

Letter from the AESP Chair

Insider information? You bet!

by John Hargrove



John Hargrove
NV Energy

Two weeks ago, AESP launched our annual 2013 State of the Industry report. If you haven't had the chance to download the report yet, I strongly urge you to. I know that I got a lot from reading the report, useful info that informs my work decisions.

Now folks, this report is not available to the public, it's for AESP members only. So be sure to take advantage of your member benefit. The report is available for download from your [AESP member portal](#).

AESP's State of the Industry report compiles the diverse viewpoints of industry insiders just like you. The data was collected from an online survey and phone interviews conducted at the end of 2012. You told us what you thought of our industry, its outlook, opportunities, challenges, and more.

The first thing that emerged from the report, I am happy to say, is that we are working in an industry that is still growing. Sixty-three percent of you anticipate that the number of employees in your organization will grow in 2013. In plain language, this means "job security."

I also found myself nodding in agreement when a majority of you said that the residential market is all tapped out. The next frontier is C&I, particularly small C&I. I look forward to seeing new developments and innovations coming out from this sector in the near future.

Not fond of reading? Well, we anticipated that! That's why we have prepared a Cliff notes version of the State of the Industry report inside this issue, written by AESP publications committee chair Laura Orfanedes. And if that's still too much reading for you, then we also have a [Brown Bag webinar](#) for May 9 to present the highlights of the report. There will also be a special panel discussion comprising of thought leaders Ahmad Faruqui, Sami Khawaja and Lynn Westerlind. Come listen, learn and ask questions...no reading required!

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Industry News

["IOU TOU: Where Are Those Time-of-Use Rates?"](#)
["Newer Homes More Energy Efficient than Older Ones"](#)
["Policies Sought to Incentivize Utilities to Increase Efficiency"](#)
["Report: Efficiency is a More Important Economic Driver Than Energy Supply"](#)
["Potential Energy Savings Drive Interest in Intelligent Buildings"](#)

APRIL 2013

Upcoming Events

Chapter Events

April 30 — [Texas Chapter Meeting](#)

Brown Bags

April 11
[Communication Key to Customer Satisfaction & Engagement](#)
[But—what, how, when?](#)

May 9
[Highlights from AESP's 2013 State of the Industry Report:](#)
[A Thought Leaders Panel](#)

June 20
[Using Data Analytics to Accelerate Commercial Efficiency](#)

If you would like to organize a Brown Bag, please contact Kisha Gresham at kisha@aesp.org.

AESP Training Courses

April 29
[Overview of the Principles of DSM](#)
Dallas

May 1-2
[Strategic Marketing of your EE Programs](#)
Dallas

If you would like to schedule an onsite training please contact Suzanne Jones at (480) 704-5900 or suzanne@aesp.org. For more information about the AESP Institute, [click here](#).

Conferences

April 29-May 1, 2013
[AESP Spring Conference](#)
Dallas

Sept. 30-Oct. 2, 2013
[AESP Fall Conference](#)
Seattle

Featured Articles

What's New in California: Regional Energy Networks Escheat Indemnification...and other reasons why Prepaid Cards are better than Rebate Checks!

AESP News

Spring Conference Fever News Releases and Announcements

Industry News

The following executive summaries of current news items were written for Strategies after being compiled from various news sources.

IOU TOU: Where Are Those Time-of-Use Rates?

Energy Central News (02/25/2013) Davis, Kathleen Wolf

Smart meters were intended to enable several customer functions, such as time-of-use (TOU) rates, but very few U.S. utilities currently address TOU. Ahmad Faruqi with The Brattle Group says just 1 percent of U.S. residential customers now see TOU rates, of whom just 1 percent is on dynamic pricing. The difference between the pricing programs is that time-of-use has preset prices based on operating costs for blocks of time during the day, while dynamic pricing is based on market value similar to the stock market reacting to good or bad news. Dynamic pricing would be linked directly to updated market information. "The industry practices what it preaches either in wholesale markets (virtually all of which feature real-time markets for energy) or large retail customers," says Faruqi. "When it comes to residential, however, politics raises its ugly head. Fears take over." Consumer and political fears about the effect of TOU on low-income customers is a common issue cited. Another is that consumers do not respond well to pricing indicators or that customer apathy indicates satisfaction with how things are. The positive aspects of TOU include the fact that TOU pricing enables utilities to segment customer markets. Such segmentation could help curb peak loads, raise load factors, lower average costs, and lower customer bills, as well as improve the integration of renewables such as plug-in electric vehicles. TOU pricing has seen the most success in Arizona, where more than half of APS customers and more than a quarter of Salt River Project customers are on TOU. To help expand TOU pricing beyond the state, Faruqi suggests offering temporary bill protection phased out over a three-to-five year period.

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Newer Homes More Energy Efficient than Older Ones

Philadelphia Inquirer (03/08/13) Maykuth, Andrew

Homes built in the last decade, despite being 30 percent larger than older dwellings, consume only 2 percent more energy on average, according to the U.S. Energy Information Administration (EIA). The typical home built after 1999 consumed 21 percent less energy for space heating than older homes, reports EIA's most recent Residential Energy Consumption Survey. Improvements in the efficiency of heating equipment and better-insulated building shells accounted for much of the reduction, says James "Chip" Berry, manager of the residential survey. The numbers affirm a long-term energy efficiency trend documented by the Energy Department. For the first time in decades, less than half of household energy use is now devoted to heating and cooling. "The general trend over time has been that a decreasing share of household energy is used for heating and cooling," says Berry, whose detailed survey is compiled every four years. Heating and cooling declined as a share of household energy consumption from 58 percent in 1993 to 48 percent in 2009. Energy consumed on appliances, lighting and electronics — all those flat-screen TVs — has increased from 24 percent to 34 percent. Households devote about 18 percent of their energy to water heating. That portion has remained steady in the last 20 years. The shift in how energy is consumed in homes has occurred even as per-household energy consumption has steadily declined.

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WELCOME & THANK YOU to our New and Renewing Members!

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Conrad Fox, ENBALA Power Networks
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Policies Sought to Incentivize Utilities to Increase Efficiency

FierceEnergy (03/07/13) Lundin, Barbara Vergetis

A new report authored by Cadmus concludes that energy efficiency codes for buildings represent opportunities for energy savings for utilities. Upgrades to buildings' energy codes could offset as much as a third of all electricity consumption growth nationally through 2025, the report estimates. However, utility-supported energy code programs are still emerging, and face such challenges as lack of uniform standards for crediting utilities with associated program savings. The report advises that policies be created that require or incentivize utilities to increase efficiency, such as state energy savings goals, efficiency targets, or regulatory frameworks. Specifically, these could include Energy Efficiency Resource Standards (EERS) and utility revenue decoupling, which eliminates the revenue penalty when customers become more efficient. "State and local building codes are a cornerstone of U.S. energy policy, so this is an exciting but relatively untested area of utility engagement," says Sarah Stellberg, manager of research and policy analysis at the Institute for Market Transformation. "Our goal for this report was to provide actionable guidance for policymakers, PAs (program administrators), and regulators as they test the waters with new codes program activities." Building code and efficiency initiatives can take years to establish, but more than 50 percent of states now have policies like EERS in place. The report cites some of these states as frameworks for energy efficiency and building energy code support. The report was sponsored by the Regional EM&V Forum (NEEP) and the Institute for Market Transformation.

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Report: Efficiency is a More Important Economic Driver Than Energy Supply

Greentech Media (02/20/13) Lacey, Stephen

A new report concludes that the U.S. economy is more closely tied to efficiency improvements than actual production of energy. John Laitner, a visiting fellow at the American Council for an Energy Efficient Economy, found that in 2010 (the last year full data was available), the United States spent approximately \$574 billion on energy efficiency improvements across a range of sectors, including utilities, manufacturing, construction, appliances, and automobiles. That's an 80 percent increase in spending since 2004, and three and a half times the amount of money spent in 2010 on new infrastructure for energy production, according to the analysis. The actual "cost premium" — or the additional cost to upgrade to more efficient technologies — was about \$90 billion in 2010, a little more than half of the \$170 billion spent on infrastructure for energy production. Efficiency has provided three times economic services than new production since 1970. While demand for energy services has tripled in the last four decades, actual energy consumption has only grown by 40 percent. Meanwhile, the energy intensity of the U.S. economy has fallen by half. Energy efficiency met nearly three quarters of the demand for services, while energy supply met only one quarter. "One immediate conclusion from this assessment is that the productivity of our economy may be more directly tied to greater levels of energy efficiency rather than a continued mining and drilling for new energy resources," says Laitner. While per capita energy use is only 34 percent higher than it was in 1950, per capita income has increased 84 percent since then.

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Potential Energy Savings Drive Interest in Intelligent Buildings

FacilitiesNet (02/01/13) Tatum, Rita

Smart buildings are attracting more interest from corporations because of their energy efficiency and sustainability features. Facility managers have heard about the concept for years, and some of the new generation of technologically sophisticated buildings are older structures that have been renovated and now have new systems. And the technology that underpins the intelligent buildings, whether they are new constructions or not, is not necessarily brand new. Nonetheless, U.S. commercial businesses spend an estimated \$100 billion on energy annually, and experts estimate that a greater reliance on intelligent building technology could lower this cost by \$20 billion to \$25 billion annually. The performance of individual buildings is starting to back up those numbers. A food services company with locations across North America used analytics to lower its portfolio energy use 28 percent, and 18 percent of its savings came from low- or no-cost fixes, according to a study by the Lawrence Berkeley National

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AESP is a member-based association dedicated to improving the delivery and implementation of energy efficiency, energy management and distributed renewable resources. AESP provides professional development programs, a network of energy practitioners, and promotes the transfer of knowledge and experience.

AESP
15215 South 48th Street,
Suite 170
Phoenix, AZ 85044
(480) 704-5900

Submissions are due by the 12th of each month to Adeline Lui at Adeline@aesp.org
(480) 704-5900

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Laboratory. Microsoft expects intelligent building technology to save the company \$1.5 million on energy costs this year.

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Featured Articles

What's New in California: Regional Energy Networks

by Betty Seto

As part of the portfolio of energy efficiency programs and budgets for 2013-2014, the California Public Utilities Commission (CPUC) approved for the first time two regional energy networks (RENs). Out of the total energy efficiency budget of approximately \$1.9 billion, approximately \$71 million has been directed to RENs for the upcoming two-year funding cycle. The RENs are a new component of California energy efficiency programs, implemented directly by local government agencies who are accountable to and directly selected by the CPUC.



Betty Seto

The two RENs that were approved are now ramping up implementation. The Southern California Regional Energy Network (SoCalREN) is being administered by the County of Los Angeles. The San Francisco Bay Area Regional Energy Network (BayREN) is being administered by the Association of Bay Area Governments. Both RENs are primarily focused on residential and financing programs, which is a direct result of the capacity building that occurred as part of local government implementation of the Energy Upgrade California program under the American Recovery and Reinvestment Act (ARRA).

Unlike local government partnership programs and other third-party programs, the RENs are not part of the investor-owned utilities' portfolios for energy efficiency. However, the utilities are serving as fiscal managers to disperse funds to the RENs. However, any changes to REN program design will be reviewed and approved by CPUC, rather than the utilities.

According to the CPUC Decision 12-11-015, the REN programs were evaluated for the following criteria:

- Activities that utilities cannot or do not intend to undertake.
- Pilot activities where there are no current utility program offering, and where there is potential for scalability to a broader geographic reach, if successful.
- Pilot activities in hard to reach markets, whether or not there is a current utility program that may overlap.

The SoCalREN's stated objective is "to capitalize on and continue activities that were previously funded by the ARRA." (CPUC Decision 12-11-05, page 20) Their approved programs consisted of three components: Energy Upgrade California (EUC), financing and a Southern California Regional Energy Center. SoCalREN's marketing and outreach programs include providing vouchers for free EUC audits that lead to projects involving at least three energy efficiency measures, and an Energy Champions program to train volunteers on the benefits of EUC. SoCalREN will also support realtor training, assessment incentives and homeowner education and outreach for green building labeling of environmental performance.

The financing components will include public building loan-loss reserve, single-family loan-loss reserve, multi-family loan-loss reserve, a non-residential property-assessed clean energy (PACE) program and public agency revolving loan fund.

The BayREN is a regional group comprising of representative agencies from each of the nine counties in the San Francisco Bay Area region. BayREN includes many

similar programs as those proposed by SoCalREN, including the EUC program and financing proposals. The BayREN program does not include a regional energy center, but does include a program focused on codes and standards. Its programs comprise the following: Single Family Energy Upgrade California, Multi-Family Energy Upgrade California, financing programs, and the Codes and Standards Program.

The BayREN Codes and Standards Program includes baseline compliance activities and support for reach codes developed through a public agency forum.

Both the RENs and California IOUs are now in the midst of producing updated program implementation plans, to be filed by advice letter for approval by April 2013. As part of the final CPUC decision, RENs will be treated the same as other utility programs for evaluation, measurement and verification. Moving forward, more evaluation attention may be paid to REN's activities to determine if certain piloted activities were successful. Certainly, many eyes in California and nationwide are focused on the RENs; their programs represent the increasing role of local governments in energy efficiency programs.

Betty Seto is a senior energy and climate consultant at DNV KEMA.

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Escheat Indemnification...and other reasons why Prepaid Cards are better than Rebate Checks!

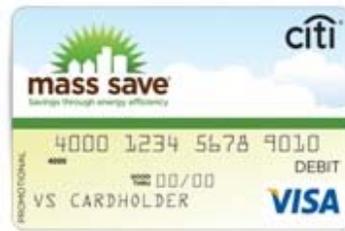
by Anne London



Anne London

Utilities nationwide are replacing traditional residential rebate checks with prepaid debit cards. Why the switch? It turns out that prepaid cards are less expensive to issue than traditional paper rebate checks. Not only that, cards provide a unique branding opportunity that checks don't — color! Full 4-color graphics are now available to market your brand directly to your customers. The example shown below is currently being sent to Mass Save customers, and displays full utility branding.

More important than the benefits realized by the utility are the advantages to their customers. Studies indicate that consumers prefer prepaid cards over traditional paper checks. With payroll direct deposit and online banking, people no longer make regular trips to the bank. Rebate checks actually inconvenience customers by adding this stop to their busy schedules just to get access to their rebate funds. Not only that, they only have a couple of months before the check expires. In contrast, prepaid cards are valid, at minimum, twice as long as paper checks, and can be used immediately; anywhere major credit cards are accepted.



But utilities receive an even more important benefit by using prepaid debit cards: Escheat Indemnification. Uncashed rebate checks are considered unclaimed property, and as such are required to be "escheated," or returned to the state after an expiration period. Prepaid cards are subject to different state and federal laws, allowing the issuing bank to fully indemnify the sponsoring utility against any escheat liability. Cost savings and added customer benefits are nice, but escheat indemnification may be the greatest value of all to a utility issuing millions of dollars in rebate payments year after year.

So what caused the shift? Several years ago the State Energy Efficiency Appliance Rebate Program (SEEARP) sponsored by the American Recovery and Reinvestment Act (ARRA) kick-started the use of prepaid cards in the energy efficiency space. During the course of this appliance rebate program, over \$100 million in rebate funds were issued as prepaid debit cards instead of traditional paper checks, stretching state budgets an additional \$4 million, allowing an extra 100,000 residents to participate in

the rebate programs. More importantly from the states' perspectives, prepaid cards represented "instant stimulus," as \$100 million was instantly infused into each of their local economies (and not sitting stagnant in a savings account).

Greg Adolfsen, Sustainability Officer at the West Virginia Department of Environmental Protection said, "We wanted to make it easy for West Virginians to participate in the program and to receive and use their rebates. We actually found that many of our residents even used their rebate to purchase additional energy-saving appliances!"



Based on the success the state appliance rebate programs realized from prepaid card rebate payments, utilities nationwide were quick to follow. One of the first was PPL Electric Utilities in Allentown, PA, which has been using prepaid cards since the inception of their energy efficiency rebate program in 2010. Since then, dozens of utilities have replaced rebate checks with prepaid cards for all prescriptive residential rebate payments. As a result, administrative costs for these programs have been reduced by as much as 25%, and they have eliminated all escheat liability associated with their programs.

The exposure utilities receive by choosing prepaid cards is undeniable. Imagine a "pocket billboard" customers carry in their wallets as a reminder that their electric or gas utility treated them to dinner and a movie. Utilities are actually saving money on energy efficiency rebate programs while increasing customer satisfaction. Now that is a headline worth reading.

Anne London is a Marketing Manager at [Helgeson](#).

Summary of AESP's 2013 State of the Industry Report

by *Laura Orfanedes*

The 2013 State of the Industry Report was published last month by AESP and is now available for members only. You can download it from your [AESP member portal](#).



Laura Orfanedes

As the leading professional development association for energy services professionals, our mission is to promote the transfer of knowledge and experience in our industry. This report was developed as a way to help AESP achieve its primary objective of serving its diverse members and sharing knowledge across the industry. The energy services industry has seen tremendous growth and change over the past decade. AESP is pleased to provide this report to help its members proactively respond to this ever-evolving industry.

Key Findings

Many of the key issues and trends identified by respondents and thought leaders in the 2013 State of the Industry Report are consistent with findings seen in AESP's previous 2012 and 2011 reports. For example, respondents continue to project overall growth in employment and energy efficiency/demand response activities at the state level in 2013.

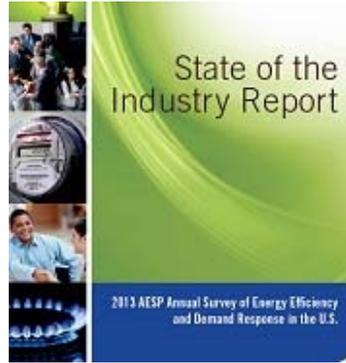
New for the 2013 State of the Industry Report was the addition of in-depth interviews with industry thought leaders. These industry experts provided comments regarding emerging program and policy-related trends that they believed would have significant impact on the energy efficiency/demand response (EE/DR) industry this coming year.

Both thought leaders and respondents identified issues such as low avoided costs, behavioral programs, and statewide evaluation, measurement, and verification (EM&V) as having significant impacts on the industry this coming year.

Overall, the key findings for the 2013 AESP State of the Industry Report are:



- Employment continued to grow in the EE/DR sector in 2012, and this trend is expected to continue into 2013. Two-thirds of industry leaders interviewed believe this growth will continue through 2015. However, one-third of these leaders see a slower growth trajectory than in years past. Those who believe that this plateau is tied to the economy further suggest that federal initiatives, including ones related to clean air and economic recovery, could accelerate the need for energy efficiency and demand response.



- The greatest skills needed to support continued industry growth are: analytical skills for big data; energy engineering for design, implementation and evaluation; market research and management; project management, tracking, and reporting.
- The most promising trends continue to be increased energy efficiency activities at the state level, and changes in customers' attitudes and interests about energy efficiency.
- A strong concentration of survey respondents focused on program implementation and design in their jobs, suggesting that the survey also reached out to those respondents currently on the front lines of energy efficiency and demand response programs.
- The large and small commercial and industrial markets remain largely untapped with the greatest potential for energy efficiency and demand response, while the residential sector continues to remain the least promising sector.
- Customer awareness of EE/DR programs and opportunities, as well as financial hurdles, are the leading barriers to deployment and customer adoption of EE/DR, followed closely by uncertain funding levels, and historically low natural gas prices.
- Saving money continues to be the major motivator for customer participation in energy efficiency programs, even with economic recovery in place.
- Thought leaders and survey respondents alike commented on the need for more sophisticated and targeted marketing to more strategically address consumer barriers, leverage key drivers for participation, and more strategically target the specific needs of unique customer segments.
- Survey respondents anticipated that behavioral programs aimed at business and residential customers, the impact of low avoided energy costs, and the opportunities created by "big data" from utility customers will have significant impacts on the industry in 2013..

Laura Orfanedes is a principal in the energy services division of Cadmus.

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AESP News

Spring Conference Fever

AESP's Spring Conference & Expo on marketing and implementation is just around the corner, and registration is heating up. Join us to learn exciting new "Strategies to Supercharge Your Programs" this April 29-May 1 in Dallas. [Register now](#); online registration closes on April 15.

AESP Training Courses are nothing to sneeze at!

Need to expand your knowledge in DSM and program marketing? Then don't miss the opportunity to get the training you need at upcoming AESP courses on [Principles of DSM](#), scheduled for April 29, and [Strategic Marketing of your EE Programs](#) on May 1-2. Both will take place in Dallas. Register today!

AESP's TV spot promotes energy savers

AESP appeared on national TV last week and demonstrated devices that help consumers save energy and water. Watch our segment in ABC's "The List" featuring products from Honeywell, ShowerStart and ThinkEco: thelistshow.tv/the-list/the-futurist/the-futurist-power-savers.

Have a really unique consumer product you'd like us to consider for future TV appearances? Tell us about it! Email david@harrisoncommunications.net, include a photo/video and 100-word-or-less description why your product is unique and how it saves energy. We may feature it on TV!

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