Residential weatherization or comprehensive retrofit program that would be based solely on efficiency                                                                                                                                   | <b>Georgia Power</b> began offering a Residential Existing Home program in 2011. <b>Progress Energy Carolinas</b>                                                                                                                             |

|                         |                                                                                                                                                                                                        |                                                                                                                                                                                          |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retrofits               | criteria.                                                                                                                                                                                              | and <b>Progress Energy Florida</b> offer a low income program called the Neighborhood Energy Saver that provides weatherization measures.                                                |
| New Homes Program       | Residential programs provide incentives to builders who achieve a percentage of energy savings against a prescribed standard.                                                                          | <b>Progress Energy Florida</b> has offered a residential new construction program since 1995. <b>Georgia Power</b> began offering a Residential High Efficiency New Home program in 2011 |
| C&I Prescriptive        | Programs that offer fixed dollar incentive for multiple defined prescriptive measures.                                                                                                                 | <b>Duke Energy, Progress Energy Carolinas, and Georgia Power</b> offers a commercial prescriptive program                                                                                |
| C&I Custom              | Program administrator works with the customer to develop site-specific energy efficiency measures. The incentive is based on the amount of energy saved and the total cost of the efficiency measures. | <b>Duke Energy, Progress Energy Carolinas, Gulf Power</b> and <b>Georgia Power</b> offer a commercial custom rebate program                                                              |
| C&I Retro-Commissioning | Existing buildings are comprehensively assessed and “tuned up” to optimize EE in their operations                                                                                                      | No comprehensive programs in the Southeast. <b>TECO</b> and <b>Gulf Power</b> offer limited HVAC retro commissioning.                                                                    |