

DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION

**DETERMINATION: PLAN UPDATE APPROVAL WITH CONDITIONS OF THE 2024
UPDATE TO THE 2022-2024 CONSERVATION AND LOAD MANAGEMENT PLAN**

ATTACHMENT B: OPTIMIZATION PLAN

DEEP expects Eversource Energy and the United Illuminating Company (the Utilities) to provide transparent and predictable program management that supports customer and workforce expectations. DEEP has previously emphasized the need for the EEB, DEEP, the Utilities, and stakeholders to be nimble and responsive to new funding sources. DEEP highlighted that the primary focus of discussions with the EEB, the Connecticut Green Bank, the Utilities, contractors, and other stakeholders is to develop strategies which position Connecticut for quick, effective, and equitable program deployment by seamlessly integrating federal funding into the state's existing energy programs. Despite this, critical issues have arisen with the Utilities' program implementation that require immediate and sustained course correction, as set forth below.

Requirements

DEEP is hereby requiring the Utilities to develop an Optimization Plan. As set forth below, this Plan must outline the ways in which the utilities will optimize available funding to meet program demand and ensure sustainable operations both now and into the future. This is particularly critical given the need to integrate the myriad state and federal programs providing funding for home energy upgrades. DEEP hereby directs the Utilities to address the following specific areas to optimize program delivery, participation, budgets, and outcomes.

I. Optimization Plan-Part A.

Part A of the Optimization Plan must outline how the Utilities will project, respond to, and drive demand by optimizing program resources and, when needed, make predictable, transparent adjustments to better manage to program budgets.

Scenario Analysis

1. The Utilities must identify drivers for demand during the past three years and forecast activity and costs to establish a base case scenario for the years 2025, 2026, and 2027. This base case scenario must project the likely trajectory for sustained demand growth based on observed trends during 2021, 2022, and 2023. While this scenario should include overall program demand, the Utilities are also expected to develop demand scenarios for weatherization and specific incentive and rebate programs that have been identified as drivers for recent budgetary pressure, heat pump rebates, for example. The base case scenario must propose customer contribution and rebate amount strategies that align with the expected available funding and demand forecast.
2. The Utilities must develop a high demand scenario. This scenario should be inclusive of weatherization and specific incentive and rebate programs identified in the base case

scenario. This scenario should assume a demand trend that exceeds projections developed in the base case scenario and should identify the key assumptions and drivers for such increase.

3. The Utilities must develop a lower demand scenario, in which the pace of demand growth is static or slower than that of the base case scenario. This scenario should be inclusive of weatherization and specific incentive and rebate programs identified in the base case scenario. The Utilities should identify key assumptions and drivers of the lower demand growth scenario, such as changes to availability of federal rebate programs and tax credits, economic downturn, and/or decreased energy price volatility.

For each demand scenario, the Utilities must include a suite of recommended actions to align the scenario demand to available funding, and the expected impacts of these actions on demand, budget, and contractors. The utilities should identify specific demand thresholds which will trigger recommended actions. These recommendations should be developed with a level of specificity, and include, but not be limited to:

- Changes to customer contributions (co-pays);
- Changes to rebate and incentive levels;
- Changes to programmatic requirements; and
- Changes to program offerings.

Proposed recommended actions should be designed to sustain or support increase program demand to the greatest extent possible within expected Conservation and Load Management Plan funding levels, without interruption or suspension of program offerings.

Adjustment Implementation & Timelines

The Utilities must include implementation timelines (including contractor notification) for adjustment actions. This must include a strategy for determining appropriate durations for any mitigation action. These timelines must be structured and publicized in a manner that avoids creating undue market or contractor confusion and must consider customer reliance on rebates when they contract for a project, especially with respect to larger projects. The Utilities must recommend a cadence for program review, to take place throughout a program year, deemed suitable for achieving budget optimization through program adjustment actions.

Program Tracking

The Utilities are required to provide a plan describing how they will track and share information about budgets, rebates, and incentives in a manner that will result in DEEP, the EEB, contractors, and stakeholders having access to more up-to-date, and if feasible, real-time information. DEEP recognizes the challenges associated with program tracking, particularly the tracking of downstream rebates. If mechanisms for program tracking, which would result in more up-to-date

or real time tracking, are currently outside of the Utility’s capability, an analysis of what *would* be required should be included in this plan.

Optimization Plan- Part A. Process

DEEP requires that Part A of this Optimization Plan be developed through an inclusive and iterative process that is informed by input from the Utilities, the Technical Consultants, the EEB, DEEP, and program stakeholders. DEEP recognizes that in 2024, resources are already constrained given the requirements of developing the Plan for the next three-year program cycle. However, DEEP finds it imperative that this planning be in place to inform program management in subsequent program years, and to maximize benefits from the soon-to-be-available IRA rebate dollars.

DEEP proposes the following timeline, but notes that it will work with the Utilities and provide a degree of flexibility in this process:

Date	EDC Action	DEEP Action
End of Q3 2024	Companies provide demand scenarios 1-4 w/ recommended actions and implementation timelines.	
October 2024	Present demand scenarios	Technical Meeting on Scenarios and Actions.
End 2024	Utilities submit plan for program tracking.	
Q4 2024- Q2 2025		DEEP incorporates findings into 2025-2027 C&LM Plan Determination.

II. Optimization Plan- Part B.

Part B. of the Optimization Plan should be addressed by the Utilities and Technical Consultants throughout the planning process for the next three-year program cycle. The Utilities shall provide a detailed description of how the items listed below have been addressed and incorporated into the 2025-2027 Conservation and Load Management Plan. This description shall be filed as an attachment to the Plan filed on November 1, 2024. The Utilities are to inform DEEP should additional time or analysis be required for completion of any Part B. items listed below. At its discretion, DEEP will incorporate incomplete, or inadequately addressed items, into the Conditions of Approval for Program Year 2025. The following shall be included in Part B of the Optimization Plan:

Equipment Costs

The Utilities must provide details on how they are currently tracking the cost of equipment. This must include the identification of areas where opportunities exist for improved program monitoring and cost control relating to the cost of materials and equipment. The Utilities must develop a benchmarking mechanism for these program costs against those of other markets and among vendors for like materials and equipment and discuss the role of vendors in ensuring that material and equipment costs are aligned with current market conditions. The Utilities must provide a reasonable proposal indicating the frequency for which equipment and material costs will be evaluated, including reporting to DEEP and the EEB. Potential measures to address discrepancies between vendor reported material and equipment costs and market conditions must be included in the filing.

Federal Tax Credits and Incentives.

The Utilities must not assume that Inflation Reduction Act (IRA) rebates and tax credits will simply replace C&LM funding for measures. Instead, the Utilities must leverage customer interest in tax credits, particularly in the market rate programs, to right size C&LM incentives and support as much efficiency investment as possible.

Contractor Service Offering Diversification.

The Utilities must provide information pertaining to opportunities and barriers for contractors to diversify their service offerings across Energize CT programs and in other related market-based fields so that they are not fully dependent on the budget of a single program. This must include opportunities to cross train employees in different fields to diversify their work qualifications, and to provide business owners with training about opportunities in other programs or related fields. The Utilities must also identify a pathway, based on this information, for contractors to diversify their portfolio in a way that will allow them to maintain their workforce and limit the impacts of budgetary constraints.

Customer and Contractor Experience.

Provide key steps to resolve and avoid customer experience and vendor service delivery issues including the processing of rebate payments. The utilities must highlight specific issues and identify their solutions to address these issues. The filing must also include information addressing historical issues with scheduling and rebate processing lag times. The Utilities have indicated rebate processing delays are often the result of incomplete applications. DEEP requests that the utilities submit a detailed explanation of the resources available to customers and contractors to assist in the completion of a rebate application, including planned and previously conducted training.

Contractor Impacts

The Utilities must identify opportunities and challenges that may differ based on the size of a contractor's business, as well as challenges faced by women and minority owned businesses or those who employ a high percentage of people who are covered by a protected class under federal or state law. The Utilities must outline a plan for conducting an impact analysis of any programmatic changes that may affect program contractors and provide solutions that consider those impacts.

Conclusion

The Optimization Plan must present a forward-looking, proactive approach reflecting anticipated program budgets. A core issue will be change management related to utility and vendor processes and business models in a regulated environment that is being impacted by rapid change and growth, with dynamic approaches that provide adequate predictability and stability, and sustain program demand by adjusting the balance customer contribution and C&LM incentives so as to adhere to relatively fixed program budgets without resorting to program curtailment.