Summary of January 31 Orders:
- Three-Year Plan
- DPU 11-120, Phase II

Presentation to the EEAC
February 12, 2013
Order relating to 2013-2015 Three-Year Energy Efficiency Plan
D.P.U. 12-100 through D.P.U. 12-111
The Department approved the Three-Year Plans of individual PAs (which sum to the statewide Plan), finding that they meet the requirements of the GCA’s mandate to acquire all cost-effective energy efficiency.

The Department highlighted the $6.2 billion in net benefits stemming from these Plans.

The Order noted the strong support of energy efficiency in the Commonwealth, and the significance of the review and approval of the Plans by the Council and the Department for the Commonwealth’s efforts to address vital energy issues.
Introduction- Efforts of Council and PAs

- The Department favorably noted the Council’s process/efforts, the comprehensive and collaborative efforts to develop the Plan with the PAs, and the ability to achieve unanimous resolution on the Plan.

- The Department acknowledged the time and efforts undertaken by the PAs and other stakeholders in bringing the Plan to fruition, including responding to numerous information requests, participation in nine days of evidentiary hearings, approximately 2,750 exhibits and 154 responses to record requests, plus all supplemental responses, and detailed initial and reply briefs.
Overview

- Department approved each individual PA Three-Year Plan, subject to limited modifications and directives
- Department found each program cost-effective, and approved savings and budgets in each PA Plan
- For performance incentives, the PI mechanism, including the PI pool and framework, were approved, with a limited change to threshold level
- Department directed the PAs to convene a working group to develop strategies to address barriers to increasing energy efficiency in the residential sector (Efficient Neighborhoods+, community initiatives, landlord/tenant, pre-weatherization)
The Department finds that the statewide aggregate gas and electric savings goals, as well as goals for each individual PA, are reasonable and consistent with the achievement of all available cost-effective energy efficiency.

The Department gives significant weight to the Council’s recommendation, stating that it, “appreciates the efforts of the Program Administrators and the Council to develop the savings goals in the Statewide Plan. The support of this diverse group of stakeholders facilitates the Department’s review of the Three-Year Plans, and we give significant weight in our review of the plans to the unanimous endorsement by the Council of the savings goals in the Statewide Plan.”
Savings Goals

- PAs took appropriate steps to acquire all available cost-effective energy efficiency in the Three-Year Plans, given the current state of supply and demand and approves the statewide goals.
- Department agrees that sustained growth is essential to the GCA’s long-term mandate; PAs must actively incorporate new technologies and address barriers to participation.
- The PAs have demonstrated that the savings goals represent a reasonable expansion, with program enhancements aimed at new technologies and expanded participation, and that the goals take into account historical performance and EM&V results.
## Summary of DPU-Approved Plan

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<td>DPU 1/2010</td>
<td>PAs 12/2012</td>
<td>DPU 1/2013</td>
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<tr>
<td>Total Program</td>
<td>$1,627</td>
<td>$2,020</td>
<td>$2,246</td>
<td>24%</td>
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<tr>
<td>Investment (million $)</td>
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<tr>
<td>Total Benefits (million $)</td>
<td>$6,039</td>
<td>$8,980</td>
<td>$8,980</td>
<td>49%</td>
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<tr>
<td>Annual Electric</td>
<td>2,625</td>
<td>3,705</td>
<td>3,706</td>
<td>41%</td>
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<td>Savings (GWh)</td>
<td></td>
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<td>Annual Gas</td>
<td>57</td>
<td>72</td>
<td>72</td>
<td>26%</td>
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<td>Savings (million</td>
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<td>therms)</td>
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<tr>
<td>Total Costs (TRC)</td>
<td>$2,178</td>
<td>$2,785</td>
<td>$2,774</td>
<td>28%</td>
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<td>(million $)</td>
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<td>Net Benefits (TRC)</td>
<td>$3,861</td>
<td>$6,195</td>
<td>$6,206</td>
<td>60%</td>
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<td>(million $)</td>
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Note: Values in column D will change slightly per DPU order of 31 Jan 2013 disallowing certain non-energy impact benefits.
GHG and Barriers

- The Order notes the Council’s endorsement of the savings goals as consistent with the CECP, and finds that the savings goals appropriately support the achievement of emissions reductions in the CECP.
- PAs encouraged to work with state agencies and stakeholders to refine the method used to calculate GHG reductions from energy efficiency.
- The Order directs the PAs to convene a working group to address the specific strategies to overcome residential barriers, and provide a written report to the Department by September 30, 2013 on progress toward implementing proposed residential enhancements.
EM&V, Database, NEIs

- **EM&V:** The EM&V framework is appropriate in funding, scope, oversight and planning, and the Department approves the EM&V framework.

- **Database:** Notes that a statewide database is consistent with, and complementary to, the revised reporting protocols in D.P.U. 11-120-A, Phase II; Department will participate in process and encourages PAs to address stakeholder recommendations through process.

- **NEIs:** The PAs have complied with Department directives regarding NEIs, and, with the exception of three limited NEIs (National Security, Refrigerator/Freezer Turn-In, and Economic Development), the NEIs are accepted as proposed; the Department expects the PAs, as part of the EM&V framework, to be diligent in identifying NEIs that merit further study.
The Department approves each individual PA program implementation costs budget for the 2013-2015 Plan term

The Department finds:

- increased consistency among PAs with respect to cost categorization, but notes that certain material differences remain, and directs the PAs to develop consistent definitions and methods of assigning costs across all cost categories and report on progress by July 31, 2014

- PAs appropriately balanced need to minimize costs with need to maximize program quality; each PA Plan is designed to minimize administrative costs to the fullest extent practicable

- the Plans use competitive procurement to the fullest extent practicable
The Department finds that each PA has met the low-income budget requirements.

For Research, Development, and Commercialization Initiatives, the PAs have complied with the statute (total budget for all of these efforts is below 1% of the total budget).

Regarding updates to costs during proceedings, the Department approves the updated tables, stating they are appropriate, and noting that updates to the tables result in an approximate .01% increase, which is non-material and consistent with the Term Sheets.
Performance Incentives

- The Department approves the:
  - statewide incentive pool
  - structure of the PI mechanism for the savings and value components (metrics will be reviewed separately)
  - calculation of the savings and value payout rates
  - adjusted threshold levels, consistent with Council concept of lower thresholds for PAs with goals that exceed Council targets

- PAs directed to recalculate the threshold levels such that they are consistent over the three years

- Department finds that the PAs have kept performance incentive funds as low as possible, consistent with the Guidelines
Program Cost-Effectiveness

• Each PA has demonstrated that, based on the projected benefits and costs (even with certain NEI disallowances), all proposed energy efficiency programs are cost-effective.

• The proposed reclassification and consolidation of core initiatives into larger program offerings is found appropriate (i.e., rolled-up program reporting for DPU purposes).
Funding Sources and Lowered Costs

- The Department finds the proposed non-EES revenues to be reasonable
  - Department will convene a technical session to better understand the electric PAs’ FCM strategies
- Pursuant to the Phase II Order, PAs authorized to collect LBR may collect estimated LBR during the term and reconcile in the performance report
- Consideration of outside funding was adequate
- Department finds that past energy efficiency programs have lowered electricity costs to customers
Bill Impacts

- The Department finds that the bill impacts are within the reasonable range and finds that each PA may recover the funds to implement the energy efficiency budgets through the EESs.
- The Department addresses the bill impact concerns raised in public comments, and notes that participants can expect to see bill decreases.
- The Department declines to set a pre-determined bill impact standard or cap, stating that the Department’s review is not mechanical, and it will use its judgment and expertise to consider bill impacts; also, a cap is inconsistent with the requirement of the GCA to achieve all available cost-effective energy efficiency.
- The Department directs each PA to submit a compliance filing showing the calculation of its EES for each applicable customer class for 2013, 2014, 2015 by February 21, 2013.
Other Issues

- **RCS:** The proposal to include the RCS program budget in the HES core initiative satisfies the requirements of the Energy Act of 2012 and the RCS statute; the Department also approves the gas PAs’ proposal to recover RCS costs through the EES tariffs.

- **NSTAR/WMECo Integration:** The Department approves the request of NSTAR Electric and WMECo to adopt a common energy efficiency program design and to jointly implement their programs, but directs NSTAR Electric and WMECo to file all energy efficiency documents for this Plan term on an individual and an aggregate basis.

- **Job Growth Data:** PAs have adequately described job growth and economic development in the Plan.

- **Building Codes:** The Department dismisses assertions that PA development of building code recommendations is not transparent or does not evaluate cost implications.

- **D.P.U. 08-50 Tables:** The Department directs gas PAs to file the historical tables and directs PAs to include all formulas, linkages, and pivot tables in their D.P.U. 08-50 tables.
Conclusion

- The Department finds each individual PA Plan consistent with the GCA, the Guidelines, and Department precedent
- Subject to the modifications and directives contained in the Order, the Department approves each PA Plan
Order relating to D.P.U. 11-120, Phase II
Overview

- January 31 Order in D.P.U. 11-120-A relates primarily to revised Energy Efficiency Guidelines
- The Guidelines have been re-designed in order to streamline energy efficiency regulatory requirements
- The revised Guidelines represent overall positive change and likely will reduce regulatory burdens
- Key overall themes of the revisions to the Guidelines:
  - Treating the PAs’ three-year plans filed under the GCA as one three-year plan as opposed to 3 one-year plans
  - Reducing (but not eliminating) the potential for MTMs and recurring annual DPU energy efficiency reviews
Performance Reports

- PAs required to submit a performance report at the end of each three-year term
- Department will approve final recovery of costs based upon its investigation of performance, including actual performance incentive payments and, where applicable, actual lost base revenues
- PAs to submit a performance report upon completion of each plan year to Department and Council; Department may investigate a PA’s performance on its own motion or upon request of the Council
- It is appropriate to revisit the content and format requirements established for the performance reports in D.P.U. 08-50-C; working group process to be utilized
Performance Incentives

- Electric and gas to collect design-level performance incentive (and, where applicable, LBR) payments each year during the term of the plan and reconcile actual versus design-level incentive payments after the Department has completed its review of the Three-Year Term Reports.

- A significant deviation between the design-level performance incentive payments that PA is collecting during a plan year and its actual performance may be cause for the Department to investigate.

- Emphasized importance of ensuring that reconciliation of actual versus design incentive payments associated with a plan term occurs in a timely manner.
Energy Efficiency Surcharges (EES)

- DPU will approve at the beginning of each three-year term a separate EES for each year of the term for each PA
- The EES for each year would remain fixed so long as it remains within a certain bandwidth, with over/under recoveries to be addressed in the subsequent three-year term
- A revised EES filing would be required when:
  - (1) a projected under- or over-recovery of costs for a customer sector would result in a bill impact greater than two percent for an average customer (“bill impact threshold”); or
  - (2) a projected under- or over-recovery of total costs would exceed 25 percent of the total revenues the Program Administrator projects to recover through its EES (“percentage of revenues threshold”)
- On an annual basis, consistent with the schedule by which it currently submits EES filings for Department review, each PA to submit either:
  - (1) revised EES filings for DPU review when either threshold is exceeded; or
  - (2) a statement to the Department and the Council (with supporting documentation) indicating that neither threshold has been exceeded
Department explained that the bill impact threshold is intended to ensure that a significant under- or over-recovery of costs would not need to be collected from (or credited to) customers in future plan years.

- The bill impact threshold will be applied separately for each customer sector, so it could be triggered for a particular customer sector even if a PA’s recovery of total energy efficiency costs did not exceed the specified threshold.

Order explained that the percentage of revenues threshold is intended to provide protection to PAs against significant under-recovery of costs that might occur during a plan term.

- Because this threshold is applied on a PA-wide basis, the percentage of revenues threshold could be triggered even if the bill impact threshold is not triggered for any customer sector.

Operating together, the bill impact threshold and the percentage of revenues threshold provide sufficient protection against significant cost under- or over-recoveries.
Mid-Term Modifications

- Established two categories of significant MTMs, each category of which has a different approval process
- Modifications that will increase program benefits do not require review as an MTM
- PAs are allowed, without approval by the Department or the Council, to change a program budget or hard-to-measure program budget (over the three-year term) by up to 20 percent, and to change a program design that is projected to result in a reduction in program benefits (over the three-year term) of up to 20 percent
- Order clarified that Department will treat Council inaction on either category of MTM the same as if the Council passed a resolution opposing an MTM
- In the event that the Council fails to act within 45 days of a proposed MTM, a PA may file for Department review
- The Department will develop dollar thresholds through a working group
“Category One” Mid-Term Modifications

- “Category One” modifications include:
  - the addition of a hard-to-measure energy efficiency program;
  - the termination of an existing energy efficiency or hard-to-measure program;
  - a change in the three-year budget of an energy efficiency or hard-to-measure program in excess of 20 percent or a dollar value to be specified by the Department; or
  - a modification to the design of an energy efficiency program that is projected to result in a decrease in program benefits over the three-year term that is greater than 20 percent.

- PAs are required to submit proposed Category One modifications to the Council for review
  - If the Council passes a resolution supporting the modification, the PA may implement it; if the Council resolves not to approve it, the PA may not implement without Department approval, which an affected PA may seek within 60 days of the date of the unfavorable Council resolution.
  - Correspondingly, intervenors in the PAs’ Three-Year Plan proceeding would have 60 days from the date of the Council resolution to request that the Department open an investigation to review the proposed modification.
“Category Two” modifications include:

- the addition of a new energy efficiency program;
- the transition of a hard-to-measure program to an energy efficiency program; or
- an increase in a customer sector budget such that the resulting bill increase for an average customer in that sector would exceed two percent.

PAs are required to first submit the proposed Category Two modification for review by the Council and then for review and approval of the Department.

If the Council opposes the MTM, the PA has 60 days to file for Department review.
DPU Authority to Implement Proposed Changes

- The Department finds it has the authority to implement changes to the Guidelines
- With respect to the annual Plan-Year Reports:
  - The Department does not intend to routinely investigate these reports in the context of an adjudicatory proceeding, nor is it required to do so by the plain language of G.L. c. 25, 21(d)(2).
  - The Department will review these reports and may investigate a PA’s performance any time during the three-year term on its own motion or upon the Council’s request
Conclusion

- The Department updated the energy efficiency Guidelines with a goal of streamlining regulatory proceedings.
- Specific changes were made to the Guidelines in an effort to treat energy efficiency Plans as true three-year plans and to reduce the need for mid-term modifications.
- These changes are expected to positively impact three-year plan implementation by reducing regulatory burdens.