



COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE OF
ENERGY AND ENVIRONMENTAL AFFAIRS
DEPARTMENT OF ENERGY RESOURCES
100 CAMBRIDGE ST., SUITE 1020
BOSTON, MA 02114
Telephone: 617-626-7300
Facsimile: 617-727-0030

Deval L. Patrick
Governor

Maeve Valley Bartlett
Secretary

Meg Lusardi
Acting Commissioner

July 7, 2014

Mark Marini, Secretary
Department of Public Utilities
One South Station, Fifth Floor
Boston, Massachusetts 02110

Dear Secretary Marini:

On behalf of the Energy Efficiency Advisory Council (“EEAC”, “Council”), I am writing to request the Department’s approval of the operating budget for the Council for calendar 2014. Under the requirements of the Green Communities Act, Chapter 169 of the Acts of 2008, § 21(c) says in part:

“The council shall annually submit to the department a proposal regarding the level of funding required for the retention of expert consultants and reasonable administrative costs. The proposal shall be approved by the department either as submitted or as modified by the department. The department shall allocate funds sufficient for these purposes from the natural gas and electric efficiency funding authorized under section 19; provided, however, that such allocation shall not exceed 1 per cent of such funding on an annual basis. The consultants used under this section shall be experts in energy efficiency and shall be independent.”

The Massachusetts Energy Efficiency Advisory Council first convened in November 2008, and has met regularly since. Early on in 2013 the Council developed policy priorities for the Second Three-Year Joint Statewide Electric and Gas Energy Efficiency Investment Plan (“EEIP”). These were identified in its Resolution of February 12, 2103. Throughout 2013 the EEAC has striven to improve its guidance and monitoring functions to enable the Program Administrators (“PAs”) to deliver energy efficiency measures and programs in a manner that provides the most impact on energy savings and value for ratepayers. Periodically focusing the Program Administrators’ attention on the seven Council Priorities has served as a guidepost of performance which has helped inform the Council as to the efficacy of the PAs’ administration

of the programs, and helped shed additional light to critical aspects of EEIP performance, both positive and negative as Year One of the Second Three-Year Plan got under way.

The Council's work continues in 2014, as the Program Administrators approach the half-way mark of the Second Three-Year Plan. New EEAC priorities have emerged while others have become more focused. Tangible progress has been made in the design and development of a Statewide Energy Efficiency Database. The Council has detected a persistent trend of underperformance in the Commercial and Industrial sector. In response, the EEAC has called upon the PAs to provide heightened attention to achieve Commercial and Industrial sector ("C+I") Savings and benefit goals in this Second Three-Year Plan. In the Residential sector considerable progress continues to be made to deepen the penetration of installed measures in households and to standardize the MassSave experience throughout the Commonwealth. The Council has identified the improvement of customer access to and use of energy efficiency programs as a priority in 2014. Mindful of lessons learned in the planning phases of the First and Second Three-Year EEIPs, the Council has already made it a priority for 2014 to evaluate and assess effective, sustainable energy efficiency program approaches to prepare for and inform the Third Three-Year EEIP set to start in 2016.

DOER's Solicitation for Technical Consultants to assist the Council

In all this work, the Council relies on the continued assistance of a team of consultants led by Optimal Energy, Inc. ("Optimal") of Bristol, Vermont. As you know, the Optimal team was re-awarded a contract through a process initiated by the issuance of a Request For Response ("RFR") back on August 15, 2011 and amended August 19, 2011 for 2012. The Council later voted to renew the contract with Optimal for the period of February 12, 2013 through December 31, 2013. On February 12, 2013, all 13 Voting Members were present and voted unanimously to renew the contract with Optimal.¹

On October 15, 2013 the DOER posted a new RFR for an Energy Efficiency Program Technical Consultant. CommPASS designated this solicitation as RFR ENE-2014-008. The deadline for receiving responses to this RFR was on December 3, 2013. On December 2, 2014, Optimal Energy, Inc. submitted its Proposal to Provide Technical Consulting Services in response to RFR-2014-008. After a review of Optimal's response, the Executive Committee of the Council, headed by the DOER, began a period of scrutiny of the Optimal bid; formally interviewed the Optimal team; posed many questions regarding the proposal, the scope of work, and the EEAC's expectations from its consultants going forward, etc. These negotiations with Optimal culminated in a revised 2014 Work Plan and budget. The DOER executed the contract with Optimal on March 14, 2014.

EEAC Budgetary Actions concerning 2013 Activities:

In 2013, the cumulative total of Optimal services authorized by the Council was \$1,465,000. Of this sum, \$1,096,406, or 74.84%, was attributable to the Electric PAs from Regional Greenhouse Gas Initiative ("RGGI") proceeds. The maximum amount attributable to the Gas PAs was \$ 368,594, or 25.16%. As you are aware, the Gas PAs manage this latter sum, not the DOER.

¹ Two voting members had not yet officially been installed to the Council as authorized by Section Nine of Chapter 209 of the Acts of 2012.

Council Request for 2014 Activities:

The proposed *budget* for CY 2014 for the EEAC is \$ 1,910,750. This sum consists of \$ 402,200 for the Council operating budget, and \$ 1,508,550 allocated to the Council consultants.

On February 25, 2014, the EEAC Chair, Tina Halfpenny, as Commissioner Sylvia's designee, took up the matter concerning the 2014 Work Plan and budget of Optimal Energy, Inc. as the Council's Consultants. The Council then gave its unanimous approval. The budget was for \$1.508 million, which included additional 2014 work on the AESC Study. The DOER executed the contract with Optimal on March 14, 2014.

At the direction of the Council, through a resolution passed on February 25, 2014 (attached), the DOER requests the Department of Public Utilities approve the Council's budget for calendar 2014. Consistent with M.G.L. c.25, § 22(c), the Council's budget may be no greater than one percent of the combined electric and gas energy efficiency programs, which for 2014 would correlate to a maximum Council budget of approximately \$7.292 million. The Council's budget *request* for calendar 2014 is \$1.508 million. Of the \$1.508 million budget, \$ 1,469,550 was approved for CY 2014, plus an additional \$ 39,000 for work associated with the Avoided Energy Supply Cost Study ("AESC") for a total calendar year budget of \$ 1,508,550.

With respect to RGGI proceeds dedicated to energy efficiency activities, the maximum amount payable by the DOER on behalf of the Electric PAs is \$ 1,133,826.18 from RGGI. Just as in previous years, the Gas PAs have obligated their funds separately in the amount of \$ 374,724. Again, the Gas PAs manage these funds, not the DOER. There was a January/February contract extension, which included \$ 182,734 to be paid out of RGGI for the Electric PAs. The maximum contract against the new procurement for CY 2014 was \$ 951,092.18, for a total of \$ 1,133,826.

The original contract with Energy Platforms, LLC, of Minnesota, was \$ 98,575, for its services as both facilitator and as technical experts in drafting the specifications for the design & build RFR that will be eventually issued to procure a statewide energy efficiency database.

On May 13, 2014, the Council authorized the expenditure of an additional \$25,000 for Energy Platforms' services as the actual work of the consultants involved tasks and required additional hours not anticipated in the original scope of work. As a result, Energy Platforms experienced a significant budget overrun, while agreeing to split the difference in making a request for additional funds in the amount of \$24,643.75. The Council unanimously approved the request. Accordingly, we amended this contract in May 2014 in the amount of \$ 24,683.75, for a total of \$ 123,218.75 for work done in CY 2013 and CY 2014. The funds for the Energy Platforms contract are drawn down from the original CY 2013 EEAC operation budget of \$ 402,200, thus leaving that operating account with a balance beginning CY 2014 of \$ 377,516. This latter figure remains the current balance for the EEAC Operating Budget.

Finally, the DOER notes its intention to continue to draw upon proceeds of the RGGI auction for the actual payment of the electric share of consultant services under this budget. As you know, the DOER and the PAs set up a process by which Optimal will be paid by the Gas PAs for their share of the consultant services and any other services for Council-related work that draws on the Council budget; this process also applies to the Electric PAs should there be

insufficient RGGI proceeds to fund the electric portion of consultant services or other services for council-related work. As referenced above, a parallel mechanism exists for invoicing payments of the Gas PAs' share of the consultant and any other costs. Invoices and payments from all sources are reviewed, approved and tracked by the DOER, with oversight by the EEAC Executive Committee.

The proposed budget and the Council Resolution regarding the budget and employment of Optimal Energy to assist the Council for calendar 2014 are attached. We request your review and approval of this budget as set forth in this letter and shall be happy to discuss any aspect of it with you at your convenience.

Sincerely,

Meg Lusardi
Acting Commissioner, DOER
Chair, Energy Efficiency Advisory Council

Christina Halfpenny, Director
Energy Efficiency Division

ML: siv
cc: Jeffrey Leupold

Enclosures: CY 2014 Proposed Budget
EEAC Resolution - 2/25/14