

Massachusetts Energy Efficiency Advisory Council
Meeting Minutes (DRAFT)
Tuesday, October 6, 2009

Councilors Present:

Voting	Present (designee)	Non-Voting	Present (designee)
Heather Clark	X	Derek Buchler	Emmett Lyne
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

EOEEA: Ian Bowles

Consultants: Paul Horowitz, Jeff Schlegel, John Livermore

Present:

{ Get attendee sign-in list from Steven V. }

I. Introduction

Gorke convened the meeting at 2:18pm and thanked everybody for their patience. He welcomed Secretary Bowles who will be here for part of the conversation. Gorke went on to remind the Council that this is an important meeting: the GCA was signed by the Governor in July 2008, the Council had its first meeting in November 2008, and there have been at least 22 meetings so far. DOER feels that we are in a very good place to get strong energy efficiency plans by the end of October and realize the vision of the GCA. He reminded everyone that the Council asked the consultants to engage the PAs on the 7 key issues discussed at September 30th meeting, and noted that we have a strong package that we want to present to the Council on behalf of the AG and DOER.

Secretary Bowles thanked the AG’s office (Jed Nosal, Dave Friedman and Martha Coakley), Phil Guidice and the DOER staff, the excellent consultants, and the PAs. He explained that the GCA made a fundamental change in the way we look at energy efficiency, and noted that this plan will put us in a position of national leadership. It represents a balance between ambitious savings goals, a good deal for the rate payer, along with good PA performance incentives. Bowles asked the Council to approve this

and take it to the DPU. He thanked the Council personally on behalf of Governor Patrick for their service and hard work.

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

Gorke presented the Council with a Savings Target and Performance Incentive handout for discussion. Electric savings targets would grow from 1.4% in 2010 to 2.4% in 2012. He noted the significant discussions that have happened on the level of Performance Incentives: The proposal total pool is \$65 million over 3 year period, and the threshold at which the PAs would begin earning PIs has been a subject of significant discussion. He said the threshold has been proposed at 75% with a cap on total incentive dollars in 2010 (125%), leaving it TBD in 2011 and 2012 as to whether there will be a cap. He explained that costs are a significant issue, as we want to keep program costs as low as possible to keep savings per \$ as high as possible. There is some uncertainty around lighting savings and costs that still need to be worked out. He noted that outside capital funding is included for all three years.

Nosal expressed that the AG's office is committed to making Massachusetts a leader in energy efficiency. The goals are unprecedented and achievable, and we feel that the upside for customers is great. He noted that we feel we have been able to create a proposal that balances the interests of customers and shareholders. The proposal will reward extraordinary performance and will produce real results. He noted that there are a lot of unknowns, there is a lot of risk, and we have asked the PAs to join us in sharing that risk. He said we think this is going to be very good for customers.

Krasnow thanked everyone for their hard work. Environment Northwest estimates that this proposal will result in about 3 billion dollars in benefits for customers. He noted that if ENE were proposing the goals they would be higher, but we support this proposal.

Harak said he is pleasantly surprised that you've gotten so much done in such a short period of time, and he thanked all for their work on this. He asked what the time line for gas will be? Gorke responded that the hope and expectation is that gas will be very similar to electric, with a lag of only several days behind electric.

Harak commented that this is a really good overall package, and asked about the increase in cost per annual kWh saved? Schlegel responded that additional deeper offerings and measures will be available in the 2nd and 3rd year, increasing costs. Also, more complete integration of gas and electric, and more CHP projects.

Gorke reminded everyone that the final package has to be ready next Tuesday for the Council to vote on. He asked the PAs to crunch the final TRC numbers, and said that today we're looking for a council resolution on this package.

Rio related that he received a call from a customer this morning who said that it's so confusing to know how to participate in EE programs. Rio pledged to all PAs to help get the word out to his customers and the trade associations and get these C&I programs

rolling. He went on to say he likes the package, especially the piece about the outside funding, and it will help to get even more buy-in to EE.

Jacobson echoed the positive comments for the low income sector and asked to hear the PAs view on this happy compromise. He reiterated his concern about a potentially short year in 2010 and that we should make sure that we're not seen as a failure by the public.

Conner expressed that it's been a pleasure working with Jeff and Paul and everyone. She agreed that there is some risk and that to succeed we'll need to work jointly and focus in on delivering EE. With respect to financing Conner stated that we won't achieve this without a partnership to work together with the Council. She articulated her concern with the savings level in 2011 which will be a significant challenge, but said that we are expanding our power plant (a 400 MW plant) which will be on-line in 2012. She said she feels that overall costs are low, and she expressed grave concerns about costs/savings exacerbated by the loss of CFL spirals savings, with the dramatically lower 0.2 Net to Gross ratio. We're within spitting distance from agreement.

Stout indicated he also shares Conner's cost/savings concerns, especially regarding deep retrofits. Balancing policy objective of DER with real costs, he said, is something they're struggling with.

Gorke said that we recognize the challenge and thank all of the PAs for their work.

Gantz noted that the unique issues that some of the PAs face show up in their cost numbers, and they know we're not there yet in terms of \$/kWh. He continued, the goal is worth fighting for, but it's important to keep in mind ratepayers have to pay the bill.

Clarke commented on the great work that has been accomplished, and said she wants to make sure there's not a disincentive to getting up to a higher performance levels in later years. Gorke responded that the "TBD" refers to whether or not there will be a cap.

Stout thanked the Council for all of their time and contributions.

Galligan expressed complements and congratulations to all and noted that the pace of the last few months has been challenging. He asked the Council to make one consideration: We don't beat ourselves up in a year, and don't look at one PA that may not have made the target. He further suggested adding "Statewide" to the Savings/PI document language.

Loh noted out how very remarkable how much work has gone into this, with so many partners and stakeholders, and he expressed appreciation for all of the hard work. He pointed out a few of things. 1) In terms of savings goals, he still feels like we should be at 2.5-2.7%, 2) He sees the rationale for a PI, he likes the approach that rewards 'extra credit' performance, and can live with the proposed incentive system. There are other factors, he noted, in the residential sector such as decoupling and LBR that he feels we haven't done enough to address, 3) The overall savings targets have become symbols,

and now we need to focus on how to get this done, coordinating with the Green Justice Coalition and others, and getting the on-bill financing up and running to help with the “scaling up”.

Jacobson noted that some of us were involved in the restructuring process in 1995, and what was remarkable was that because of the spirit of those involved we came to resolution. He congratulated the group for bringing together that same spirit of camaraderie and action to get this done.

Gorke requested that the Council consider the proposal. He also requested that a Council member make a motion to suspend the 48 hour notification rule, as the proposal was the result of negotiations that concluded just minutes ago.

Lyne asked for some points of clarification, so the PAs have a clear understanding. He said he think’s we are very close to resolution, and maybe it’s here but we want to make sure we fully understand. He explained that some PAs feel that they can get to the 2.4% but others (smaller ones) do not. Is the proposal that there would be scaling of targets for smaller PAs?

Schlegel clarified that the proposal uses the word ‘target’ specifically, and allows for some flexibility if some PAs go over and some are under. He explained that if some PAs will have difficulty hitting 2.4% then the sum of all PA goals may end up summing to 2.35%, if the PAs have proposed a savings goal that is slightly under the 2.4%. With the incentive pool there is a direct and known relationship between savings target and \$s earned. If a PA comes in under target then there proportional incentive would be adjusted down accordingly. There is an incentive to come in with a savings goal at the target.

Guidice noted that \$25.5 million will be available in 2012 to save 1,109 GWh.

Hall asked if the 75% is relative to the target, not the savings goal? Horowitz confirmed this.

Lyne asked if Unitil comes in with a lower savings goal, their 75% threshold number is based on the savings target? So it’s harder for a small PA to achieve the incentive goal. Gantz added that different companies are facing different challenges, and you are setting up a system that penalizes small companies. We will not make the target.

Nosal noted that this is the first time any PA has said they couldn’t make the 75%.

Schlegel added that the PAs have not put forward an alternate proposal.

Lyne said these are the issues we’ve been wrestling with and a lot of good work has gone into resolving them. He noted that the costs per annual kWh saved is still a big issue, and that they’ve done some weighted averaging. He said the PAs would like to see the use of EM&V results applied at the program or sector level as opposed to the portfolio level.

Gorke noted the proposal to limit adjusted savings based on EM&V results to a bandwidth plus or minus 25%, at the portfolio level for each PA, which is a relatively small change from current practice. Conner added that applying EM&V results at a portfolio level doesn't help us, as it doesn't really address the spiral NTG issue.

Councilor Krasnow makes a motion to waive the 48 hour rule, Edmondson seconds. Councilors vote to waive the 48 hour rule (Councilor Loh abstains). Councilor Hall makes a motion to approve the proposal, Edmondson seconds. Councilors vote to approve the proposal.

Discussion on proposal...

Oswald expressed that he's not sure that this represents some nuances that were discussed several hours ago.

Harak indicated he is sympathetic to Gantz's concern in terms of the inherent ability for specific smaller utilities to meet the savings targets. Lyne noted that the PAs had developed an approach to try to address the smaller PA issue.

Guidice asked if what is on this page can stay?

Gantz indicated that the incentive would be split up based on the proportional share of the savings goals that each PA signs up for. The 75% would remain and be applied to the savings goal for each individual PA.

Guidice comment that the only question then is whether smaller utilities should earn an incentive starting at below 75%.

Schlegel noted the question of the degree of flexibility that the Council wants to consider for others PAs, and suggested Council could add language that allows PAs to submit a proposal for consideration at next meeting.

Clark stressed that the savings target should remain the same.

Harak said that the proposal puts out a goal. If we don't get to 2.4% statewide, that's ok. We're not going to change the 2.4% significantly, and there can be flexibility for smaller companies.

Lyne indicated that we don't have costs locked down in this proposal and that we've got to have a better handle on bill impacts. Each PA, he said, still needs to screen stuff through the bill impact filter, especially the small utilities. He suggested a caveat of getting the bill impact results.

Gorke said it is DOER's expectation to see these numbers, including outside funding, as part of the plans next week.

Jacobson asked if we don't have everything tied up, what are we voting on?

Gorke clarified that we are asking the Council to approve the proposal and for the PAs to prepare their plans based on these numbers. Also for the gas companies. Guidice commented that the proposal says that this expresses the Council's views about what should be in the plans.

Jed: We're out of time. These are the numbers we're saying we recommend we go with. In hearing Unitil's concerns, we'd like to see a written proposal.

Jeff: Should I add the flexibility language?

Harak makes a motion to add the flexibility language, Hall seconds. Council votes and approves.

Gorke noted the two proposed amendments. 1) Galligan's request to add 'statewide' to language. Councilors vote and approve. 2) Charlie proposes flexibility language for savings targets for small PAs. Discussion...

Horowitz said we're looking for a justification for why savings targets for WMECO and Unitil should be lower. Gantz responded that Unitil's issues are Low income %, C&I %, and potential for growth. He said that a complex analysis couldn't be done in time for today's meeting. Schlegel suggested simply putting forward a historical comparison compared to the larger PAs.

Lyne agreed that the last bit of language with GWh should remain the same, but wanted to understand that if Unitil comes in with a lower proposal what you see is not going to hit the 2.4%. He said he doesn't believe that NGRID or NSTAR are going to make up the difference. Clarke said the issue she's having is that we went from 2.5-2.7% to 2.4% to slightly lower if smaller utilities can't meet the target. Nosal noted that the smaller utilities are not going to move the numbers much at all.

Hall asked how we work together to get strategic money to specific parts of the state (economically distressed) to help them achieve the goals?

Gorke asked the Council to vote on the 2nd amendment. Harak motioned, Mattila seconded. Council voted and approved, with one abstention (Councilor Loh).

Vote on Proposal: Approved, with one abstention (Councilor Loh).

Break (3:56-4:14pm)

Harak said he proposed some language that speaks to job growth and economic development because of his sense that the utility bidding process is not open and transparent enough. He said there are contractors/businesses who are owned by women who would like to get into the process, and he would like the plans to be much more

specific about how the process gets opened up to other entities and to reach more underserved communities.

Gorke noted that the Council will be taking public comments again this evening from 5:30 to 7:30pm, and that we'll need to condense the last few agenda items and get back to the subject at hand.

Galligan indicated that the PAs will have written responses to each of the Councilors' comments and they'll incorporate the input into their plans. He noted that bringing the programs in front of the Council has enriched the program designs. Page 22 calls out the process the PAs are going through to define the process for including more contractors. He said that transparency is something the PAs have a commitment to going forward and they hope the Council will be an active player in this.

Harak asked about what the scope is for setting up the bids? Haggerty responded that the PAs are looking at this question and are open to different models. She emphasized the need to make sure we can achieve the aggressive goals and minimize the impact on program costs. She noted that vendors who go through workforce development initiatives will be targeted to participate in programs. She said that there is an increase in administrative requirements with multiple small vendors-providers, and we could potentially start out with one or more pilots.

Harak pointed out that new people could potentially help to achieve savings goals better than existing vendors. Haggerty noted that NSTAR is looking to do a community pilot with CLU in Chinatown, and they want to access various models.

Clark wanted to make sure that contractors that are trained can get out there and do work. She said that having somewhat of a market-based system for auditors might make sense, like New York. She has heard feedback from HERS raters who can't participate in the MassSAVE program, and she feels that it would be helpful to see clear connections in the plans as to how trained professionals can plug into specific programs.

Gromer noted that we have a good system now and we are going to make it better. Gorke said that DOER cares about this issue and that it's worth revisiting. Gorke also asked what kind of quarterly reporting the Council wants to see.

Stout noted that NGRID has just adopted a new procurement process for all four states they serve and that there will be follow-up detail included in the program descriptions.

Schlegel noted the need to highlight the benefits of job creation on page 288.

Harak said he would welcome a brief conversation with Haggerty offline so as not to take up Council time.

III. Program Descriptions

Gorke commented that we're taking a Do, Learn, Adjust approach and that conversations on specific issues will continue even after October 30th.

Rathbun said she is looking to see responses from the PAs to the AG's questions. Lyne indicated that the PAs can respond verbally now and in writing to Councilors' comments.

Galligan thanked the Councilors for their thoughtful comments, and indicated that the PAs will have their written responses ready within a few days.

IV: Update on the Financing and On-Bill Repayment Working Group

Sherman updated the Council, indicating that the work group has met twice and is on two parallel tracks: 1) on-bill repayment issues, 2) on-bill financing construct. He said a next step is to bring a set of principles to the Council about the issues involved with on-bill repayment, which may involve the DPU and/or the Legislature. He indicated the group is looking at issues such as: Who should be offered loans (based on income level)?; Full disclosure of rights and responsibilities of on-bill obligations; Duration of repayment; Should monthly obligation be equal to or less than expected savings?; Should repayment obligation attach to meter or person?; Termination for non-payment? Sherman indicated that the group will construct a more robust work plan and schedule, and will be posting things on the website.

V. Council work plan/schedule and Next Steps

Schlegel reminded the Council about their next meetings on October 13th and October, 27th, and that the statute stipulates Council action on the plans by the 30th. He summarized the critical issues for next meeting: High level analysis of benefits & costs; a representative bill impact analysis; Gas analysis/agreement; PA proposal on individual PA flexibility for savings targets. He said that some supplemental analysis will need to come in from the PAs between the 13th and the 27th, and that Jhaveri (NSTAR) will aim to get out bill impact analysis by next Monday, October 12th. He reminded everyone that costs are inputs into the bill impact analysis.

Gorke thanked everyone for all of the work they've done to get to this place where we are now, and expressed optimism that we can get over the finish line.

Break (4:57-?)

VI. Public comments on the 2010-2012 Statewide Plans (5:30-7:30pm)

...Paul took notes during this portion of the meeting...