Achieving C&I Savings Goals

Presentation to the Council
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Take-aways from September PA C&I Presentation

• PAs’ number one priority remains meeting aggressive new savings targets
• PAs are monitoring progress to date, reviewing pipeline, identifying gaps, considering and deploying new strategies to achieve goals
• Management Committees and Consultants are working together to identify and share best practices
• Many new efforts underway to grow savings and achieve Three-Year Plan goals
Key PA Efforts to Increase Savings

• CHP – Retooling approach and strategy; hiring/assigning dedicated Program Managers
• Segmentation – Developing and deploying new segment strategies (grocery, industrial, data centers, nursing homes, commercial real estate, healthcare, etc.)
• Going Deeper – Enhancing Small Business program for more measures and deeper savings
• Technologies – Targeting new opportunities including thermal oxidizers, RTU controllers, transformers, LEDs, circ pumps, etc.
Key PA Efforts to Increase Savings (cont.)

- Strategic Energy Management Planning and MOUs – Working longer term for deeper savings
- Building Capacity – Hiring new staff and adding more vendors; vendors are adding staff
- Improving Productivity – Process/procedures being streamlined to improve efficiency and customer experience
- Restructuring for New Strategies – New types of positions; staff dedicated to EE sales, marketing, implementation, and engineering
- And more…
Will PAs Achieve 2013 or Three-Year Plan Goals?

- Statewide, C&I savings are not expected to achieve 2013 goals
- 2013 savings shortfall will need to be made up in 2014/2015 to achieve Three-Year Plan goals
- Key Concern: If another year goes by with 10% underachievement, the numbers become daunting

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<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Statewide</td>
<td>2.5%</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Residential</td>
<td>2.1%</td>
<td>2.3%</td>
<td>2.4%</td>
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<tr>
<td>Low Income</td>
<td>1.3%</td>
<td>1.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>C&amp;I</td>
<td>2.8%</td>
<td>2.7%</td>
<td>2.8%</td>
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2014 C&I Goal with 10% 2013 Shortfall: 3.0%
C&I is Majority of Most 2013-15 Portfolio Goals

- **Electric Annual**
  - C&I 69%
  - Res. 29%

- **Gas Annual**
  - C&I 47%
  - Res. 47%

- **Electric Lifetime**
  - C&I 84%
  - Res. 14%
  - Low-Income 2%

- **Gas Lifetime**
  - C&I 53%
  - Res. 38%
  - Low-Income 9%
Achieving the C&I Goals – Consultant Team Perspective

- Massachusetts does not have the luxury of taking program designs from other jurisdictions. Old models, old ways of doing business will not achieve the current targets.

- Qualitatively, we need
  - Less conventional, more aggressive
  - Challenge the status quo
  - Break ties to old program delivery models
  - Overcome entrenched resistance to change
  - Enable innovation

- Example of Success: Upstream Lighting
Achieving the C&I Goals – Specific Recommendations

- More upstream, more quickly. HVAC, gas, commercial kitchens
- More segmentation and segment-based strategies
- More market-based delivery approaches
- More engagement and leveraging of trade allies & partners
- Deeper savings: maximize every customer opportunity
- Better selling of energy efficiency (Pro Forma)
- Better tuning of offerings and incentives to customer needs
- Better identification and implementation of Best Practices
- More feet on the street to work with customers
- More resources to build and accomplish all of the above
Need to Achieve More Savings, Earlier in the Year

- A common problem in this industry, but worse in Massachusetts
Savings Pattern more Driven by PA Deadlines than Customer Cycles
PA Differences, Best Practices, and Data

- There continues to be significant differences in PA performance and costs
- Example from 2012:

<table>
<thead>
<tr>
<th>Percent of Goal</th>
<th>Cost to Achieve ($/kwh)</th>
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<tbody>
<tr>
<td>National Grid</td>
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<tr>
<td>56%</td>
<td>$0.32</td>
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<th>Percent of Goal</th>
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<tr>
<td>National Grid</td>
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<tr>
<td>78%</td>
<td>$0.95</td>
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PA Differences, Best Practices, and Data

• Many differences are valid and acceptable, but what can we learn from them?

• What drives PA differences?
  – Differences in service territory, demographics, firmographics
  – Differences in “measure mix”
  – Differences in PA strategy or tactics?
  – Differences in PA processes?
  – Differences in incentive policy? Selling techniques? Staff Resources?

• Understanding specific reasons for PA differences is key to identifying best practices

• Adoption of best practices is key to improving statewide performance
PA Differences, Best Practices, and Data

• One part of the solution is newly proposed EM&V study: “How PA Differences Affect Program Outcomes”
• Initially proposed by Consultant Team; now a collaboration
• Study looks at differences in both firmographics and PA processes
• Use credibility and neutrality of EM&V study
• Use results in a positive way – this is critical to any effort that compares PAs differences and identifies best practices
• Currently in development, complete in July 2014
PA Differences, Best Practices, and Data

• Specific, granular, up to date, and comparable data is critical to identify best practices
  – Measure level – What specific measures are each PA having success with? Why is one PA having more success than another?
  – Project level – What types of customers and projects are each PA having success with? Why is one PA having so much more success than another?

• On C&I, this data does not exist or is not being looked at
  – Plans and Annual Reports: not enough detail to be useful
  – DOER PARIS Data: Not comparable, too many holes, lagged availability
  – EM&V Database: Confidential, considerable cost to build each year due to differences in PA data and tracking, lagged availability
Achieving the Goals: Consultant Team Role

• Provide strategic and tactical support to ensure achievement of goals, plan commitments, and Council priorities
  – Push and encourage
  – Connect the dots, coordinate
  – Bring forward ideas
  – Identify Best Practices, both national and in-state, encourage adoption
  – Monitor programs and results
  – data, use to improve statewide performance
Consultant / PA Best Practice Reports

• Focused on important market segments aligned with plan commitments or where we think there is opportunity
  – Hospitality (Restaurants and Lodging) (Q4 2013)
  – Retrocommissioning (Q4 2013)
  – Direct Install Measure Best Practices (Q4 2013)
  – Healthcare and Hospitals (Q1 2014)

• Joint effort to identify national best practices and opportunities to enhance programs
  – Consultant Team does research of best practices
  – PAs & Consultants work together on resulting recommendations
  – PAs implement recommendations
Concluding Thoughts

- This is a heavy lift
- There are tremendous changes ongoing at the PAs to align with new goals
- It’s not too late
- PAs, Consultants recognize the issues
- Focus on making required progress
Thank you