

October 21, 2015

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” or “Council”), I am writing to request the Department’s approval of the operating budget for the Council for calendar 2015. 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 2015 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 January 13, 2015. Periodically focusing the Program Administrators’ (“PA”) attention on the five Council Priorities has served as a guidepost for performance which has helped inform the Council as to the efficacy of the PAs’ administration of the programs, and helped shed additional light on critical aspects of EEIP performance, both positive and negative, as the last year of the Second Three-Year Plan got under way.

The Council’s work in 2015 has focused on both the Commercial and Industrial (“C&I”) sector and the Residential sector, as well as on work related to the 2016-2018 Energy Efficiency Investment Plan (EEIP). The Council continues to monitor a persistent trend of underperformance in the C&I sector. In response, the EEAC has called upon the PAs to provide heightened attention to achieve C&I savings and benefit goals in 2015. In the Residential sector, vigorous demand is driving increasing sector budgets and accompanying savings in excess of plan targets. The Council continues to identify the improvement of customer access to and use of energy efficiency programs as a priority in 2015. Mindful of lessons learned in previous planning phases for Three-Year EEIPs, from February through May 2015, the Council conducted nine workshops and had many discussions in order to provide the PAs with input prior to the

PAs' April 30 draft of the EEIP and to provide official feedback on that draft. Discussions continued throughout the summer, leading to development of a Term Sheet and another draft EEIP, which were made publicly available in late September 2015. Most recently, on September 30, the Council met to discuss the September draft EEIP and Term Sheet.

DOER's Solicitation for Technical Consultants to assist the Council and resulting contract

In all of 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, Optimal was selected pursuant to a competitive procurement process in the fall of 2013 (solicitation number RFR-ENE-2014-008) and, on 3/14/14, DOER, on behalf of the Council, executed a contract with Optimal. This contract covered calendar years 2014 and 2015, and included Optimal's 2014 workplan and budget as approved by the Council on 2/25/14. As explained below, the EEAC approved Optimal's 2015 workplan and budget on 2/25/15, and the contract was amended accordingly.

EEAC Budgetary Actions concerning 2014 Activities:

Optimal Energy:

The contract with Optimal executed on 3/14/14 included a total of \$1,508,550.18 for Optimal services as approved by the EEAC on 2/25/14. Of this amount, \$1,133,826.18 (75.16%) was paid for by DOER on behalf of the electric PAs out of Regional Greenhouse Gas Initiative ("RGGI") auction proceeds, and the gas PAs paid \$374,724 (24.84%) directly to Optimal. On 10/15/14, the EEAC voted to add \$50,000 to the contract to cover additional 2014 work, but ultimately only \$33,520 was needed. Of the \$33,520, DOER paid Optimal \$25,193 (75.16%) on behalf of the electric PAs (out of the EEAC Operating Budget¹), and the gas PAs paid \$8,326.37 (24.84%) directly to Optimal.

In sum, the total amount paid to Optimal for 2014 services, authorized by the Council, was \$1,542,070.18. Of this amount, \$1,133,826.18 (75.16%) was attributable to the electric PAs and was paid to Optimal on their behalf by DOER out of RGGI auction proceeds. Another \$25,193.63 was also attributable to the electric PAs, and was paid to Optimal on their behalf by DOER out of the EEAC Operating Budget. The amount paid directly to Optimal by the gas PAs was \$374,724.

Energy Platforms

In addition, the Council authorized services in 2014 by Energy Platforms, Inc. Energy Platforms' 2014 services, which totaled \$24,683.75, were a continuation of services begun in calendar year 2013 regarding the statewide energy efficiency database. (Energy Platforms was competitively procured pursuant to RFR-ENE-2013-108, and the Energy Platforms budget was approved by the Council on 8/22/13.) DOER paid for Energy Platforms 2014 services on behalf of the EEAC out of the EEAC's Operating Budget.

Raab & Associates

The Council also authorized services in 2014 by Raab & Associates. Raab & Associates worked with the Council to perform a process review of the EEAC itself, including EEAC governance and role/responsibilities, and developed a Strategic Engagement Plan for the EEIP. Raab &

¹ The Operating Budget dates back to calendar year 2011 in which the Council's approved budget included \$600,000 as its Operating Budget.

Associates was competitively procured pursuant to RFR-ENE-2015-011, and Raab's 2014 budget in the amount of \$29,996 was approved by the Council on 10/15/~~14~~14. DOER paid for Raab & Associates' 2014 services on behalf of the EEAC out of the EEAC's Operating Budget.

Council Request for 2015 Budget:

At the direction of the Council, through a vote on 10/21/15, the DOER requests that the Department of Public Utilities approve the Council's budget for calendar 2015 in the amount of \$1,878,755.62. 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 2015 would mean a maximum Council budget of approximately \$6,988,178. The attached 2015 proposed budget, as well as the next section of this letter, provide more detail regarding 2015 activities and its corresponding budget.

EEAC Budgetary Actions concerning 2015 Activities:

Optimal Energy

On February 25, 2015, the EEAC approved Optimal's 2015 workplan and budget for \$1,516,685, and Optimal's contract was subsequently amended accordingly. Note that \$1,139,940 (75.16%) is being paid by DOER on behalf of the electric PAs out of RGGI proceeds. The remaining \$376,745 (24.84%) is being paid by the gas PAs directly to Optimal. On 9/30/15, the EEAC voted to approve an additional \$160,000 for Optimal's 2015 budget. This increase is due to a number of tasks that were either not included in the initial budget or that required a much higher level of effort than anticipated when the budget was initially developed and approved, including those related to the development of the 2016-2018 EEIP. Note that \$120,256 of the \$160,000 will be paid by DOER on behalf of the electric PAs out of the Operating Budget, and \$39,744 will be paid by the gas PAs directly to Optimal.

Raab & Associates

On 1/13/15, the Council approved adding \$67,615 to the existing contract with Raab & Associates to provide coordination, facilitation, and reporting related to seven workshops designed to help develop the 2016-2018 EEIP. On 3/31/15, the Council approved adding \$20,683 to that same contract for additional services (i.e., coordination, facilitation, and reporting) related to two more workshops.

Finally, the DOER notes again its intention to continue to draw upon proceeds of the RGGI auction for payment of the electric PAs' share of Council technical consultant services provided by Optimal under this budget. As you know, the DOER and the PAs set up a process by which Optimal is paid by the Gas PAs for their share of such services; this process also applies to the electric PAs should there be insufficient RGGI proceeds to fund the electric portion of Council technical consultant services. In addition, this process includes a mechanism whereby the gas PAs pay Optimal directly for services attributable to them (i.e., the gas PAs) following DOER review and approval of each Optimal invoice. Invoices and payments from all sources are reviewed, approved and tracked by the DOER, with oversight by the EEAC Executive Committee.

The proposed 2015 budget and 2014 expenditures are attached. We request your review and approval of this budget as set forth in this letter. In addition the Council has voted to approve this budget request to the DPU by a vote of XX in favor, XX opposed, and XX abstentions. -and shallWe will be happy to discuss any aspect of it with you at your convenience.

Sincerely,

Judith Judson
Commissioner, DOER
Chair, Energy Efficiency Advisory Council

cc: Jeffrey Leupold

Enclosures: CY 2015 Proposed Budget and CY2014 Expenditures

| Proposed Budget | CY2013 | CY2014 | CY2015 |
|--------------------------|-----------------|-----------------|-----------------|
| Total EEAC, RGGI, Gas PA | \$ 1,980,775.00 | \$ 1,919,076.55 | \$ 1,878,755.62 |
| Gas PA | \$ 372,369.00 | \$ 383,050.37 | \$ 416,489.00 |
| EEAC Operating Budget | \$ 512,000.00 | \$ 402,200.00 | \$ 322,326.62 |
| RGGI | \$ 1,096,406.00 | \$ 1,133,826.18 | \$ 1,139,940.00 |

| Council Budget Items | Funding Source | CY13 Expenditures | CY14Expenditures | CY15 Projections |
|--|---|--------------------------|-------------------------|-------------------------|
| Optimal (Electric) | RGGI | \$ 1,096,406.00 | \$ 1,133,826.18 | \$ 1,139,940.00 |
| Optimal (Electric) Increase | EEAC Operating Budget | \$ 11,225.00 | \$ 25,193.63 | \$ 120,256.00 |
| Optimal (Gas) | Gas PAs | \$ 368,594.00 | \$ 374,724.00 | \$ 376,745.00 |
| Optimal (Gas) Increase | Gas PAs | \$ 3,775.00 | \$ 8,326.37 | \$ 39,744.00 |
| total Optimal | | \$ 1,480,000.00 | \$ 1,542,070.18 | \$ 1,676,685.00 |
| Energy Platforms | EEAC Operating Budget | \$ 98,575.00 | \$ 24,683.75 | |
| Raab & Associates | EEAC Operating Budget | | \$ 29,996.00 | \$ 88,297.00 |
| Total Expenditures | RGGI, EEAC Operating Budget and Gas PAs | \$ 1,578,575.00 | \$ 1,596,749.93 | \$ 1,764,982.00 |
| Total RGGI Expenditures | RGGI | \$ 1,096,406.00 | \$ 1,133,826.18 | \$ 1,139,940.00 |
| Total EEAC Operating Budget Expenditures | EEAC Operating Budget | \$ 109,800.00 | \$ 79,873.38 | \$ 208,553.00 |
| Balance in EEAC Operating Budget | EEAC Operating Budget | \$ 402,200.00 | \$ 322,326.62 | \$ 113,773.62 |

Note: CY14 Optimal Budget includes \$39k for Avoided Cost Study