STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2016-223-E

In the Matter of:

Petition of South Carolina Electric & Gas Company for Updates and Revisions to Schedules Related to the Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South Carolina

Surrebuttal Testimony of Alice Napoleon

on Behalf of the South Carolina Coastal Conservation League

September 22, 2016
Q. Please state your name for the record.
A. My name is Alice Napoleon.

Q. Are you the same Alice Napoleon who previously provided direct testimony in this docket?
A. Yes, I am.

Q. What is the purpose of this surrebuttal testimony?
A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of W. Keller Kissam on behalf of South Carolina Electric and Gas Company (SCE&G), in which Mr. Kissam takes issue with several points made in my direct testimony.

Q. Do you have any general thoughts about Mr. Kissam’s testimony?
A. Yes. It is clear that Mr. Kissam and others are dedicated to SCE&G’s demand-side management (“DSM”) and energy efficiency (“EE”) programs. I appreciate the time and effort spent developing and implementing SCE&G’s programs, as well as Mr. Kissam’s time to respond to the concerns raised in my direct testimony. However, I wish to address some of the statements made by Mr. Kissam.

Q. Mr. Kissam suggests in his rebuttal testimony that your testimony advocates “focusing entirely on research, program design, and studies.” (p. 2) Please respond.
A. My testimony certainly did not advocate this. Instead, I sought to point out that 1) other electric utilities are achieving much higher savings levels than SCE&G, 2) SCE&G could modify and expand its programs to provide all customers with opportunities to save on their energy bills through energy efficiency, and 3) studies performed in specific areas could help SCE&G identify ways to improve and expand its programs to achieve savings levels in line with what utilities far and near have attained and continue to attain. I agree with Mr. Kissam that “it is important to maintain a balance between constant study and research and real-world experience” (p. 2). However, timely, accurate and reliable
information is the cornerstone of good decision-making in any industry. The energy efficiency industry is no exception.

Q. Do you agree with Mr. Kissam that “the key for the Company’s programs . . . is to maintain a balance between program offerings and the cost of such programs as they impact rates” (p. 5)?

A. To some extent, yes. I agree that program costs are an important consideration. However, I believe the singular focus on rate impacts is misplaced. Instead, program costs should be balanced against bill impacts rather than rate impacts, as the best measure of what customers actually pay. Bills reflect both changes in rates (e.g., due to changes in plant construction costs, fuel costs, etc.) and changes in consumption, which accounts for savings due to implementation of energy efficiency measures.

Further, although SCE&G should be commended for keeping program costs low, an excessive focus on program costs in the abstract is also misplaced. If efficiency programs are “cost-effective,” their benefits by definition exceed their costs. The fact that SCE&G’s portfolio is highly cost-effective means that there is significant “head room” for program costs to grow (e.g., through enhanced marketing efforts designed to reach more customers) while still maintaining program cost-effectiveness. Placing an artificial limit on program costs reduces potential energy savings, and more importantly reduces the money-saving benefits to customers.

It is also important to consider the benefits of the programs to the electric system and to society, to the extent that these benefits are not reflected in rates or bills. These benefits include, for example, reduced financial and power supply risks, reduced costs and risks of complying with current and future environmental regulations, avoided emissions not
accounted for in those regulations, and other non-energy benefits to the utility such as reduced cost of arrearages for low-income customers.

Q. What do you think about Mr. Kissam’s statement that studies can be misleading (p. 6)?

A. Mr. Kissam uses the example of the Energy Star Lighting program to argue that studies can be misleading. He states that, with respect to the lighting program, “If one were simply to count the number of bulbs sold and make certain assumptions regarding the bulbs to be replaced, then energy efficiency savings would equal a certain amount. However, it was hard to calculate how many of the bulbs were staying on the Company’s system and how many were being installed elsewhere” (p. 6). His statement implies that SCE&G did not have data on where bulbs were being used at the time that the decision was made to change program delivery – or else there would be no need to make assumptions about whether the bulbs were being installed on the Company’s system or not.

But rather than calling into question the value of studies in general, Mr. Kissam’s example demonstrates their importance. It shows the utility of collecting, maintaining, and analyzing data, and of planning for data collection and analysis when a program is being designed to enable better decision-making going forward. Conducting a limited, targeted survey of customers that purchased the discounted bulbs at retail stores while the program still employed the mid-stream delivery model would have allowed SCE&G to weigh the large benefits yielded by mid-stream program delivery against concerns about off system leakage. Instead, SCE&G made a decision to switch to a less convenient and less successful program delivery model, apparently without data to show that there was a
leakage problem at all. It is important to note that other utilities elsewhere routinely conduct studies on leakage impacts on program cost-efficacy.

Q. Mr. Kissam states that SCE&G’s programs were based on customer needs and preferences, not national trends and studies. Did your testimony suggest that the Company should disregard its own experiences and customer feedback?

A. Absolutely not. To design and implement its programs, SCE&G should draw on its own experiences and feedback from its customers, and should leverage its relationship with its customers in designing and implementing programs. But that does not mean the Company should ignore the vast nationwide experience and research on energy efficiency that has accumulated over decades of implementation. Utilities in other states have operated energy efficiency programs for many years and have refined their approaches and management practices based on their experiences. Why should SCE&G re-invent the wheel, when it can learn from others’ mistakes and successes to build more robust programs? Energy efficiency program managers have fostered a culture of sharing best practices, so that others can avoid pitfalls that can impede program success. SCE&G should not disregard the valuable lessons learned elsewhere - especially when SCE&G’s programs have not performed as well as the programs managed by its peers. Certainly nothing in Mr. Kissam’s testimony supports the conclusion that SCE&G’s customers are interested in not saving money on their bills or increasing their comfort and health – all benefits of well-run efficiency programs. The success of other utilities in territories with demographics similar to that of SCE&G’s shows that well-designed and executed programs can succeed in saving customers significant money.
Q. What do you think about Mr. Kissam’s statements about the termination of the Energy Star New Homes and Home Performance with Energy Star programs?

A. Mr. Kissam states that SCE&G programs would have been duplicating efforts that home builders and appliance dealers were making regarding energy efficiency anyway (p. 7). I disagree with Mr. Kissam on what the next step should be once it is found that the market is offering some of the same energy efficient products and services as the utility. Just because the market has transformed in some respects does not mean that all cost effective opportunities in that sector have been tapped. Market transformation is an on-going process, because as the market is transformed in one area, new technologies and standards open the door to deeper energy-savings opportunities. For example, SCE&G could consider implementing more stringent efficiency standards that tie incentives to lower HERS rates beyond ENERGY STAR Version 3.

As I noted in my direct testimony, no other SCE&G program addresses new homes or major energy-efficient upgrades to existing homes. In their absence there will be lost opportunities, which occur when efficiency measures are not installed when it is most cost-effective to do so (e.g., during the construction or renovation of a building).

Q. Do you have any comments on Mr. Kissam’s testimony with regard to the Neighborhood Energy Efficiency Program (NEEP)?

A. Yes. Mr. Kissam did not fully respond to my concern that NEEP appears to offer only the lowest-cost measures, while failing to address other measures that are generally cost-effective. Mr. Kissam did not address the measures that are commonly provided by low-income programs elsewhere but that SCE&G does not appear to be providing, such as caulking, weather-stripping, insulation, faucet aerators, and low-flow shower heads.

While participants may sign up for “a home visit to explore additional opportunities on a
customer specific basis” (p. 8), those opportunities are limited without an energy
efficiency retrofit program like Home Performance with Energy Star in place.

Q. Do you have any other comments on Mr. Kissam’s rebuttal testimony?
A. Yes. Although Mr. Kissam quibbles with various aspects of my testimony, it is
noteworthy that he does not try to rebut my main point – that a robust energy efficiency
portfolio could help customers to mitigate the bill increases related to the new V.C.
Summer units. The recommendations in my direct testimony are aimed at expanding
SCE&G’s energy efficiency programs to allow all customers the opportunity to lower
their bills in an environment of rising rates.

Q. Does this conclude your surrebuttal testimony?
A. Yes, it does.