

May 28, 2015

Energy Efficiency Advisory Council and Consultants
Commissioner Judith Judson
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Dear Commissioner Judson, Councilors, and Consultants:

Energy efficiency and demand reduction provide savings to ratepayers, protect public health, and create jobs in the Commonwealth. Efficiency and demand reduction are also the most cost-effective ways to meet the targets in the Global Warming Solutions Act (GWSA). As legislators committed to seeing Massachusetts meet its GWSA-required GHG emissions reductions – 25% below 1990 levels by 2020, 80% below 1990 levels by 2050 – we commend the work you have done and continue to do to advance energy efficiency in Massachusetts. Your efforts have helped the Commonwealth achieve its first-in-the-nation status by American Council for an Energy Efficient Economy ranking four years in a row.

As you undertake development and review of the 2016-2018 Efficiency Investment Plan, we urge you to build on past successes to maintain our state's top ranking by developing a plan that includes:

- Robust savings goals
- Strategies for shaving peak demand
- Ways to better serve more customers, and
- A commitment to improving transparency and accountability on reporting of progress

Set robust savings goals.

Energy efficiency is Massachusetts' first and least cost resource.¹ It is the best way to lower consumers' bills, even amidst the rising cost of electricity, and yields many other net benefits for the environment,² consumers, and the economy.³ Every \$1 of program cost invested in efficiency yields \$5.23 in benefits!⁴ The savings goals of the next plan should reflect that efficiency is our least-cost resource. We support setting robust savings goals, in line with what recent progress has demonstrated is achievable, and with what the consultants to the EEAC conservatively estimate in their preliminary goals framework: reductions of **3.04% on average for electric savings** and **1.47% on average for gas savings** (as a percentage of annual sales).

Set higher goals: The 2014 savings goals were set at 2.55% electric and 1.13% gas. Even though the Program Administrators (PAs) on a state-wide basis fell short of the goal in the Commercial & Industrial (C&I) sector (due to substantial underspending), because they far exceeded the goals in the Residential

¹ For instance, in 2014, the Massachusetts energy efficiency programs saved electricity at the cost of about \$0.04/kWh, which is a quarter of the regional average wholesale price of \$0.16/kWh during the winter of 2014. Acadia Center, "Winter Impacts of Energy Efficiency in New England, April 2015, available at <http://acadiacenter.org/document/winter-impact-electric-efficiency/>

² Since 2010, the efficiency programs have reduced annual GHG emissions by an estimated 3.6 million tons. MA Energy Efficiency Advisory Council 2012 and 2013 Annual Reports and Project Administrators' Q4 2014 data, presented to EEAC, Feb 2015.

³ Investments in efficiency contribute to job growth in the Commonwealth. The 2014 MassCEC Clean Energy Industry Report indicates that in 2014 there were more than 65,000 workers and more than 4,000 firms working in the MA energy efficiency industry. Efficiency firms are expected to add an additional 7,500 workers by 2016 – more than any other industry.

⁴ Comparison of estimated program costs to total benefits through Sept. 30, 2014. Even with the inclusion of consumer costs, the total benefit cost ratio is still over \$3. See Acadia Center Factsheet available at: <http://acadiacenter.org/wp-content/uploads/2015/02/MA-EE-Benefits-Factsheet-020215.pdf>.

sector, they achieved savings of 2.7% for electric and 1.3% for gas on an overall basis. Moreover, given that the PAs achieved these savings while spending less than budgeted, experience demonstrates that robust goals, increasing above those of the current plan, are attainable. In fact, in the Preliminary Goals Framework for 2016-2018, the consultants to the EEAC conservatively estimate and propose as achievable goals for annual savings as a percentage of annual sales ranging from 2.98% to 3.09% for 2016-2018 in the electric sector and ranging from 1.38% to 1.54% in the gas sector. Accordingly, the savings targets in the next plan should reflect not only what the PAs have demonstrated is achievable, at lower costs than planned, but also what the assessment concludes is possible.

Make up for previous shortfalls: Although the Residential Program has exceeded expectations, PAs have consistently underspent budgets and fallen short of goals in the C&I sector. In 2014, gas PAs spent only two-thirds of their budget, yet achieved 92% of goal. Electric PAs spent only 86% of budget and achieved 89% of goal. While the savings in the residential sector are highly cost-effective, savings in the C&I sector are achieved at an even lower cost per kilowatt hour or therm of natural gas. As such, to maximize the cost effectiveness of the plans, the shortfalls of previous years in the C&I sector must be made up in the upcoming plans from within the C&I sector – not the residential sector. PAs should take a proactive approach in this and optimize C&I segments such as street lighting to implement measures that can provide broad benefits to taxpayers through a relatively small number of program participants, including municipalities and the state itself, while also enabling reductions coincident to winter evening peak.

Efficiency as a peak shaving strategy.

The next Three Year Plan should focus on reducing peak energy demand and minimizing costly investment in rarely-used peaking capacity, including new gas pipeline infrastructure. Investments in energy efficiency have had a tremendous impact on energy use in Massachusetts and in New England as a whole. In 2014, the programs delivered demand savings equivalent to building a new 172 megawatt power plant, offsetting the need for such costly new infrastructure. A recent report by Acadia Center found that the economic impact of our energy efficiency programs is significant, and that without our investment in energy efficiency from 2000 to 2013, region-wide demand in winter 2014 would have been 14 percent (2 GW) higher and overall electric costs \$1.5 billion higher.⁵ A continued focus on peak demand reduction, and appropriate valuation of peak reductions in cost-effectiveness testing, can result in broad reliability and economic benefits to both ratepayers and utilities. For example, Rhode Island regulators are sending market signals in favor of peak demand reduction by explicitly conditioning 30% of available shareholder incentives upon achievement of the program administrator's peak demand reduction goals.⁶

The next plan should focus on prioritizing efficiency and demand reduction investments, especially those that address winter energy demand, as a strategy to offset the need for new gas pipeline infrastructure, until additional capacity comes online in 2017. Indeed, as the Green Communities Act states, the plans should enable the Department of Public Utilities to “ensure that all available energy efficiency and demand reduction resources that are cost effective or less expensive than supply are utilized to meet the Commonwealth’s electric and natural gas resource needs.” So long as energy efficiency is less expensive than additional supply, including pipeline expansion, more efficiency is our first and best option.

Engage all customers more effectively.

Many customer segments have yet to engage fully in the efficiency programs they are paying to support (e.g., renters, hard-to-reach/hard-to-serve, and small-to-medium commercial & industrial). Further, unlike

⁵ Acadia Center, “Winter Impacts of Energy Efficiency in New England, April 2015, available at <http://acadiacenter.org/document/winter-impact-electric-efficiency/>

⁶ Narragansett Electric Company, “Energy Efficiency Program Plan for 2015,” November 2014, page 22, available at: <http://www.ripuc.org/eventsactions/docket/4527-NGrid-2015-EEPP%2810-31-14%29.pdf>

consumers in Connecticut and other jurisdictions, Massachusetts electric users have not been given educational tools that empower them to understand and adjust peak usage. This has implications for both energy savings and equity. The 2016-2018 plan should include strategies for better engaging all customers more effectively, including:

- Targeted program strategies based on customer segmentation among customer classes in both residential and C&I sectors;
- Effective programs to target renters and multi-family units that include benchmarks and a firm commitment to increase annually the number of hard-to-reach/hard-to-serve customers served;
- Partnerships with community groups, houses of worship, and other outreach organizations to better reach hard-to-reach/hard-to-serve populations; and
- Better utilization of data on customer classes to develop strategies that improve performance:
 - o Cities and towns expend significant effort to implement energy efficiency initiatives, so timely energy usage and program performance data is incredibly important for them to more effectively understand where they have succeeded and how they can improve.
 - o For instance, Mass Save should provide communities with a quarterly report that includes program participation, savings, and benefits data for all measures across multiple sectors so municipalities can track what's happening, account for it, and devise strategies to reach those who haven't yet participated or optimized all of their savings.
 - o PAs should undertake low-cost outreach to all classes of customers about the importance of energy efficiency and energy management practices on coincident peak. Several states in recent years have undertaken similar public messaging campaigns that could provide basic models or lessons in helping consumers understand the impact they can have on reducing energy use when energy is at its most expensive.

Improve transparency and accountability.

We believe a transparent, standardized data management system will make it easier to strategically and effectively implement efficiency programs. In addition, we maintain that a strong data system will build public confidence in the state's multibillion dollar investment in energy efficiency, facilitate effective market segmentation, empower municipal energy managers and local officials to implement first-class energy programs and provide accountability to constituents, streamline delivery of services and enhance equity through program innovation. Despite the DPU's order issued in December 2014, progress towards implementing a statewide database that works for everyone is currently stalled.⁷ We hope that the next plan includes a commitment to continue to improve the transparency and accountability on reporting of progress and results.

In closing, we are proud to represent constituents in a state that has achieved such tremendous success with its efficiency programs. Efficiency is an important strategy for achieving our clean energy and climate goals, while also promoting economic growth and development. We must continue to embrace an energy future that offers lower costs and greater consumer control, and achieves significant progress toward state and regional greenhouse gas emission reduction goals. As you evaluate and finalize the 2016-2018 Three Year Plan, we urge you to set ambitious targets, embrace efficiency as a peak shaving strategy, expand the programs to reach more customers, and continue to improve transparency and accountability. Doing so will result in tremendous benefits to ratepayers and will help pave the way for a truly clean energy future here in our Commonwealth.

⁷ See Massachusetts Department of Public Utilities Docket No. DPU 14-141, Order, December 1, 2014, available at <http://www.mass.gov/eea/grants-and-tech-assistance/guidance-technical-assistance/agencies-and-divisions/dpu/>.

Sincerely,

Michael Barrett
Senator
3rd Middlesex District

James Eldridge
Senator
Middlesex & Worcester District

Pat Jehlen
Senator
2nd Middlesex District

Jason Lewis
Senator
5th Middlesex District

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