July 27, 2012

Mr. Mark Marini, Secretary
Department of Public Utilities
One South Station, Fifth Floor
Boston, Massachusetts 02110


Dear Secretary Marini:

Enclosed please find the Resolution of the Energy Efficiency Advisory Council (“EEAC”, “Council”) with respect to the Council’s comments upon the July 2, 2012 revised draft Joint Statewide Three-Year Electric and Gas Energy Efficiency Plan for 2013-2015. Pursuant to M.G.L. c.25, § 21(c) as amended by the Green Communities Act of 2008, the EEAC “shall review the plan and any additional information and shall submit its approval or comments to the electric and natural gas distribution companies and municipal aggregators not later than 3 months after submission of the plan.” The enclosed Resolution of the Council passed on July 23, 2012 represents a comprehensive commentary of the July 2, 2012 revised draft and fulfills that statutory requirement. The initial draft of the Joint Statewide Three-Year Electric and Gas Energy Efficiency Investment Plan for 2013-2015 (“Joint Statewide Plan”) was submitted to the Council on April 30, 2012. The Voting Councilors fully expect to share their views with the Department of Public Utilities (“Department”) one additional time before the Program Administrators file both their Joint Statewide Plan and their respective individual Three-Year Plans with the Department on or before October 31, 2012 pursuant to M.G.L. c.25, § 21(d)(1).

As Chair of the Council, the Massachusetts Department of Energy Resources (“DOER”) submits this Resolution of the EEAC to the Department of Public Utilities. The Voting Councilors of the EEAC approved the enclosed Resolution by a vote of nine in favor and zero against. Two Voting Councilors were not present for the vote.
On behalf of the Council, the DOER acknowledges its responsibility under the General Laws to formally share its views regarding the Joint Statewide Plan with the Department. It is the Council’s hope that these comments as embodied in its Resolution provide guidance to the Department as it awaits the Program Administrators’ final submission in October.

Sincerely,

[Signature]

Steven I. Venezia

Enclosures

Deputy General Counsel
Resolution of the Energy Efficiency Advisory Council
Concerning the July 2, 2012
July 23, 2012

Voting members of the Energy Efficiency Advisory Council (the “EEAC” or “Council”) have reviewed the draft Statewide Electric and Gas Energy Efficiency Plan submitted by the Program Administrators (“PAs”) on July 2, 2012. (“July Plan”). Having reviewed the July Plan, the voting members of the Council present the following comments as required by the Green Communities Act of 2008 (“GCA”).

The Council recognizes the tremendous progress and significant achievements made during the first 3-year planning and implementation cycle. Voting Councilors applaud the PAs for the success achieved during 2010-2012, and we look forward to building on that success by learning from our collective experiences, and by sustaining our commitment to design and deliver the best most cost-efficient programs possible. The PAs, working with the Council, its consultants, and other stakeholders, continue to make significant progress toward improved program designs and implementation, statewide program integration, streamlining and enhancing the customer experience, integration of energy efficiency delivery across fuels, and the development of strategies to achieve deeper savings and reach more customers, including hard-to-reach/hard-to-serve customers. We congratulate the PAs on rising to meet the expectations of the Green Communities Act of acquiring all cost effective energy efficiency and working to retain Massachusetts’ number one ranking for energy efficiency by the American Council for an Energy-Efficient Economy.

We note that much of what the Massachusetts energy efficiency programs are trying to do has never been done before, and we believe that all PAs have demonstrated the essential commitment to meet and address the current and future challenges. The Council has seen unparalleled collaboration from all parties towards delivering nation-leading energy efficiency programs.

Voting Councilors appreciate the hard work that the PAs have put into the development of the July Plan to meet the requirements of the GCA and the priorities of the EEAC. We recognize the significant efforts that PA staff, working in collaboration with EEAC consultants, and others, have made in preparing the July Plan. We applaud the cooperation among PAs, the EEAC and its consultants, and stakeholders. This collective effort has brought about more effective programs, and increased engagement and participation in energy-saving efforts, ultimately leading to greater total energy savings and benefits for Massachusetts consumers and businesses.

The Council recognizes and appreciates that achieving the goals of the Commonwealth as articulated in the GCA and tackling the Commonwealth’s energy goals will require ongoing effort to explore and evaluate new products and practices, and adapt program strategies based on what is learned.

Voting Councilors commend the PAs for producing a July Plan that is well-written, responsive to input of the EEAC and its consultants, reflective of stakeholder feedback, and worthy of Massachusetts’ nation-leading status. We note that the PAs have made significant progress between the submission of its April 30, 2012 draft plan and the July Plan, and it is the Council’s expectation that the PAs, working alongside the EEAC, its consultants and others, will continue to refine and improve the plan leading up to its filing with the Department of Public Utilities (the “DPU”) in October. In this spirit, we provide the following specific comments on the July draft plan.

Energy Savings Goals
- We appreciate the intense work the PAs have undertaken in pursuit of developing a plan that meets the all-cost effective energy efficiency mandate, and we recognize the challenges of achieving higher, sustainable energy savings goals, however, we believe that the PA-proposed goals in the July Plan are low for gas and electric.
The benefit cost ratios (BCRs) for the electric programs in the draft plan (3.19 overall for 2013-2015 and increasing across three years) suggest that the PAs can pursue additional energy savings.

Energy efficiency is a critical element in the Commonwealth’s clean energy and climate strategy, and the PA administered programs and goals must be aligned with these policies. Therefore, in pursuit of all available cost-effective energy efficiency pursuant to the GCA, the electric and gas energy savings goals for 2013-2015 should be increased to be consistent with the trajectories in the Clean Energy and Climate Plan (CECP).

In the final plan, the Council expects the electric savings goals, expressed as a percent of forecasted retail energy sales, to be in alignment with the CECP policies and goals. We believe the goals need to increase over the three years of the plan without increasing costs to utility customers. The Council also expects that gas savings goals will increase with the time frame set forth in the CECP.

Further, the Council would like to see the gas PAs increase the number of training opportunities with their vendors, as well as colleges and technical schools to expand the technical capacity in thermal applications and enable greater achievement of savings.

Benefits
- The July Plan estimates $8 billion in total benefits from the 2013-2015 electric and gas energy efficiency programs. This level of total benefits is impressive and demonstrates the significant value of cost-effective energy efficiency for consumers, businesses, and the Commonwealth.

Deeper Savings
- The Council believes there is a need for continued focus on deeper savings strategies and the plan should highlight the deeper savings strategies proposed for all customer segments. With an increased focus on deeper savings, the longer term results should lead to greater savings for more customers, in all sectors, throughout the decade.
- The Council applauds the PA’s efforts to focus these deeper savings strategies on communities and neighborhoods, including the harder-to-reach/harder-to-serve customers, and we encourage the PAs to implement them. We suggest PAs carry deeper savings strategies through to the commercial and industrial sector, including well-designed MOU practices with a specific focus on small and medium business customers, including commercial real estate, municipal and healthcare facilities.

Program Costs
- As the Council identified in the June 12, 2012 “Sense of the Council” document, we are sensitive to overall program costs and must ensure that PA efficiency programs achieve excellent, sustainable results for reasonable costs. We commend the PAs for their responsiveness to these concerns and for all of the work the PAs did to explain program costs and cost drivers. Nevertheless, the Council expects costs to achieve the goals will be reduced, taking into account the cost ranges identified by the EEAC consultants.
- Voting Councilors continue to request that the PAs provide different scenarios to show what would be needed in terms of program budgets to get to the level of savings goals presented by the Council Consultants. These scenarios should answer the following questions: What additional actions must the PAs perform, and what would be the necessary budget levels? What would be the benefit-cost ratios of these scenarios?
- We understand that the issues of costs and cost drivers are being reviewed and analyzed in ongoing discussions between the PAs and the EEAC consultants. We expect that the results of the additional analysis and discussion will be reported to the Council for our consideration at the August EEAC meeting.

Bill Impacts
- As with program costs, we are keenly sensitive to overall bill impacts of program costs and their impact on ratepayers. We understand that bill impact models are continuing to be developed and we expect that the PAs, the DPU, and the EEAC and its consultants will continue to work together to provide a bill impact model that accurately captures overall impacts for customers in a transparent, consistent and comprehensive manner.
Participation

- We recognize the challenge of defining a “participant” in a broad and diverse set of energy efficiency programs. However, we expect the PAs to conduct additional work on properly defining program participants. A more precise definition of program participants will facilitate a more realistic estimation of market penetration, avoid double counting of customers, and better facilitate the bill impact analysis.

- To aid in transparency of programs, we expect that the PAs will distinguish customers from products by sector to better demonstrate program penetration and customer benefits, including for heating oil and delivered fuel customers served through the electric programs. We also expect that the PAs will share the participant data with the Council and interested stakeholders in a transparent and timely manner.

Statewide Database

- Voting Councilors are encouraged by the potential of enhanced transparency to programs and more timely access to program data. We look forward to continue to investigate, establish, and implement systems in collaboration with the PAs and Council consultants that work to meet these objectives.

Statewide Marketing

- Brand recognition and awareness is a critical element to the engagement of program participants and increasing participation in programs. The PAs have identified several ways to enhance the statewide MassSave branding effort in the July Plan. The Council expects to see more detail on the statewide branding efforts for the 2013-2015 plans, including the efforts to emphasize and increase awareness of the MassSave brand, implement community engagement initiatives and associated budget, and heighten awareness of the energy efficiency programs throughout the Commonwealth and all the customer sectors.

Inconsistencies and Variations Across the PAs

- There are significant variations and inconsistencies in benefit/cost ratios, savings and savings targets, costs, and cost per unit savings across the PAs. The PAs need to provide justification for or resolve these variations in detail.

PA Performance Incentives

- We recognize that performance incentives are an integral part of the planning process and program implementation. The Council will review the overall framework of the current performance incentive model, with the PAs and Council consultants, to optimize and calibrate the current structure including metrics.

- The Council will review the performance incentive model, including the 75% threshold and the incentive cap, and work with the PA and EEAC consultants to potentially modify specific details of the overall performance incentive model.

The Council appreciates the hard work and efforts of the PAs in developing the July Plan and implementing the current, nation-leading and award winning programs. The Council also recognizes that the July Plan is not fully complete, and that PAs are working on further refinements to be presented to the Council at the August 2012 meeting along with updates on the elements outlined in this resolution. The Council will continue to work with the PAs, on these and other outstanding issues to further enhance the statewide and individual plans that will be filed with the DPU in October 2012.