

Massachusetts Energy Efficiency Advisory Council
 Meeting Minutes (DRAFT)
 Tuesday, September 30, 2009

Councilors Present: { Ask Steven or Frank: Who has Council check-in list? }

Voting	Present (designee)	Non-Voting	Present (designee)
Heather Clark	X	Derek Buchler	X
Martha Coakley	Jed Nosal	James Carey	X
Penn Loh	X	Penni Conner	X
Lucy Edmondson	X	Alisha Frazee	
Philip Guidice	X	Kevin Galligan	X
Debra Hall	X?	George Gantz	X
Charles Harak	X	John Ghiloni	
Elliot Jacobson	X	Paul Gromer	X
Samuel Krasnow	X	Andrew Newman	
Rick Mattila	X	Richard Oswald	X
Robert Rio	X	Michael Sommer	X
		Timothy Stout	X

DOER: Frank Gorke, Mike Sherman, Steven Venezia
 Consultants: Paul Horowitz, Jeff Schlegel, John Livermore

Present:

Marc Breslow	Max Chang	Geoff Chapin
MaryJo Connelly	Jack Habib	Tina Halfpenny
Natalie Hildt	Lyn Huckabee	Paul Johnson
Susan Kaplan	Erin Malone	Michael McAteer
Stephanie Pollack	Dilip Shah	Lisa Shea
Danah Tench	Christine Vaughan	Trish Walker
Tina Haggerty	Sam Nutter	Don Wells
Crystal Beauregard	Solidad Boyd	

I. Introduction

Frank Gorke convenes meeting at 2:01pm and indicates that the public comment period will be held at the beginning of the meeting.

II. Public Comment

Solidad Boyd of the Green Justice Coalition asked the Council to consider three primary goals for the 3-year plans: 1. to reach the greenhouse gas reduction goals in GWSA, 2. to dramatically increase the number of green retrofits, 3. to increase the number of green jobs in the state, especially in underprivileged communities. She indicated that over 2,000 community members have signed-on to these goals, and expressed the hope the Council

will take a look at these. Some of the communities represented, predominantly low-income, included Chelsea, New Bedford, Springfield, and Lawrence.

III. Key Issues for the 2010-2012 Three Year Plans

Frank indicated that the Council has asked consultants to engage the PAs on the remaining key issues. He said there have been difficult, complex but productive discussions, however we're not there yet. We want to use this time today to provide as much clarity for Councilors about where we are and where we want to get to. We've let the work plan slide, but this is understandable given the complex issues. We have a week, maybe two, to finalize the plans. We want to use this and next meeting to come to conclusion on the key issues.

Schlegel and Horowitz explained that the consultants will be presenting a summary of the remaining issues in the 3-year plans. They went on to say that most comments relate to the electric plans because most of the discussions are slightly ahead in the electric plans. These are simply our recommendations to you at this time. As always, these are based on the requirements of the GCA. We've been working with the PAs with the goal to resolve and clarify some difference for Council review and action at the October 6th meeting. There are 3 meetings left before October 30th and we need to have things wrapped up as soon as possible, October 13th at the very latest. We will have a package of issues for you to consider and hopefully decide upon on October 6th.

Schlegel then presented the consultants' 7 remaining key issues for the statewide plans:

1. Revised Savings Goals and Savings Targets

Schlegel presented slides of the comparison of Consultant and PA savings targets, showing the gaps between them.

Based on most recent information (including the CFL lighting net-to-gross issue) and discussions with the PAs, the consultants are now recommending to the Council electric retail sales of 2.5-2.7% for 2012. For comparison, 2009 is at 1.18%. The Gas ramp-up (now looking at a 5 year ramp-up period) is recommended to be in the 1.15-1.25% range for 2012. Having a range provides some flexibility.

Jacobson expressed some concern about savings targets for 2010, as it likely could be a short year. The low-income program is currently on a monthly pace to meet annual goals based on a 12-month year. 2009 represented a big increase over 2008.

Nosal requested that the consultants add a 'cumulative' column comparing each year with 2009.

2. Program Costs and Total Costs

Schlegel indicated that costs went up about 50%, 2008 to 2009, while savings went up about 35%. The \$/annual kWh saved is projected to be \$0.453 by 2012, which is in the \$523-565 million range for total electric costs in 2012. The EERF (Energy efficiency

reconciliation factor) is the additional money that would be needed to fund the target levels of program budgets (RGGI, etc).

3. Other funding to represent in the plans

Schlegel explained that there are existing financing mechanisms being used in the programs, for instance the residential HEAT loan. This is a known dollar amount for 2010. For 2011, the consultants recommended putting in \$100 million for the electric plan, and for 2012, putting in \$200 million. The recommendation was \$20 to \$30 million for the gas plan. These numbers can be revised based on experience gained in 2010. Some or all of this would be used to offset the EERF. The statute is clear about seeking additional funding. Federal carbon money could be over \$400 million for Massachusetts, but the bill hasn't yet passed congress.

4. Bill Impact Analysis Results and Scenario Analysis

Schlegel indicated that the analysis will be completed based on the program costs and program design. Bill impacts are greatly affected by the other factors in the plan.

5. Performance Incentive Mechanism

Schlegel reminded the Council of the two main pieces of the performance incentive: 1) Level of incentive, 2) Incentive mechanism. The consultants recommended a mechanism with a scaled incentive for 2012 (with no cap), with a target level part way up the curve. It's scaled so that as you achieve more savings you earn more incentive. There are three components to the mechanism: 1) Savings, 2) Net benefits, 3) Performance metrics.

6. Performance Incentive Levels

Schlegel presented six possible rationales for determining an appropriate performance incentive level, along with associated incentive amounts. The Consultants recommend a scaled mechanism with higher incentives for higher savings (i.e. the savings vs. incentive line has a steeper slope). The PA proposal is scaled based on spending. The Consultant proposal is scaled based on savings (performance).

Rio asked how savings numbers compare with the size of a power plant? Schlegel did a quick calculation and responded that overall savings would equate to a 280-300 MWh power plant for the 3 years. Now the programs are saving around 60 MWh/year.

Gantz asked if with the Consultant recommendations all PAs are treated equally? There is some concern among PA about difference in circumstances and territories of individual PAs (e.g. # of low-income customers). Schlegel responded that the Consultants had suggested that the PAs propose some flexibility on the lower end of the threshold if they want. Jacobson commented that the sheer size of the utility can make a difference.

7. Use of Evaluation (EM&V) results in Determining PI and LBR

Schlegel explained that currently evaluation-adjusted actual results are used to determine incentive dollars earned. The Consultant recommendation is to continue to use actual measured results to determine PI earned, expect for standard CFLs in 2010 (a one time

approach). Deemed savings for CFLs would be based on prior evaluation results, but applied prospectively.

Schlegel reminded the Councilors that these 7 issues will be on the agenda 6 days from now, and that we need to have resolution on them as soon as possible in order to have an impact on the statewide plans.

Gorke thanked Schlegel and Horowitz for the helpful presentation.

A general discussion ensued on preparing for the October 13th Council meeting.

Krasnow asked if we don't decide things until the 13th will we have enough time? Lyne responded that we can do it if we get resolution on the 13th. The more we can get done, the earlier the better. Krasnow asked what should we as a group set for ourselves to achieve on Oct 6th? Schlegel responded that some pieces depend on other pieces being resolved first, and that we'll need to have savings and costs done by the 6th.

Galligan commented that a vote on the program descriptions would be helpful. This is the foundation. Krasnow asked if we can get program descriptions, costs, and savings agreed to on the 6th? Lyne responded that by Friday we'll have a better sense about what an appropriate agenda for the 6th will be. We don't want to over-promise.

Horowitz explained that the only way the PAs can finish their analysis is if they know what the savings are going to be. He asked for some guidance from the Council about how they're responding to some of the information (e.g. savings levels) that Schlegel presented today. Stout said with the discussions we'll have over the next couple of days, we can tentatively say the 6th. Lyne added that the PAs want to get as much done on the 6th, but if it all doesn't get done it doesn't limit Council's ability to give input on the plans.

Gorke asked the PAs if they can give any feedback on what the consultants presented today? Lyne responded that they can't give a point by point response, but that Schlegel summed up the key points very well. He said that the discussions are on-going and that they are working to get PA consensus on all issues, including on outside capital. He indicated that the PAs and Consultants are in a very critical stage in the negotiation - no lines have been drawn in the sand. Lyne continued that the PAs feel the consultants have been listening to what the PAs have been saying. Gas is lagging a day or so behind, but everyone is trying to keep the constructs between gas and electric synched up.

Gorke expressed that it would be useful to have council input on PI recommendation, and a discussion ensued.

Loh commented that he is seeing a rationale to move to moderately higher incentives, because it encourages 'extra credit' performance. But in addition to the overall savings goals, he expressed concern about PI levels and their ability to encourage PAs to serve underserved communities and pursue community approaches. There could be some type

of sharing arrangement for meeting collective goals. Horowitz added that sharing arrangements have been used for performance metrics in the past but not for savings.

Stout noted that, as utility executives, an incentive helps bring attention to efficiency. From a top down perspective, the incentive plays a key role – it's critical to get buy-in and to achieve the level of program quality we're looking for.

Nosal asked if it is the Council's role to come up with a PI dollar amount, or a mechanism, or both? The ultimate decision about how much money flows to a utility remains with DPU, as stipulated in 08-50. It may be better to come up with a mechanism and leave it up to DPU to define the dollar amount.

Guidice reiterated that PI needs to be in the plans, and that to hold this to just a principle-level discussion could be an issue. Do you think we can fulfill our responsibility without coming up with a \$ amount? He reminded those present that we left the last council meeting with a clear directive for the consultants and PAs come together on savings, costs, and PI. He strongly encouraged everyone to come to the next meeting ready to have closure on these three issues, and then thanked everyone for their efforts.

Break (3:39-3:58pm)

Gorke said we've covered a lot of ground and, looking at the remaining agenda items, we may adjourn the meeting early and ask the consultants and PA to 'get after it'.

IV. Program Descriptions (and general council input)

Clark expressed that she was pleased overall with the program descriptions and will circulate her comments tomorrow. She pointed out that Small C&I seemed to emphasize electric more than gas. Sommer responded that Small C&I is new for the gas companies and that they tried to identify what could be done by a single direct-install contractor, with more complex customers to be moved to the C&I retrofit program.

McAteer gave a brief overview of what the C&I working group achieved: 1) The PAs will be offering a consistent gas and electric statewide delivery model. A common delivery, a common product, 2) Recognized the need to develop the gas custom screening tool, 3) Achieved a common incentive structure, 4) Integrated all of the gas measures, 5) Expanded on-bill financing to gas.

Clark asked if the low-income program will be leveraging some of the audit companies used in the market rate program? Jacobson responded that they could – it depends on the size of the building, as different skill levels needed. This is still being worked out. He explained that the problem is that there are lots of different types of low income MF owners, all with different rules. We have had to integrate electric and gas and public and private money for years, but you need to have the flexibility to change as you learn. Haggerty indicated that there is a follow up call with Jacobson and Jerry Oppenheim on Friday to update and clarify the program description language.

Gorke asked if there is anything else the Council wants to ask on program designs?

Nosal indicated that he will email some questions, and said that one area of dispute has been customer incentives levels for C&I. What is the latest on this? Gundal responded that the feedback the PAs have received from the vendors is “don’t reduce the incentives” or you’ll kill the program. The incentive level decision was made based on input from all stakeholders (e.g. customers, vendors).

Nosal asked for more details on contractor training. Oswald noted that there are training centers with a regular schedule. Jacobson added that we probably need about 20 more contractors statewide for the Low Income program, due to increased ARRA money. Clarke noted that it’s a little unclear what programs a contractor could plug into after they are trained.

Nosal asked if mixed use MF budgets are allocated to residential? Haggerty responded that budgets are written into Residential, and there are C&I funds allocated too. Customers are no longer limited by what kind of meter they have. All get served.

Loh said that he and the Green Justice Coalition folks will send questions along, as they want to preserve the option of community-based approaches, as well as promoting green job access. He said there might be some room to think about a statewide neighborhood-based pilot. Lyne responded that specific recommendations emailed to us are helpful.

Gorke mentioned that there is a question surrounding pilots, as one of the PAs has approached us about the 1% cap on ‘hard to measure’ programs. DOER would lean more toward experimentation. Rio said he read the 1% as applying to “technologies” and that strategies may be different. Schlegel pointed out that there is a difference between ‘hard to measure’ pilot activity and strategy pilots - 08-50 paints a broad brush. He said that the Consultants can support going over the 1% but it will require the Council’s approval. And also pilots should have performance measurements associated with them.

Gorke asked the Councilors to please share their thinking about where we are and where we need to end up.

Edmondson noted that it would be helpful to resolve saving goals and incentives at the next meeting, going as high as possible on savings as it relates to overall air quality goals. She further noted that we need to be realistic about how much money is available for incentives. Clark express agreement with the Consultants on incentives being tied to higher savings goals. She indicated a need to reflect further on total incentive dollar amounts.

Gromer commented that as a long time observer of the programs, the incentives have proven to be a very powerful motivator. There is an understandable temptation to cut back on incentive dollars but that may be counter-productive.

Gorke asked if the PI ranges are additive to the total costs we've been discussing? Schlegel confirmed this and also that it does not include LBR.

Loh expressed support for pushing the target out to the higher end of the range, to be matched by higher incentive levels at this level. He said that incentives are important to help induce a scaling up of innovation.

Mattila pointed out that when you look at the comparison of costs and incentives in one chart it would be helpful to put in 2008 and 2009, as this would help to show the additional savings that will be achieved with the higher incentives.

Stout noted that it is important to get as much feedback from the councilors today if we want to wrap this up on the 6th.

Krasnow indicated he wants to see the savings goals at 2.7% and 1.25%, as well as the discussed outside funding levels included. On incentives, he would support \$50 million for the 3 years.

Clark said that if we have to live with the 2.5% savings level, she would want the incentive tied to the 2.7% level.

Jacobson said we need to figure out what is going to happen on January 1, as this is important for those of us who implement these programs.

Gorke reminded the Council that there is a 90 day clock (Oct 30-Jan 30) which the DPU has to review and approve program filings. Schlegel added that when the Consultants worked on savings goals they assumed 11 months for 2010.

Oswald noted that historically PAs have been doing about 0.7% of load. He expressed having some of the same concerns that Gantz articulated about smaller utilities, for instance we still have to get customers willing to invest or take out loans which can be a real challenge. He further stated that we're going to heights we haven't been to before, and even if we triple our savings we might still be looked at as a failure.

Stout noted that while the PAs have the largest responsibility to craft the plans, we are relying on the state and the Council to help with this.

Schlegel pointed out that it's not good enough just to hit 2%; you have to do the right things. He said that success is something more than doubling more than we're doing now, and we have to do some very difficult things to reach the goals of the GCA.

Gorke noted that we need the PAs and Council Consultants to come to closure on these issues in the next few days to come up with plans that we all can be proud of. He further noted that the EM&V proposal has been approved.

V. Meeting adjourned at 4:52pm.