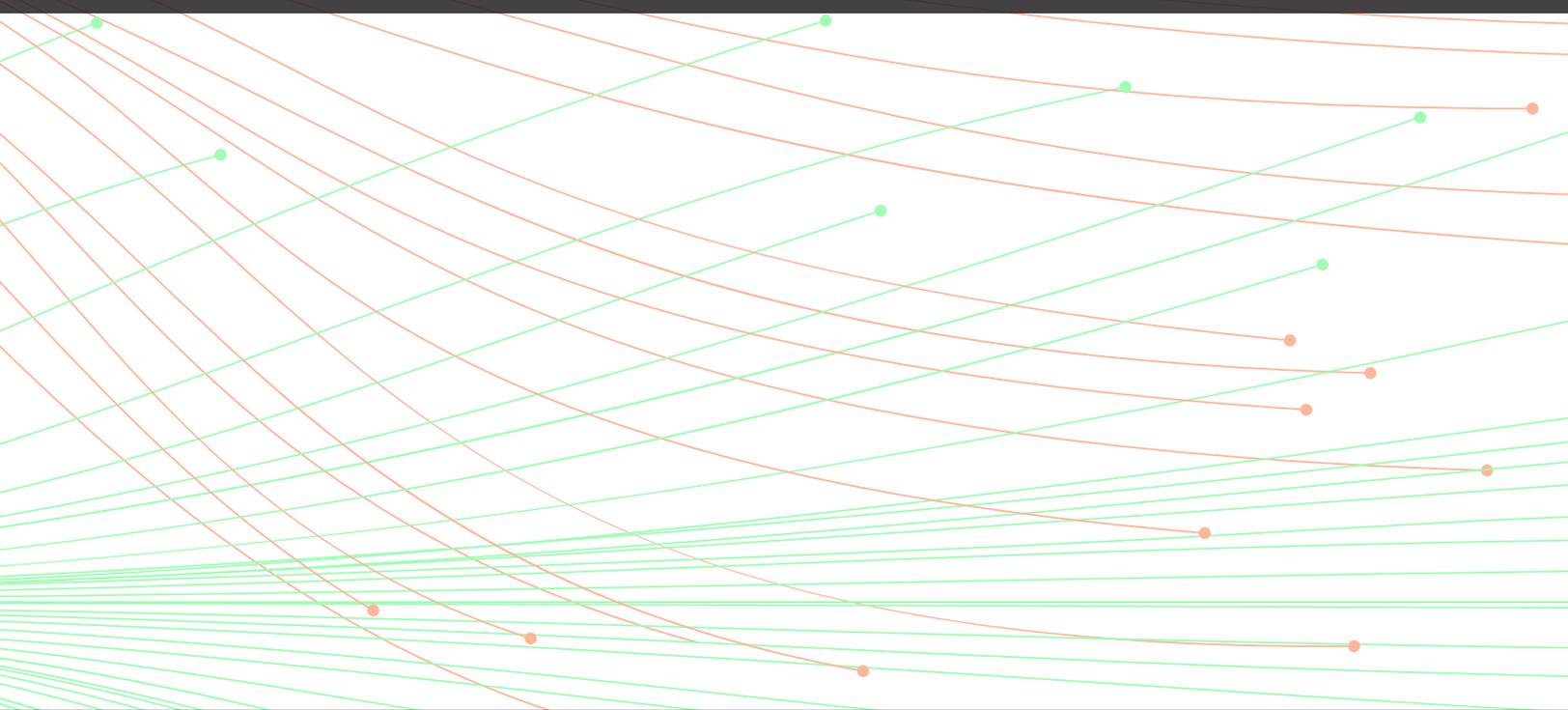
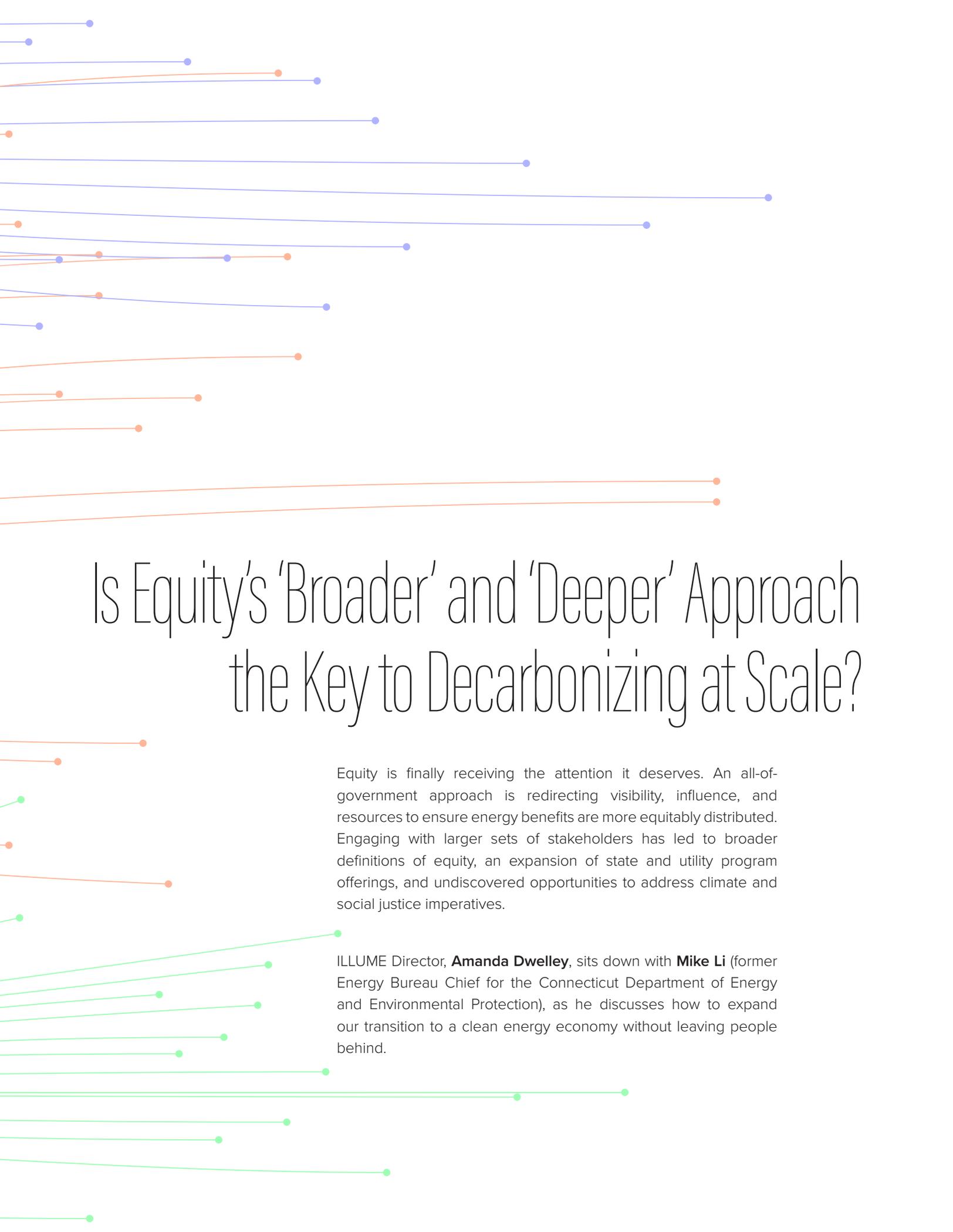


# The Theory of Everything:



ILLUME

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# Is Equity's 'Broader' and 'Deeper' Approach the Key to Decarbonizing at Scale?

Equity is finally receiving the attention it deserves. An all-of-government approach is redirecting visibility, influence, and resources to ensure energy benefits are more equitably distributed. Engaging with larger sets of stakeholders has led to broader definitions of equity, an expansion of state and utility program offerings, and undiscovered opportunities to address climate and social justice imperatives.

ILLUME Director, **Amanda Dwelley**, sits down with **Mike Li** (former Energy Bureau Chief for the Connecticut Department of Energy and Environmental Protection), as he discusses how to expand our transition to a clean energy economy without leaving people behind.

**Amanda:** *Mike, how would you describe this equity moment that our industry finds itself in?*

**Mike:** I think this is an exciting moment. More and more states are paying attention and policymakers, regulators, utilities, and stakeholders are really paying a lot more attention to equity issues. They are trying to figure out how we address equity in our transition to a clean energy economy so that we don't leave people behind as we transition the technologies we're using to meet our energy needs. It's a very exciting time as everybody is really paying attention to these equity issues.

**Amanda:** *What is happening in the industry from an equity/environmental lens that you are excited about?*

**Mike:** I'm excited because we have a long history of energy and climate programs in this country, in some way, shape, or form. What's exciting now is that we're looking back at a lot of the programs that we have in place through an equity and environmental justice lens. We are taking a second look at program design to make sure that the programs address issues of climate and energy are not exacerbating inequity or environmental injustice. A recent example comes from my time working for the Connecticut Department of Energy and Environmental Protection.

Working with the Governor's Council on Climate Change we looked at our climate programs from an equity and environmental justice lens to re-examine whether these were the right programs to be implementing. On the energy efficiency side, we also initiated the Equitable Energy Efficiency (E3) proceeding which looked at all our energy efficiency programs and worked with stakeholders to identify areas where we needed to make some changes to address equity or environmental justice. These types of examinations are happening across the country. This is great because a lot of the changes that we are making today will stand the test of time so that 10 to 20 years from now, people will still be focused on addressing equity and environmental justice issues.

**Amanda:** *How is stakeholder participation today different than that of energy efficiency programs of the past?*

**Mike:** In a nutshell, we have a much broader set of stakeholders. In the past, it probably felt like there was only a handful of people that cared about these issues and felt like they were rowing upstream. Now there are just a lot more people going in the same direction trying to address these questions. The breadth of the people that care and are invested in addressing these issues has really grown over the years.

*See sidebar for some of Mike's ideas on making it easier for people to participate in decisions.*



# Creating Equitable Process

**Justice40** is creating a framework for the energy industry to place a greater emphasis more inclusive decision making.<sup>1</sup> Here are four of Mike's suggestions for policymakers, utilities, and consultants looking for ways to make the public input process more user friendly.

## **1) Simplify the rules so people can participate.**

Those familiar with the work of public utility commissions or the Federal Energy Regulatory Commission (FERC) will agree that the rules for public participation in proceedings are cumbersome. Most people who participate are professionals who do so as part of their jobs. Your average person is going to find it difficult, starting with figuring how, when, and where to participate. FERC recently created the Office of Public Participation to address these barriers. In Connecticut we had a few approaches to simplify participation. One thing we did was create a short and simple set of instructions on how to participate that would fit on index cards. It was as simple as, "email this email address with your comments, or your answers to these questions." Done. They provided their written comments. We tried to take away all the formality to make it easy for people who wanted to participate, to just participate.

## **2) Simplify the language so people understand what we're saying.**

The subject matter in our proceedings and reports is dense and hard to understand, even for insiders. So why are we asking energy customers to comb through hundred-page documents? People interact with energy every day so let's do a better job at translating those lived experiences into comments that can inform public policy making. Start with simple questions: 'If you haven't participated in energy efficiency programs—why?' 'What do you know about this program?' 'Are our programs too hard to participate in?' That puts the onus on policymakers or regulators to be able to translate: This person said X, Y, and Z and what does that mean for how we design the program? It puts the work on regulators and program administrators to dissect the comments and what they mean for program design, marketing, or things along those lines.

## **3) Assist people who want to participate in the public process.**

We need to support people if we want them to participate in public processes. In short: provide childcare, serve dinner, provide travel reimbursement, or bus passes if folks want to attend an in-person meeting. Individually these seem like nominal issues but collectively these are barriers to participation for certain segments of the population. A big topic is compensating people for participating in these public processes, particularly ones that are ongoing that have multiple meetings over the course of a year. If we really want people from all walks of life to participate in these processes, we probably need to start thinking about ways to compensate people for their time and energy.

## **4) Build the capacity of environmental justice and community-based organizations already participating.**

These organizations speak up for those not traditionally represented in the energy policy making process. So, let's build up their capacity to serve. What does this look like? Trainings to introduce the participatory process, and one-on-one sessions to educate those new to the work are some examples.

**Amanda:** *We often talk about terms like ‘equity’ and looking at our industry through an ‘environmental justice lens.’ What does that mean to you?*

**Mike:** It means being intentional when thinking about program design: How are programs operating? Who’s participating or not participating in programs? It’s about putting a focus where some of these issues might not have been addressed in the past. In the early days, energy efficiency tended to focus on resource acquisition. In a lot of places, it was about ‘*how do we acquire the largest amount of kWh savings for the least cost?*’ That really skewed programs towards large users of energy who could deliver the most energy saving for the least cost. But at the same time, that creates equity issues because all customers are paying into these programs. When you’re focusing programs on the largest users, we know a lot of people are not benefiting from the programs that they are paying for.

**Amanda:** *How is this tension between resource acquisition and kWh savings playing out as programs attempt to balance energy savings goals and equity?*

**Mike:** I think that is something that a lot of states and utilities are trying to sort through because, for them, those energy efficiency programs must be cost-effective behind whatever definition is used in their jurisdiction. That means that we must acquire a certain amount of kilowatt hour savings for lower costs, particularly if you want to be able to balance a portfolio and acquire other savings at a little bit of a higher cost. So, there are inherent challenges in addressing that tension.

The energy efficiency industry has been creative and has been able to come up with ways to address cost-effectiveness—and equity challenges. More and more portfolios and more regulators are creating some type of exemption for equity purposes so that, for example, programs that are designed for households with low-incomes don’t have to meet the same cost tests that other programs must meet. Connecticut uses a different cost test for income eligible programs than for market rate programs. The California Public Utilities Commission recently decided to segment its programs into three channels, with equity focused programs in its own channel.

**Amanda:** *Are there areas of energy and climate policy that are hard to reconcile with equity and environmental justice?*

**Mike:** The reality is that equity and environmental justice in our energy programs are hard issues to solve for. One example is transportation emissions. Several northeast and mid-Atlantic states have joined the transportation climate initiative and they’re working towards implementing what’s referred to as the TCI-P program. The TCI-P program essentially increases the cost of gasoline and creates a regressive policy for people with the lowest incomes who live in areas with limited public transportation and who must drive to get to their jobs. This is one of those areas where there is an inherent tension. On the one hand we’re increasing the cost of gasoline as a way of trying to address climate issues that we need to solve for. But on the other hand, we also need to ensure that the policies that we’re putting in place are not negatively impacting certain people.



**Amanda:** *Your work in Connecticut included guidance on equity for energy efficiency programs. Who was that guidance for?*

**Mike:** The guidance was for utilities who implement the energy efficiency programs in Connecticut. The goal was to look at all the programs and the portfolio utilities are implementing and look at who's participating and who's not participating. We also looked at historical data to identify if there are sectors of the population or sectors within the state that haven't been participating in efficiency programs. We wanted to understand nonparticipation and ways to better target or design our programs to get people who are under-participating to participate more. All customers are paying into the program, so we were trying to imbue fairness into program design.

**Amanda:** *What did you learn as you dug into participation data and barriers?*

**Mike:** First, income-eligible households, more so than the market rate homes, face real barriers to weatherization. Things like asbestos or knob-and-tube wiring prevented those homes from receiving the full suite of services included in the Home Energy Solutions program. And because those homes have a higher incidence of weatherization barriers, they were not able to participate in what we thought was an equitable way. So, we decided to design a program that goes in and removes the asbestos or replaces knob-and-tube wiring with code compliant electrical. Once this is done, the program will refer those homes back to the Home Energy Solutions program to proceed with weatherization and energy efficiency improvements. This is funded through a combination of federal funds (\$7 million from the American Rescue Plan) and another \$1 million through the Low-Income Home Energy Assistance program, otherwise

referred to as LIHEAP, that is provided to each state by the U.S. Department of Health and Human Services.

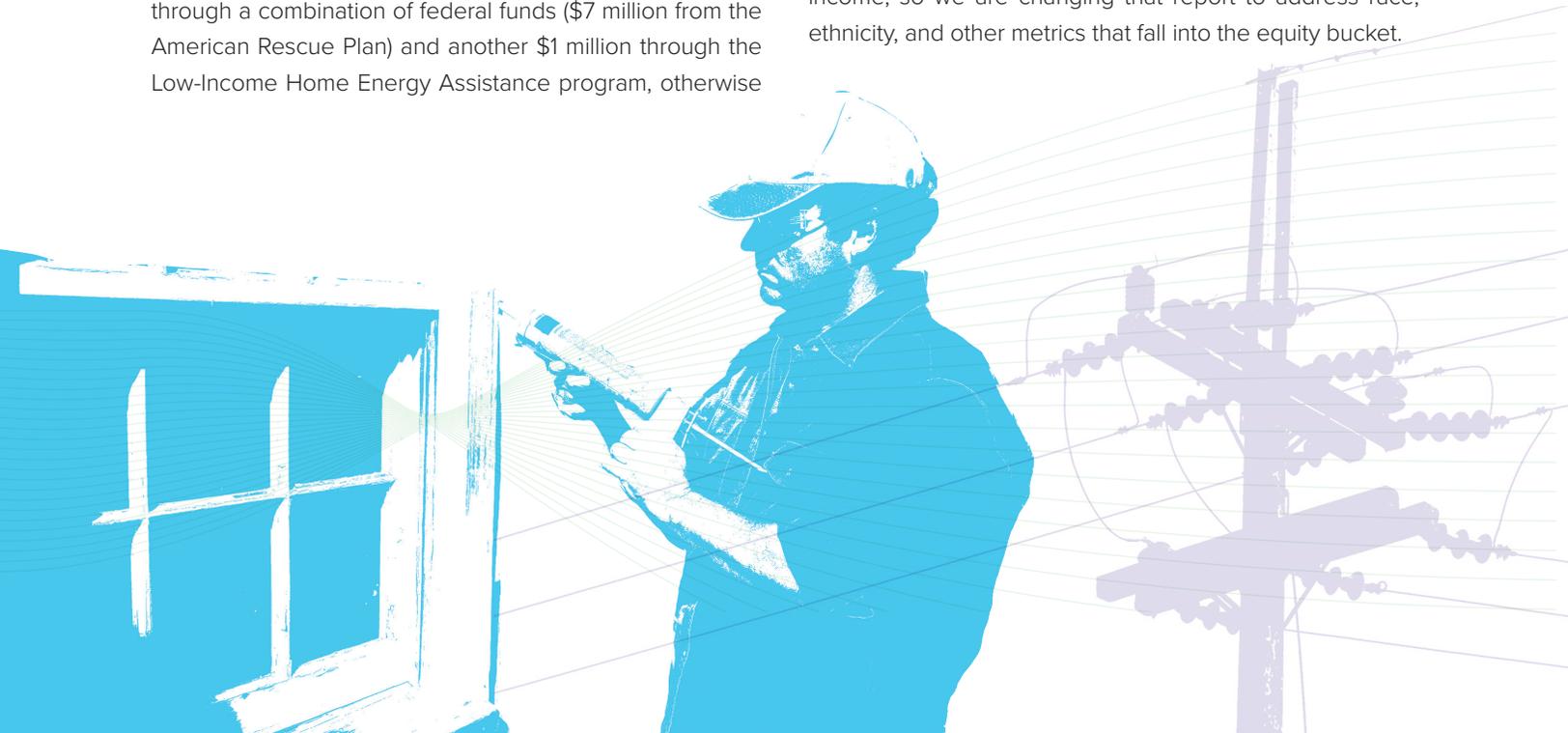
**Amanda:** *Some communities are skeptical of energy services and providers. How have you seen energy programs establish trust among communities?*

**Mike:** One of the ways that we do that is by using voices that those communities already trust. In Connecticut, one of the things we did was develop a community engagement program/strategy with utilities. Community groups could apply for money from the utility to help do marketing for energy efficiency programs, with the idea that these community groups are trusted voices within the community and would have better traction and reach to communicate with those who might otherwise be skeptical of the utilities.

**Amanda:** *How can equity metrics fit into the picture?*

**Mike:** When it came to equity in Connecticut, our initial directives were to the utilities. We had eight goals, one of which was to embed greater equity in decision making. We also have the Energy Efficiency Board, so one of our goals was to improve the diversity of the board. The second was to track equity indicators.

We have an equitable distribution report that we are required to submit every year to the legislature. Historically that report has been focused on program benefit by income, essentially looking at whether households with low-incomes participate in programs commensurate with the amount that they contribute to those programs. Over time, we've realized that equity metrics need to go beyond household income, so we are changing that report to address race, ethnicity, and other metrics that fall into the equity bucket.



**Amanda:** *What was the role of stakeholders when it came to equity metrics?*

**Mike:** In Connecticut, we really wanted to hear from stakeholders: what they cared about, what metrics the program should care about. It was really driven by stakeholders, as opposed to driven by the state agency or the utility. At the end of the day, we had some idea what metrics we cared about, but the metrics and the way that the program is designed really must meet the needs of the people. There's no point in us coming up with metrics that are not meaningful to the residents of the state and customers of the utilities.

**Amanda:** *What are some examples of these metrics?*

**Mike:** One of the big ones is program participation by renters. Stakeholders wanted to know if renters were participating equitably in residential efficiency programs. Because renters don't own the property, their participation in programs might be lower. We set up a metric to get a better understanding of the number of households that didn't participate in the programs because they couldn't get landlord approval. We also outlined a series of steps to better understand barriers that landlords have to participation and accommodate these issues in the program design.

To give you an example: if the utility customer qualifies, the Home Energy Solutions (Income-Eligible) program provides multiple services at no cost to the customer or landlord. Even with no costs, there were still concerns that landlords were reluctant to participate. We set up a bunch of steps to understand the extent to which this was true, what the barriers were, and then solutions to overcome these barriers.

**Amanda:** *What barriers did you face trying to collect and measure race and ethnicity data?*

**Mike:** The biggest challenges were getting race and ethnicity data for every customer that participates in our programs and ascertaining the accuracy of proxy data where we couldn't get actual customer data.

We collect customers' names and addresses, but historically we have not asked for race or ethnicity data. We need to ask *'Do we want to put a field there where a person can volunteer to disclose that data?'* Knowing that not everybody is going to fill out that field, what does that mean for incomplete data? Customers want to know why we were asking invasive questions, even if they were optional. Then there's the whole question of how many questions can you ask somebody on a survey, how many fields of information can you ask people to fill out an application? There's a lot of survey fatigue and we're trying to lower the barriers to participation, not increase them. Maybe an extra question or two doesn't create a meaningful barrier, but that's a concern.



As more and more programs go towards upstream or midstream programs, where we don't know who program participants are, that data becomes harder to track by individual customer. The workaround has been to use U.S. Census data or other data we can procure from various companies. The accuracy of that data is relatively high. Even if it's not perfect, it is representative of those populations participating in the program.

**Amanda:** *How has Connecticut thought about the 'underserved', 'disadvantaged', and 'vulnerable' customers or communities beyond households? For businesses or C&I?*

**Mike:** In Connecticut this was a work in progress. We conducted a deep segmentation study into who was participating in programs on the commercial and industrial (C&I) side to look at which industries or sectors were not participating. We created targets for utilities to reach those sectors.

It's probably no surprise that participation was relatively good across the board among the highest energy users (large organizations). For smaller energy users, the data showed that certain business types were systematically under participating in the efficiency programs. This led to targets for the utilities to improve participation for specific types of customers/businesses. ■

## **Are Utility Hardship Programs Generating Additional Hardship?**

Recent research on vulnerable households illustrates something we've long suspected: utility hardship programs can create additional hardships if the enrollment or participation process isn't designed well. Here are a few tips on how to redesign your hardship programs to better serve all customers.

### **Don't put the onus on the customer to know your programs by name.**

Customers who don't know hardship programs by name might not know the best fit for them and it's up to customer service teams to usher them through the most optimal journey.

### **Find ways to route customers in need to greater support.**

One of the themes that emerged in our research is that customers who take part in hardship programs may be receiving a different experience than customers who enroll in a program like smart home offerings. If customers use phrases like, "I'm having trouble with my bills," that should cue customer teams to explain the full suite of enrollment programs.

### **Don't send customers back to square one.**

Matching payment programs give customers an opportunity to lighten their financial burden with the help of utility matching dollars. But once a customer misses a payment they are automatically dropped from a program. Student loan programs are undergoing similar scrutiny. It's time we revisit our programs, so they do not further burden would-be participants.

### **It's time to put hardship under the microscope.**

We're constantly doing impact evaluations or process evaluations, but for many utility-run hardship programs we don't do those kinds of evaluations. We need more scrutiny to understand what's working.

