

2010-2012 Energy Efficiency Plans: Summary of Key Issues

Council Consultants

MA EE Advisory Council Meeting
September 30, 2009

Overview and Status

- Updated analysis of the key issues for the Statewide Plans by the EEAC consultants
- Consultant recommendations for each of the key issues, in this presentation
- Based on the requirements of the GCA statute and the Council's objectives and resolution
- Informed by discussions with PAs and analysis
- Discussions with PAs are ongoing; attempting to resolve and clarify some differences for Council review and action on October 6

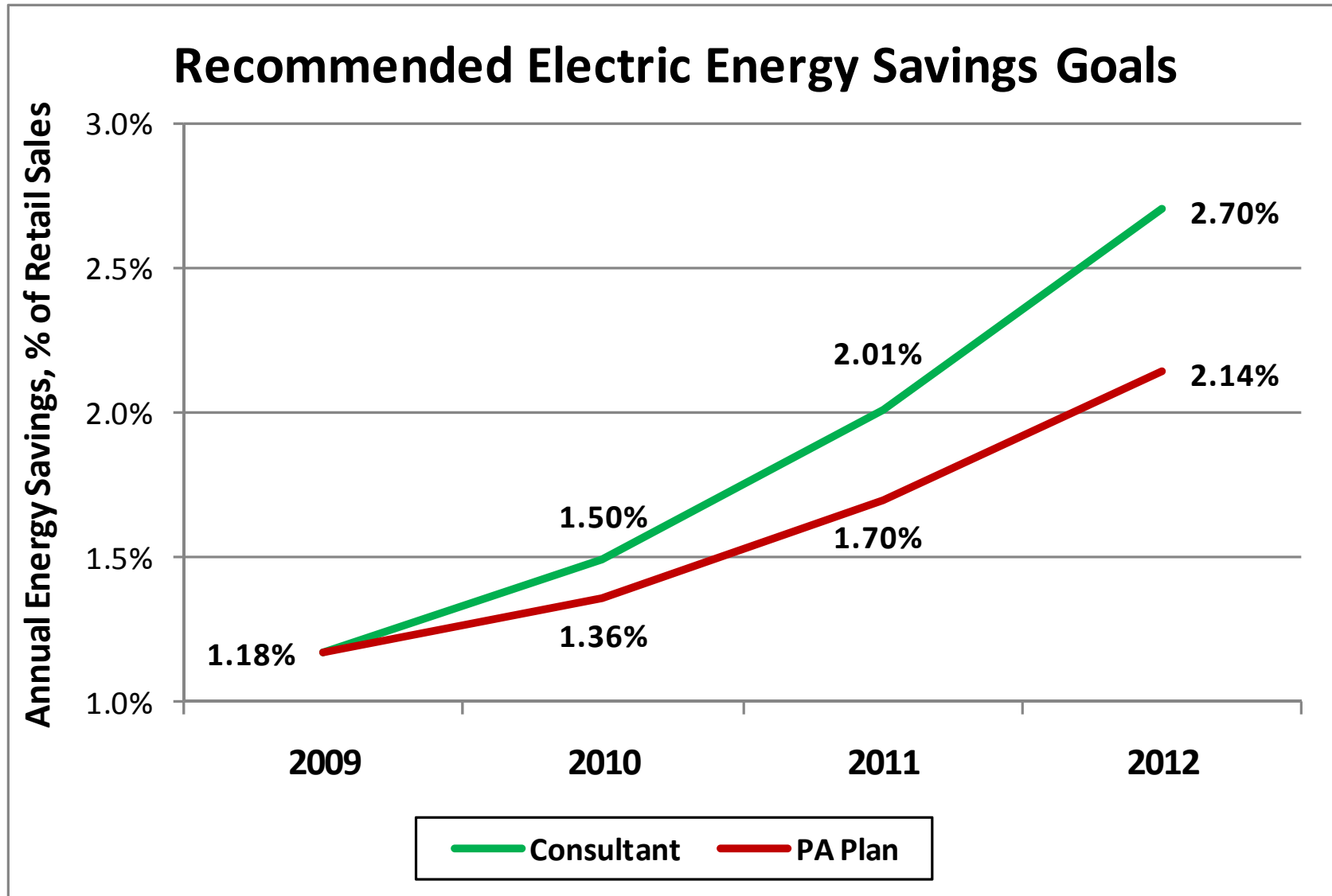
Key Issues for Statewide Plans

1. Revised Savings Goals and Savings Targets
2. Program Costs and Total Costs
3. Other Funding to Represent in the Plans
4. Bill Impact Analysis Results and Scenario Analysis (iterative with cost analysis, above)
5. Performance Incentive Mechanism
6. Performance Incentive Level
7. Use of Evaluation (EM&V) Results in Determining Performance Incentives and LBR

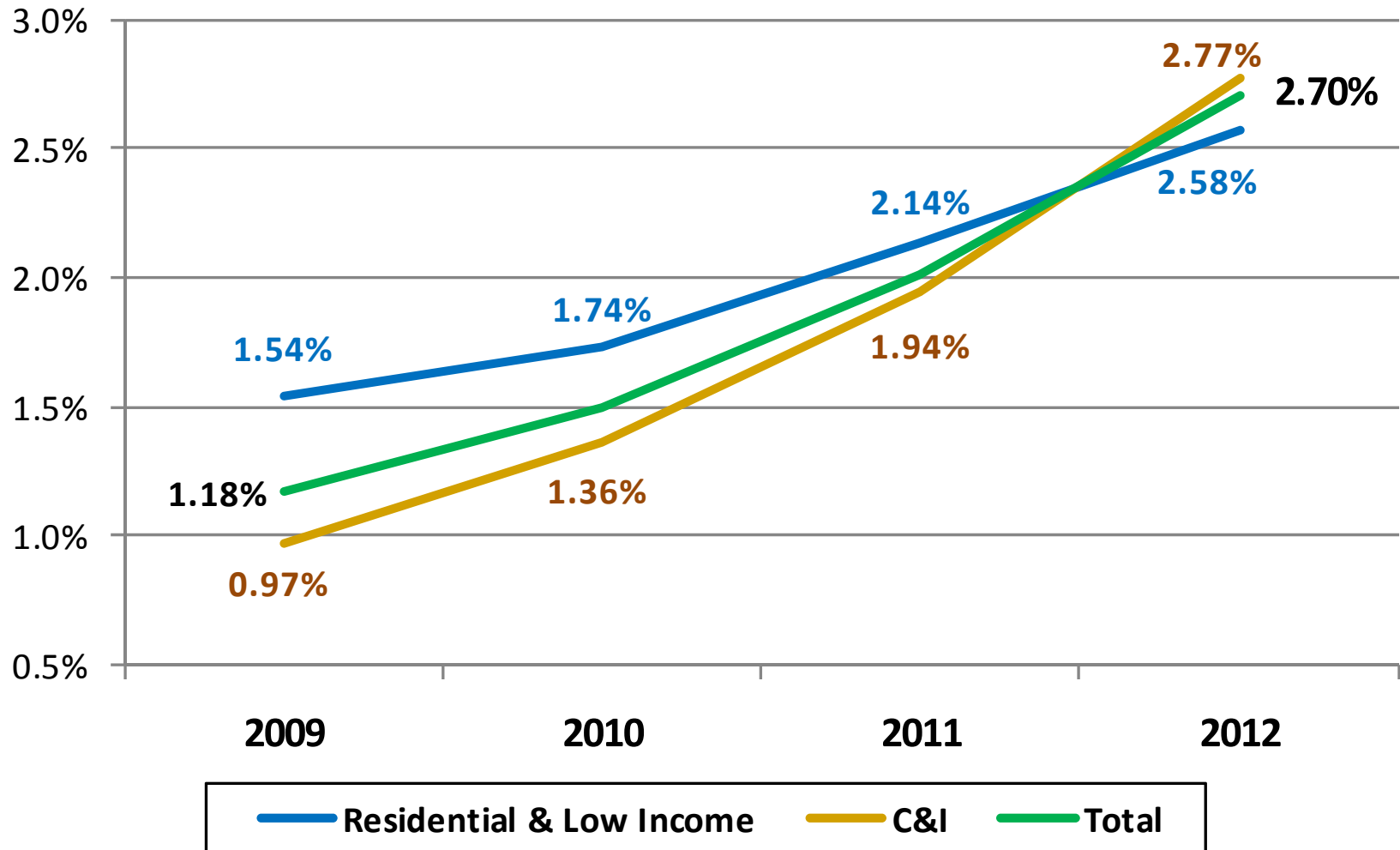
Analysis Based on GCA Requirements and Council's Primary Objectives

- Acquire all available cost-effective EE (GCA)
- Savings goals should approach the levels in the assessment of all available cost-effective EE
- Focus on deeper savings first, then broader
- Improved program designs, statewide consistency of programs, streamlining the customer experience, integration of energy efficiency delivery across fuels and silos, and effective public education and marketing

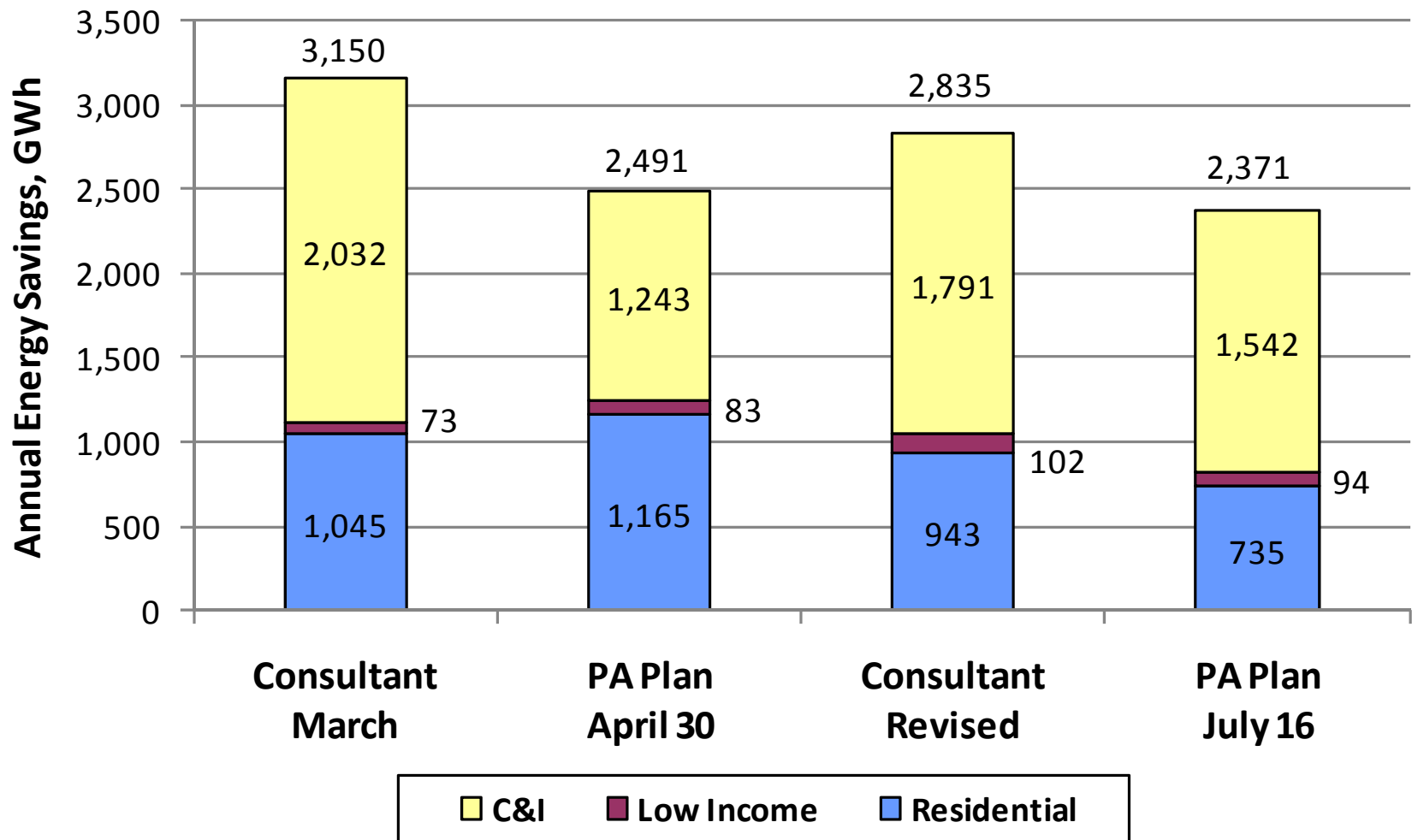
1. Savings Goals and Savings Targets



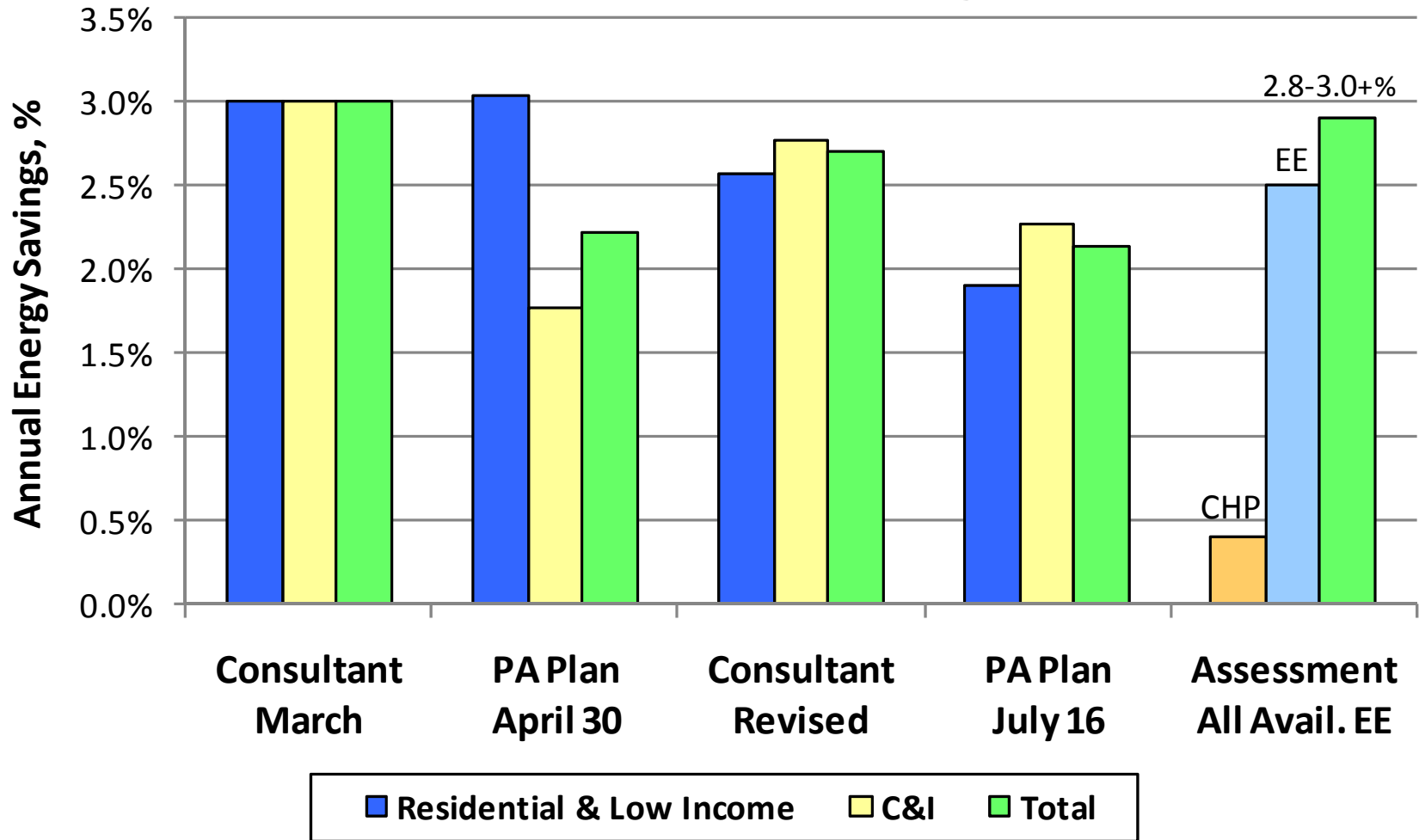
Electric Percent Savings by Sector (Consultant)



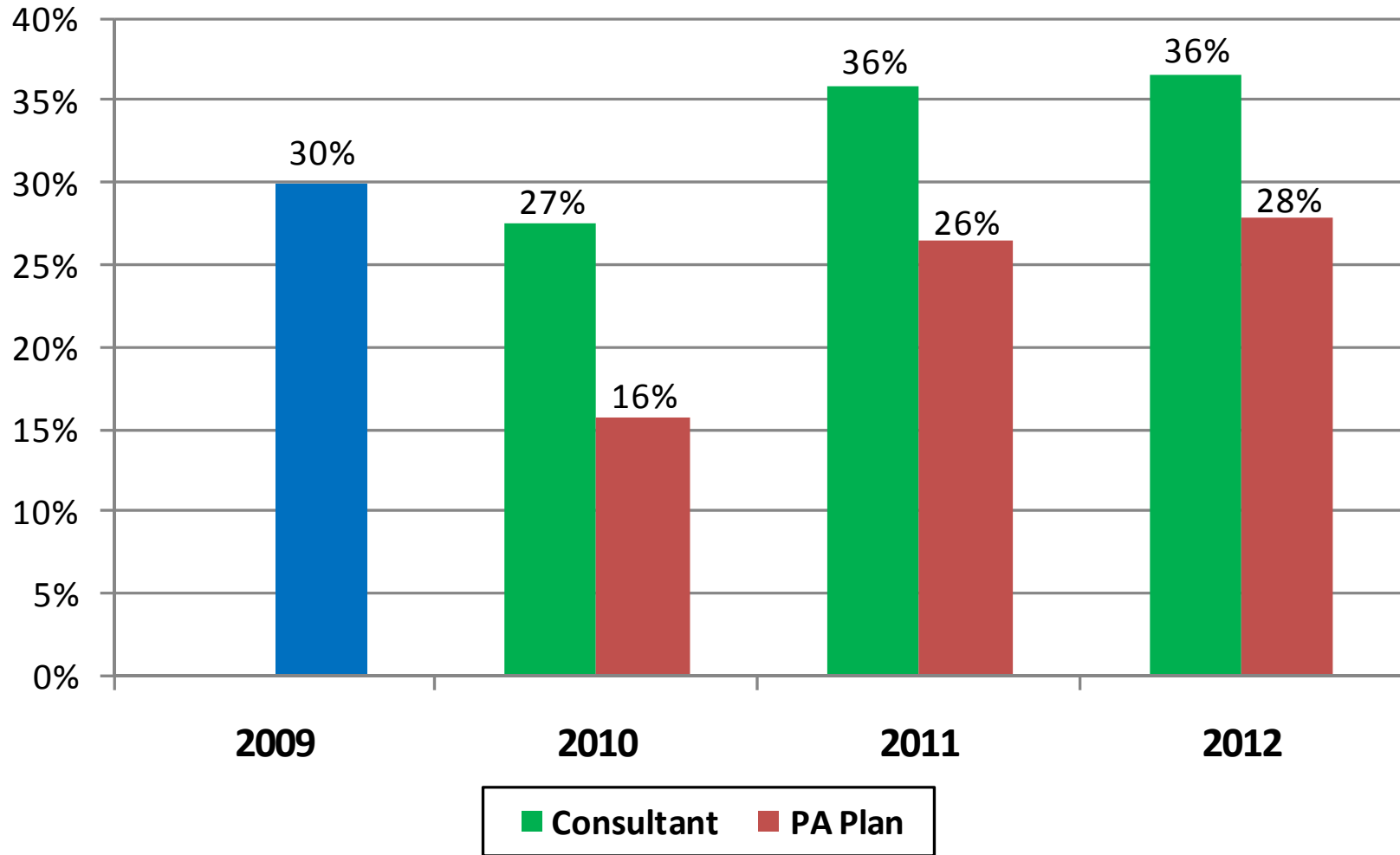
Electric Energy Savings, Sum of 2010-2012



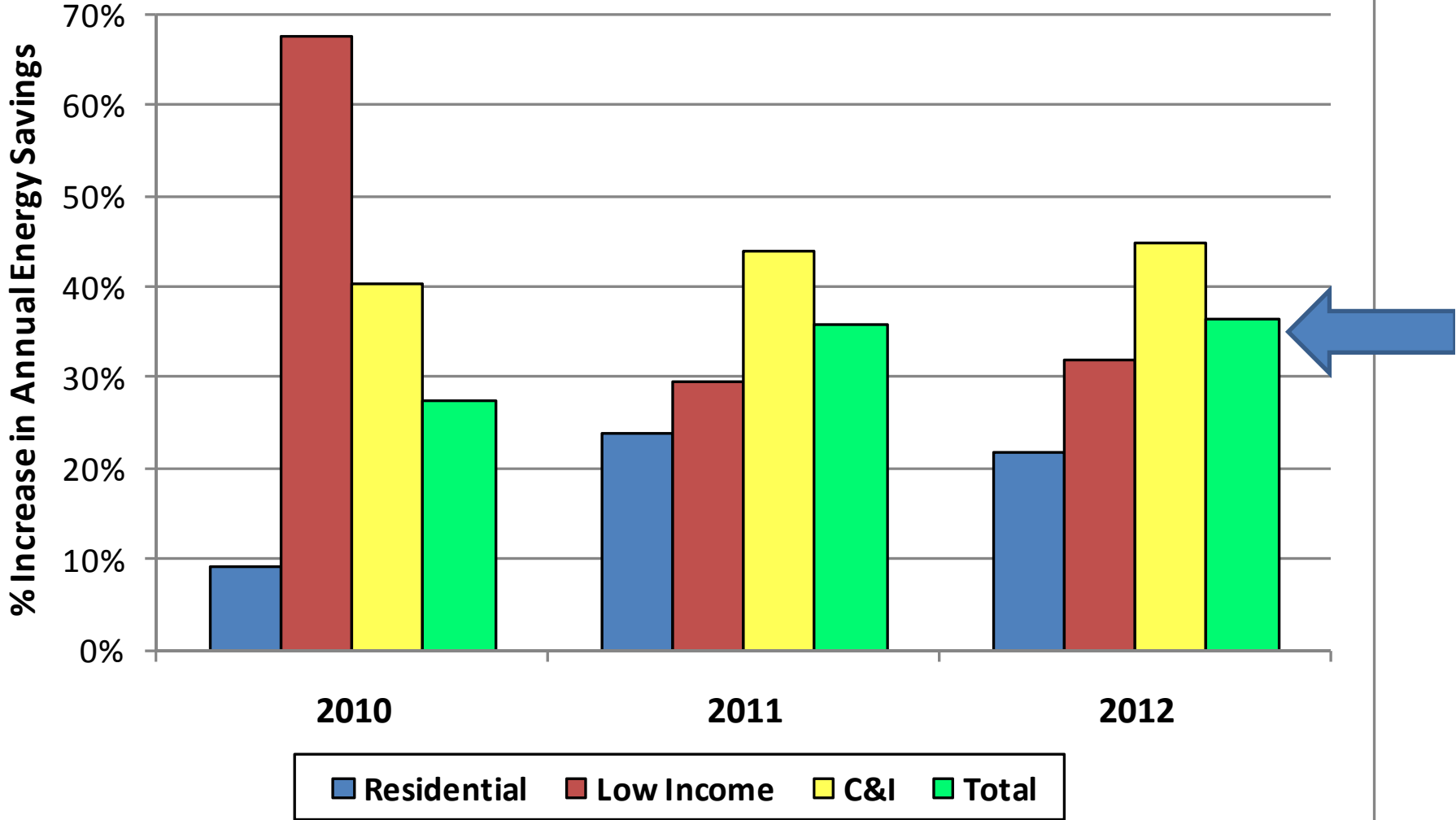
Electric Annual Percent Savings in 2012



Annual Growth Rates for Energy Savings



Annual Growth Rates by Sector (Consultant)



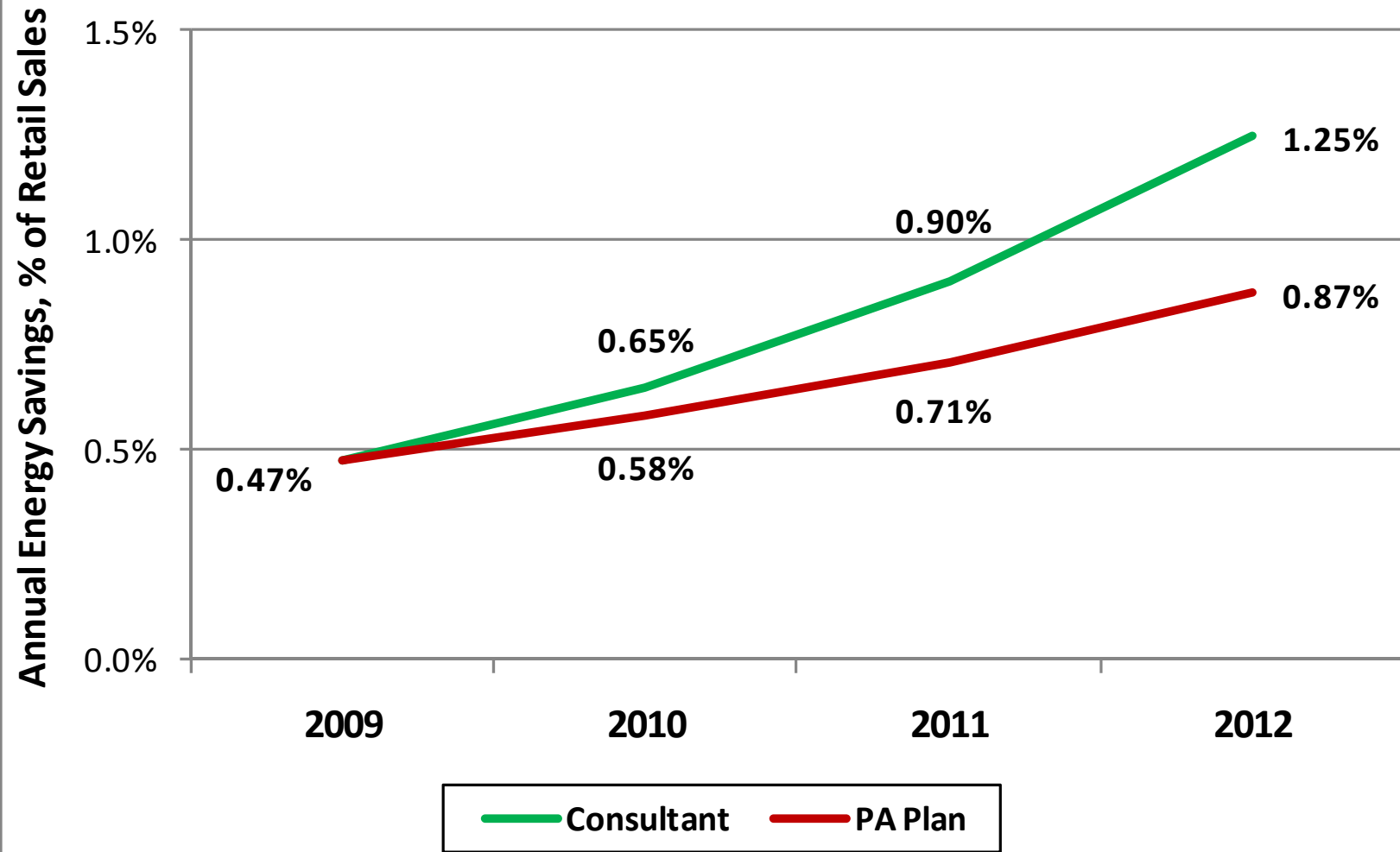
Electric Annual Savings Targets: Current Recommendation

	EEAC Consultant Recommendation			2009	
	2010	2011	2012 (range)		
1. Savings Goals and Savings Targets					
Electric savings:					
% of retail energy sales based on ISO forecast	1.50%	2.00%	2.50%	2.70%	1.18%
Annual savings (GWh, at meter)	673	914	1,155	1,248	528
% Increase from prior year	27.5%	35.8%	26.4%	36.5%	35%

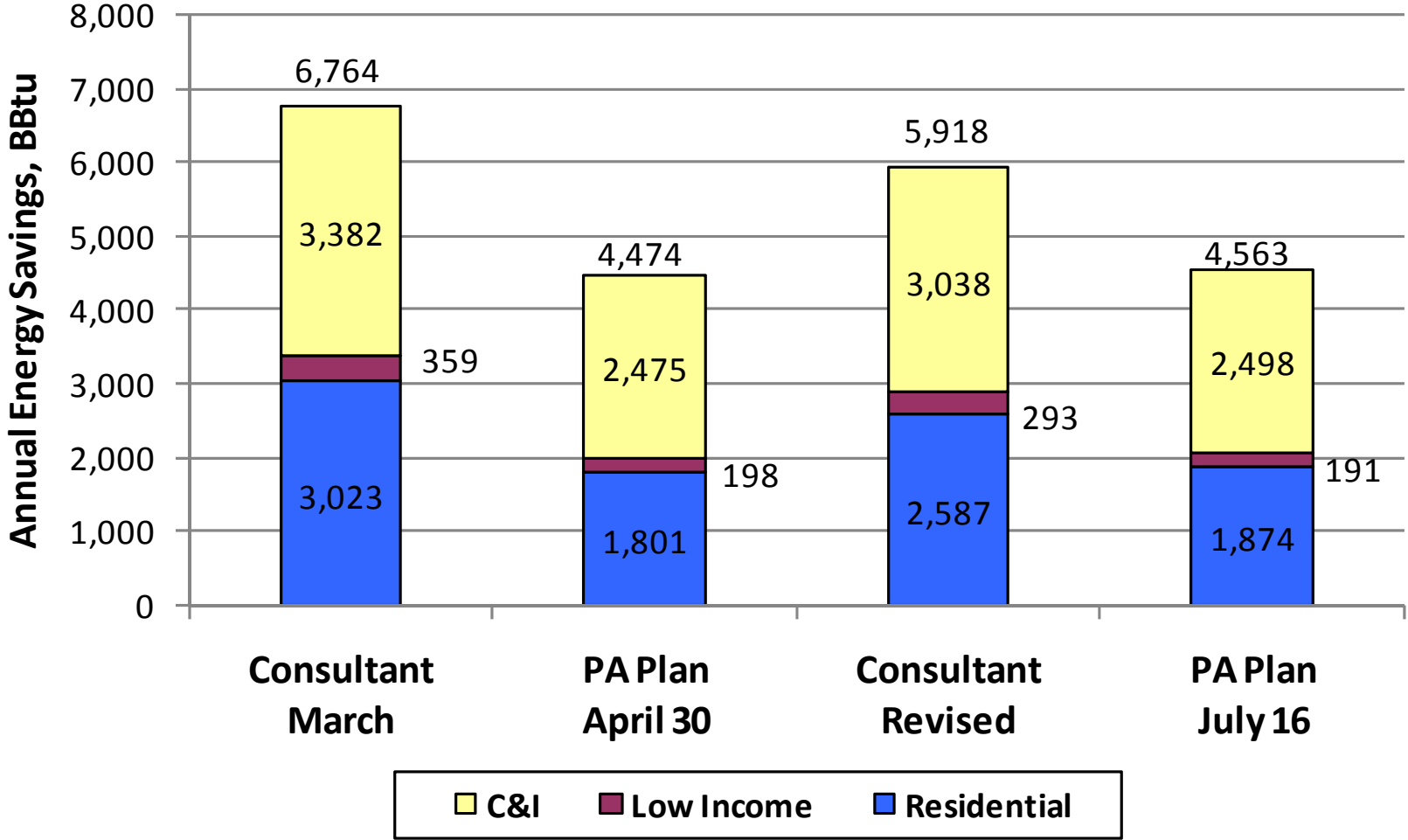
The savings targets are based on the GWh values in bold; % of retail sales values are used solely to communicate a common relative (%) level to the Council and individual PAs.

Savings targets can be used in the performance incentive mechanism as a target for the PAs to strive to achieve, regardless of the savings level proposed by any PA.

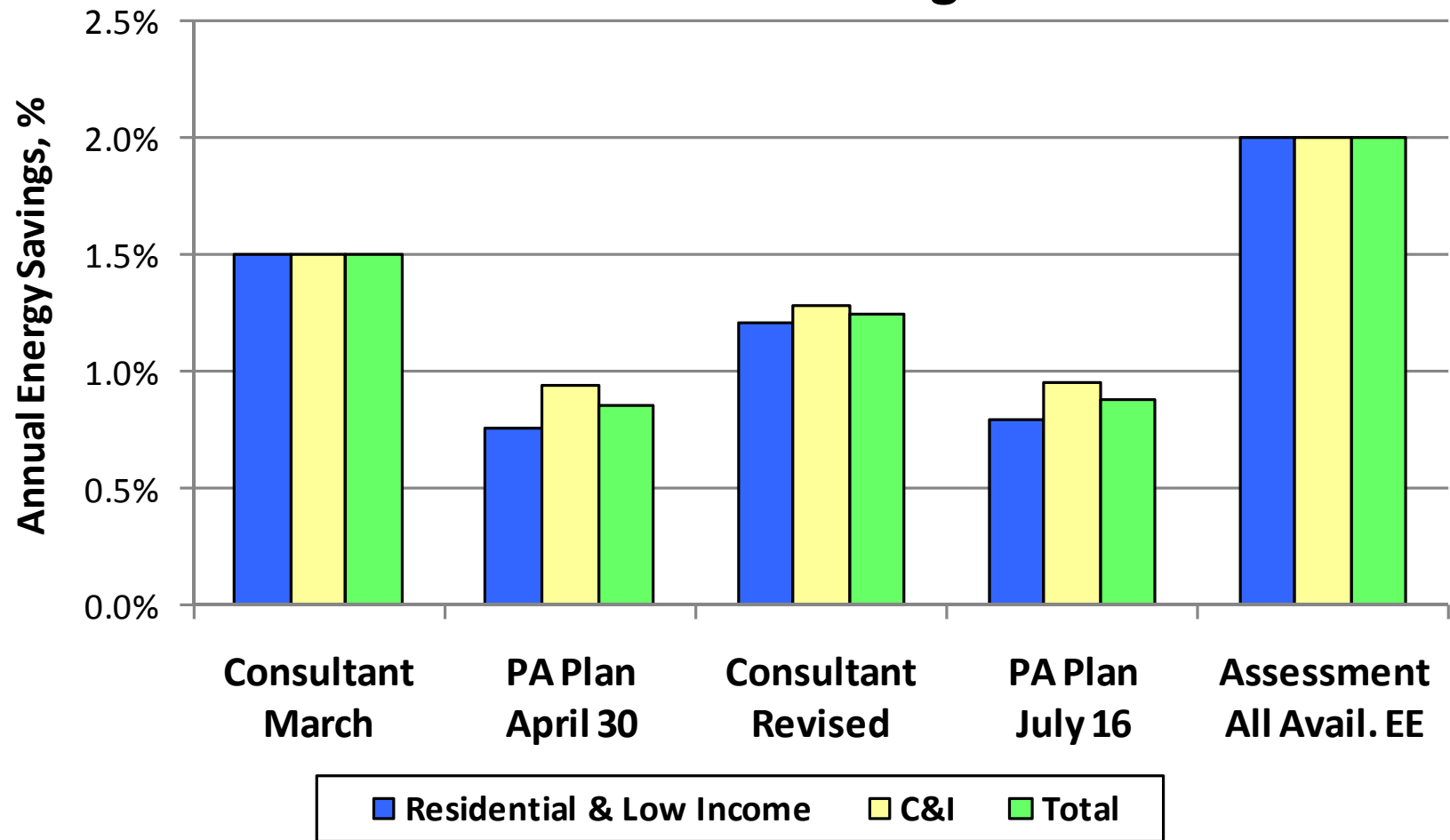
Recommended Gas Energy Savings Goals



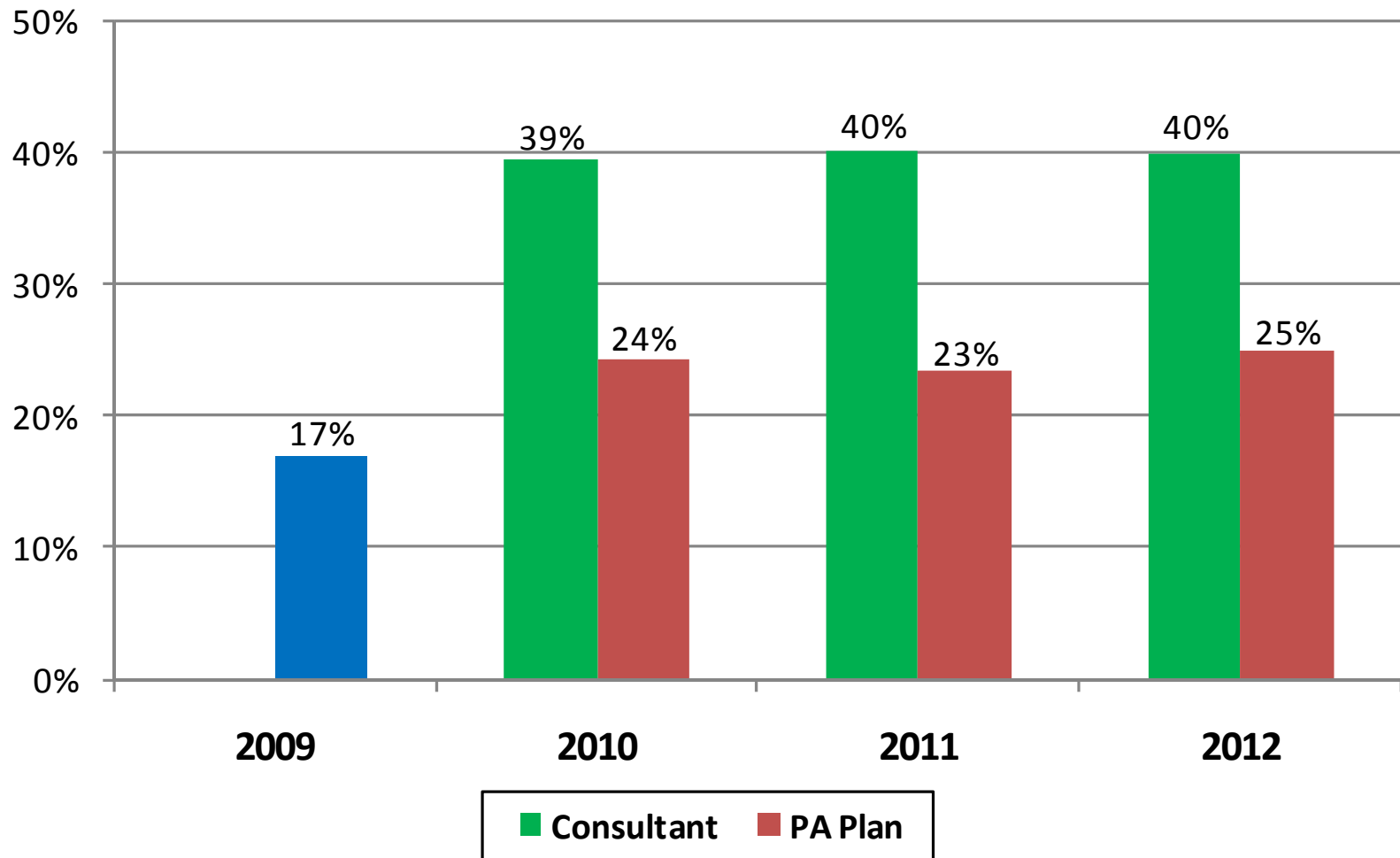
Gas Energy Savings, Sum of 2010-2012



Gas Annual Percent Savings in 2012



Annual Growth Rates for Gas Energy Savings



2. Program Costs

	EEAC Consultant Recommendation			2009
	2010	2011	2012 (range)	
2. PA Program & EMV Costs (\$, millions)				
Electric (w/out LBR and Perf. Incentive)	240	375	523	166
<i>% Increase from prior year</i>	44.6%	56.3%	39.5%	
<i>EERF</i>	57	197	374	
\$/annual kWh saved (using program & EMV \$)	0.357	0.410	0.453	0.314

3. Other Funding in the Plans

	EEAC Consultant Recommendation		
	2010	2011	2012
3. Other Funding in Plans (\$, millions)			
Electric Plan (revise as necessary for 2011 and 2012 in Plan Revision filing in Oct. 2010)	Known \$ Amount	100	200

For the other funding estimates for 2011 and 2012 – these estimates can be updated in the Plan Revision (mid-course adjustment) filing expected to be developed and filed in October 2010, based on experience to date and better knowledge about 2011 and 2012 details at that time.

4. Bill Impact Analysis

- Analysis to be completed, based on the program costs and program designs
- Bill impacts are affected by the level of other funding in the plans
- Scenario analysis:
 - Other funding
 - Relationship between savings and costs
 - What are the resulting bill impacts for various packages of measures customers can install

5. Performance Incentive Mechanism

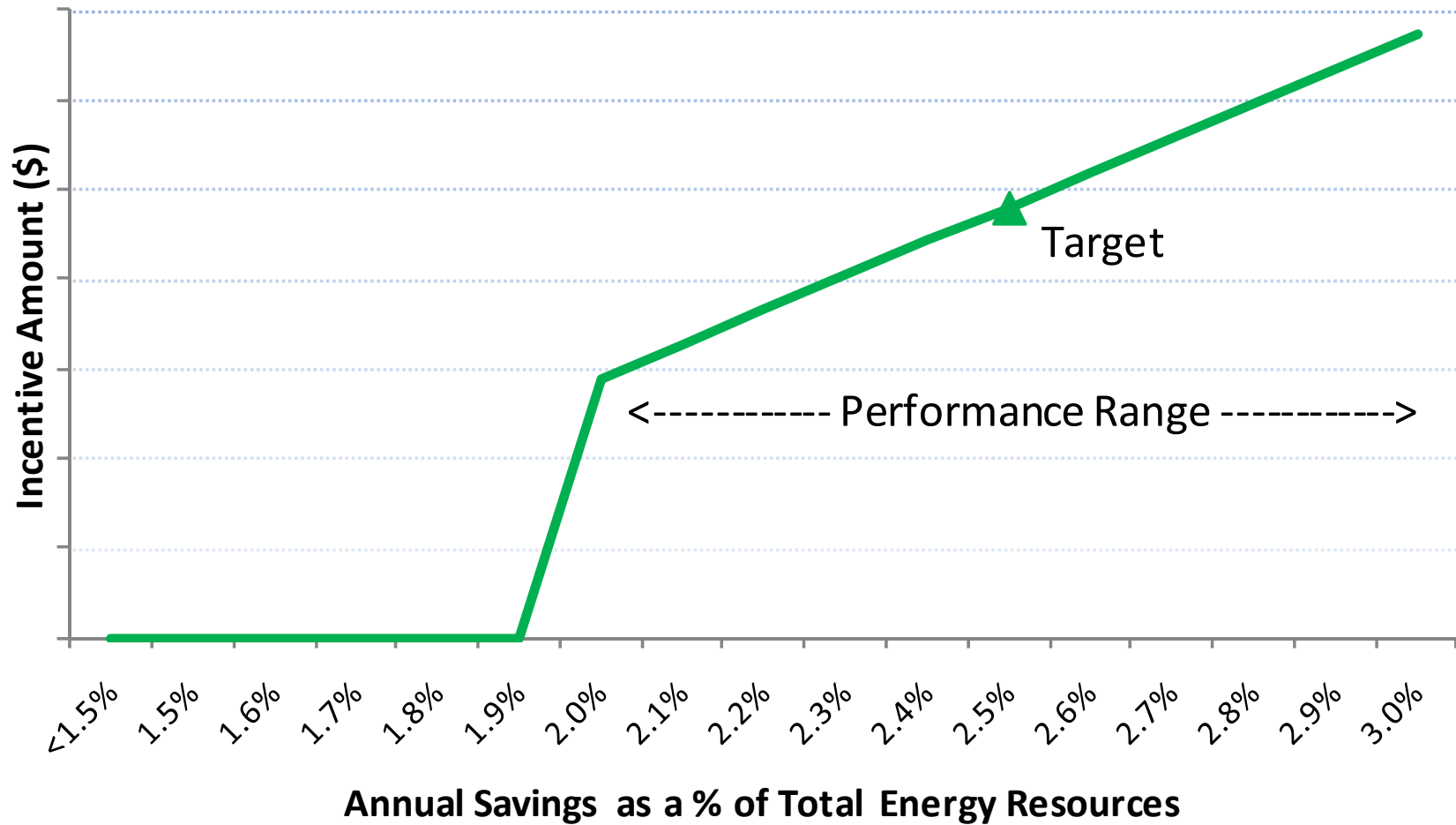
Distinguish between:

- *Level* of incentive
- Incentive *mechanism*

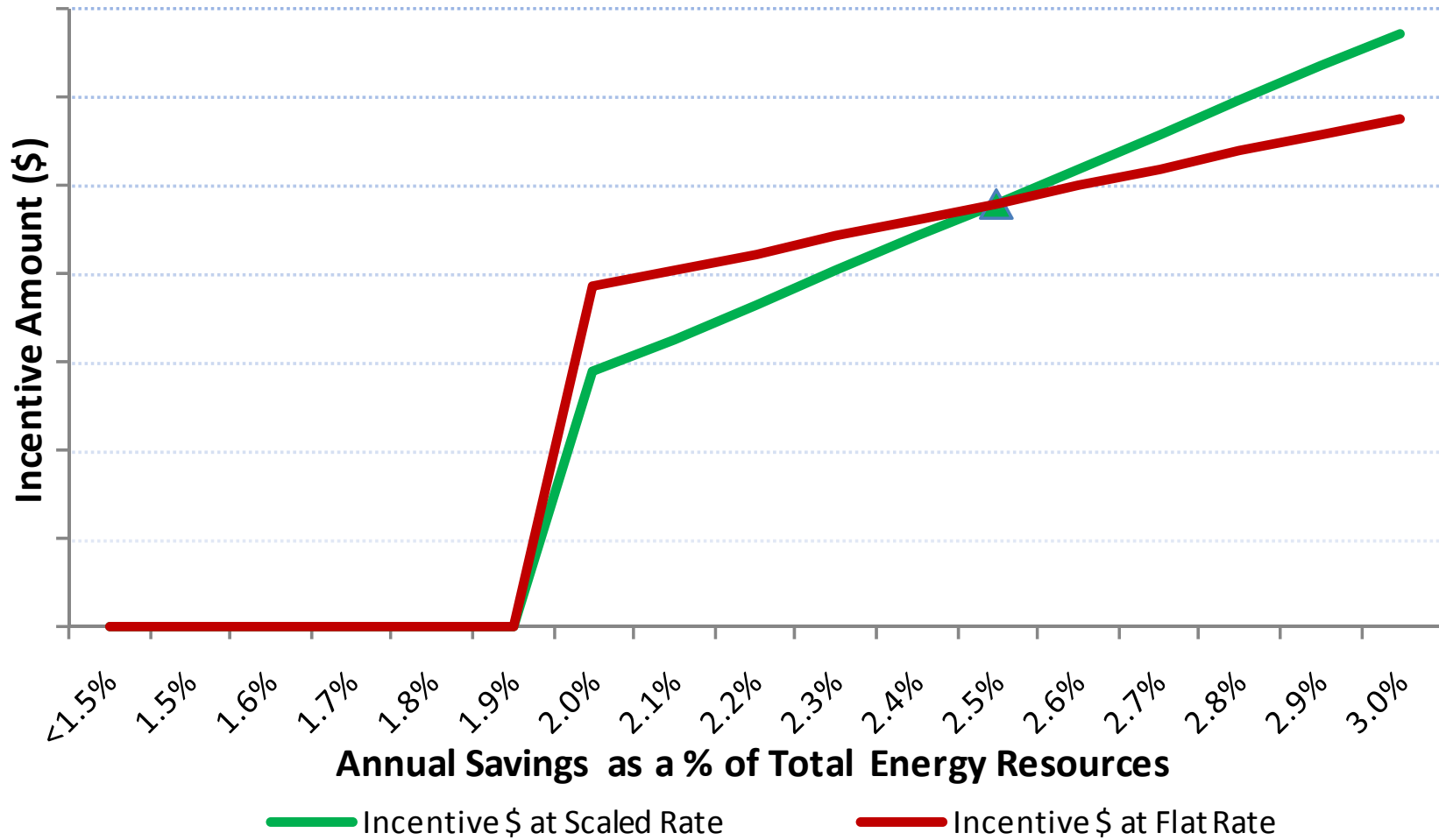
Today, we will be making some recommendations about the *mechanism* and providing some analysis on the *incentive level*

See Sept. 8 Consultant presentation to Council

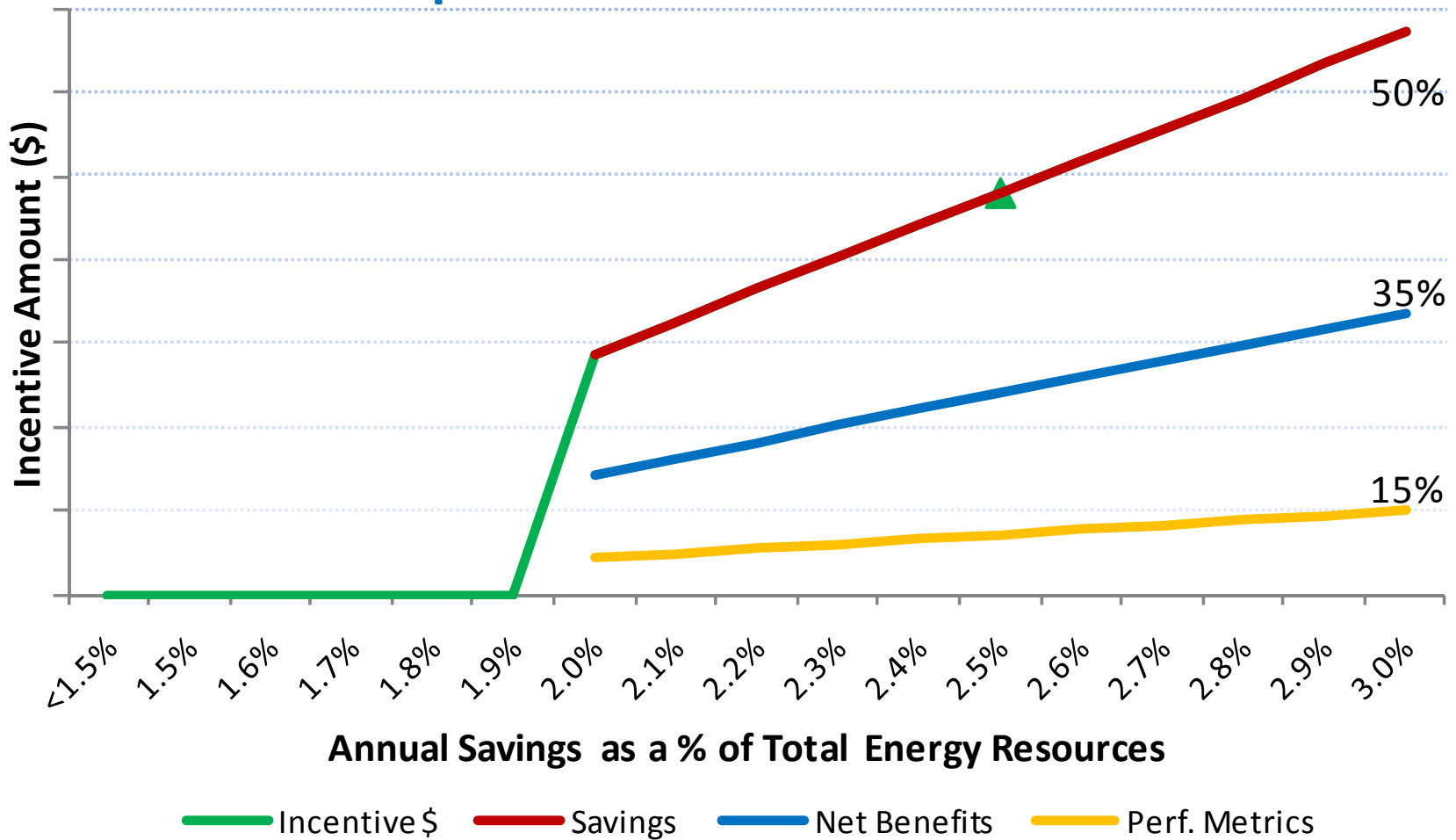
Mechanism with Scaled Incentive for 2012



Scaled Incentive to Encourage Higher Savings



Three Components of the Mechanism for 2012

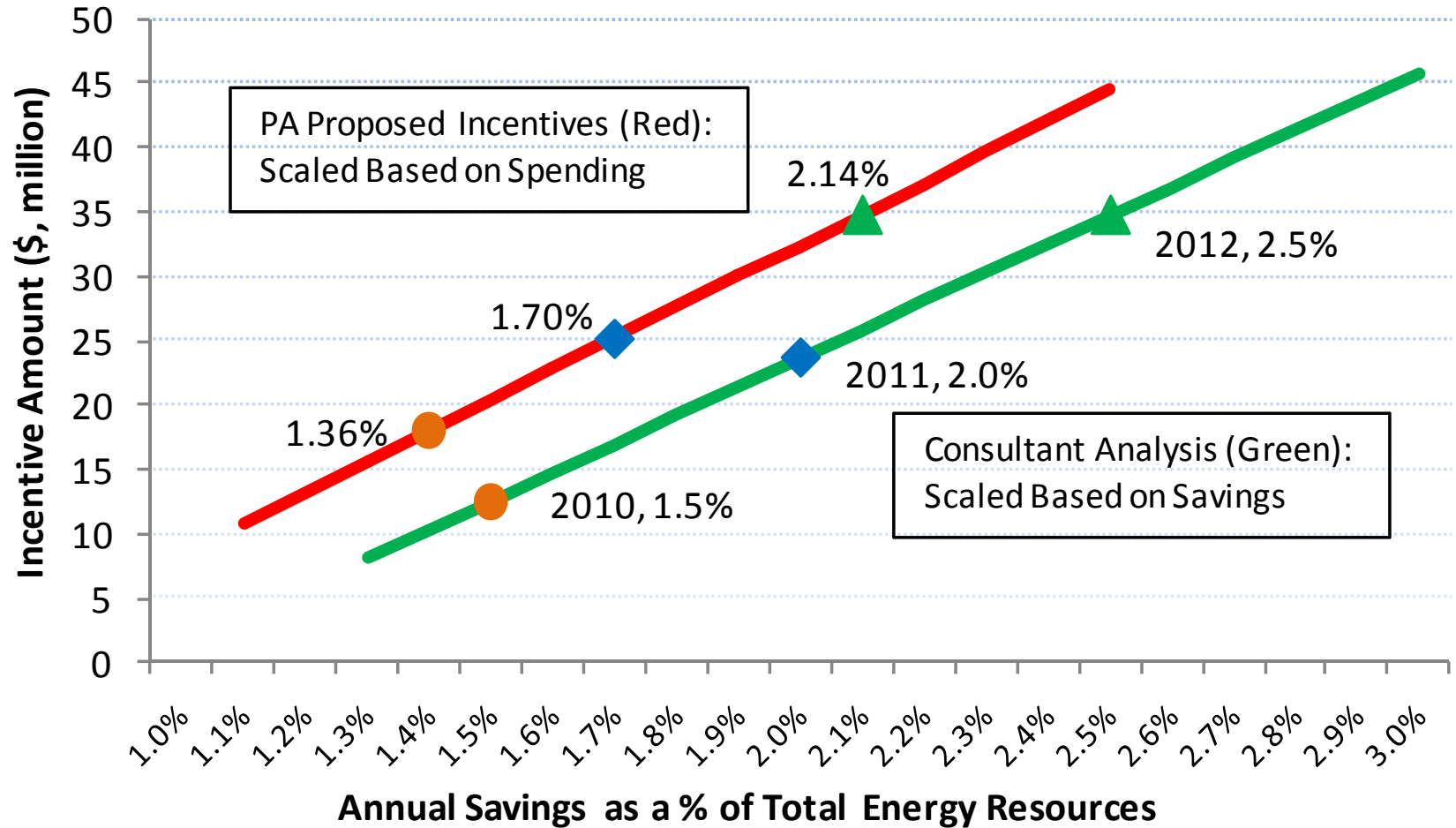


6. Performance Incentive Levels

<i>Below are potential rationales for incentives and the associated incentive amounts</i>			
	2010	2011	2012
PAs required by statute to administer (no performance incentive needed)	0	0	0
To keep management attention (consistent with 2009 Plan level)	12.4	12.4	12.4
Incentive for doing more than the past (above 2009, ½ of savings % increase)	14.1	16.9	19.8
Relative to increase in savings (% increase equal to savings % increase applied to 2009 incentive level of \$12.4 million)	15.8	21.5	27.1
	27.5%	73.1%	118.8%
			64.4
Scaled with higher incentive for higher \$34.7 M in 2012 (PA value), > \$12.4 M in 2010	12.5	23.6	34.7
			70.8
PA proposal, based on 2009 percent and (~8% of program costs; from PA July 16 Plan)	18.1	25.2	34.7
			78.0

Above provide *example* rationales only; the Council has not set forth its rationale.

Comparison of Performance Incentive Levels



7. Use of Evaluation (EM&V) Results in Determining Performance Incentives

- Currently, evaluation (EM&V) actual results are used to determine incentive \$ earned
- Consultant recommendation: use actual measured results to determine performance incentives earned (and LBR/lost base revenues), except use deemed savings for standard CFLs in 2010 (one time approach)
- Deemed savings for CFLs to be based on prior evaluation results, but applied prospectively

Next Steps and Key Dates

- Continue interactions with PAs; attempt to resolve remaining differences while encouraging PAs to reach for higher savings goals
- Key issues are on the Council meeting agenda for Oct. 6; need significant resolution of issues ASAP, and no later than Oct. 13
- Revised Benefit/Cost analysis and Bill Impact analysis are on Council agendas concurrently, to follow the determination of savings and costs
- Plenty to do, time running out, focus on the highest priority issues