

May 15, 2017

Lisa A. Skumatz, Ph.D.
Skumatz Economic Research Associates (SERA)
762 Eldorado Drive
Superior, CO 80027

RE: SBEA Process Evaluation (C1639)

Dear Dr. Skumatz,

Eversource Energy (“Eversource”) is pleased to submit these written comments with regard to a draft evaluation report: *SBEA Process Evaluation* (“Report”), April 2017, completed by Energy & Resource Solutions and Research into Action (collectively, the “Evaluator”). Eversource received the Report on April 26, 2017 with a request to provide comments. The purpose of the Report was to: 1) identify the barriers to the implementation of more non-lighting projects and projects achieving deeper savings and the participant decision-making processes relevant to those barriers and to overcoming them; and 2) to make relevant recommendations pertaining to program design and implementation

Eversource is generally satisfied with the quality and thoroughness of the Report. Eversource would like to offer several comments on the Report and respond to the Report recommendations.

Section 3.4.1 (page 21) of the Report stated that program marketing was not necessarily specific to small businesses or the SBEA program.

- Eversource acknowledges that *some* program marketing is not specific to small business. However, there are many examples of marketing that is specific to SBEA. These include printed case studies¹ as well as radio, print and television ads. Eversource requests that the Report acknowledge the existence of many types of program specific marketing.

Section 3.5.2 (page 23) stated that one utility contact noted that larger loans are vetted more thoroughly than smaller loans. The program must maintain a default rate of less than one percent. To maintain that rate, any loan over \$45,000 is sent to a third-party credit agency for review.

- Eversource requests that the Report should note that this comment does not apply to Eversource which does not send any loans to a third-party credit agency for review. Eversource maintains a default rate below 1% without third party evaluations. Speed and ease of approvals are key to project implementation and third party review could potentially slow the approval process. Given that defaults rates have remained low throughout the program, Eversource does not believe a third party review is warranted.

¹ See for example: https://www.energizect.com/sites/default/files/EnergizeCT_2015_Fish_family_casestudy_0.pdf

Section 3.5.2 (page 23) stated that three Stakeholder Survey respondents noted there had been some challenges with qualifying customers for financing. Customers with poor credit and with unestablished bill payment histories are not eligible for loans, which can limit participation.

- Eversource would note that this issue is only prevalent when HVAC savings are the only end use or the vast majority of the savings within a project. Financing is limited to 15 years of projected dollar savings which gives participants good opportunity to qualify measures for financing.

Section 3.5.2 (page 23) of the Report states that one utility contact noted that a few years ago, the program increased the number of participants who qualified for zero-percent financing by changing the definition of late bill payment. A history of paying the utility's bills on time is a financing eligibility criterion. Initially, bills were considered "late" if they were paid more than 30 days past the due date. The utility changed that criterion so that, currently, bills are considered late if they are more than 39 days past due date. This change allowed staff to increase the pool of those who are eligible for the program by about 300 to 400 customers.

- Eversource requests that the Report acknowledges that Eversource conducts a review of financing details for non-qualifying customers upon request and makes exceptions when prudent. The Eversource billing systems do not currently allow an easy evaluation of number of days late. However the most common reason for approving a customer after it was initially determined they do not qualify is the length of late payments. If a payment history shows consistent payments and never getting over 30 days behind, the customer is typically approved. In this way Eversource is achieving the desired result of increasing participation, but in a slightly different manor.

Section 3.6.3 (page 26) of the Report states that survey respondents representing the two utilities reported that contractors sometimes failed to meet compliance guidelines in the past five years. Respondents identified the frequency with which contractors did not meet guidelines on a scale, where the maximum response was "five or more times." The respondents from one utility said that contractors had failed at least five times to meet all guidelines, and the respondent from the other utility reported the same failure incidence for all but two of the guidelines asked about: maintaining 80% compliance rate on inspections and installing at least one comprehensive project per month

- Eversource request that the Report clarify whether the frequency of non-compliance of "five or more times" is annual or over the five year period? Also please clarify the associated chart.

Recommendation 1: The utilities should consider developing strategies for outreach to building owners, such as through commercial real estate agents or organizations such as the Building Owners and Managers Association (BOMA), or directly to the owners of tenant-occupied buildings to whom program contractors have marketed the program.

- Eversource is in the process of working to identify significant owners of many small properties so that efficiency can become a component of the lease signing / renewal process. We are working with management of CBRE to pitch using efficiency dollars during the renewal of lease agreements. The vision is that CBRE will pay for a small

portion of the project in exchange for the customer signing of a new lease agreement. This also is a compelling time for the end user of the space because they will have the longest period of time to benefit from the efficiency upgrades.

Recommendation 2: The utilities should continue to try to recruit contractors with the ability to do a broad range of project types, in particular those who have the capabilities in house.

- The program recently contracted with an additional mechanical contractor and a mechanical\insulation company. These contractors are full small business vendors who are able to provide traditional SBEA lighting services in house but they also have a strong background in comprehensive services. Eversource acknowledges the finding in the report that contractors with greater in-house capabilities tend to be more comprehensive in their approach and the addition of these contractors has already shown that benefit. Moving forward contractors who fit this profile will earn more points during the contractor selection process. For existing contractors, the program continues to foster networking between those organizations and third parties with comprehensive capabilities. As an example, the latest program role out meeting included a networking session and recruited vendors with specific comprehensive capabilities so that project teams could be more easily formed to provide comprehensive solutions easily to the end user.

Recommendation 3: The utilities should provide sales training support to the SBEA contractors, including training on how to talk about the value of non-energy benefits with customers to get more non-lighting projects.

- Eversource has contracted Essence Partners, a consulting firm that showed non energy benefits tend to be the largest driver behind the completion of efficiency projects for many customers across four segments. Essence will be creating segment focused sell sheets and case studies that highlight non energy benefits. The messaging will differ by segment but will include messaging like modernizing your facility, increased competitiveness, no cost financing for necessary capital equipment, and creating a better environment for customers and/or employees. In addition Eversource will contract with a sales trainer to provide training on how to sell these non-energy benefits.

Recommendation 4: The utilities might consider offering building owners or tenants with long-term leases an extension of the loan length or amount at a non-zero interest rate for the portion of the loan payback period that exceeds 48 months or the amount that exceeds \$100,000, if the utilities can determine how that can be done at their current capital costs.

- Eversource is actively working on this opportunity as part of a shift in SBEA financing sources. As a result of this action Eversource hopes to be able to provide more flexible finance terms that allows the end user to decide whether total cost or cash flow is of greater importance to their business.

Recommendation 5: The utilities should continue to investigate how third-party financing, including C-PACE could be leveraged to help promote projects with longer paybacks or exceed the loan cap. As part of this, they should consider providing contractors with information on C-PACE and how to talk to building owners or tenants with long-term leases about using it.

- Eversource does this on a case by case basis with SBEA contractors. Note that Eversource has had success with vendors who also have Solar as part of their business model. This can include any number of comprehensive end uses, but typically involves a contractor already familiar with both Eversource SBEA and the CT Green Bank.

Recommendation 6: The utilities, together with the Connecticut Energy Efficiency Board, should consider increasing the incentives for non-lighting measures to increase their installation, possibly paying for the increase by decreasing incentives on lighting.

- An updated incentive structure is scheduled to be launched in July of this year which will better incentivize more complex comprehensive projects while reducing incentives from the simple lighting projects. In addition Eversource has extended several gas initiatives from last year that to continue to drive greater gas savings.

To help ensure efficient and timely completion of a final Report, Eversource encourages clarifying questions from the Evaluator on these comments. Thank you for the opportunity to provide this feedback.

Sincerely,

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