

# DTE UTILITY ENERGY OPTIMIZATION COORDINATION RESEARCH

PRESENTATION TO THE EO COLLABORATIVE

MARCH 15, 2016



**DTE Energy**  
Know Your Own Power®

NAVIGANT

## Content of Report

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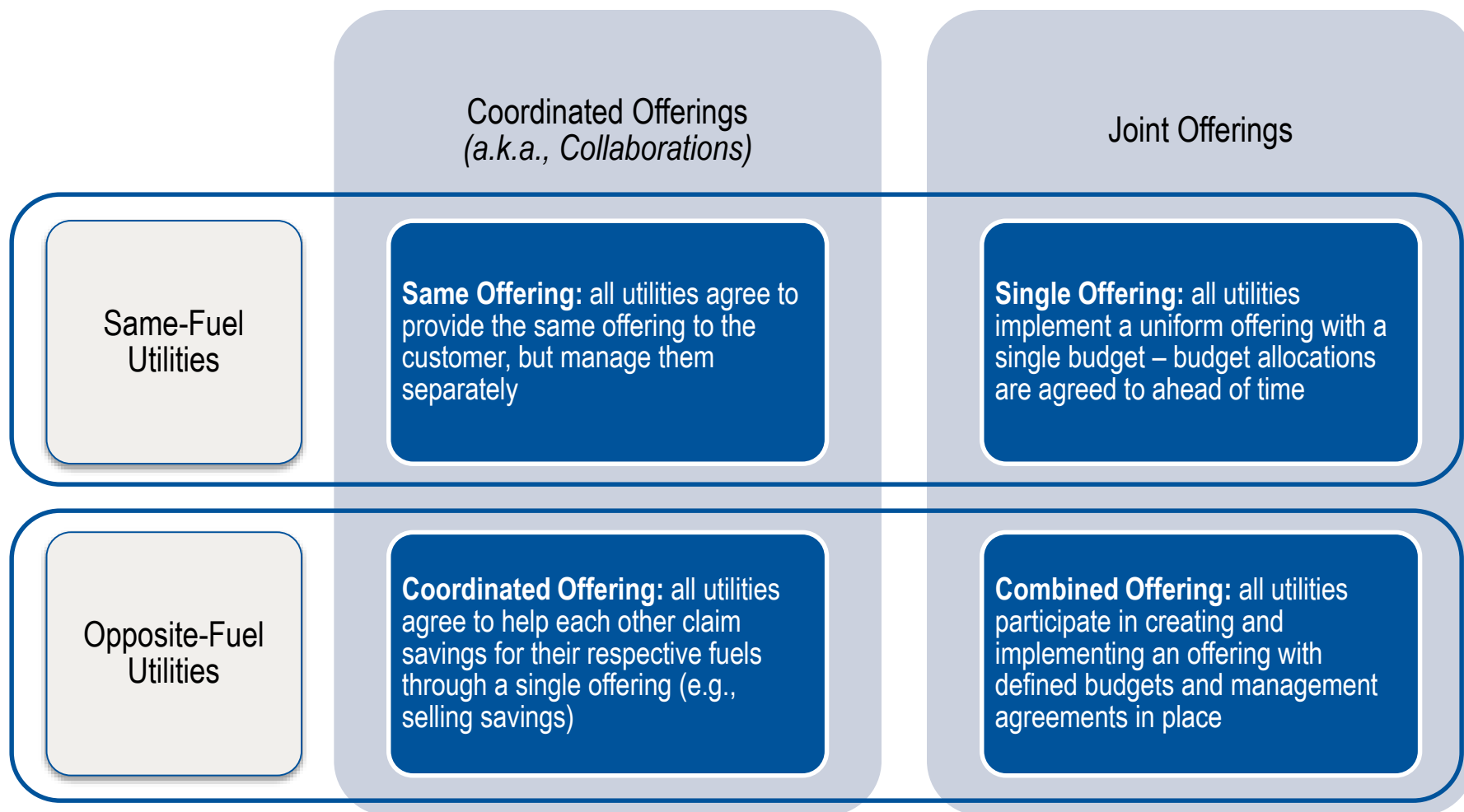
March 15, 2016

**Navigant identified three primary research objectives for this project.**

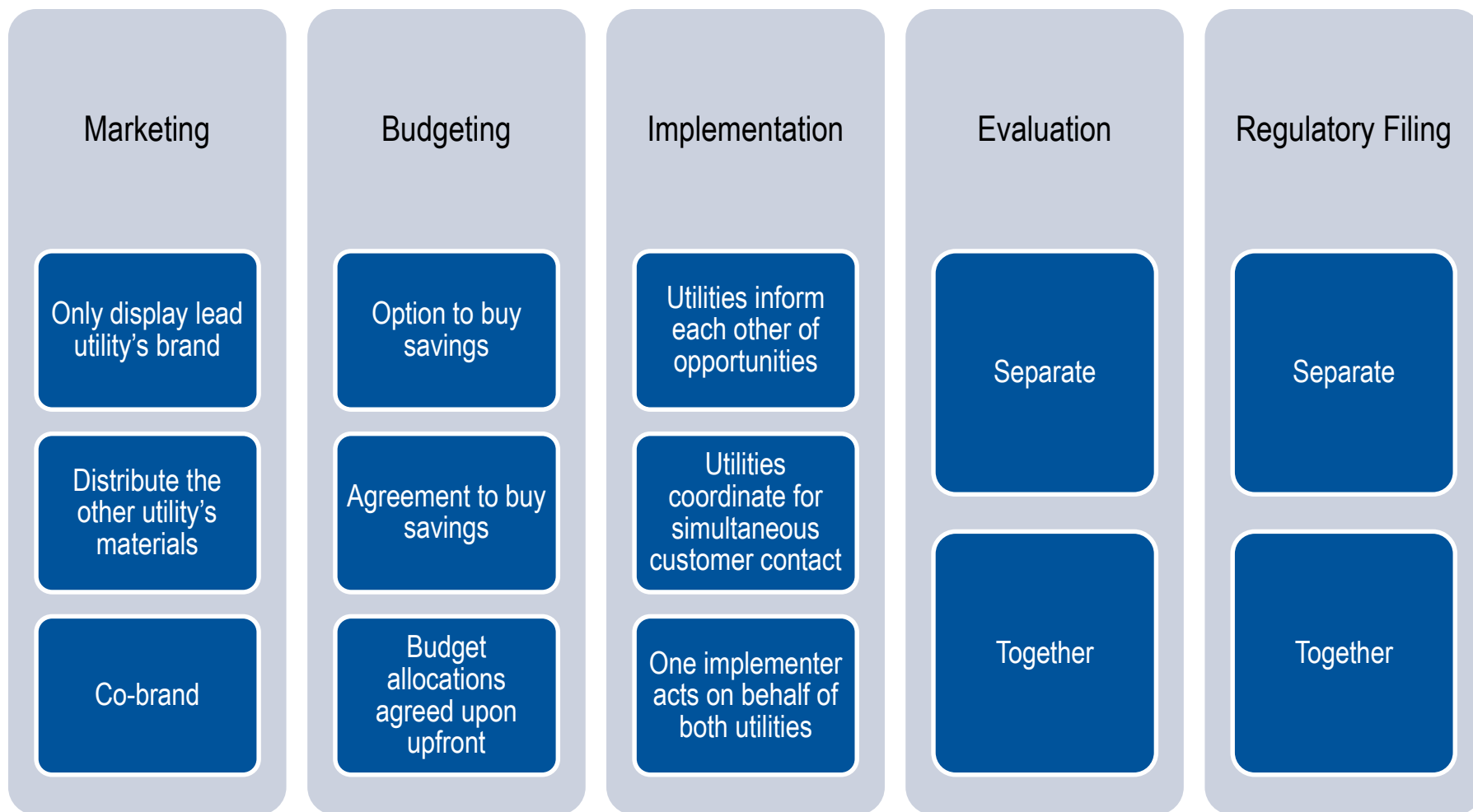
### Key Research Objectives

1. Understand and document the current coordination efforts between DTE and other EE program providers in Michigan.
2. Research successful joint delivery and collaborative/cooperation programs for electric and/or gas utilities across North America for the following:
  - o Best practices
  - o Critical success factors
  - o Lessons of experience
  - o Barriers and approaches for resolving initial complications
  - o Models for inter-utility coordination programs
3. Identify new and innovative areas for potential joint utility EO program coordination and recommend actions DTE could take to implement successful EO coordinations based on the lessons learned and success stories of other utilities' experiences.

For the purposes of meeting DTE’s performance incentive goals, all of the below efforts are considered “coordinations.”



### Coordinations may combine a variety of methods across program components.



**DTE has high potential for coordination and recognizes attention to detail is crucial.**

## Goals/Desires

- Coordinate with all partners – a few a year to hit goals
- Develop decision matrix on how to choose next utility coordination
- Achieve lower cost and higher customer satisfaction
- Align goals between utilities coordinating
- Offer same coordination offerings to all utilities

Consumers Energy also has performance incentives for coordination in its 2016 – 2017 EO Plan.

### Goals/Desires

- Centralize Community Action Agency (CAA) efforts so targeted customers get both electric and gas measures
- Transform MF program into a structure where savings are sold
- Coordinate on Home Energy Analysis (HEA) (because of number of customers)

**MECA wants to coordinate but may not have the capacity to contribute as much to a collaborative effort.**

### Goals/Desires

- Purchase savings from the IOUs
- Lift Michigan's ban on fuel switching



**These detailed findings came out of our research and were not necessarily echoed in other conversations.**

## Lessons Learned

- **Data sharing:** Confirming customer information with a partner utility instead of going through a formal data request for confidential data avoids transferring data unnecessarily. For example, PG&E partners with water utilities on their high efficiency clothes washer program. PG&E collects the applications and uses a secure file transfer method to send the list of applicants to partner utilities who respond with which customers are eligible in their respective service territories.
- **Evaluation, Measurement, & Verification (EM&V):** Agree on performance metrics early on. Create clear lines of communication between the evaluator and implementer so that the evaluator understands the details of the coordination and to ensure all appropriate data can be collected.

\*Sources reviewed are listed in the appendix.

**Xcel Energy and CenterPoint Gas coordinate to offer the Home Energy Squad program within their overlapping territory.**

## Program Overview

- Xcel Energy has contracts with different implementation contractors (IC) for the Home Energy Squad program in its combination territory than in its overlapping territory with CenterPoint.
- CenterPoint has a separate contract with the IC, so budgets are kept separate.
- The IC operates the program with program-branded staff and trucks and invoices each utility separately for claimed savings at a rate that allows them to recover labor and program administration costs.
- Each utility performs its own marketing campaigns to keep budgets separate; however, both utilities must approve all marketing materials.

The program managers at Xcel Energy and CenterPoint have developed a strong working relationship.

## Success Factors

- Both utilities are dedicated to the success of the program.
- Each utility has a separate contract with the vendor. There is no contract between the utilities.
- The utilities shared the cost to trademark the program name, but each utility pays the contractor for savings and files for savings separately.
- Marketing initiatives are paid for separately, but both utilities review all materials.
- Each utility goes through standard internal approval processes to share only the customer data necessary for confirming eligibility with the vendor. No data is shared between the utilities.
- Xcel Energy essentially runs two programs – one for its combo customers and one for its electric-only customers receiving CenterPoint Gas services – and sets separate savings goals and uses a separate vendor for each.
- The vendor owns the fleet of trucks and saves money with bulk purchasing and builds all overhead costs into the price of savings charged to each utility.

**ComEd coordinates with Nicor Gas, Peoples Gas, and North Shore Gas to offer the Retrocommissioning program within their overlapping territory.**

## Program Overview

- ComEd's existing retrocommissioning (RCx) program began to coordinate with the gas utilities by selling them savings.
- The transition to a joint program offering with a single program budget and co-branding was a lot of work.
- Due to lack of funding for gas utility participation, the program has returned to ComEd operating with an option for the gas utilities to buy the therm savings on a project-by-project basis.

**ComEd has taken the lead on this program, allowing for flexible participation from the gas utilities.**

## Success Factors

- Selling savings is easier administratively.
- ComEd can still run the program as dual fuel because of the importance of the customer relationship.
- Each utility has a separate contract with a single implementer. There is no contract between the utilities.

**Southern California Gas coordinates with Southern California Edison, municipal utilities, and water agencies on a variety of programs.**

## Program Overview

- Southern California Gas (SoCalGas) views coordination as a business imperative in order to meet the efficiency goals set by the California Public Utilities Commission.
- SoCalGas has a number of Memorandums of Understanding (MOU) that allow new coordinations to develop with existing partner utilities more easily.
- Each new partnership is a unique endeavor. Flexibility to work with municipalities on their terms (with or without a written contract, etc.) has enabled a diverse set of coordinations to develop.

## SoCalGas sees coordination as a business imperative in order to meet energy savings targets.

### Success Factors

- SoCalGas leverages the customer relationships of its partners.
- Coordination has high level support in the organization.
- SoCalGas offers the opportunity to cobrand to all program partners.

## Navigant has developed six recommendations for DTE.



### 1. Gather support at all levels.

- Have a dedicated champion to help overcome barriers to coordination and generate creative solutions when issues arise.
- Build a working relationship between the dedicated points of contact at each utility in a coordinated effort.



### 2. Begin by communicating the possibilities.

- Consider hosting a working group meeting (maybe half a day with Consumers and half a day with the munis and coops) to discuss the opportunities.
- Find the right people to speak with at each utility and invite them to help develop flexible, goal-oriented proposals together with DTE staff.



These recommendations address both specific points in the process of creating new coordination and long-term strategy initiatives that will build the foundation for successful partnerships.



### 3. Put the customer first.

- Customers do not think of electricity and gas separately – seek to offer comprehensive energy solutions. This applies to Residential programs like Home Energy Audits and C&I programs like RCx.
- Streamlining the process for the customer will result in more participation.
- Coordinate for a single application for cross-fuel programs or identical applications for same-fuel programs.



### 4. Establish MOUs where possible.

- MOUs elevate the relationship to the organization level rather than creating a new partnership for each program.
- MOUs supply structure for making decisions, communicating, allocating costs, sharing customer data, measuring program performance, and other aspects of program coordination.
- Not all utilities will be willing to do this, but where successful, an MOU means only going through the legal teams once, which will pave the way for coordination moving forward.

Navigant has tailored these recommendations to DTE's immediate needs and operating conditions.



### 5. Choose an appropriate model of coordination.

- Equal partnerships are conducive to closer collaboration on things like marketing materials and to accountability for quality across aspects of the program. This may be easier to establish with Consumers, who is subject to the same regulatory structure.
- If one utility is to lead the effort, it may be easier to sell savings. This may be more appropriate when working with munis and coops that do not have the resources to run their own program.
- Revisit this if performance goals are not being met for each utility.



### 6. Contract with a single IC to streamline the process.

- Each utility can contract with the IC separately to keep budgets separate.
- Cost allocation for measures that save both fuels become the only thing the utilities need to agree upon.
- DTE already uses an IC for all programs, so this third-party structure is familiar. Nevertheless, agreeing with another utility on which IC to use in a coordinated effort can be difficult in a competitive atmosphere. Reviewing bids together with the other utility may open up a dialogue about expectations and allow the utilities to put faith in the quality of the outcome.

TITLE	AUTHOR	PUBLISHER	YEAR OF PUBLICATION
<i>Successful Practices in Combined Gas and Electric Utility Energy Efficiency Programs</i>	Seth Nowak, Marty Kushler, and Patti Witte	ACEEE	2014
<i>Trials and Tribulations of Joint Electric and Gas Programs – Guidelines in Integrating Joint DSM</i>	Robert Neumann	IEPEC	2013
<i>Water-Energy Program Collaboration Guidebook</i>	California Sustainability Alliance	Southern California Gas	2015
<i>Master Inter-Utility Agreement Between Southern California Gas Company and Los Angeles Department of Water and Power for Energy Efficiency, Resource Savings, and Related Activities</i> < <a href="http://betterbuildingsolutioncenter.energy.gov/sites/default/files/tools/master-inter-unity-agreement.pdf">http://betterbuildingsolutioncenter.energy.gov/sites/default/files/tools/master-inter-unity-agreement.pdf</a> >	<i>Southern California Gas Company and Los Angeles Department of Water and Power</i>	<i>Southern California Gas Company and Los Angeles Department of Water and Power</i>	2012
<i>Memorandum of Understanding Between Southern California Gas Company and Metropolitan Water District of Southern California for Energy and Water Efficiency, Resource Saving and Related Activities</i>	<i>Southern California Gas Company and Metropolitan Water District of Southern California</i>	<i>Southern California Gas Company and Metropolitan Water District of Southern California</i>	2014