



2011 Q3 Qualitative Results

PA Presentation to the EEAC

October 11, 2011





Highlights of the Third Quarter

- 11th Annual GasNetworks® Fall Conference and Trade Show took place on September 22, 2011
- First HES Contractors Best Practices Group meeting held in September
- PA draft proposal for Statewide Codes and Standards Program was submitted to the DOER and BBRS in September 2011
- Upstream Lighting initiative was officially launched on September 1, 2011
- Extensive marketing efforts in Q3

Residential Market





Residential Market

- New Construction:
 - Through the end of the third quarter the Program is targeted to exceed the 2011 statewide unit savings goals.
 - Western Mass' Storm Recovery Program has 10 projects underway.
- Heating/Water Heating Rebate Program:
 - A steady demand for rebates has continued as the busy heating season arrives.
 - The 11th Annual GasNetworks Fall Conference and Trade Show took place on September 22nd with a record number of attendees.
- Mass Save Home Energy Services (HES):
 - The PAs have transitioned into the new HES open market design.
 - Home Performance Contractors (HPCs) and Independent Insulation Contractors (IICs) working within the program.
 - The Contractor's Best Practices Group held its first meeting.

- Lighting & Appliances:

- Many PAs have reached their goals in the LED categories as Energy Star qualified LED lamps have reached the retail sector.
- Specialty and Hard to Reach categories continue to perform well in most areas.
- Refrigerator/Freezer rebates continue to perform well; electronics, air cleaners, pool pumps still challenging.

- Multi Family:

- Many PAs have a robust pipeline of projects and expectations of meeting goals.
- The MMI reported a spike in program interest and enrollment based the Statewide Marketing Multi Family campaign in August.

- Low Income Single & Multi Family:
 - Some PAs are on track to reach goal in both programs while others are expecting a big push at year's end.
 - LEAN and the CAPs have improved and are endeavoring to continue improving in reporting and invoicing methods in an attempt to alleviate the traditional year-end "hockey stick effect".
 - PAs' 2012 MTM proposal (with LEAN's support) to consolidate single and multi-family budgets will allow agencies greater flexibility in delivering services.

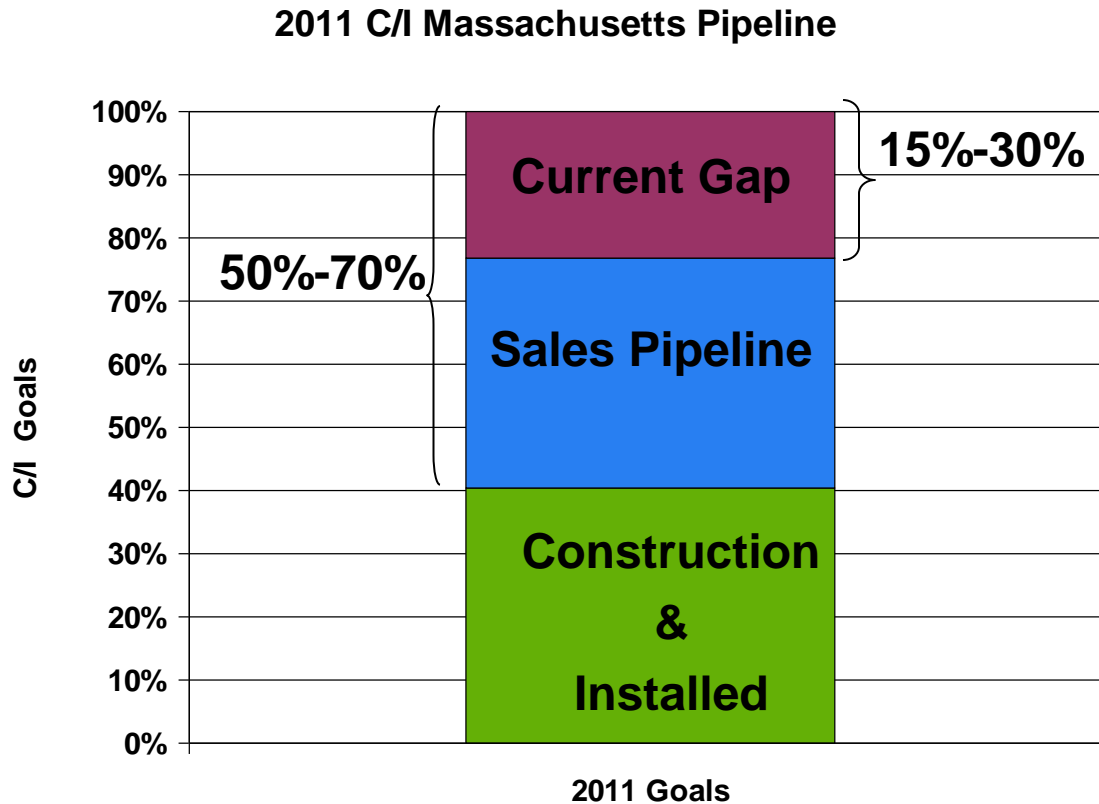
Commercial & Industrial Market



Implementation Update

- Where we are
- Economic challenges
- Sector Highlights
- New Initiatives

2011 Statewide C&I Pipeline Compilation

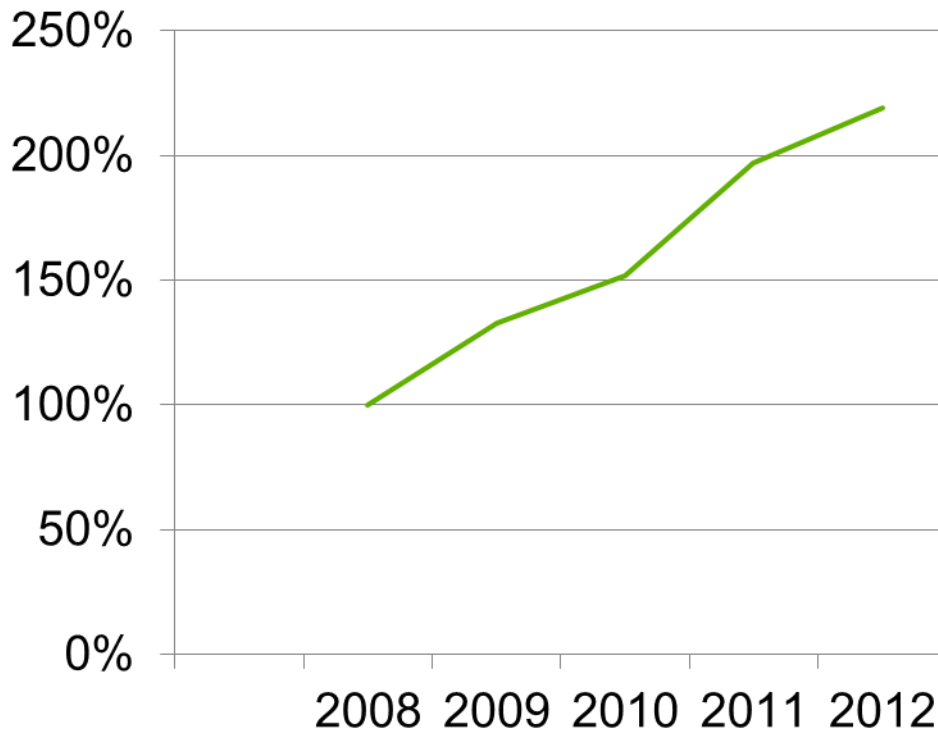


Notes:

- Data from direct involvement, does not forecast/estimate indirect marketplace
- Involves various weightings for probability of closure
- Therefore Sales Pipeline is a range
- As with any business, sales is fluid & continuous

Massachusetts Ramp Up Rate

Ramp Up



Notes:

- Aggressive growth compared to any industry
- Exacerbates historical "hockey stick"
- Need to move infrastructure as well as customers

Market Challenges

- Customers as well as marketplace needs to adapt
 - Customers
 - Changing how they view energy efficiency
 - Defining financial criteria & decision making process
 - Moving from facility manager to business manager
 - Marketplace Actors
 - Vendors, esco's, distributors, architects, etc. are all facing the same challenges in this expansion
 - Understanding the new business opportunity
 - Adjusting their business to align & benefit
 - Managing risk & uncertainty

Effects of Economy

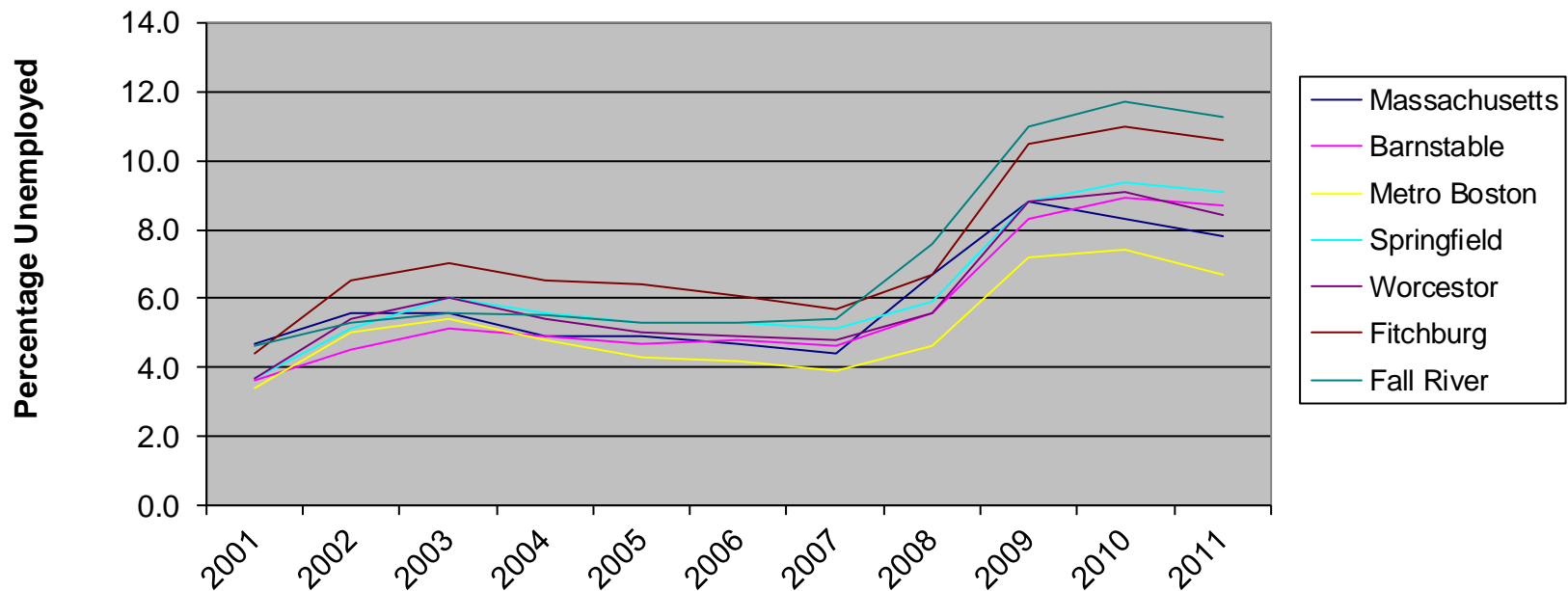
- Access to capital is not the problem, taking on debt is
- New Construction has yet to rebound
- Uncertainty causes customers to retain cash-strong balance sheets



*Taken from AIM Article "Employer Confidence Wanes, But Companies Do Not Expect Freefall"
Posted by Andre Mayer on Tue, Oct 04, 2011 @ 07:59 AM

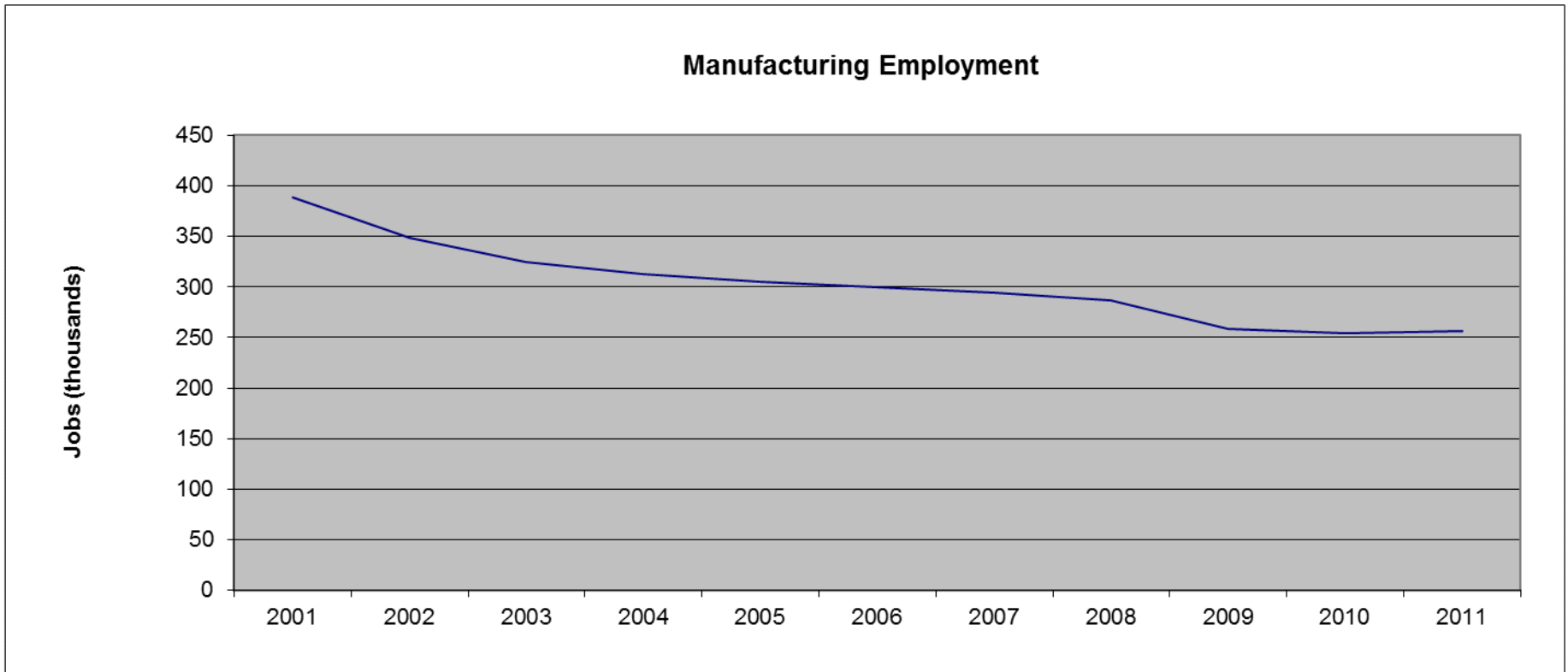
Massachusetts Unemployment

Massachusetts Unemployment



Unemployment remains high and is affecting some regions more than others

Massachusetts Manufacturing



Manufacturing continues to decrease as an industry in Massachusetts

Sector Challenge Highlights

Property Management

- Sector is extremely fragmented
 - Own
 - Operate
 - Own/Operate
 - Sub-metered or common metered
 - Multiple lease structures
 - Tenant fit up process very difficult to influence

Strategy

- Working top down, size as well as complexity
- Beginning with own/operate

Sector Challenge Highlights

Municipal

- Procurement through Chapter 25A has certain challenges
- GCA has helped with streamlining smaller projects (<\$100k)

Strategy

- Need to continue working with municipal customers to create comprehensive plans

Sector Challenge Highlights

Small Commercial/Industrial

- Economy has a greater impact both emotionally as well as financially on smaller customers
- A year after integration, gas retrofit opportunities are showing to be somewhat limited
- Restaurants/retail sector remains unreceptive to CFL's

Strategy

- Working on several different efforts to influence customers for end-of-life gas opportunities
- Advancing LED “socket” products are now looking very promising for dimmable, presentation focused applications

Codes & Standards

- New Construction offers the most opportune time for integration of efficiency
- Time, knowledge and fixed budgets create challenges to enhancing project efficiency

Strategy

- Working with key stakeholders, design efforts to influence new codes and assist customers with compliance

Initiative Highlights

Equipment Replacement

- Large, engineered equipment allows time for identification and influence
- The opposite is true for small, lower cost items

Strategy

- Move influence further upstream
- First effort underway now for high performance T8 bulbs

The monthly Business Confidence Index, initiated by AIM's Board of Economic Advisors in July 1991, is based on a survey of AIM member-companies across Massachusetts, asking questions about current and prospective business conditions in the state and nation, as well as for respondents' own operations. On the Index's 100-point scale, a reading above 50 indicates that the state's employer community is predominantly optimistic, while a reading below 50 points to a negative assessment of business conditions. A number of component sub-indices are derived by analyzing responses to selected questions or those of particular groups of respondents.

Employment data from Bureau of Labor Statistics

EM&V



- **Residential New Construction**
 - Focus on recruiting and conducting on-site visits for the Baseline study- approx. 98 homes recruited and 80 site visits completed.
 - Final report on the Builder Focus Groups issued on September 28, 2011.
- **Non Residential Large Retrofit and New Construction**
 - Impact evaluation of custom gas measure installations completed in the third quarter
- **Non-Residential Small Retrofit**
 - Additional summer metering of a subset of sites from the lighting fixture impact study was completed in Q3 in order to address seasonality issues

Training and Marketing



- GasNetworks 11th Annual Conference was held on September 22, 2011
 - Full day conference with over 21 sessions covering high efficiency natural gas equipment and cutting-edge technologies in both residential and commercial applications such as:
 - ECM Motors
 - Condensing and combination Boilers
 - High efficiency natural gas water heating technologies
 - Over 400 HVAC contractors attended from across the Commonwealth
 - 23 exhibitors were featured
- MAEEP Pump System Assessment Tool training was held September 27-29 in Amherst, MA
- Residential New Construction & Major Renovation provided six trainings
- PAs offering Deep Energy Retrofit partnered with DOER to hold two full-day “Deep Energy Measure Verification” trainings



Statewide Marketing Efforts

- Mid-year review completed in August and presented to Residential and C&I Marketing teams, leading to increased focus on marketing
- Development and planning for the upcoming Mass Savers Awards to take place in October at Patriot Place
- Public relations outreach – three press releases in third quarter
- Mass Save website updates, including:
 - New site architecture completed to make offers easier to find and to categorize educational content
 - Redesigned pages
 - New sections added
- Focus on sector-specific collateral



Residential Specific Marketing

- Bundled messaging of print, radio and online banner advertisements, and customer relationship management emails
 - In Q3, statewide print ads are expected to exceed 5 million estimated impressions
- Residential Statewide Mass Save Marketing team sponsored several events in the third quarter including:
 - Third Thursdays in Pittsfield, MA on July 21 and August 18
 - Lowell Spinners Game in Lowell, MA on August 2
 - The Big E in West Springfield, MA on September 22
 - Barnstable County Harvest Festival on Cape Cod on Saturday, October 1

- Six of the eight Sector Sheets were finalized in Q3, as well as six of the ten Case Studies
 - Total of 29 placements across 5 statewide publications – totaling 312,500 estimated impressions since print ad commencement earlier this year
- Expansion of C&I LinkedIn group to 213 members at time of report
- C&I financing marketing and communications plan set in motion, including:
 - Paid radio advertising partnership with WBZ
 - Booth presence and media interviews at the WBZ Business Expo
 - Collateral and signage at NSTAR and National Grid's annual Energy Efficiency Expo