Initial Findings on the Implementation Update

EEAC Consultants
April 8, 2014
DRAFT FOR COUNCIL PREVIEW (revised)
Outline of Presentation

• Status of our review

• Five initial findings
  – PAs can meet or exceed the three-year goals
  – Formal retreat from C&I targets – 10% reduction
  – Reallocation of portion of C&I savings goals to residential and low income
  – Residential strategies vary; all cost-effective EE?
  – Increased costs due to PA-proposed reallocations

• Deep dives (analysis of 3 to 5 key drivers)

• Formula for success
Status of Consultant Review of IU: Preliminary Findings, More to Follow

• Implementation Update distributed by PAs on March 17
• Review of Three-Year Plan period
  – Looking back at 2013 preliminary results
  – Looking forward at PAs’ strategies for 2014-2015
• First pass
  – Primary focus to date on savings and savings goals
  – Limited to program and initiative level data
• Next steps
  – 3 to 5 deep dives to analyze data on key drivers
  – Additional findings and recommendations in May/June/July
Finding 1: PAs Can Meet or Exceed the Three-Year Goals...

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<td>IU Projection as % of Original 3-Year Plan</td>
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<td>Savings</td>
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<td>C&amp;I</td>
<td>90%</td>
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<td>94%</td>
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<td><strong>Portfolio Total</strong></td>
<td><strong>98%</strong></td>
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IU Projection as % of Original 3-Year Plan
And it Will Take Significant Efforts, Higher Savings in 2014-15, to Succeed

- 2014 and 2015 savings will need to be above original goals to achieve the 2013-2015 goals.

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<td><strong>ELECTRIC</strong></td>
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<td>Statewide</td>
<td>89%</td>
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<td>NGrid</td>
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<td>NSTAR</td>
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|                |       |       |       |           |
| **Annual Energy Savings as % of Retail Sales** |       |       |       |           |
| EEAC Goals     | 2.50% | 2.55% | 2.60% |           |
| Statewide      | 2.24% | 2.54% | 2.73% |           |
| NGrid          | 2.14% | 2.59% | 2.96% |           |
| NSTAR          | 2.43% | 2.53% | 2.57% |           |
Finding 2: PAs Planning to Fall Short on C&I Goals

- Statewide three-year electric is 10% below plan
- NGrid C&I targets are well below original goals

| C&I Sector IU Projection as % of Original 3-Year Plan |
|---------------------------------|--------|--------|--------|--------|
|                                 | 2013   | 2014   | 2015   | 3-Year Total |
| Electric                       |        |        |        |              |
| Grid                           | 66%    | 80%    | 101%   | 83%          |
| Nstar                          | 90%    | 99%    | 99%    | 96%          |
| Statewide                      | 79%    | 91%    | 100%   | 90%          |
| Gas                            |        |        |        |              |
| Grid                           | 57%    | 70%    | 70%    | 66%          |
| Nstar                          | 98%    | 100%   | 100%   | 99%          |
| Statewide                      | 77%    | 87%    | 87%    | 84%          |
The C&I “Hockey Stick” Becomes a Three-Year Hockey Stick for Some PAs

*RATE* of Growth in Annual Electric Savings (%)

NGrid strategy requires ~59% increase in C&I Large Retrofit savings between 2nd and 3rd year
Finding 3: Savings Shifted to Residential and Contractor-Delivered Programs

- Statewide retreat from C&I goals, and shifting of savings to small C&I and residential programs
- Example: NGrid 3-year electric savings – marked shift from Plan
  - Residential +29%
  - Small C&I Direct Install +30%
  - Large C&I Retrofit -29% (71% of original Plan)
- Example: NGrid 3-year gas savings
  - Residential +35%
  - Large C&I Retrofit -44% (66% of original Plan)
Finding 4: Residential Strategies Vary: All Cost-Effective Efficiency?

- NSTAR reducing Residential savings after exceeding Plan in 2013
- NGrid increasing savings over 2013
- Do these reconcile with achieving all cost effective EE?

EEAC Consultant Estimate of Residential Savings Potential (~ 2.5% of retail sales)
NGrid is Planning to Achieve Over 60% More Residential Savings than NSTAR
Finding 5: Updated Plan Results in Higher Total Portfolio Costs

- NGrid’s budget increases 10% ($64M), shifting from C&I Retrofit (2.3 ¢/kWh) to Commercial Direct Install (4.9 ¢/kWh) and Residential (6¢/kWh)
Deeper Dive Candidates

- **Large C&I Retrofit (Elec & Gas)**
  - Effective strategies for overcoming challenges and increasing savings
  - Successful projects and partners

- **Multi-Family Retrofit (Elec & Gas, with focus on Electric)**
  - Effective strategies for serving electric customers in multi-family segment

- **Residential Lighting**
  - Increasing savings now, and opportunities/challenges in the future

- **Additional Options**
  - Increased savings in New Construction (Elec & Gas)
  - Successful Residential program implementation strategies (Elec & Gas)
  - High-efficiency heating and cooling equipment (Elec & Gas)
  - Individual PA strategies

- Consultants will identify data needed to support analysis and describe how the data will be used

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DRAFT FOR COUNCIL PREVIEW

EEAC Consultant Team
April 8, 2014
Formula for Success:
How to Achieve the Three-Year Goals

Increase C&I Savings (Achieve at or Closer to the C&I Goals)

Achieve Residential & LI Savings Above the Goals

Identify and Replicate the Best Practices of Higher Performers

= ACHIEVE THE 2013-2015 GOALS
Looking Ahead: Further Review and Planned/Recommended Council Actions

Today

• Initial Council feedback on the IU
• Year-end and three-year plan forecasts in the monthly dashboards; begin in Q2 (April report)
• Scheduled topics for Council meetings, e.g.:
  – May: C&I segmentation and target marketing
  – June: Residential HES

Scheduled/Coming Up

• Deep dive analyses – additional information to address the questions, findings, and concerns

Future

• Council actions on the initial findings
• Monitor and assess progress along the way
Future Considerations and Potential Council Actions

• Council action in May on the five initial findings highlighted today
  – PAs can meet or exceed the three-year goals
  – Formal retreat from C&I targets – 10% reduction
  – Reallocation of portion of C&I savings goals to residential and low income
  – Residential strategies vary; all cost-effective EE?
  – Increased costs due to PA-proposed reallocations

• Other Council findings and/or actions?

• Monitor and assess progress along the way
  – Identify and track key performance indicators