

# Central Hudson Gas & Electric Corp

## Commercial Natural Gas: Process Evaluation Summary

*Evaluation Conducted by:* Applied Energy Group (AEG), *DATE:* February 2015

### PROGRAM SUMMARY

The objective of the Commercial Natural Gas Program is to increase the purchase and installation of high efficiency space or water heating equipment among commercial customers with an annual natural gas usage of less than 10,000 ccf. Incentives are available for efficient furnaces, boilers, boiler reset controls, indirect water heaters and programmable thermostats. The program is implemented by ICF International ("ICF"). The program requires that all work is completed by a SavingsCentral Trade Ally, a qualified contractor certified by Central Hudson to participate in the program.

Equipment Type	Minimum Performance	Rebate
Furnace	AFUE $\geq$ 90%	\$500
	AFUE $\geq$ 92% with ECM Fan	\$700
	AFUE $\geq$ 94% with ECM Fan	\$900
Water Boiler	AFUE $\geq$ 85%	\$800
	AFUE $\geq$ 90%	\$1,200
Steam Boiler	AFUE $\geq$ 82%	\$800
Boiler Reset Control	n/a	\$100
Indirect Water Heater	n/a	\$300
Programmable Thermostat	Installed with qualifying furnace/boiler	\$25

### EVALUATION OBJECTIVE AND HIGH LEVEL FINDINGS

An independent evaluation contractor, Applied Energy Group (AEG), designed the 2012-2013 process evaluation to gain a better understanding of program operations, assess the overall effectiveness of program operations and identify areas for improvement. AEG performed the following tasks:

- Reviewed program materials and data.
- Reviewed program tracking methods.
- Updated program logic model and assessed program flow.
- Conducted interviews with Central Hudson staff and third party implementation contractor, ICF.
- Conducted focus group/interviews with Trade Allies.
- Conducted surveys of participating customers.

Central Hudson spent approximately 80 percent of the 2012 budget and achieved 150 percent of the Dtherm savings target. Between January 1, 2013 and June 30, 2013, Central Hudson spent approximately 45 percent of the budget and achieved 115 percent of the Dtherm target. Between January 1, 2012 and June 30, 2013, 62 customers participated in the Commercial Natural Gas Program and 189 measures were rebated.

## **EVALUATION RECOMMENDATIONS AND PROGRAM ADMINISTRATOR RESPONSE**

The following recommendations were made by the evaluators conducting this study. Central Hudson's initial response to these recommendations is also summarized below and will be tracked over time.

### **Recommendation 1: Modify Trade Ally Participating Contractor Agreement**

Approximately 46 percent of the SavingsCentral Trade Allies did not submit a rebate application between January 1, 2012 and June 30, 2013. The Trade Allies interviewed expressed concern regarding the list on the Central Hudson website, noting that the list is quite long and that there may be HVAC contractors that are not upselling energy efficient systems or performing quality work. Additionally, Central Hudson does not require proof that the HVAC contractors have insurance.

AEG recommends that Central Hudson and ICF consider modifying the Trade Ally Participating Contractor Agreement to (1) require proof of insurance and (2) require at least two customer references. ICF should require that all Trade Allies provide proof of insurance on an annual basis.

**Response to Recommendation 1:** With the help of ICF, we are in the midst of obtaining proof of insurance from all of our Trade Ally contractors. If this proof of insurance is not received then we will not allow them to be a Trade Ally. For every Trade Ally that sends in the Proof of Insurance we have set it up with their insurance company to send us a proof of insurance on an annual basis automatically. This process is fully implemented.

### **Recommendation 2: Continue Random Inspections of Trade Ally Projects**

AEG recommends that ICF continue to inspect the first four projects completed by a new Trade Ally and a random 10 percent of Trade Ally projects. The majority of participants are made aware of the program via word of mouth or the Trade Ally. Therefore, it is crucial that customers are satisfied with the program and work completed by the Trade Ally.

**Response to Recommendation 2:** This process is fully implemented.

### **Recommendation 3: Continue Aggressive Marketing Campaign**

According to the participant survey, 24 percent of participants first became aware of the program via the Central Hudson website. Twenty-nine percent of respondents reported that they converted to natural gas from another fuel source and then participated in the Commercial Natural Gas Program. The program is not prominently displayed on the SavingsCentral website.

AEG recommends that ICF and Central Hudson continue to provide clear, accessible information to customers on the benefits of installing energy efficient equipment. Central Hudson should continue to aggressively promote this program as part of the

SavingsCentral brand and increase the program information available on the SavingsCentral website.

**Response to Recommendation 3:** Central Hudson will give the SavingsCentral website a thorough review to determine if changes are warranted. If a change is needed we will work with our Corporate Communications to make any and all changes and updates.

**Recommendation 4:** Improve Application Processing QA/QC

The program requires that all work is completed by a SavingsCentral Trade Ally. Three percent of measures rebated were installed by non-SavingsCentral Trade Allies. Programmable thermostat incentives are offered to participants installing a qualified heating system. Two customers received more programmable thermostats than boilers/furnaces installed.

AEG recommends that Central Hudson work with ICF to ensure the rebate processing system adheres to the requirement that systems are installed by a Trade Ally and programmable thermostats are installed with a qualifying heating system. The total quantity of programmable thermostats incentivized should not exceed the total quantity of heating systems installed.

**Response to Recommendation 4:** Central Hudson will look into this and work with ICF to implement improvements to hopefully avoid or minimize this from happening again in the future.

**Recommendation 5:** Consider Modifying Equipment Offerings and Incentives

In 2012, 62 percent of furnaces rebated had an AFUE  $\geq 90\%$  and 31 percent had an AFUE  $\geq 95\%$  with an ECM fan. As of June 30, 2013, 46 percent of furnaces rebated had an AFUE  $\geq 90\%$  and 54 percent had an AFUE  $\geq 95\%$  with an ECM fan. Approximately 96 percent of boilers were water boilers AFUE  $\geq 90\%$ . Steam boilers accounted for only 2 percent of rebated boilers.

AEG recommends that Central Hudson work with ICF to determine if the furnace offerings and/or incentives should be modified. Central Hudson has not rebated any furnaces with an AFUE  $\geq 92\%$  or AFUE  $\geq 94\%$  with an ECM fan.

**Response to Recommendation 5:** Central Hudson is currently in the process of reviewing rebate and participation levels to possibly adjust the incentive level for particular measures, if needed.

**Recommendation 6:** Remove the Central Hudson Logo from SavingsCentral Website

The Central Hudson logo is available for download on the SavingsCentral website. AEG recommends that Central Hudson remove the logo from the website to minimize access to the logo and unapproved use of the corporate logo. Participating SavingsCentral Trade Allies can request the Central Hudson logo from ICF as needed.

**Response to Recommendation 6:** As a Company, our branding in our service territory is extremely strong. We understand that this could cause unapproved use of our logo. We will work with our Corporate Communications department to create a way to minimize this risk.

## **DETAILED PROCESS EVALUATION FINDINGS**

The Commercial Natural Gas Program is driven by Central Hudson's aggressive and creative advertising. ICF and Central Hudson work collaboratively to market the program. According to the participant survey, participants first became aware of the program via a referral (36 percent), the Central Hudson website (24 percent) and the SavingsCentral Trade Ally (21 percent). Twenty-nine percent of respondents reported that they converted to natural gas from another fuel source and then participated in the Commercial Natural Gas Program.

Overall, the program participants surveyed were very satisfied with the program. Participants were very satisfied with the performance of the new efficient equipment as compared to the equipment replaced. Customer satisfaction related to the types of eligible equipment was largely neutral. All participants surveyed reported that they would recommend the program to other customers, primarily for the bill savings.

Nearly all participants surveyed (97 percent) reported that they would recommend the Trade Ally who performed the installation. Respondents were pleased with the professionalism displayed by the Trade Ally and the quality of the work. The one respondent that would not recommend the Trade Ally was dissatisfied with the Trade Ally's unprofessionalism.

Central Hudson and the Trade Allies are very satisfied with ICF's performance. Central Hudson noted that the transition to ICF was fairly smooth. Central Hudson and the Trade Allies reported that ICF is easy to work with, knowledgeable and very responsive. The two parties are particularly satisfied with the Trade Ally outreach, noting that the ICF staff is very helpful and responsive to requests for information and/or training.

## **EVALUATION METHODS AND SAMPLING**

AEG administered a 10 to 12 minute telephone survey to a sample of program participants to assess program experience and awareness, customer satisfaction, barriers to participation, free ridership and areas for potential program improvement.

Between January 1, 2012 and June 30, 2013, Central Hudson rebated 189 measures to 62 participants for the Commercial Natural Gas Program. Central Hudson provided data for all 189 measures rebated, including business name, account number and telephone number. AEG scrubbed the participant data to remove duplicate electric Central Hudson account numbers from the participant list, thereby accounting for customers that received more than one rebate. The scrubbed participant data included 62 unique participants. AEG calculated the sample size at a 90 percent confidence interval with an error margin of +/-10 percent. The sample size was calculated at 33. Participants were then randomly selected based on unique identifiers determined by Microsoft Excel's random number generator. Program participants were

contacted based on the unique identifier, beginning with the smallest number. Thirty-four surveys were completed, exceeding the necessary sample size.

AEG updated the program logic model based on interviews with Central Hudson program staff and the third-party implementer. The model shows the linkages among the program's activities and outputs. There are five main activities in the Commercial Natural Gas Program, including: develop program infrastructure, market program, install measures, process rebate application and evaluate program.