

EEAC Resolution
Regarding the 2010-2012 Energy Efficiency Investment Plans
of the Electric and Gas Program Administrators

Adopted 10-27-09

BE IT RESOLVED THAT

The Voting Members of the Energy Efficiency Advisory Council (EEAC) present the following conclusions and comments on the Three-Year Energy Efficiency Investment Plans prepared by the Program Administrators (PAs) for submission to the Department of Public Utilities (DPU) as required by the Green Communities Act of 2008 (GCA). These conclusions and comments are to accompany the plans filed by PAs and represent the current thinking of the EEAC.

- Based on our review of the plans at the Council to date and the information available to us on October 27th, we approve the statewide energy efficiency plans, find them consistent with the goals and requirements of the Green Communities Act, and support their filing at the DPU, unless unexpected and contrary data or details should appear in later PA submissions.
- We recognize and appreciate the hard work of program administrator staff, EEAC consultants, and all Councilors in preparing these groundbreaking energy efficiency plans. The EEAC has met more than twenty times in public session to set direction for and oversee the development of these plans. To this point, we have seen unprecedented collaboration across PAs and among stakeholders as we strive to achieve the goals of the Green Communities Act. We have seen unparalleled commitment from all parties towards achieving our shared vision to make the Commonwealth as energy efficient as possible.
- We note with appreciation and excitement the many areas where PAs have developed significantly improved energy efficiency programs. We anticipate that, if executed faithfully, the 2010 – 2012 efficiency plans will: be more focused on meeting customer needs; be more responsive to customer requirements and circumstances; contribute to climate and air quality benefits; enable deeper energy savings in each building touched; reach more customers, in all corners of the Commonwealth including eligible low-income people in both low-income and non-low-income communities, as specified by the GCA, and people in environmental justice communities; integrate electric and gas programs to streamline customer access to programs; establish dedicated and robust support for Combined Heat and Power (CHP) installations; address long-standing challenges like multi-family housing; pilot both new technologies and new approaches to reaching energy users including for example deep energy retrofits, enhanced on-bill and internet-based communication, and community mobilization; establish long-term relationships with customers, in order to put them and the whole Commonwealth on a path to deep energy savings over the longer term, and, through faithful implementation of the Council's resolution on EM&V administration, be able to provide independent evaluation, measurement, and verification of the various aspects of the PAs' programs and savings.
- We expect to work with the PAs during 2010 on the strategies for outreach, education and marketing of these new programs to help insure robust participation in and successful implementation of the plans. We believe this is vital in having any chance of achieving the desired savings in the first year of the three year plans. We expect to work with PAs to assess outreach, education, and marketing strategies and to integrate any best practices into 2011 and 2012 plans.
- We restate our earlier agreement that the statewide plans and each PA's plan ought to achieve the savings targets adopted by the EEAC on October 6th and October 13th, as set forth in the attached resolutions. These savings targets ramp up each year in order to get on the path to achieving all available, cost-effective energy efficiency, as required by the Green Communities Act.

- We reaffirm our judgment that PAs should be eligible to earn a performance incentive as laid out in the attached resolutions adopted on October 6th and October 13th, and as described in the statewide plans, subject to DPU review and approval.
- Pursuant to EEAC's resolutions of October 6th and October 13th, acknowledging that flexibility is important for individual PAs that face particular and documented challenges in achieving energy efficiency savings, we approve, for the purposes of our current review, the adjustments to the savings targets for these PAs (Berkshire Gas Company, Fitchburg Gas and Electric Company, New England Gas Company, and Western Mass. Electric Company), as presented in their respective proposals to the EEAC, provided that the statewide savings targets remain the same.
- Our assessment is that costs to operate the programs should be kept as low as possible while achieving the objectives and requirements of GCA. It appears based on the evidence available to us that the overall costs to operate the electric programs are generally appropriate, but there may be particular program costs or variations across PAs that merit more careful review than is afforded the EEAC at this time given the timeline established in the GCA. It appears based on the evidence available to us that the overall costs to operate the gas programs are generally appropriate, but there are particular program costs and variations across PAs which may be understandable and explicable but which merit more careful review than is afforded the EEAC at this time given the timeline established in the GCA. As such, the EEAC requests and directs its consultants to continue to work with gas PAs to refine and improve gas program cost numbers for amendment, if necessary, in the midcourse adjustment filings or sooner if possible.
- We recognize that minimizing bill impacts on customers is an essential consideration and that it is important to minimize upfront financing barriers to implementation for non-low-income customers. For these reasons, it will be crucial for PAs, the EEAC, and all stakeholders to work together to identify and bring in outside funding for the programs; to continue to work together to ensure that savings are being delivered efficiently and cost-effectively; as well as to keep a close eye on program costs. We reaffirm our judgment that the electric PAs should set outside funding targets of at least \$100M for the 2011 program year and \$200M for the 2012 program year and the gas PAs should set outside funding targets of at least \$20M for the 2011 program year and \$40M for the 2012 program year.
- We expect, in line with consistent discussion at the Council, that the company-specific plans will be in full agreement with the statewide plans.
- We expect that PAs will continue to strive to make more open and clear the process for hiring and training workers and contractors in this industry, as well as the training and other requirements to be eligible to do the work; and to support training and career development to create a sufficient, skilled, and more diversified workforce. The PAs should make reasonable efforts to encourage their lead energy efficiency contractors to provide workers with a livable wage and fair benefits and with the opportunity to move along a career path. In addition, the PAs shall make reasonable efforts to contractually require their lead energy efficiency contractors to comply with all applicable federal, state, and local laws including, but not limited to those governing independent contractor classifications.
- We understand that there will be additional information presented to the EEAC on the plans relating to performance incentives that could not be completed and agreed upon in time for submission but we expect all parties to continue to work together to develop a shared proposal for submission in November.
- We expect that the EEAC and PAs will continue to work collaboratively throughout the three-year plan horizon, as directed by the Green Communities Act. It is our expectation that, especially given all the new elements of these three year plans, PAs will learn a great deal about what improvements or adjustments should be made in the programs early in 2010. We anticipate that there are likely to be a number of mid-course adjustments to program designs as well as program-level savings and costs for 2011 and 2012, and we expect the PAs to work collaboratively with EEAC to analyze lessons learned, develop adjustments, and put them into

practice. This will include a detailed PA report to the Council, developed in coordination with EEAC consultants, on programs, savings, benefits and costs by July 31st; Council review and recommendations to PAs on programs, savings, benefits and costs by August 31st; a reply from the PAs incorporating any Council comments by September 30th; and an update filing with the Department of Public Utilities by October 30th.

Accordingly, the Voting Members of the Energy Efficiency Council in recognition of the aforementioned reasons, approve the Statewide gas and electric Energy Efficiency Investment Plans. The Council further expects that each individual plan of the electric and natural gas companies and municipal aggregators will comport to the statewide plan and applicable resolutions of the Council. Pursuant to subsection (d)(1) of section 21 of Chapter 25 of the General Laws, the Council directs the electric and natural gas companies and municipal aggregators to submit this resolution to the Department of Public Utilities as part of their respective plans. We request that the Department consider the comments and conclusions that we articulate above.

Attachments (2)

**Proposal of DOER and AG
Statewide Savings Targets at 2.4% in 2012 with \$65 M in Performance Incentives
Electric Program Administrators**

Adopted by EEAC 10-6-09

	Offer			
	2010 Target	2011 Target	2012 Target	Total 2010-2012
Savings Target as % of Retail Energy Sales	1.4%	2.0%	2.4%	
Annual Energy Savings in GWh	630	910	1,109	2,649
Performance Incentive (\$ million)	17.5	22.0	25.5	65.0
Threshold to Begin Earning Incentives	75%	75%	75%	
Performance Incentive Cap (\$ million)	21.875	TBD	TBD	
Program Costs (\$ million)	233*	373*	499*	1,105*
Cost Per Annual kWh Saved	0.37*	0.41*	0.45*	
Amount of Other Funding (\$ million)	Known \$	100	200	

The Council will entertain PA proposals to provide flexibility for one or more individual PAs. Such proposals may allow for savings goals slightly lower or higher than the savings target (with detailed justification), but with the statewide savings targets (set forth in GWh above) remaining the same.

Incentive pool is allocated to individual PAs based on the savings target each year, and not based on the sum of PA savings levels (which may sum to slightly lower than the savings targets), therefore potentially leading to a total incentive level slightly less than the target incentive level.

Incentive mechanism provides higher incentives for the higher savings targets.

Incentive pool of \$65 million is the maximum pool at the target savings level for the three years.

Use evaluation (EM&V) results to determine performance incentives earned, but limit the impact of the evaluation results to a bandwidth of +/-25% at the portfolio level.

*Program costs are still under review by PAs and consultants to resolve a number of differences; numbers to be finalized before filings.

Attachment II

**Proposal of DOER and AG
Statewide Savings Targets at 1.15% with \$14.0 M in Performance Incentives
Gas Program Administrators**

Adopted by EEAC 10-13-09

	Offer			
	2010 Target	2011 Target	2012 Target	Total 2010-2012
Savings Target as % of Retail Energy Sales	0.60%	0.90%	1.15%	
Annual Energy Savings (therms)	12,510,000	19,000,000	24,500,000	56,010,000
Performance Incentive (\$ million)	4.0	4.5	5.5	14.0
Threshold to Begin Earning Incentives	75%	75%	75%	
Performance Incentive Cap (\$ million)	5.0	TBD	TBD	
Program Costs (\$ million)	49.9*	80.9*	108.5*	239.4*
Cost Per Annual Therm Saved	3.99*	4.26*	4.43*	4.27*
Amount of Other Funding (\$ million)	Known \$	20	40	

The Council will entertain PA proposals to provide flexibility for one or more individual PAs. Such proposals may allow for savings goals reasonably lower or higher than the savings target (with detailed justification), but with the statewide savings targets (set forth in therms above) remaining the same.

Incentive pool is allocated to individual PAs based on the savings target each year, and not based on the sum of PA savings levels (which may sum to slightly lower than the savings targets), therefore potentially leading to a total incentive level slightly less than the target incentive level.

Incentive mechanism provides higher incentives for the higher savings targets.

Incentive pool of \$14.0 million is the maximum pool at the target savings level for the three years.

Use deemed savings for calculation of incentives and LBR for 2010. Use evaluation (EM&V) results to determine performance incentives and LBR earned for 2011 and 2012, but limit the impact of the evaluation results to a bandwidth of +/-25% at the sector level.

*Program costs are still under review by PAs and consultants to resolve a number of differences; numbers to be finalized before filings. The numbers here are the consultant recommendations. There are a number of identified factors that are likely to push program costs up but these factors need more careful review prior to finalization for the plans.