

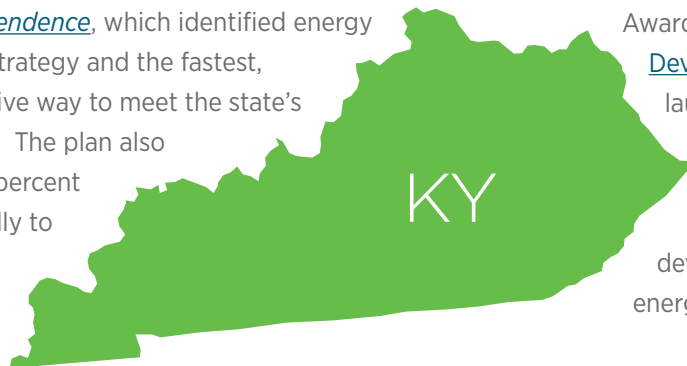
## STATE OUTCOMES IN FOCUS: KENTUCKY 2010 AWARD

# STIMULATING ENERGY EFFICIENCY

## Through Collaborative Stakeholder Engagement

### Background

Kentucky has worked to make significant strides in energy efficiency in recent decades to save Kentuckians and local businesses money, prevent pollution, and reduce dependence on foreign oil. Former Governor Steve Beshear, elected in 2007 and re-elected in 2011, made energy efficiency a key tenet of state environmental policy. In 2008, then-governor Beshear released his energy plan, [\*Intelligent Energy Choices for Kentucky's Future: Kentucky's 7-Point Strategy for Energy Independence\*](#), which identified energy efficiency as the leading strategy and the fastest, cleanest, most cost-effective way to meet the state's growing energy demands. The plan also set a goal to achieve one percent energy use savings annually to offset increasing energy demand.



Progress towards greater efficiency was hindered, however, by a difference of perspectives among utilities, industry, businesses, trade organizations, housing associations, the advocacy community, and regulators on the value of energy efficiency and its potential to promote a healthy economy, job creation, environmental protection, and low-cost reliable energy. In October 2010, with financial support from a State Energy Program Competitive

Award, Kentucky's [Department of Energy Development and Independence \(DEDI\)](#) launched [Stimulating Energy Efficiency in Kentucky \(SEE KY\)](#) to overcome this barrier. SEE KY led a comprehensive stakeholder engagement process to develop recommendations for promoting energy conservation in the state.

## Process

Through SEE KY, DEDI sought the participation of more than 80 stakeholders associated with utilities, industry, local business, trade organizations, housing associations, the advocacy community, regulators, and members of the Kentucky General Assembly. SEE KY followed these critical steps to success:



### 1 Form an internal project team, leveraged with subject matter experts

DEDI formed an internal project team to develop relationships and build trust with key players in Kentucky's energy community, and gather recommendations for achieving greater energy efficiency in the state. DEDI hired local and regional subject matter experts to facilitate stakeholder engagement.

a. The Midwest Energy Efficiency Alliance (MEEA) was hired to head the stakeholder engagement process and identify realistic, achievable options to meet Kentucky's efficiency goals. As one of six regional energy efficiency organizations in the U.S, MEEA is a respected resource on energy efficiency policies and programs.

b. A local energy and environmental consulting firm with long-standing relationships with utilities, governmental entities, and environmental and consumer advocates in the state, helped MEEA secure meetings with key local stakeholders.

c. The American Council for an Energy-Efficient Economy (ACEEE) was retained to analyze Kentucky's energy environment, identify cost-effective energy efficiency resources available in all sectors for buildings and facilities, and examine the potential electricity and natural gas savings and costs generated by different technologies. ACEEE is a nonprofit organization that works to advance energy efficiency policies, programs, technologies, investments, and behaviors.

### 2 Identify best practices from neighboring states

DEDI and ACEEE identified and compiled best practices from neighboring states through the following sources:

a. ACEEE's "Assessment of Utility Program Portfolios" surveyed utility-run energy efficiency portfolios in ten states and provided corresponding energy savings realized where available.

b. Arkansas' Public Service Commission presented the [Arkansas approach](#) on developing and implementing the State's 2007 Energy Efficiency Rules to Kentucky's December 2011 stakeholder group.

DEDI shared these best practices with stakeholders as the platform for discussion. Although they studied other states, DEDI and stakeholders sought an energy efficiency policy tailored to Kentucky's unique energy profile.

As part of their opportunity assessments, SEE KY participants identified elements of best practices in utility-run energy efficiency portfolios in neighboring states that might fit the unique energy dynamics of Kentucky.



### 3 Conduct extensive one-on-one engagement with key organizations

The project team at DEDI devoted most of the first year to meeting individually with stakeholders in order to foster working relationships and develop a nuanced understanding of barriers and opportunities for efficiency in the state. The one-on-one meetings were structured as “listening sessions.” At least one in-person meeting was held with each targeted groups of stakeholders. In most cases, these were followed by a second in-person meeting or a phone meeting. DEDI and stakeholders discussed the current demand side management (DSM) statute, consumer education and awareness programs and policies, the industry opt-out provision in the DSM statute, tax incentives for industry/manufacturers, commercial sector incentives, low-income programs, inefficient housing stock, and transparency of energy savings.

DEDI used stakeholder feedback from the listening sessions as the basis for planning larger collaborative stakeholder meetings. This approach reinforced stakeholders’ trust that their recommendations and opinions were critical to framing [Kentucky’s Action Plan for Energy Efficiency](#).

### 4 Develop recommendations through collaborative stakeholder meetings

Once most of the one-on-one meetings were completed, DEDI organized three collaborative meetings to facilitate ongoing stakeholder involvement and the development of Kentucky’s Action Plan for Energy Efficiency. Between 80 and 100 stakeholders attended each meeting.

The collaborative meetings occurred three to five months apart. Stakeholders were invited to complete surveys and produce written comments on the sessions. About 50 percent of the stakeholders completed surveys and about ten percent provided written comments. Written comments were reviewed by the project team and included in the Action Plan. DEDI also communicated with stakeholders between meetings to ensure continued engagement and provide meeting notes and materials to participants.

Following the collaborative meetings, DEDI developed the first iteration of the Action Plan and provided stakeholders with the draft for feedback. Participants were given one month to review the draft and rank the proposed action items on a scale of 1 to 10 in terms of their “feasibility” and “impact.” The “feasibility” ranking indicated whether resources existed to implement the action item and whether there were political barriers that would impede implementation. “Impact” indicated energy savings potential achieved by implementing the action item. About 25 percent of participants provided substantive feedback and ranked action items. DEDI reviewed these contributions and incorporated the highest-scoring action items into the Action Plan.

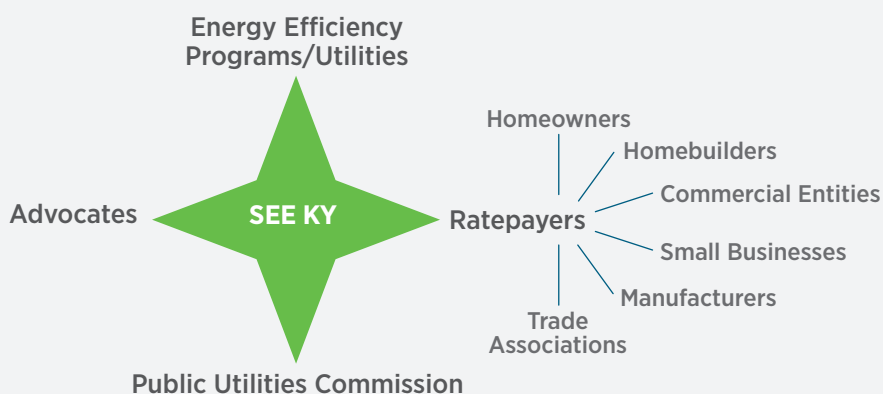
### 5 Identify leaders and implement action items

DEDI prioritized the Action Plan items that received the highest rankings for feasibility and impact. Then, for each high-ranking action item, DEDI identified stakeholders that could transform those plans into reality on a specific timeline.

For example, DEDI convened a Manufactured Housing Advisory Group, comprising more than eight stakeholders. The Group developed recommendations regarding energy-efficient manufactured homes, and several participants engaged in one-on-one efforts to expand utility-run residential energy efficiency programs.

Another group of stakeholders, led by the Public Service Commission (PSC), included representatives from utilities and business, as well as state officials. This group discussed industrial energy efficiency efforts relative to the industrial opt-out provisions of the DSM Statute (KRS 278.285), and gained additional perspective from guest speakers from various industries who shared energy efficiency experiences, issues, and concerns. The PSC was ultimately in charge of the process and discussion of this stakeholder group, which allowed for an open dialogue with no preconceived notions regarding the outcome.

Stakeholders in SEE KY included entities that design and run energy efficiency programs (utilities), government bodies that approve programs and assess cost-recovery (Public Utilities Commission), environmental and consumer advocates, and ratepayers that consume energy and benefit from the state’s efficiency programs.



## 6 Track progress through energy efficiency program performance reporting

A major need identified in the Action Plan for SEE KY was a consistent methodology and practical means of measuring progress toward the state's one percent annual electric savings goal.

To institute a standard methodology, the DEDI project team consulted with experts in the field on the metrics and analyses necessary to measure progress toward annual benchmarks, including the Northeast Energy Efficiency Partnership's Regional Evaluation, Measurement and Verification (EM&V) Forum and experts from Lawrence-Berkeley National Lab. The technical team decided to incorporate a number of data elements from various databases, including [key elements and definitions from the EIA F861 Datafile \(YR 2009\)](#). Once the project team devised an initial reporting and analysis protocol in consultation with national experts, they convened a series of technical meetings with the reporting Kentucky utilities. During the course of these meetings, the project team and utilities refined an approach that is appropriate for Kentucky, consistent with utilities' existing abilities to provide data, and provides the necessary level of transparency.

The team ultimately secured voluntary agreements from Kentucky's electric utilities to report energy efficiency program performance data for rate-payer funded, DSM program activities on an annual basis starting with the 2012 program year. Participating utilities included all three investor-owned utilities, both generation and transmission cooperatives, and the Tennessee Valley Authority. Together, they serve more than 80 percent of the state's customers.

After extensive negotiations, participating utilities provided performance data covering program years 2012 and 2013. To ensure data reliability, utilities had the opportunity to review and comment. Data collected from 2012 allowed DEDI to refine its collection tools and analysis approach as errors were found. After working through these issues, KY was able to use 2013 data to establish a baseline. DEDI analyzed the data and calculated: total of energy savings by utility, sector and program; utility program participation rates; levelized energy costs (LEC) by portfolio (LEC cannot be calculated for individual programs due to how data are reported); and energy savings as a percentage of total sales. DEDI then shared results with participating utilities.

Four mechanisms were built into action items to maintain engagement, ensure investment in outcomes, and establish the *Action Plan* as a living document to be updated as action items evolved.



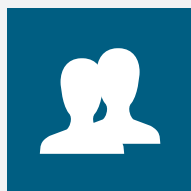
### Tracking Timelines/Participants:

Action items list time periods for implementation and participating organizations.



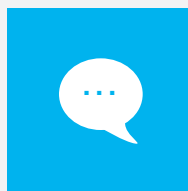
### Continuing Monitoring:

DEDI is engaged in the on-going process, participating in meetings, monitoring activities, and supporting the process where appropriate.



### Identifying Leaders:

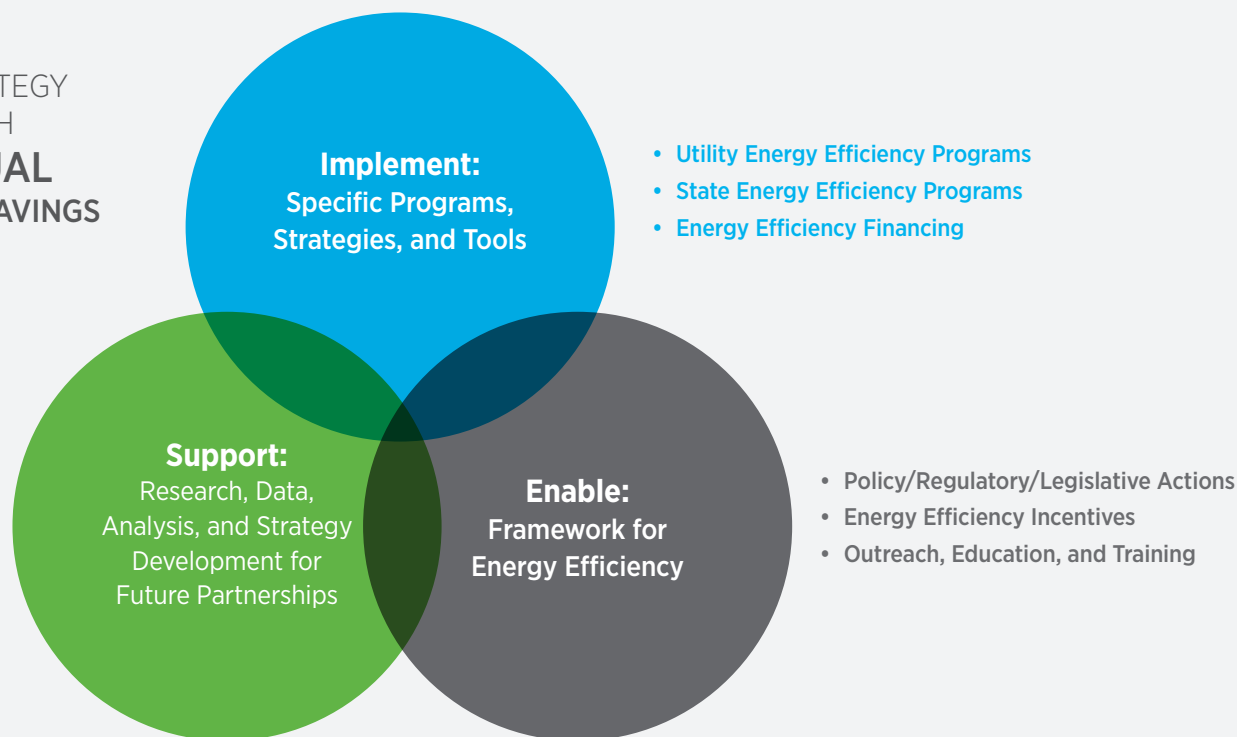
Stakeholders were selected for leadership positions for certain action items, and organizations/individuals were identified for additional work groups. Individuals and organizations were strategically approached to lead issues where they had the strongest vested interest in the outcome and the ability and resources to shepherd the process.



### Providing Support:

The project team continues to work with stakeholder leaders to develop work groups and track progress on the *Action Plan* items, providing support and technical assistance where possible.

SEE KY STRATEGY  
TO REACH  
**1% ANNUAL**  
ELECTRICITY SAVINGS  
GOAL



## RESULTS

SEE KY's focus on relationship and coalition building reaped tangible benefits. The project team used both voluntary and collaborative approaches as means to achieve consensus on the most effective ways to capitalize on Kentucky's significant potential for reducing energy use via energy efficiency. The collaborative meeting process was effective in:

- Developing an Action Plan that lays out Kentucky's energy efficiency goals;
- Developing a consistent, practical methodology for measuring progress toward the state's one percent annual electric savings goal;
- Providing a forum for diverse attendees to interact with one another and engage in forthright discussions on the opportunities and barriers to energy efficiency in Kentucky; and
- Engaging legislators as a means to raise awareness of energy efficiency issues within the General Assembly.

With the Action Plan at its disposal, Kentucky has a path toward significant savings in energy and energy cost. Kentucky is implementing Action Plan strategies that will reap significant energy benefits over time.



### Tools and Resources

Kentucky's Action Plan for Energy Efficiency

SEEKY Factsheet

Stakeholder Meetings and Action Items Overview