



EXECUTIVE COMMITTEE MEETING MINUTES

Wednesday, July 6, 2022
Virtual Meeting: Zoom

Executive Committee Members Present: Greg Abbe, Jo Ann Bodemer, Amy Boyd, Emmett Lyne, Maggie McCarey

Executive Committee Members Absent: Dennis Villanueva

Other Attendees: Adrian Caesar, Gretchen Calcagni, Diane Nero, Elliott Jacobson, Kathleen Lyons, Steve Vincent, Alissa Stanley, Alyssa Vargas, Audrey Eidelman Kiernan, Bill Graham, Christine McEachern, Cory Ryan., Edwin Ward, Jerrold Oppenheim, Joe DiPetro, John Lanzi, Joseph Dorfler, Kate Peters, Katelyn Mazuera, Kimberly Dragoo, Kyle Cabral, Laura Goody, Martijn Fleuren, Matt Hammer, Paul Johnson, Rachel Evans, Rick Taglienti, Stephanie Terach, Wesley Couture

1. Call to Order

McCarey, as Chair, called the meeting to order at 10:07 AM.

2. Executive Committee Updates and Business

Environmental Justice Targets

McCarey noted that the Equity Targets Framework included in the 2022-2024 Term Sheet includes targets for priority customer segments, such as environmental justice communities. McCarey indicated that the environmental justice targets for investment and participation in environmental justice communities would be determined using baseline data. McCarey said the program administrators (PAs), Consultant Team (C-Team) and Department of Energy Resources (DOER) met two weeks prior to assess targets, and the PAs committed to provide baseline data in August once the 2019-2021 Term Report is filed. McCarey added that the Equity Working Group would discuss and review the targets prior to sharing with the full Council.

3. Weatherization Pricing

McCarey said the PAs suggested a Special Meeting prior to the July EEAC Meeting due to the amount of public comment received on weatherization pricing. Given progress on an updated pricing proposal, McCarey noted that no Special Meeting has been scheduled.

Peters, on behalf of Eversource and National Grid, presented an update on additional weatherization pricing review. Peters said feedback from Councilors was helpful in informing the additional pricing review. Peters noted that not all contractors think this update will be the best path forward, but PAs are balancing many priorities. Peters indicated that Eversource and National Grid would implement pricing from the weatherization request for quotes (RFQ), with an 8.6% adder based on the Consumer Price Index (CPI) for residential new construction, as opposed to the current 10% emergency adder. Peters said contractors would receive additional bonuses for completed weatherization jobs, with the specific home performance contractor (HPC) bonus structure being determined soon. Peters said the new price list and CPI adder would be in effect until the 2023 pricing RFQ is completed. Peters said independent insulation contractors (IICs) have expressed concern about volume, but the PAs anticipate significant customer demand for weatherization during the winter. Peters reiterated that pricing bids were representative of the overall contractor community, and DOER would post detailed RFQ data to support transparency. Peters announced that the pricing would become effective on July 18th, but there would be a third-party review of HPC costs.

McCarey was encouraged since contractors requested a pricing approach which reflects the economic state of country.

McEachern commented that 70 IICs met last week to discuss progress on pricing since March 2021. McEachern said 70 responses were received for an IIC survey, which showed that 95% of respondents were unhappy with the pricing and RFQ process. McEachern believed the mission of the RFQ was to undercut program pricing and save money, which was accomplished successfully. McEachern said there are 90 items with price decreases, some with decreases as large as 28%. McEachern stated that 63% of contractors reported they may go out of business if pricing stays low, and 80% have reduced crews and trucks over the past year. McEachern stated that with the economy in a recession, fuel and material prices high, the proposed price increase is not enough and contractors are in debt due to material costs and unable to provide pay raises. McEachern added that 30% of survey respondents did not know how to bid, but IICs were threatened with removal from the Mass Save program if they discussed the RFQ. McEachern questioned the future of Mass Save since 60% or more of contractors expressed they may go out of business. McEachern added that contractors are still recovering from four months of inactivity due to COVID-19, as they could not earn any income and had to lay off workers.

McCarey said the contractor survey results would be posted as public comment on the EEAC website. McCarey asked if the questions on the RFQ in the survey were based on the updated RFQ pricing. McEachern replied that the survey was based on the original pricing proposal, but more recent feedback shows that 95% of contractors are not satisfied with the pricing.

Fleuren agreed with McEachern and suggested that the weatherization pricing RFQ change next year. Fleuren respected that the PAs are taking a measured approach which accounts for inflation. Fleuren said there was a lack of consideration of additional costs incurred by HPCs

when bringing customers into the program. Fleuren said the PAs and HPC community are currently focused on determining an appropriate HPC compensation structure.

McCarey asked if the PAs would consider specific measure-level or job-specific bonuses that could support contractors. McCarey said DOER is working with the PAs to increase weatherization volume, especially given forecasted increases to winter energy costs.

Peters said Johnson provided feedback to the PAs and requested that contractors compile a list of specific measures about which they are concerned so the PAs can address them. Peters clarified that the intent is not to artificially create prices. Peters said the RFQ results show there is contractor capacity across the state, but the PAs will pay close attention to the ability to serve interested customers as weatherization volumes increase. If there are areas without contractor capacity, Peters said the PAs will likely need to provide travel compensation to contractors. Peters reiterated that the PAs are open to adjustments that improve program delivery, but supporting data is required to inform such decisions.

Johnson appreciated the additional contractor bonuses and detailed data sharing, but said the job problem was understated and that more members of the Best Practices Working Group quit. Johnson suggested that using the lower third of bids to set weatherization prices was problematic, as only 25% of Tier 1 contractors were in the bottom third. Johnson noted that the HPC community thinks the proposed pricing increase is insufficient and if the PAs truly used realistic economic data, there would be a 36% price increase as opposed to a 12% increase. Johnson believed that the workforce would be lost, program performance would suffer, and ratepayers would be frustrated as a result of the proposed pricing. Johnson asked how much money the PAs are saving by not appropriately compensating contractors and emphasized that the pricing proposal is short sighted and will not support the workforce.

McCarey asked how Eversource and National Grid determined the 8.6% weatherization pricing adder. Peters responded that the adder was derived from the Residential New Construction CPI for January to May 2022, which is publicly available so the PAs can share their analysis.

Boyd stated that contractors were both not earning enough money per weatherization job, while the pipeline was low. Boyd asked if contractors would lose even more money if a robust pipeline were built, or if increased project volumes would mitigate contractor overhead under the proposed pricing structure. Johnson said that HPCs have plenty of work and can generate jobs, but it costs them a lot to generate customers, whereas IICs do not generate as many leads. If contractors had more volume, Johnson said the burden of overhead costs would be reduced. Johnson agreed with Boyd that the combination of reduced pipelines and low prices is hurting contractors, so there may be lessons learned from the low weatherization volume seen over the past 6 months. Peters acknowledged the decrease in weatherization and home energy assessments in early 2022, but agreed that pricing and volume should be balanced.

McCarey recommended that the PAs provide an update on how they will increase the volume of work and continue conversations with HPCs to understand their unique cost issues. McCarey also said the RFQ data will be posted on the EEAC website.

Johnson suggested that prices increase by 16% with an established baseline for weatherization volume. Johnson said the pricing could be readjusted as volume is achieved, but there needs to be a specific target for the increase in completed weatherization projects. Johnson reiterated that the workforce would not be maintained without a sustainable price increase.

McCarey said the IICs or lead vendors should continue to administer contractor surveys to assess the impact of pricing changes on contractors over time.

4. Consultant Procurement Calendar

McCarey said the technical consultant contract expires December 31st, 2022, so a competitive procurement is required before then. McCarey shared the consultant procurement calendar and noted that additional Executive Committee meetings may be needed to support the process in October and November. McCarey planned to distribute a request for proposals (RFP) in August for Executive Committee review.

5. July EEAC Meeting – Draft Agenda

McCarey announced that the July EEAC meeting would cover Commercial and Multifamily Deep Energy Retrofit offerings, the Renter Strategic Plan, weatherization pricing updates, third-party program implementation, New Construction program implementation, and Active Demand Management.

McCarey said that the Equity Working Group would discuss the Renter Strategic Plan in July, so their review can inform full Council discussion on the Plan in August.

Johnson suggested treating the weatherization pricing update as its own agenda item.

Terach announced a Liberty midterm modification (MTM) related to a project being implemented by the end of next year. Terach said the project is transformational and had never been done in Massachusetts. Terach noted that Blount Seafoods is one of Liberty's largest customers in Fall River, which is an environmental justice community. Terach described the project, which would use an 800-ton heat pump system to process additional hot water loads instead of steam boilers. Terach said a full description is included in Liberty's memo, but the total project cost is \$3.77M with a \$2M incentive based on custom offerings. Terach added that the project, featuring a 3.34 benefit-cost ratio, would reduce gas load by 46%. Terach said responses to DOER and C-Team questions have been included in project memo as well. Terach said Liberty did not anticipate projects this large or C&I electrification in its Three-Year-Plan filing, so it would be a perfect candidate for American Rescue Plan Act (ARPA) funding since it is a transformational project. To support Small Business participation, Terach indicated that Liberty hired a new vendor and is conducting Main Street efforts in collaboration with the other PAs.

Calcagni stated that the C-Team has completed initial review of the MTM proposal and will provide formal recommendations to the Council after Liberty provides written responses to its

questions. Calcagni said the project is ambitious and will help achieve greenhouse gas, electrification, and environmental justice goals.

Evans asked how PAs will anticipate timing of the MTM request based on the new Energy Efficiency Guidelines. Lyne replied that the PAs are working on a draft resolution to the Council, as the new Guidelines suggest both Council and DPU approval are needed. Lyne anticipated the MTM would be filed shortly after Council approval.

McCarey said the Council will prepare to vote on the MTM assuming the C-Team has a clear recommendation for the July EEAC. McCarey noted that the Council has not historically introduced and voted on MTM requests in the same meeting, but acknowledged the urgency around filing.

McCarey noted that complementary program implementation is included on the July EEAC Meeting Agenda, but that the Massachusetts statutory framework does not allow for third-party implementation such as that employed by Efficiency Vermont. McCarey said the Clean Heat Commission is exploring longer-term strategy for meeting 2030 building sector goals, so the Council should have recommendations for program design and innovation under the current program framework.

Bodemer requested a primer on alternative implementation models to prepare for providing recommendations under the current statutory framework. Bodemer said the primer should include a list of implementation options which the PAs would assess.

Boyd asked how different implementation models might fall on spectrum of how Mass Save programs currently operate. Boyd offered to collaborate with the C-Team and PAs to work on this research.

Johnson believed it was premature to rule out the Efficiency Vermont model without fully vetting it, since it could prove to be a better model. Johnson said the statute should change if it would limit implementation options and the Council should explore alternatives. McCarey responded that it is not within the Council or C-Team purview to explore models not allowable under statute. McCarey said the Clean Heat Commission and other organizations are looking at all building clean energy programs, so Council time is best used exploring deep energy retrofits and C&I heating electrification.

Evans concurred with McCarey. Evans highlighted that the C-Team is funded by EEAC budget approved by DPU, which scrutinizes the C-Team's work to ensure it is authorized under statutory authority.

Johnson suggested that the success of Mass Save programs needs to be compared to other programs and models. McCarey said the C-Team performs these comparisons and the PAs regularly incorporate industry best practices, but the Council cannot explore complete third-party program administration since it is not allowed under current statute.

McCarey said DOER, the C-Team, and PAs can document background on the current statutory framework and outline which program implementation recommendations can be made, which will overlap with feedback on the C&I deep energy retrofit and heating electrification offerings.

Lyne agreed with Evans and McCarey, as the PAs are focused on delivering the 2022-2024 Plan. Lyne said the PAs worked hard to incorporate best practices into the Plan and will continue to do so.

McCarey noted that a physical meeting location is being determined for July and voting Councilors will be expected to be in person.

6. August EEAC Meeting – Draft Agenda Topics

McCarey indicated that the August EEAC Meeting Agenda may include discussion on the Renter Strategic Plan, 2022 Q2 Report, 2019-2021 Term report, and low-income and multifamily implementation updates.

Jacobson requested clarification on what low-income updates would be best for the August EEAC Meeting.

7. Adjournment

McCarey, as Chair, adjourned the meeting at 11:43 AM.