

## MEMORANDUM

To: Energy Efficiency Advisory Council

From: Paul Horowitz

Date: April 8, 2010

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

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Councilors –Enclosed below are reports from the consultant team groups (Planning & Analysis, Residential and Low Income, C&I, EM&V) on activities undertaken during March 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.

# Monthly Consultant Report on Activities – March 2010

## Planning and Analysis Team

### I. Activities during March 2010

#### Planning and Analysis

- Reviewed and analyzed 2009 preliminary year end performance data provided by the PAs. 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.
- Initial work on development of a summary mechanism for reviewing the key building blocks and critical paths necessary to support the achievement of the MA goals.
- Working with the PAs, the AG, and DOER, analyzed and reached agreement regarding a performance metric on other funding and other financing capital. Reviewed changes to numbers for performance metrics.
- Reviewed bill impact analysis and discussed additional analysis indicated in DPU decision.

#### Financing

- Participated in financing and OBR (on bill repayment) working group meetings. Developed materials including agendas, the revised residential owner and residential renter matrices of key issues for WG meetings, and draft materials for the financing/OBR update report for presentation to the EEAC.
- Worked with Tom Darling/DOER to make progress on key unresolved issues, for both OBR and outside capital. Reviewed and commented on draft DOER clean energy financing approach and approach for attracting outside capital.

#### Marketing

- Reviewed marketing activities for achieving deeper savings with DOER; also for MassSAVE as part of review of program steps/flow chart.
- Reviewed the new web site.

#### Reporting

- Working with PAs, developed framework and outline for the quarterly reports (two-part reporting).

#### TRM

- The TRM Core Working Group (CWG) sustained efforts on the TRM project through regular meetings and development of project-related documents and processes. A meeting of a "High Level" working group was held in early March, the first of monthly meetings of this group. This meeting successfully moved forward key guiding principles and objectives for the TRM, and covered many of the overarching technical aspects. The first of the Measure Level Detail working groups, covering C&I Lighting, was held in late March. Additional Measure Level Detail groups were identified and the process to engage them laid out.

## **II. Anticipated activities over next six weeks**

- Review and consider improvements for bill and rate impact analysis, considering the issues raised in the DPU decisions, working with the 08-50 working group.
- Review final gas costs, resolve as necessary.
- Resolve outstanding/unresolved financing OBR issues in the working group process (to the extent the working group can) and report back to EEAC using updated matrices.
- 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 note below). Seek input from finance people at PAs in addition to the DSM/EE staff.
- Follow up on marketing and messaging concerns related to deeper savings, and on fully integrated financing for 2010.
- Review first set of quarterly reports in April and May, and provide a summary to the EEAC at Council meetings in those months. Complete review of 2009 preliminary year end data.
- Participate in 08-50 working group on annual reporting, when launched by DPU.
- Preparation for EEAC meetings in April and May (including document prep).
- Starting in April, the pace of activities with the working groups in support of continuing the refinement of the TRM will accelerate. Meetings of the High Level group are set for April 7 and May 5. In addition to the C&I Lighting Measure Level Detail group continuing its progress, the additional 10 or so Measure Level Detail groups will also be engaged. All of these activities will continue to be steered and supported by the Core Working group. The project remains on track to complete the TRM v1.0 by June.

## **III. Overall assessment of project**

Making progress in many areas, 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 planning and analysis staff are very busy and still split many ways across many tasks – planning and analysis, assisting with the launch/development of new and revised programs and pilots, implementation support, development of financing, and EM&V (plus support for the EERF phase of the DPU proceeding). 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. Yet at the same time it is important to have 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.

Work on the revised performance metrics was completed in March, and it is good for everyone to have this behind us. This was an important task during February and March, and the work

resulted in agreement on all metrics and a consensus filing on April 1 (including for the other financing capital metric).

Making progress on financing and marketing, but slower than expected or hoped.

Regarding financing, the key questions are: what financing is available or will be available soon to assist customers in the 2010 programs, vs. what financing are we working on for the longer term, for 2011 and beyond (the statewide loan fund being developed will not be operational until late 2010/early 2011 at the earliest)? For example, for the revised MassSAVE program, which launched in early April, the only EE program financing that is available to customers now is the HEAT Loan program. While HEAT Loan has some positive features, it is not very convenient for customers and it does not appear to be fully integrated with the MassSAVE program, at least not yet. This raises questions regarding priorities and resource allocation, e.g., should the PAs focus on working with the HEAT Loan lenders to improve that financing offering, should the PAs focus with DOER more on the longer term and the statewide loan fund provisions, or do they have to do both concurrently?

There has been good progress on financing and OBR for residential owners and small businesses, and there have been good discussions and drafting on financing for residential renters – all of which are generally positive and must proceed to work out remaining issues. We expect that the OBR working group will complete a report for the Council in April. Issues regarding financing and OBR for residential renters need additional attention and a committed focus.

The PAs also need to make progress on innovative C&I financing in parallel, as the PAs highlighted in their presentation to the Council in March. 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.).

Regarding marketing, the launch of the new website in March was a major step forward. Marketing focused on achieving deeper savings (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, may not be proceeding as well. Some of the marketing- and education-related tasks in MassSAVE, for example, are lagging (e.g., leave-behind information, interactive piece, integration of financing, sales training for contractors). We are hoping that the PA marketing presentation at the April Council meeting will provide an update on both C&I and residential marketing, and we expect to see some focus on marketing for achieving deeper savings.

## **Residential & Low-Income Team**

### **I. Activities during March 2010**

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

#### MassSAVE/RCS

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.

A 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 both the technical and process sections of the manual have been reviewed and are being refined; they are expected to be completed within two weeks. Another major focus has been on refining the energy assessment report template so it can serve most effectively as an educational and marketing tool to motivate customers to pursue deeper energy saving measures. The PAs have made additional progress in the following areas in March:

- Development of draft scope of work for Weatherization Management Contractor to coordinate the activities of independent contractors in the program.
- Development of a process to allow independent contractors to perform air sealing work.
- Discussions leading to a move to require BPI certification for all participating contractors by October 1, 2010.
- Refining the specifics of the Screen and Diagnostic audits.
- Integrating independent auditors into the program under vendors – Release of RFQ to determine qualified pool of auditors in MA.
- Initial discussions on the potential implications for the MassSAVE program of the pending Federal HomeStar legislation.

Other important issues still need to be addressed, including:

- More effectively serving landlords and tenants through the program. A draft action plan will be reviewed and discussed in early April.
- Program marketing to drive participation.
- Defining the specifics of the duct testing/sealing program offering.
- Integrating the deliverable from the 2009 MassSAVE metric 'Comprehensive Education Package' into the program.
- Discussing a potential program name change so that customers can clearly identify with the 1-4 residential retrofit program.

#### Residential Lighting (Products)

The PAs have received approximately 130 proposed promotions in response to their three lighting negotiated cooperative promotion (NCP) RFPs: hard to reach (HTR) customers/markets through traditional retailer channels, HTR customers/markets through non-traditional channels, and standard lighting retail channels. The NCP proposals are currently being reviewed by the PAs and their contractors. While awaiting industry's responses to the NCP RFPs, the PAs have been promoting specialty CFLs through extensions of existing 2009 NCPs. In support of the

development of a long-term lighting plan, the consultants engaged DOE, EPA, lighting PAs from throughout the Northeast, and industry representatives at NEEP's Lighting Summit in Boston.

#### Other Key Programs/Pilots:

- Residential New Construction: The principal focus has been on working with the PAs to implement 2010 planned activities. Activities this month included a review of activity for February 2010, and a determination that forecasts show exceeding electric-only goals, with 50% of goal already met. There continue to be concerns about anticipated budget issues, so the PAs will organize a meeting to address them. The PAs continued their planning for a re-bid schedule for the implementation contractor and began outlining some of the bid elements. The Consultants introduced a program performance tracking template that is derived from the October 2009 filing. The tracker should facilitate a more thorough and transparent process of ensuring the PAs meet the goals set forth in the 2010-2012 plans.
- HVAC – Gas & Electric: At the monthly GasNetworks meeting, the gas PAs agreed to move forward with an extensive list of gas-electric integration tasks. An upcoming GasNetworks meeting will include representation from the electric Cool Smart Program to discuss these tasks in greater detail. The consultants shared shipment data with the gas PAs showing high penetrations (approximately 70% of shipments) of efficient gas furnaces (ENERGY STAR and above) in CT from 2005-2007. The gas PAs stated that they would attempt to obtain similar data for MA. The consultants worked with the PAs to reach agreement on the 2010 Cool Smart QIV metric. The PAs continue to make good progress to develop and get into the field their heat pump water heater (HPWH) pilot.
- Multi-family Retrofit: Efforts in March concentrated on responding to bidders questions on 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. Bids are due April 7<sup>th</sup>, with an expected contract award announcement by May 5<sup>th</sup>.
- Deep Energy Retrofit (DER) pilot: March activities centered on addressing the agenda items at the monthly working group meeting. Key topics that were addressed include: development of statewide DER tracking spreadsheet, obtaining necessary outside technical support, treatment of 'partial' deep retrofits, and exploring coordination with national labs (LBNL and NREL) on deep energy retrofit pilot work.
- Low-Income 1-4: Efforts in March centered on advancing the Best Practices working group task items, including advancing contractor training and recruitment, and redesigning Low-income metrics to meet DPU requirements.

## 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.

- Lighting: The Products working group will re-start initial Lighting Plan development efforts.

- Products: Efforts will continue to characterize the market for efficient set top boxes (STBs) to inform future program design efforts, which may include proposed legislative (appliance standards) or regulatory solutions.
- Residential New Construction: Consultants have recommended that a meeting between JMC, evaluators, NMR, consultants, and C&I be convened to discuss Code compliance and savings attribution. PAs to schedule meeting. Prepare RFP for program implementation (currently held by ICF) to be issued by June, for contractor selection in mid-summer and in place by fall. Review PAs' plans to develop building energy labeling pilot and provide guidance to ensure relevance to national and DOE labeling efforts.
- Marketing: Given that successful marketing efforts are essential for programs to achieve their ambitious 2010 savings goals, the consultants will continue to work with the PAs and DOER on coordination on the statewide website and on general program marketing efforts.
- Gas & Electric Integration: The Consultants will work with the PAs, primarily through the GasNetworks forum, on overall program 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 continue to 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 continue to work 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**

The PAs are very engaged and are making progress on 2010 program and pilot start-up, but there is still a lot of planning work to be done. There has generally been good cooperation among the PAs, and with the Consultants, in the program working groups and on the re-design of the Residential and Low-income metrics to satisfy the DPU's design principles. There remain a multitude of issues that will require Consultant attention to the PAs efforts in order to ensure successful resolution. Key issues that still need to be addressed/resolved include: 1) Gas and electric integration of primary elements of the HVAC programs, 2) Lighting program planning/re-design, 3) Successful launch of the new MassSAVE program and collateral pieces, and 4) Developing a policy and procedure for programs to continue operating in the event budgets are exceeded.

## C&I Team

### I. Activities during March, 2010

a) *Completion of renegotiated metrics to comply with DPU Order:*

This activity began in February and was completed in early March. The consultants reviewed baseline prior year program performance data provided by the PAs and then negotiated quantified targets for the coming years. CHP targets proved to be the most difficult to project, given the relative randomness and episodic nature of these large commitments. This is difficult particularly for the smaller PAs.

b) *Continued monitoring PA program integration activity. Notable activities included the following:*

The PAs successfully completed a series of four jointly undertaken trade ally open houses. In order to fully use collective staff expertise and maximize efficiencies, and to put the concept of “coordinated delivery” to a practical test, the PA C&I Governance Team decided to put the entire task of developing and delivering the open houses under the control and responsibility of one person selected by them (who in this instance happened to be a NSTAR employee) and assigned other staff from amongst their companies to support this individual by performing various assigned tasks, from logistics to providing subject matter expert speakers.

c) *Monitoring and assisting PA efforts to develop a more structured approach to joint activities and joint decision-making*

The PAs are developing a more structured joint program oversight and management decision-making structure. This will extend to assignment of pooled resources to a series of task-specific inter-PA staff committees that would receive delegated assignments from the Managers and report back up to them. There is a common recognition that decision-making needs to become crisper and deployment of scarce human resources need to be optimized in certain areas of common concern.

There is a continuing concern that as the PAs move their programs to further integration, at the statewide level some efficiency related services are beyond their knowledge and input. For example, there is a need for better awareness of, and coordination with, various DOER initiatives in the C&I area.

d) *Monitoring and assisting efforts to fully harmonize incentive offerings, technical requirements, program policies, etc.*

There remain a few differences between PA offerings in terms of consistency that need to be harmonized over the next several months. Perhaps the most significant is development of criteria by which incentives – particularly large custom incentives – can be negotiated with customers. There is also a need to clarify fuel-switching issues (outside of CHP) to harmonize Performance Lighting criteria and incentives.

- e) *Assuring that program rules and materials are consistent, including measure and incentive criteria and cost-effectiveness screening criteria.*

There is a high priority need to develop a common combined project-level screening tool.

- f) *Monitoring the development of tools for management of common customers and vendors between PAs.*

In addition to development of processes for coordination of gas and electric opportunity development across PAs, there would be benefit in having one repository for information about continuing vendor contacts – both for consistent outbound messaging and communications but also documentation of vendor participation.

## **II. Anticipated activities over next six weeks**

- a) Continue to monitor of PA program coordination and implementation tasks;
- b) Continue to assist PAs in developing joint program coordination and decision-making systems that can expedite the delivery of seamless customer experiences, maximize the efficient use of combined PA staff resources and expertise, and facilitate rapid program delivery interpretations and corrections, when necessary;
- c) Finalize “revision 1” versions of documents that were not completely harmonized as of the launch date;
- d) Continue to direct PA attention to other non-integration commitments in the plans, e.g., comprehensive savings, attention to data centers, laboratories, etc.; and
- e) Continue to review and provide input into CHP program design and policy issues, including establishing criteria around fuel switching measures.
- f) Work with the PAs and EEAC/DOER to ensure an efficient, timely, consistent and accurate method for cost-effectiveness screening of custom measures across the state with a common tool.
- g) Flesh out a work plan for PAs to move forward on specific strategies to achieve deep retrofit savings in existing larger C&I facilities.
- h) Work to better understand and integrate DOER C&I efforts with PA efforts.

## **III. Overall assessment of project**

The PAs continue to make 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. There is a growing recognition that joint governance requires rules of decision-making that are grounded in consensus whenever possible, but still allow for the majority to move forward with less than unanimous consent when that becomes necessary.

The successful use of combined staff resources, under the overall direction of the Governance Team, to deliver a series of joint trade ally workshops is a model for success that hopefully will be replicated in other statewide or regional initiatives. For example, the PAs are developing plans for a regular series of combined sales staff trainings, which will promote both better coordination between staff at the “street level” and a common understanding of program offerings, criteria, rules, etc.

## EM&V Team

### I. Activities during March 2010

*Contractor Selection.* The most critical EM&V activity in March was the contractor selection and negotiation process, beginning with the review of proposals received in response to the six long-term research area RFPs released in late January through early February. As expected, market response to the RFPs was robust, encompassing all large and most mid-sized EM&V firms in the U.S., along with a number of smaller players. We received a total of 19 proposals across the six research areas, with most proposals comprising teams of multiple firms led by a prime contractor. All told, 75 individual firms were represented in these proposals (a number of firms bid on multiple areas, either as primes or subcontractors, and are thus counted more than once in this total).

The process of narrowing these 19 proposals down to a set of winning proposals, and getting to a contract with each winning bidder, has been extensive, and has generally featured the following hallmarks:

- Both the PAs and the EEAC Consultants have been heavily involved.
- For research areas receiving a large number of proposals, it has typically been a multi-step process, beginning with winnowing the field down to a set of finalists, often followed by in-person presentations by the finalists, and then negotiations with finalists over both scope and price.
- We have paid attention not only to the technical strength and pricing of each proposal, but also to getting an effective distribution of contractors across research areas. On one hand, we are seeking a reasonable diversity of contractors, both to ensure sufficient resources and to avoid over-dependence on any one firm. On the other hand, in some cases, there are potential synergies in having the same contractor involved in two related research areas.
- As anticipated, in some cases the negotiation process is resulting in non-trivial changes to the scope of work for the first 12 months as reflected by the RFPs. Some of these changes are due to methodological improvements, some are increases to scope, and some are reductions to scope.
- In one case, the Special/Cross-Sector Studies area, the review committee decided to divide the work up across two contractor teams. We thus expect to end up with 7 contractor teams for the 6 research areas.
- In several cases, the PA procurement departments have succeeded in negotiating meaningful reductions to proposed billing rates.

As of April 1, we were nearing the end of the recruitment process. In the research areas that are furthest along, a winner has been selected, negotiations have been completed, and a contract is in process. In the areas that are farthest from being completed, we are negotiating with two finalists. We expect the recruitment process to be completed within a few weeks, and anticipate providing more detailed information in our next monthly report on winning contractor teams, scopes of work, and initial 12-month budgets.

*Implementation of EM&V Studies.* At the same time that we were selecting contractors for the new EM&V system, we were also providing input into the implementation of approximately 12-14 EM&V studies being conducted either under the old system or regionally by the Northeast

EM&V Forum. Because the list of studies being implemented changes relatively little from month to month, individual studies are not listed here.

*Providing EM&V Input Into Policy and Program Planning Issues.* Such issues that we worked on in February included: the Technical Reference Manual (TRM); the design of the Community-Based Initiatives to ensure the evaluations of them can produce useful results; and discussing potential data collection activities in support of equity objectives.

## **II. Anticipated activities over next six weeks**

Over the next six weeks we anticipate completing the contractor recruitment process and beginning work on the EM&V projects planned for the first 12-month period. We also expect to continue providing input to the implementation of in-program studies and evaluation support to policy and program planning issues.

## **III. Overall assessment of project**

In general, the development of the new EM&V framework remains on track. For the most part, the PAs have made a concerted effort to keep to the aggressive schedule for implementation of the new framework, despite the rejection of the proposed EM&V metric by the DPU. The contractor recruitment process has been demanding, but appears to be on course to generate a substantial increase in the EM&V resources available to support energy efficiency programming and policymaking in the Commonwealth. Thus far there have been no disagreements between the PAs and the EEAC Consultants on EM&V-related issues that could not be resolved collaboratively. One potential challenge going forward is covering the very wide range of active EM&V issues and activities within the EEAC Consultants' approved 2010 budget.

## **Project Management**

### **I. Activities in March 2010**

- Kept team informed of directives from the Council and DPU's orders regarding focus of activities in March and upcoming in April;
- Maintained regular communication with team regarding on-going activities, issues, updates
- Maintained regular communication with DOER about project updates and issues
- Coordinated input from and participation by Councilors on metrics discussions with PAs and consultants

### **II. Anticipated activities over next six weeks**

- Coordinate consultant team input into preparation of Council meeting materials;
- Continue regular communications with team regarding on-going activities, issues, updates;
- Manage new or enhanced team assignments in the context of approved workplan and budget.
- Continue regular communications with DOER.