

**Comments and Recommendations  
on the July 16th Statewide Electric and  
Gas Energy Efficiency Plans**

Council Consultants

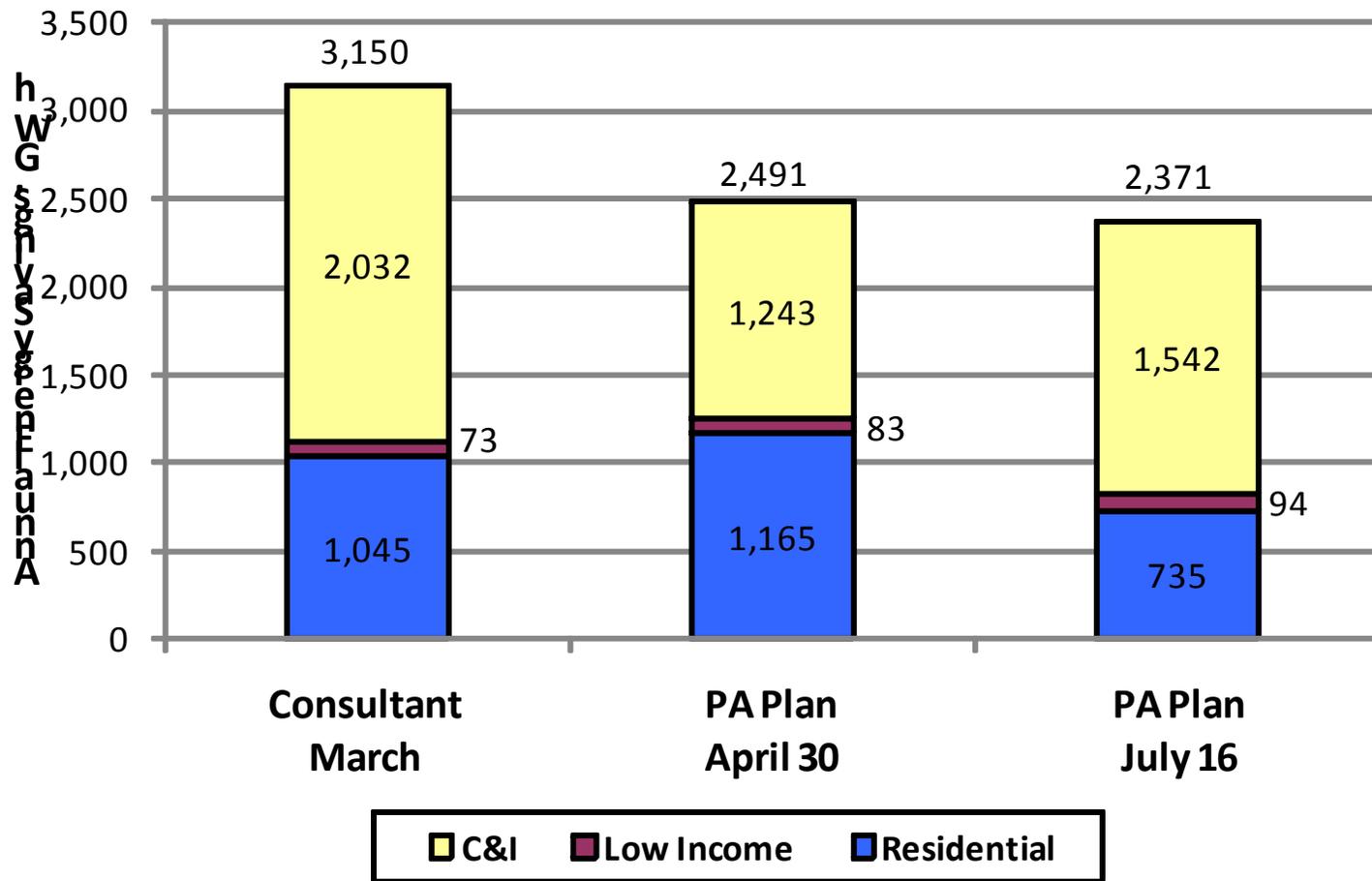
MA EE Advisory Council Meeting  
July 28, 2009

# Preliminary Savings Goals for 2010-2012

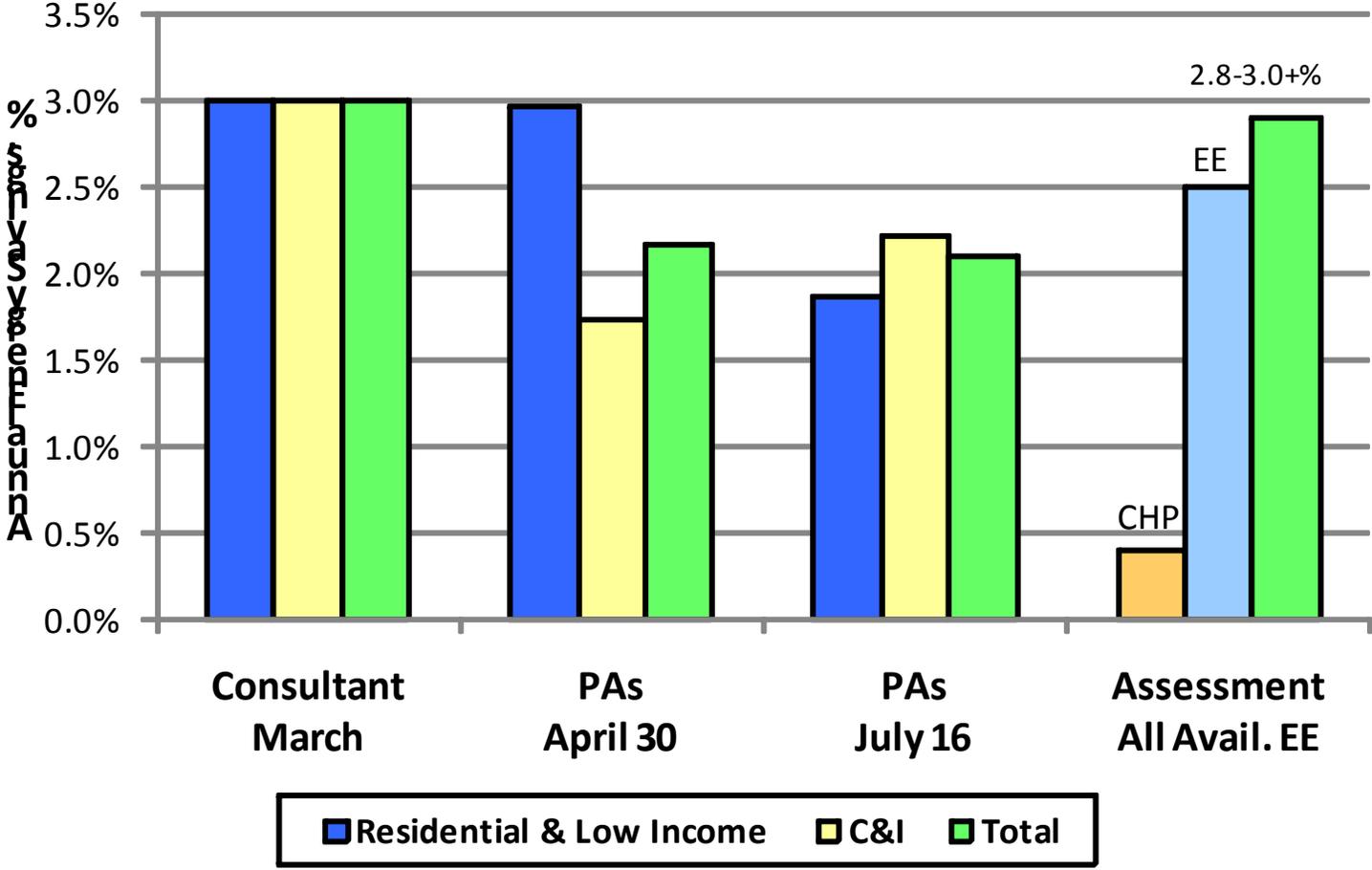
- The PA-proposed savings, benefits, and costs are a current snapshot
- Key drivers to program savings and costs will be changing over the next months

But in the meantime...

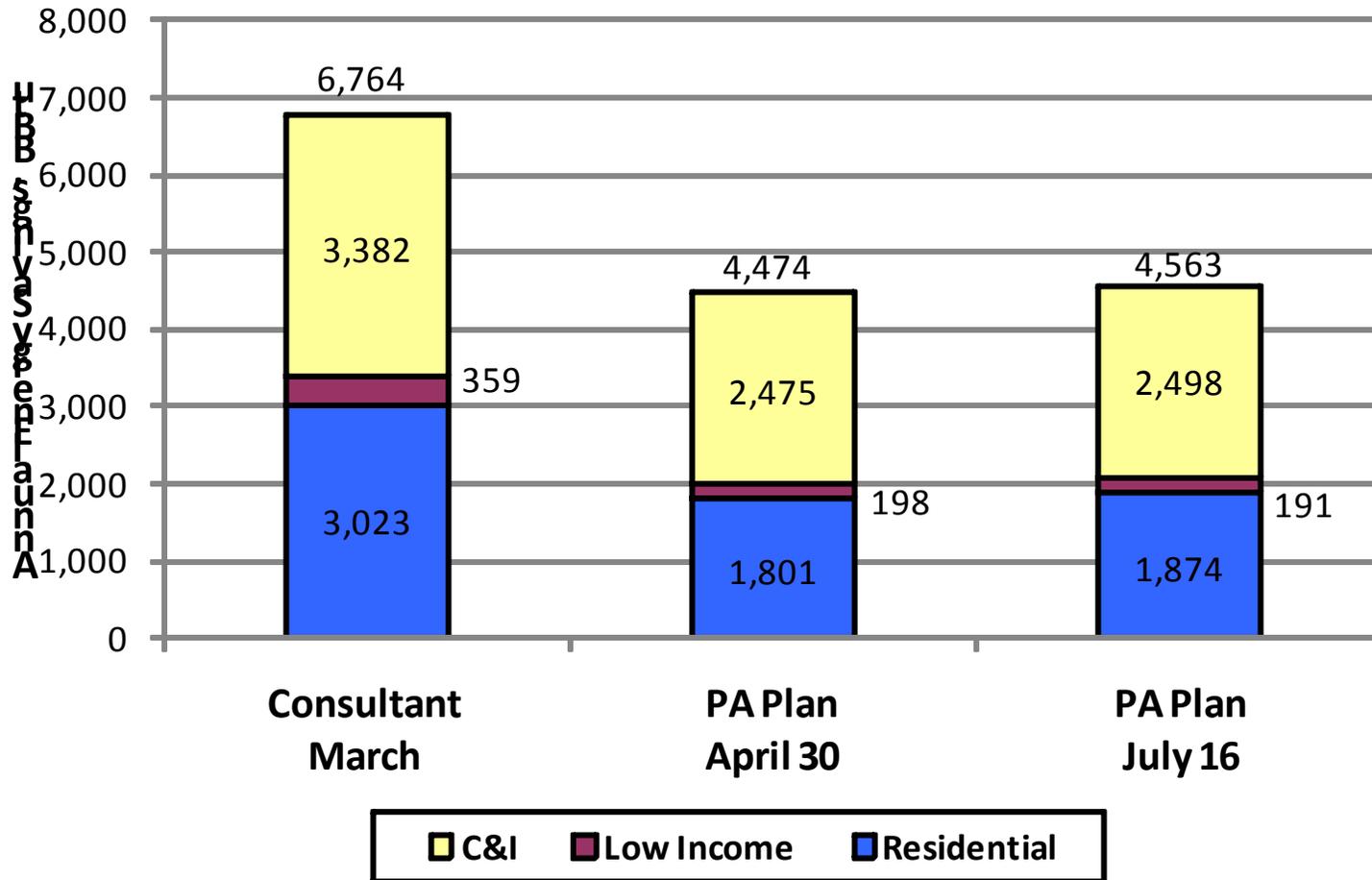
## Electric Energy Savings, Sum of 2010-2012



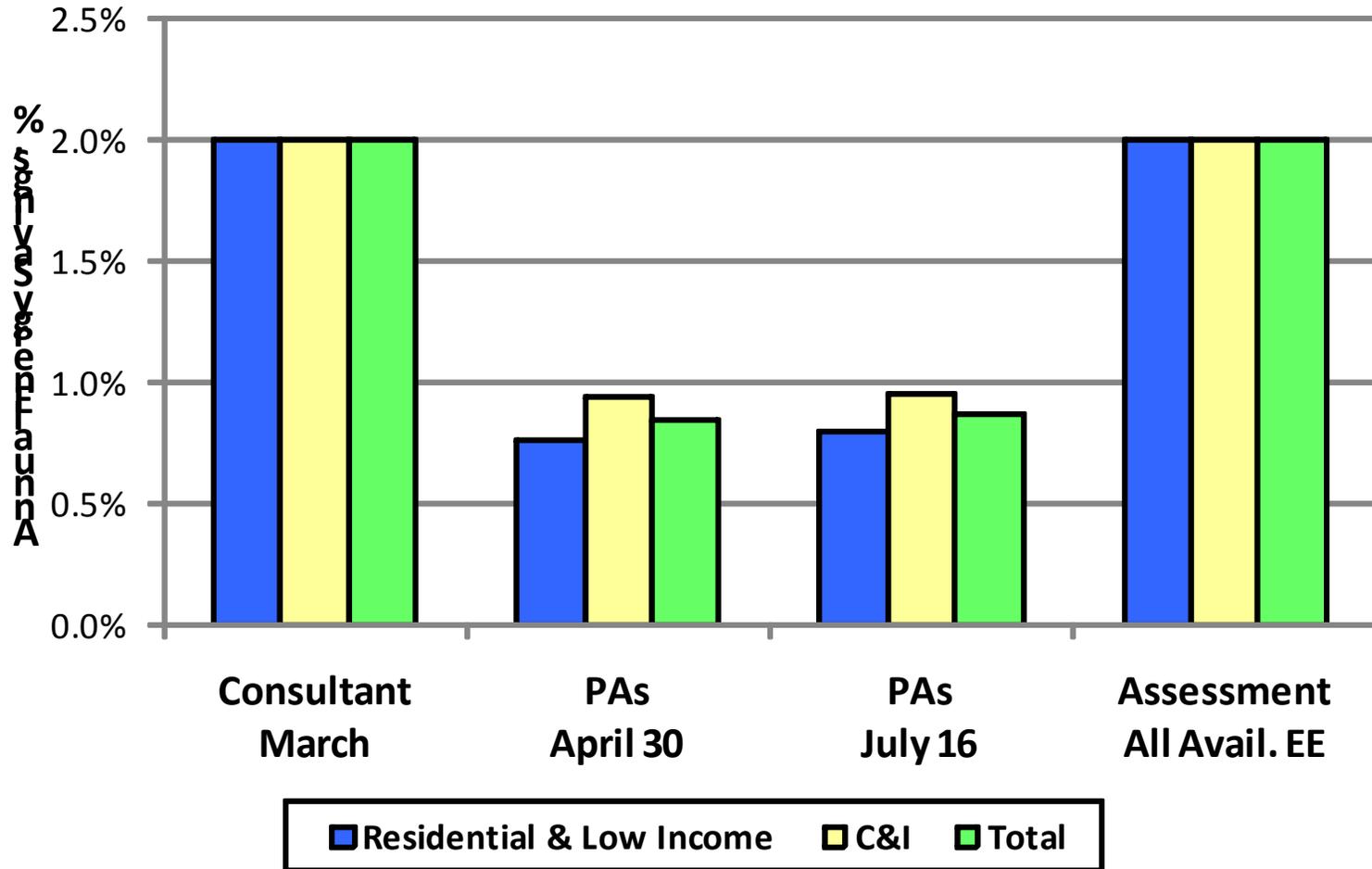
# Electric Annual Percent Savings in 2012



## Gas Energy Savings, Sum of 2010-2012



## Gas Annual Percent Savings in 2012



# Consultant Recommendation

The plans to be filed with the DPU should provide a ramp-up to higher levels of savings consistent with the Assessment, based on the key program strategies, including seamless delivery of services and gas and electric integration, deeper and broader acquisition of energy savings, and expanded application of on-bill financing and further exploration and successful inclusion of outside funding.

# Limitations of current cost and savings data

- The calculations of program benefits (which affect benefit-cost ratios, gross and net benefits, and bill impacts, among other key factors) are based on the 2007 avoided costs. The final plans will be based on the updated 2009 regional avoided cost study, which is just being finalized. All data tables showing benefits associated with the efficiency measures will be affected.
- An adjustment to common CLF savings will be made by all the electric PAs based on the results of an in-progress impact evaluation study.
- The design of the Multi Family program, through its Working Group, is partially complete, but further development is necessary and on-going. The consequence is that the electric and gas program savings and costs associated with this program have not been finalized.
- Both the electric and gas residential and C&I savings and budgets may need to be adjusted to accommodate the Multi Family design
- The electric and gas C&I program budgets may also be modified as implementation of seamless delivery to customers with integration of gas and electric services is further clarified.

# Consultant Recommendations

We recommend that the Council defer its final consideration of the specifics of the proposed program savings, benefits, and costs until these have become more finalized

We propose that the consultants examine the savings by program across the individual electric and gas PAs and report back to the Council on our findings, particularly in terms of the extent to which the statewide savings levels might be enhanced through more examination and discussion with individual PAs about savings levels.

# Strategic Themes in Plans

Both the electric and gas PAs include these topics as core strategies in their 2010-2012 plans:

- **Seamless Delivery and Gas/Electric Integration** – the devil is in the details re actual design and implementation
- **Deeper first, then broader** – not as much attention to this in the plans as expected. *We recommend* that the next iteration the plans address this topic more
- **On-bill-financing and outside funding** – PAs will enhance their efforts with OBF

*The consultants recommend* that OBF be examined in detail for all programs

*The consultants recommend* that the Council encourage the PAs to increase their involvement in exploring outside funding, in collaboration with other entities who may also be engaged in this effort

# Residential Programs - 1

The current program descriptions are substantially improved from the April 30th filing

Specific progress in the residential program descriptions since the April 30th filing, including:

- Gas weatherization has been fully integrated into the MassSAVE program;
- The MassSAVE program has updated design features that will help it to go deeper and broader, and
- The Multifamily program design (retrofit and new construction) has undergone significant development and appears to be on a positive path, but the work on this design continues through the Working Group.

# Residential Programs - 2

There are areas where we were expecting to see more progress:

- Integration of the electric and gas HVAC programs
- Greater emphasis on quality installation of measures
- Community-based efforts
- Residential new construction & major renovation pilot
- HVAC
- Deep Retrofit 1-4 Family Pilot
- Multifamily Retrofit Program
- Training and Education

# Commercial & Industrial Programs - 1

The C&I section of the Electric and Gas Plans demonstrates significant improvements in both approach and content from the prior versions

The changes contemplated for 2010-2012 are reflected in Appendix E of the electric plan, which present roadmaps/workplans with timelines to identify and address issues and achieve resolution in areas of high Council concern.

Clear implication that the PAs have agreed to integrate all the gas and electric C&I programs into three categories: C&I lost opportunity, large C&I retrofit, and small C&I retrofit

# Commercial & Industrial Programs - 2

## Observations/Issues

- Large Retrofit Program: plan to assess on-bill financing vs. sundry billing, resolve by 1/1/2011; consultants believe OBF should be in place by mid-2010
- Small Business Program: The Program Administrators intend to integrate the gas and electric programs no later than 1/1/2011. We believe that 1/1/2010 is more appropriate.
- Other Funding Sources: Consultants believe the PAs should commit to work with DOER and others to identify and attract sources of outside capital, and to develop effective financing mechanisms.

# CHP

The electric and gas plans indicate that combined heat and power (CHP) will be included and promoted as an eligible measure in the PA programs

Targeting large retrofit, with some applications to new construction

The consultants propose a significantly higher incentive cap than is proposed by the PAs, to enable large type facilities to participate

# **Proposed Consultant Role in Moving Toward Conclusion of Statewide Plans and Development of Individual Plans**

- We propose that, beginning immediately, the consultants work at a detailed level directly with the PAs to move toward greater specificity and finality, as required, to reach accord with the PAs on final statewide and PA-specific EE program designs and plans, addressing the specifics in the comments memo, in the Councilors' resolution, and in its Priorities Resolution.
- This process will also support the completion of updated savings and costs, and resulting bill impact analyses, which can be presented to the Council for consideration as it decides on appropriate savings goals for each year of the plans for each PA.
- The consultants would report to the Council on a regular basis so that completed sections of PA plans can be considered during Council meetings.

# Evaluation, Measurement, and Verification

## Summary of Consultants' Recommendations

The Consultants believe the EM&V administrative framework proposed in the EM&V section of both the electric and gas would not achieve the key policy objectives of highest credibility, objectivity, consistency, and timeliness.

We recommend that the Council consider a revised proposal from DOER and the Consultants in August, building on the earlier proposal described in our memo of April 17

*Please see the Comments memo for further detail; discussion on this subject is proposed in the Resolution for the August 11 Council meeting*

# Performance Incentives

## Summary of Consultants' Recommendations:

The Consultants' believe the PA performance incentive proposal would not provide the appropriate incentives for comprehensive and aggressive achievement of all cost-effective demand-side resources while balancing other considerations. In addition, it does not adequately meet the goals of the GCA, the DPU 08-50 Order, and the EEAC Priorities Resolution. Further work is needed to appropriately align performance incentives with GCA and EEAC priorities and goals.

*Please see the Comments memo for further detail; discussion on this subject is proposed in the Resolution for the August 25 Council meeting*

Thanks!