

MEMORANDUM

To: Energy Efficiency Advisory Council

From: Paul Horowitz

Date: March 8, 2010

Subject: February Team Monthly Report – Activities Undertaken, Six-Week Look Forward, Assessment

Councilors – This is the first Council consultant monthly report which the team will be preparing for your information during the year. Enclosed below are reports from the consultant team groups (Planning & Analysis, Residential and Low Income, C&I, EM&V) on activities undertaken during February and a look forward to the following six weeks. An assessment of the state of activities based on the experiences of the month and the upcoming tasks is also included. I have also included a brief summary of project management activities, which I expect will remain stable from month to month.

Monthly Consultant Report on Activities – February 2010

Planning and Analysis Team

I. Activities during February 2010

Planning and Analysis

- Revised all summary charts and tables (savings and net benefits, for electric, gas, and combination), based on revised data and PA clarifications on the 2010-2012 plans.
- Reviewed and analyzed 2009 preliminary year end performance data provided by the PAs, and provided comments to the PAs prior to PA presentation of the 2009 preliminary results at the EEAC meeting on 2/9. Analyzed and followed up with PAs on the preliminary data, including on lifetime energy savings and program-level results.
- Coordinated with DOER on 2008 annual report and 2009 plan data.
- Updated the 2-3 page highlights document to be consistent with the latest 08-50 data tables, and to address EEAC comments; followed up with PAs on summary bill impacts.
- Revised the EEAC priorities table for calendar year 2010 for the 2/9 EEAC meeting.
- Initial conceptual work on developing a summary mechanism for reviewing the key building blocks and critical paths necessary to support the achievement of the MA goals.
- Reviewed DPU decisions on electric and gas plans (issued 1/28).
- Initial discussion with the PAs regarding a performance metric on other funding.

Financing

- Participated in financing and OBR working group meetings. Developed materials including agendas, the revised owner matrix of key issues for the 2/25 OBR WG meeting, and the financing/OBR update report for the presentation to EEAC at the 2/9 meeting.
- Worked with Tom Darling/DOER to make progress on key unresolved issues, for OBR and outside capital. Reviewed and commented on draft DOER clean energy financing approach and approach for attracting outside capital.

Marketing

- Reviewed the web site design and focus.

Reporting

- Developed consultant initial proposal for the quarterly reports and presented the initial proposal to the EEAC on 2/9. Also reviewed initial concepts from the PAs prior to the 2/9 meeting (we did not receive a counter proposal regarding quarterly reports from the PAs until March).

TRM

- The TRM Core Working Group (CWG) re-launched efforts on the TRM project building upon the accomplishments of 2009, and worked to establish the goals, processes and timelines to complete TRM v.1 covering Prescriptive Measures. The CWG has met monthly as a group and individually as needed to move a series of critical action items forward.

II. Anticipated activities over next six weeks

- Follow up tasks from DPU decisions, including the new performance metric on other funding (metric to be completed in March).
- Review and consider improvements for bill and rate impact analysis, considering the issues raised in the DPU decisions.
- Review final gas costs, resolve as necessary.
- Complete any revisions to data/chart resources and the highlights document based on any revised/late data or clarifications, and insert the summary of the bill impact numbers for the highlights (we are working with the PAs to develop the key summary data for bill impacts).
- Resolve outstanding/unresolved financing OBR issues in the working group process (as the working group can) and report back to EEAC using updated matrix. Seek input from finance people at PAs, not just the DSM/EE staff. Also coordinate with DOER (Tom/others) on development of clean energy investment fund approach and special purpose vehicles to attain outside capital. Work on C&I financing in parallel (see comments in Section III below).
- Follow up on marketing and messaging concerns (see comments in Section III below).
- Revise quarterly reporting process and templates, after response from and interaction with PAs, and present to the EEAC. Review first set of quarterly reports in April and May, and provide a summary to the EEAC at Council meetings in those months.
- Participate in 08-50 working group on annual reporting, when launched by DPU.
- Preparation for EEAC meetings in March and April (including document prep)
- Starting in March, additional working groups will be engaged, including a "High Level" group to cover policy and overarching issues, and "Measure Level Detail" working groups that will assemble appropriate representation from all PAs to develop consensus on individual Measures. The CWG will continue its weekly meeting and supplemental efforts over the next six weeks to facilitate the scheduling and activities of these other working groups.

III. Overall assessment of project

Making progress, but there are lots of tasks for the PAs to do, and progress is slower than it should be or it needs to be if MA expects to achieve the 2011 and 2012 goals and benefits. MA could probably achieve the 2010 goals (1.4% electric, 0.6% gas savings) by implementing some of the old program strategies and some of the new, because the increment/growth above 2009 savings can be reached by increasing the volume of the old approaches (doing more volume). But that is not possible for 2011 (2% electric, 0.9% gas savings) and 2012 (2.4% electric, 1.15% gas savings) It is absolutely critical to pursue and achieve deeper savings per customer if MA wants to achieve the 2011 and 2012 goals (it is not possible otherwise, and it is not possible simply by increasing the volume of the 2009 programs).

PA staff are very busy and still split many ways across many tasks – planning and analysis, implementation support, EM&V, and development of revised metrics (plus support for the EERF phase of the DPU proceeding and 2008 Annual Report proceedings). Smaller PAs are finding it challenging to cover all of the discussions and forums, which is a similar problem experienced in the plan development process last year. But skilled people at the larger PAs are also split across and assigned to many tasks (perhaps too many). Yet at the same time it is important to continue to keep a dedicated core group of PA staff working on planning, analysis, and reporting issues consistently to ensure coordination and reduce any problems of the right hand not knowing what the left hand is doing. This has been helpful in direct communications with the PAs on collective issues(data, quarterly reports, etc.).

Work on the revised metrics (per the DPU order) consumed much of the attention of the PAs and their planning staff during February. This was an important task during February for planning staff at the PAs, as well as for program staff. But all of the attention on metrics resulted in other key activities proceeding slowly. Of note, the TRM has been successfully put back on the track to being completed by June, 2010, in sufficient time for the PAs to adjust their tracking systems according to the resulting consistent and transparent values which can be mapped into the PARIS database, for use in 2011.

Regarding marketing, and related to the focus on achieving deeper savings above (in order to lay the groundwork for achieving the much higher goals and benefits in 2011 and 2012), based on what we have seen and heard so far we remain concerned (but cautiously optimistic) that:

- The marketing and messaging must be focused on going deeper and encouraging customers to take more actions and pursue deeper savings, including whole building approaches, and not be solely or even primarily about reaching more customers.
- It is important to have and employ more marketing levers and program strategies than rebates – and marketing messages focused on motivating customers (targeted and segmented).
- It is crucial to coordinate the launch and roll out of marketing events and activities with the implementation of the new and enhanced program strategies; need to make sure the marketing roll out is coordinated and staged with program implementation. Could be serious problems if MA launches all of the new marketing, yet the enhanced programs and the program strategies to move customers to deeper savings are not ready (e.g., customers will be disappointed or confused; opportunities for deeper savings will be missed). For example, do all program vendors and contractors fully understand the emphasis on deeper savings going forward, and do they have the shared objective and tools to help customers focus on achieving deeper savings?
- PAs should be increasing the use of informed segmentation and targeted marketing and messaging for customer segments.

Some of the PA discussions appear to be about marketing in the manner we outline above, but we have not seen this talking displayed in actual marketing activities or materials focused as above, at least not yet.

Regarding financing, there has been good progress on financing for residential owners, and there have been good discussions on financing for residential renters, which is positive and must proceed, but we also need to make progress on C&I financing in parallel. We need to focus more time and effort on C&I financing and related program offerings, and not have the residential financing discussions (which are also very important and must also move forward) consume all of the available time and attention. Innovative C&I financing is equally important, and in some ways it is both easier and more complex (lots of options, lots of different markets/segments and customer needs, etc.).

Residential & Low-Income Team

I. Activities during February 2010

The principal focus of the residential consulting team in February has been on working with the PAs to implement planned 2010 program activities. Efforts have been made in each of the major program areas, and particularly concentrated on the two programs highlighted in the 'Council Priorities and Key Actions for 2010' document, MassSAVE/RCS and Residential Lighting.

MassSAVE/RCS

This working group, now known as the Residential Management Committee (RMC), has been meeting weekly since the beginning of January to address the remaining program design and start-up tasks necessary to meet the April 1, 2010 program launch target date. The primary focus has been on preparing the MassSAVE Technical & Process Manual that will serve as the principal reference document for the program. A draft of the technical portion of the manual is being reviewed, and a draft of the process portion of the manual is to be ready for review by mid-March. The PAs have made additional progress in the following areas in February:

- Scope of work for QC RFP – Finalized.
- Defining the specifics of the Screen and Diagnostic audits.
- Integrating independent auditors into the program under vendors – Development of RFQ to determine qualified pool of auditors in MA.
- Beginning to coordinate the transition with from the current Boot Camp training structure to the Massachusetts Clean Energy Center's (CEC) MassGREEN initiative which will provide energy efficiency workforce training at community colleges throughout the Commonwealth .
- Addressing health & safety issues (e.g. new Lead requirements).
- Getting updated program information ready for new website launch.

Other important issues still need to be addressed, including:

- Coordinating with DOER on program marketing strategy.
- More effectively serving landlords and tenants through the program.
- Defining the specifics of the duct testing/sealing program offering.
- Integrating the deliverables from the two 2009 MassSAVE metrics (Single Statewide MassSAVE Audit & Comprehensive Education Package) into the program.

Residential Lighting (Products)

The PAs, with guidance from the consultants, made good progress on developing and issuing the three lighting RFPs: hard to reach (HTR) customers/markets through traditional retailer channels, HTR customers/markets through non-traditional channels, and standard lighting negotiated cooperative promotion (NCP). The consultants also provided guidance and feedback to the PAs on the draft Lighting Plan, the MassSAVE/Weatherization direct install bulb metric, planned lighting and appliance shelf and floor space inventories, DOE CFL Market Profile and recent Energy Star CFL delistings, and NMR CFL on-site and telephone survey results.

Other Key Programs/Pilots:

- Residential New Construction: Activities in February included review of activity for January 2010 and determination that current pipeline of projects should allow electric PAs to meet savings goals. Stretch code adoption and support training activities continued, including presentations in 8 towns. Activities and implementation details were outlined for the 2010 QA/QC program, including Tier III model reporting prior

to field inspections and better reporting. The PAs planned a re-bid schedule for implementation contractor RFP assignments and timeline.

- HVAC – Gas & Electric: February activities included further discussions with electric and gas PAs about better coordinating on-going and planning duct sealing efforts within the two HVAC programs, and across other PA programs – MassSAVE, Low Income, and residential new construction. Consultants provided guidance to the PAs on their efficient furnace fans and furnace fan retrofit measures offerings, which provide over 60% of the projected savings for the CoolSmart program. Consultants also worked with PAs on revising CoolSmart QIV metric to meet DPU requirements, and on CoolSmart Program efforts to develop and adopt new quality installation diagnostic tool and protocols. PAs are making good progress to develop and get into the field their heat pump water heater (HPWH) pilot.
- Multi-family Retrofit: Efforts in February concentrated on finalizing and issuing the Multi-family Market Integrator (MMI) RFP, which details the expected scope of work for the entity that will provide a single point of contact for multi-family program participants. Other key topics addressed were review of 2009 Nexus report on Multi-family focus groups, and development of audit and data forms.
- Deep Energy Retrofit (DER) pilot: February activities centered on addressing the agenda items at the monthly working group meeting. Key topics that were addressed include: updating DER pilot description and guidelines, discussions toward agreeing on a common baseline across PAs, obtaining necessary outside technical support, and development of a low-income deep energy retrofit metric.
- Low-Income 1-4: Efforts in February centered on advancing the Best Practices working group task items, including advancing contractor training and recruitment, redesigning Low-income metrics to meet DPU requirements, exploring a demand control pilot, procuring new three-year contractor pricing, and determining and developing protocols for new measures (e.g. smart strips, solar domestic hot water, LEDs).

II. Anticipated activities over next six weeks

The focus of our activities over the next six weeks will be continued engagement with the PAs to move from the more broadly defined program and pilot descriptions in the Three Year Plans to field implementation, as quickly as possible. Some of the primary themes that we will be addressing include the following.

- Metrics: We will be working with the PAs and the Council to redefine, and re-craft where necessary, the 2010 residential and low-income metrics to satisfy the DPU's 08-50-A design principles and provide challenging benchmarks to enhance overall energy savings. Revised metrics will be ready for the March 9th Council meeting.
- Lighting: The lighting working group will soon begin more long-term planning efforts for the program, and key members will be participating in the NEEP Lighting Summit on March 30th.
- Marketing: Given that successful marketing efforts are essential for programs to achieve their ambitious 2010 savings goals, the consultants will work with the PAs and DOER on coordination on the statewide website and on general program marketing efforts.
- Gas & Electric Integration: The PAs have written about integration in their three year plans but have largely not yet addressed gas and electric integration with regard to their HVAC programs. The Consultants will work with the PAs, primarily through the GasNetworks forum, on overall integration efforts, developing a draft gas and

electric integration plan and timeline. Duct sealing will be highlighted as an important first step in cross-program HVAC integration efforts.

- O-Power: With the significant annual energy savings expected from this new program, the Consultants will monitor program start-up and work with the PAs to establish a forum (working group) for monitoring and guiding program development going forward.
- Contractor Infrastructure: The Consultants will work with the PAs and DOER on the continuing efforts to bring independent auditors into the MassSAVE program, and to ensure a smooth transition from the existing MassSAVE Boot Camp to the MassGREEN training system.
- EM&V Activities: With the extensive array of residential EM&V projects in 2010, the Consultants will work to facilitate the successful coordination among the PAs implementation and evaluation groups.
- Reporting Enhancements: In each of the programs and pilots the Consultants will be working with the PAs on enhancing and optimizing program reporting to help streamline consultant engagement with the working groups and to provide the necessary information and data reporting to the Council.

III. Overall assessment of project

Overall the PAs are engaged and are making progress on 2010 program and pilot start-up. The productive working relationships established among the gas and electric PAs, and with the Council Consultants, in 2009 have carried forward to help lay the groundwork for successful 2010 program launch planning and implementation. There remain however a multitude of yet to be resolved issues that will require Consultant attention to the PAs efforts in order to ensure successful resolution. Key issues that need to be addressed/resolved include: 1) Gas and electric integration of primary elements of the HVAC programs, 2) Lighting program planning/re-design, and 3) Timely and successful launch of the new MassSAVE program.

C&I Team

I. Activities during February, 2010

February involved continued intensive monitoring of PA progress towards completing all the detailed actions required to implement integrated statewide programs. This included such activities as:

a) *Renegotiated metrics, in light of the DPU order*

This activity, and the analysis of PA-compiled data that preceded it and provided the quantitative basis for the new metrics, was a principle focus of February consultant and PA efforts.

b) *Reviewing and commenting on final drafts of common incentive applications and associated negotiations about offerings, consistency, etc.*

There remain a few differences between PA offerings in terms of consistency between the PA program materials that need to be harmonized over the next several months. There is the will to resolve; the press of time simply did not allow complete resolution before the launch date. This will be a work in progress of harmonizing differing market and delivery approaches that have evolved separately over many years. This is primarily distinctions between gas and electric PAs, but also some differences among electric PAs. This process will continue over the next year, but expectations are that within a few months all efforts will be focused on a common understanding and set of principles about how the programs work and appropriate materials, marketing efforts, and delivery coordination.

c) *Reviewing and commenting on drafts of common program terms and conditions.*

In the short term (30 days) there are different gas and electric T&Cs, as all the lawyers and program managers could not come to complete agreement by the launch date. Work continues towards harmonization.

d) *Assuring that program prescriptive measure-level criteria were the same and custom screening and qualification criteria were uniform.*

The electric Custom forms and criteria are complete and posted on the various company websites; gas are not, as of this writing. Ideally, we are working towards single common application forms. However, the very different existing delivery approaches among the gas and electric PAs will require more thoughtful engagement of all PAs to reach this point. In the interim, electric PAs are moving forward with a custom form similar to past years.

e) *Assisting with development of a procedure to identify cross fuel efficiency opportunities between gas and electric field staff, as well as a procedure for referral of these opportunities to their opposite utility counterparts (e.g., "single point of contact").*

A process, and a referral form which includes a preliminary screen for gas and electric opportunities has been developed. PAs will need to be certain that any sharing of customer information and data is in compliance with the Commonwealth's new data security law. While a form and clearinghouse structure have been set up, it will take continued work to put this business development approach into practice and ensure customers are served in a seamless, consistent way through a single point of contact. In addition, work progresses on reorganizing the way managed accounts are handled and business is developed by major account managers.

- f.) *Assuring continuing coordination with DOER so that C&I issues and needs are addressed through the statewide marketing support contractor.*
Consultants facilitated an exchange of information meeting between Sue Kaplan and the C&I Managers. There is an agreement now in place to continue this periodically.
- g.) *Assuring coordination between PA marketing and delivery efforts with those of the Green Communities Division of DOER.*
Consultants are continuing to attempt to set up a meeting with key DOER staff. Busy schedules on both sides have not aligned.
- g.) *Assuring that each PA rolls out consistent messaging and training to vendors and other program allies regarding the new statewide program designs.*
Consultants attended and observed the first Vendor Open House, hosted at NSTAR but developed and presented by a joint PA team. A series of these are planned to ensure that program allies fully understand the programs and opportunities.

II. Anticipated activities over next six weeks

- a) Continued monitoring of PA early-stage program coordination and implementation tasks;
- b) Continue to assist PAs in developing joint PA coordination systems that can achieve more crisp joint decision-making, and effective single point of contact delivery of integrated services, including establishing more efficient and effective PA/EEAC Consultant processes to streamline efforts, and developing a C&I Managers Team “charter” team that will formalize joint PA decision-making processes;
- c) Finalizing “revision 1” versions of documents that were not completely harmonized as of the launch date: common gas and electric Terms and Conditions, common gas and electric custom forms, etc.;
- d) Continue to direct PA attention to other non-integration commitments in the plans, e.g., comprehensive savings, attention to data centers, laboratories, etc.
- e) Continued monitoring of the actual implementation of joint programming.
- f) Continued review and input into CHP program design and policy issues.
- g) Finalization of metrics, for submittal to the DPU.

III. Overall assessment of project

The PAs have made progress in developing joint decision-making processes and melding different programs and processes - each with individual long institutional histories and rationales – into a statewide effort. While there remains much to be done, the PA are productively moving forward to address these issues.

The structure for marketing and project development through a single point of contact, integrating multi-fuel services now exists. However, the process of putting this into action will take time before it becomes second nature, and we expect there will be a steep learning curve over the next quarter.

One issue of concern is the disparity of resources between NSTAR and National Grid and all of the other PAs, particularly the smaller gas companies. While the large companies have maintained a consistency of presence and focus in joint processes, involvement by others has been more sporadic. As a result, it is difficult to reach consensus on issues and move forward quickly toward implementation of new approaches. Another issue is developing communication

mechanisms to assure that DOER efforts, particularly those in Green Communities and those funded by ARRA funds, are coordinated with PA efforts, are grounded in the same principles of cost-effectiveness, and promote the same, or substantially the same, eligible measures. We have begun — initiated by the EEAC Consultants and a few large PAs — a process to reorganize our approach to addressing these issues and establish clear decision-making authority and responsibility to facilitate a more effective and timely process.

EM&V Team

I. Activities during February 2010

Implementation of New EM&V System. The six large RFPs through which most EM&V will be done in Massachusetts over the next three years were all released in late January, with proposals due between late February and early March. Work in February thus focused on answering bidder questions; moving forward with the early scoping of some studies; reviewing and scoring the first two sets of proposals submitted; making a presentation to the Council at its February 9 meeting regarding the status of the process; and fielding questions and comments from Councilors and stakeholders.

Studies Being Completed Under the Old EM&V System. Studies that we worked on include: a statewide residential lighting impact evaluation; a statewide residential gas impact evaluation; a study of installation quality of central air conditioners in Energy Star homes; a process evaluation of the Energy Star homes program; a study of residential lighting consumer preferences; and several C&I impact evaluations at WMECo.

Northeast EM&V Forum Studies. Studies that we worked on include: regional protocols; loadshape studies for C&I lighting and HVAC measures; a net-to-gross white paper; and an incremental costs study.

Providing EM&V Input Into Policy and Program Planning Issues. Issues that we worked on included: residential lighting program planning; codes and standards programming; and the development of an RFP for hard-to-reach lighting marketing services.

II. Anticipated activities over next six weeks

Many of the activities discussed above will continue over the next six weeks. A focal point is expected to be the review of proposals in response to the six EM&V RFPs, along with contractor selection and negotiations.

III. Overall assessment of project

In general, the development of the new EM&V framework is currently on track and on schedule. The PAs mobilized extensive resources to get the six EM&V RFPs out on schedule. Possible project issues going forward include the impact of the DPU's rejection of the EM&V metric, which may reduce the incentive for the PAs to keep to the aggressive schedule for implementation of the new EM&V framework, and potential challenges in covering the very wide range of active EM&V issues and activities within the EEAC Consultants' approved 2010 budget.

Project Management

I. Activities in February 2010

- Kept team informed of directives from the Council and DPU's orders regarding focus of activities in February and upcoming in March;
- Finalized and signed contract with DOER, on the Council's behalf. extending the consultants' work with the Council through December 2010;
- Maintained regular communication with team regarding on-going activities, issues, updates
- Maintained regular communication with DOER about project updates and issues

II. Anticipated activities over next six weeks

- Coordinate input from Councilors on metrics discussions with PAs and consultants;
- Coordinate consultant team input into preparation of Council meeting materials;
- Continue regular communications with team regarding on-going activities, issues, updates;
- Continue regular communications with DOER.