



## MEETING MINUTES

**Wednesday, August 17, 2016**

100 Cambridge Street  
2<sup>nd</sup> floor, Rooms B&C  
Boston, MA 02114

**Councilors Present:** Amy Boyd, Cindy Carroll, Elizabeth Cellucci, Larry Chretien, Justin Davidson (for Mike McDonagh), Joseph Dorfler (for Maura Healey), Maggie Downey, Betsy Glynn, Frank Gundal (for Tilak Subrahmanian), Paul Johnson, Judith Judson, Lourdes Lopez (for Austin Blackmon), Richard Malmstrom, Deirdre Manning, Jerry Oppenheim (for Elliott Jacobson), Robert Rio, Nancy Seidman (for Martin Suuberg), Michael Sommer, Trish Walker, Carol White, Eric Winkler

**Councilors Absent:** Michael Ferrante, Paul Gromer, Charles Harak, Alana Murphy (for Chrystal Kornegay), Andrew Newman

**Consultants Present:** Eric Belliveau, Mark Kravatz, Margie Lynch, Jeff Schlegel

**DOER Staff Present:** Ian Finlayson, Alex Pollard, Matt Rusteika, Arah Schuur, Steve Venezia

**Others Present:** Marie Abdou, Brandy Chambers, Jodi Hanover, Steve Menges, Amy Vavak

### 1. Call to Order

Judson called the meeting to order at 1:08 PM.

### 2. Public Comment

There was no public comment.

### 3. Council Updates and Business

*EEAC Meeting Minutes – July 13, 2016*

Winkler noted a typographical error in the public comment section: “rewards” should be “awards.” Glynn motioned to approve the minutes as submitted. Boyd seconded. All were in favor, with no opposed. Rio, Malmstrom, and Oppenheim abstained. The minutes were approved, with one edit, by the Council.

*Executive Committee Meeting Minutes – August 3, 2016*

Glynn motioned to approve the minutes as submitted. Malmstrom seconded. All were in favor, with no opposed or abstaining. The minutes were approved, as submitted, by the Executive Committee.

**4. EEAC Consultant Work Plan and Budget**

Judson noted that the Optimal contract would expire at end of the month. Schuur stated that the Ex Com had reviewed the draft work plan and made some comments. Belliveau then presented several slides proving an overview of the work plan. He noted the addition of two new experts to the consultant team: Mary Ann Piette to work on demand and application of new demand technologies and Mark Kravatz, who has a background in low income and healthy housing. Kravatz was in attendance, greeted the Council, and noted he appreciated the opportunity to participate. Belliveau stated that the Consultant Team would have more of an on the ground presence during the new contract period, with Kravatz a key factor in that and Margie Lynch as well.

Core elements of the work plan include support for EM&V, Planning and Analysis (with a focus on strategic vision and on potential studies being developed with PAs), Residential and Low Income, Commercial & Industrial (zeroing in on HVAC and controls) and Technical Services. The anticipated reduction in lighting savings is a key element of the team's work efforts.

Belliveau presented the Consultants' budget at \$1.371 million, covering Sept. 2016-Aug. 2017. The Consultants will provide an update 6 months in. The EM&V budget will need especially close attention.

Schuur noted the Ex Com may consider realigning the schedule of the work plan.

Glynn said the Ex Com had sought input on the work plan, and thinks it and the budget cover what they should.

Schuur asked for any questions, comments, suggested comments. Johnson liked the retreat idea and wondered if any more details are available. Belliveau said the idea is to build on input processes from the plan development process. The Consultants are looking to get something going in Oct./Nov. There is no specific design at this point, and they will want councilor input.

Judson liked the work plan focus on peak demand and noted that the past week highlighted the importance of the issue.

Malmstrom moved approval of the Consultants' work plan, and Johnson seconded.

No opposed or abstentions, unanimously approved.

**5. Performance Incentives Explained**

Schlegel began with a presentation (available on the Council's website), noting that many new councilors do not have much experience with the performance incentive (PI) mechanism. The idea is to provide background and provide information on application to 2013-2015.

As to the question of why performance incentives, the Consultants recommended them in 2009, and they have been in effect for many decades. They are an effective mechanism for achieving goals cost efficiently. They are an important part of the energy efficiency plans and a crucial part of planning efforts.

The PI mechanism has two main goals: 1) Achieve savings and benefits (all fuels) and 2) achieve cost efficiency to maximize value (net benefits).

There are therefore two components:

1. Savings component: 61.5% of design level PI
2. Value component: 38.5% of design level incentive

Abdou then provided additional details. The overall PI pool is tied to the level of goals during the plan development process. Actual PI achieved was 6% for electric and 4% for gas, which is typical across years. These are pre-tax and are treated as earnings by each company. Each PA is assigned a share based on its relative proportion of contribution.

PI is earned at the portfolio level across three years. There are three levels: Threshold, Design, and Exemplary.

Abdou presented an illustration using the electric PI pool, showing that for every dollar of benefits (electric), the PAs got 7.4 percent in payout.

Abdou presented more details on earned electric PI by year and sector and by PA. Overall, the PAs earned 111% of PI, with more than half coming from C&I, low income was 4.5%, and the balance (39%) from residential.

Regarding the timing of performance incentive collection by the PAs, Abdou said the PAs collect 100% of the planned PI through the Systems Benefit Charge as they go, year by year. The final performance incentive is then determined based on the reconciliation after the three-year plan period.

Abdou then reviewed gas details. The PAs earned 116% of planned PI statewide. Residential contributed 50.5%, C&I 33.5%, and low income 16%.

Schlegel then described how actual PI compared to plan for combined electric and gas. Total PI was 12% higher than planned. He reviewed the components, and all were higher than plan except for expenditures, which was below by 1%.

Winkler asked how lifetime savings in MMBtus were calculated. Why are they so much larger than gas and electric? Schlegel said oil and gas are included in this and not others and oil was significantly higher than planned.

Boyd ask for clarification about PI level. Schlegel said it's negotiated for each plan. This is typically looked at as a percent of program costs. The PAs look at what they get to earn after taxes. Cape Light Compact doesn't have PI. Every PA gets the same payout rate for savings and value components. PI itself is earned PA-by-PA using the statewide payout rate.

Johnson asked for more information on the value component. How are different levels of cost effectiveness calculated? Abdou said the reward is for additional lifetime savings for lower costs. I.e., more savings for fewer dollars. Johnson asked if there is a scale for the PI based on level of cost efficiency. Schlegel said it's a fine balance, seeking to ensure core program elements not compromised. Schuur noted the PAs have a maximum PI level that they can't go over.

Johnson asked what PI mechanisms other states use. Schlegel said Massachusetts uses a more sophisticated approach with actual performance measured relative to the approved plan, and this has been comparatively more effective than other states. In MA, \$100 million in planned PI leveraged about \$9.3 billion in total benefits. Some other states pay a bounty, e.g., .01 cents per kWh saved, which isn't always linked directly to a plan with approved goals that the PAs are measured against.

For 2016-18, Abdou indicated, the PI mechanism is same as in 2013-2015, though payout rates will be slightly different.

Glynn asked about the purpose of PI. It seems like there is no incentive for setting a high goal. Abdou said threshold and maximum threshold are factors—the PAs can max out.

Schlegel noted that during negotiations a larger amount of PI pool is often made available when higher goals are agreed to. E.g., \$100 million made available this plan vs. \$80 million for 2013-2015.

Schlegel noted that a purpose of the PI presentation at this time is to provide the Council with information and time to participate in these types of discussions leading up to the next 3-year plan.

White said that DOER was a good representative of the Council during goal negotiations. The goals wouldn't be as high as they are without their contributions.

Schlegel said Massachusetts has the highest performance level, a high spending level, but amongst lowest relative PI. Some states are up to 20% program costs vs. 6% for Massachusetts.

Regarding slide 11 of the presentation, Chretien liked the depiction of lifetime savings in MMBtus. He observed that oil savings make a large contribution and stated that he would like to see more of that. He further stated that he likes the movement to blending and focusing on conversion to a common metric like MMBtus, since we are trying to save energy and reduce greenhouse gas (GHG) emissions. Chretien asserted that Massachusetts is behind and will not meet its Global Warming Solutions Act requirements. He said that he would like to have a discussion about a Mid-Term Modification to increase goals to allow achievement in reducing

GHGs. He further asserted that the value of avoiding carbon is not fully accounted for in the energy efficiency PI mechanism. He would like to see movement in this docket at the Department of Public Utilities (DPU).

Judson stated for the record that the Administration does not agree that Massachusetts will not achieve the Global Warming Solutions Act (GWSA) greenhouse gas reductions, and that meeting the GWSA targets is attainable particularly in light of the energy legislation signed by Governor Baker last week.

Winkler asked how 2013-2015 compares to 2009-2012. Schlegel said the earlier plan achieved more benefits than costs, but fewer benefits overall and relative to plan. Winkler asked how costs compare. Expenditures were less than planned, and TRC costs were higher. TRC costs include participant component; net benefits include these. Other states do not necessary include this.

Johnson asked regarding the savings component, do the PAs get credit for demand reduction? Schlegel said yes, and Abdou clarified it is summer demand. Winkler noted it is not 1 for 1 because they are reconstituted.

Judson noted her appreciation for the presentation. PI did definitely support negotiation of higher goals.

## **6. 2013-2015 Plan Results**

Judson recognized Carol White's promotion at National Grid to Director of Program Operations for National Grid's multi-state territory. She will no longer be National Grid's Council representative. Judson expressed appreciation for White's contributions and luck in her new ventures. Abdou will be the interim National Grid representative.

### **A. PAs' Presentation**

Judson thanked the PAs for impressive results and great work over past three years.

Brandy Chambers from Eversource presented the PA summary of term report (available on the Council's website). She reviewed program achievements and highlights first to provide context, which are noted specifically in the presentation. She called out success in using social media, creation of Mass Save Data, and creation of a comprehensive customer database through the customer profile studies. As a result of the PAs' work they have received several important recognitions.

The PAs came in over goal for savings and under budget overall. She noted that this strong achievement was for all PAs and all sectors. C&I was the most challenging sector. As a result, they are working to better understand customer segmentation. The customer profile study is one tool for that, and Chambers presented a chart of participating customers as a percent of customers in C&I segments. When a sector like hospitality stands out, they can examine why it has been so successful and seek to transfer lessons learned.

Costs to achieve were influenced by LEDs and combined heat and power (CHP). Winkler asked if that was program costs or TRC. Chambers noted it is program costs, so TRC costs would be higher.

She also provided information on CHP trends; CHP increases gas usage, which is a negative resource benefit, see especially 2015. A more fuel neutral approach will require increased focus on these types of impacts. Looking ahead, she stated that electric savings are plateauing.

Seidman liked the customer segments slide. What types of numbers are associated with the percentages? And are there descriptions of what various segments encompass? She would like additional information. Riley Hastings is currently working on the customer profile study with snapshots that will be helpful. It likely will not be available until the end of the year at soonest. Seidman said she'd like to understand how councilors like the Department of Environmental Protection can leverage information like this and partner with the PAs. Regarding CHP trends, are there projects in the pipeline? Is there any idea of what results we might expect in 2016? A member of audience said there are some carry over projects from work pursued last year, but the scale will not be the same. Seidman noted she hopes there is more to come.

Schlegel said CHP in 2015 was 13% of annual savings, a very big factor. White said it is lumpy. Schuur asked if micro CHP is as lumpy. Chambers said yes, and without heat load it is not cost effective.

Winkler stated that smaller CHP projects can actually be harder, sometimes due to physical constraints.

Judson asked if small CHP projects participating in the Forward Capacity Market. Winkler said yes, they are usually part of larger aggregations. White said they provide additional revenue, but not through an energy efficiency charge on their bills, rather they get it as part of ISO markets. If they participate in a program, the PAs own the revenue stream. But it is not part of benefit cost analysis. Participation in this market is different than other energy efficiency projects—it is treated as distributed generation.

Johnson asked to see slide 18, which presented a bubble chart. He asked who is the winner? How is this chart best interpreted? Chambers said this is from the customer profile study, and they are still assessing it. The winner may be based on what is important to you.

On slide 14, Johnson asked what new metrics might be under consideration. Chambers said she is not sure yet, but as lighting goes away kWh may longer be the best metric. Johnson asked if the DPU decides.

Glynn noted that slide 14 says “available electric savings have plateaued,” but this is projected, not actual. Also, on slides 8 and 9, she noted low electric participation and high gas participation for hospitality. Why would this be if programs are integrated? Chambers said they are looking into this. Glynn asked what is the “Unknown” category? Chambers responded that it just has to do with tax code identifiers and they don't always align. It should probably just be “Other,” which is an additional category.

Judson asked if the PAs are serving a public school is that “Education” or “Public Administration”? Chambers said she needs to confirm, but it is probably “Education.”

Winkler stated that as % of sales Massachusetts is highest for ACEEE scoring purposes, but how does it fare on costs? Chambers said that ACEEE calculates based on MWh prior to conversion, and oil costs come without savings. Schlegel said that many people have been trying to get ACEEE to fix this.

Schuur said that ACEEE does savings as a percent of actual sales. Winkler said he is not sure he agrees that delivered fuels in Massachusetts are different. White said the cost of savings for a fuel blind program is not fairly compared since the focus is on more than MWh. This is misleading about the benefits being provided. Total program costs include delivered fuels, water savings, etc. Chambers said it is very hard to break out these costs.

Judson said Residential Conservation Services regulations are in the 2016-2018 plan. The PAs can use energy efficiency dollars for oil and propane, which is good for consumers though it creates measurement challenges.

Glynn asked for clarification of information on slide 5? She asked that presentations include descriptions of all slide content.

Johnson asked how the PAs get credit if an electric customer has an oil furnace. Chambers said that ACEEE only credits for \$/MWh. Schlegel said that whoever does a study like ACEEE’s decides what they want to calculate. New England is on the leading edge of electric PAs providing oil programming given a high percentage of oil heating. Belliveau said this even plays out in differences between individual PAs in Massachusetts.

Judson again expressed her appreciation for the strong results and looks forward to continued strong performance.

## **B. EEAC Consultants’ presentation** (available on Council’s website)

Glynn said she wanted to acknowledge the amazing results. The group applauded.

Schlegel noted that the Consultants’ work is intended to provide a different perspective of the same data, including more multi-year trends. He noted that the Consultants’ review is an initial review as part of a 3-step review process, which includes a 1<sup>st</sup> look, 2<sup>nd</sup> continued review, with a focus on issues of interest to the Council, and the third part is to take lessons learned and apply them forward.

Schlegel noted that savings have grown significantly over the years, with 2014 and 2015 exceeding the annual savings goal. Lifetime savings have also grown, especially in 2015. Increase in CHP is a significant factor, but there are several contributors. Planned savings for 2016-18 will be below 2015 actual. Jeff stressed that the plan is a 3-year plan. The Consultants are optimistic goals will be achieved.

Growth in savings occurred in all sectors, but with different patterns. There was a shift in emphasis to the Residential Sector, with MTMs and results that increased substantially. The future for the Residential Sector includes declining savings due to reduced lighting savings. For C&I, savings increase but start at a lower point than 2015 as achieved. Goals were set on forecasts, and results for 2015 came in higher. Flexibility across sectors allows for capturing savings opportunities where available.

Winkler asked if 2015 results were due to 2015 CHP. Schlegel said it was CHP as well as growth in upstream, and pounding the pavement with customers/an increased emphasis on C&I.

Schlegel said annual savings as % of sales broke through 3% for electric. It varies considerably by sector, with Residential highest.

Schlegel said cost to achieve was lower than plan. This was a significant subject of debate in 2012. The plan value was lower than in the prior plan. Actual costs were lower than that. CHP costs provide large savings per invested dollar and show in 2015 cost to achieve. Chambers said the measure life for CHP averages 20 years.

Judson asked if this includes the impact of oil? Schlegel said no; this is another level of discussion and several councilors have expressed interest.

Schlegel said he is confident there is adequate budget to achieve goal. He expects cost to achieve will be lower than planned when reviewing this term's results.

Schlegel noted a similar pattern on savings, with achievements higher than planned for 2013-2015 after initial challenges in achieving goal. Plan savings for 2016-18 continue to increase. 2014 was influenced especially by a single large project.

There are patterns by sector for gas savings: C&I is still not achieving goal, and still needs to be pursued. Looking ahead, the Residential goals follow trend, while C&I goals are reduced.

Schlegel then provided some additional information at the sector level. He noted very strong Residential and Low Income savings. MTMs were pursued to increase budgets and pursue additional Residential savings.

He then presented the relative contribution of savings by Residential initiative, including an all fuels perspective.

Schlegel reviewed lighting specific information for the Residential and Low Income Sectors. LEDs' share of lighting units has increased significantly, to 61% in 2015.

Schlegel reviewed the percent contribution of lighting to savings by Residential electric initiative, sector, and portfolio. Judson asked for clarification on where HES LED installs are counted and Schlegel confirmed it is in the HES initiative and not lighting initiative, which is mostly retail.



Schlegel reviewed similar information for C&I. CHP is a big part of lifetime savings. Upstream lighting in the future will be tracked in the retrofit program, with a look at initiative-level detail.

C&I has not quite been hitting goal, but budget is also underspent. The gas savings goal is slightly higher on a trend perspective, but not as high as 2015.

Winkler asked if CHP has a different impact on system level and distribution level benefits than energy efficiency. Schlegel, yes, he thinks so. Winkler asked how do you quantify the difference? Schlegel said they don't current quantify differently. They use the same avoided cost, so it doesn't show up in benefit dollars.

Glynn said that six years ago some people said we would never be able to achieve these levels. Is there a way for us to disseminate these results to inform national dialogue and other states' work? Judson said that for the Clean Power Plan through the Regional Greenhouse Gas Initiative there was information submitted about Massachusetts energy efficiency programs. Seidman said that in any conversation she has outside of Massachusetts, she does stress that energy efficiency should be part of Clean Power Plan compliance and clean air work. She uses the ISO graph with energy efficiency forecasts and tries to spread word, but she can always do more. Perhaps there could be a stock presentation for councilors to use. She has the impression that money is a barrier in many states. If they don't have decoupling, the incentive to do energy efficiency is off.

Schlegel said there are some resources available, e.g., the report to the Legislature, presentations to the Council. Belliveau noted there is an ACEEE paper summarizing this that could be of value for this purpose too.

Winkler said he doesn't think there is an info gap on energy efficiency in Massachusetts. The challenge is how to measure uniformly across the nation. Steve Cowell's group E4TheFuture is advertising that they will do a registry for this. Pat Stanton is the contact. A main issue is how to create a level playing field.

Johnson asked for a clarification about what C&I new construction includes. He also said that on slide 5 he was struck by how much higher C&I lifetime savings are vs. Residential.

On slide 23, Johnson noted that gas expenditures for 2013-2015 were only 65%. Schlegel said increased expenditures are linked to higher savings. We need to keep this up.

Johnson said it seems like this plan has lower than goals in the past. Schlegel said only C&I is that way. Johnson asked why, and Schlegel said we did not have high 2015 C&I results when we were setting plan goals. As a result, the Consultants have confidence that the goals are achievable. There was a conscious shift from C&I savings to Residential, which has higher goals. C&I had key baseline changes as well. There are still uncertainties regarding baselines and impacts and timing of new technologies. The Massachusetts goals are still the most ambitious in the country. The PAs will pursue opportunities where available as shown by their Residential results in 2013-2015.

Boyd asked will there be a DOER press release about 3 year results? Schuur responded that the PAs have done so already, and DOER is working on one. The 3-year plan is different from a 3-year report and what has happened in the past. She thinks it is important for the Consultants to continue to review information and would like the Council to do something with the information (e.g., statement to DPU). Schlegel said that in the past the Council has sometimes approved a resolution or letter to the DPU highlighting results. The Council can communicate what was great and stress whatever it wants to say. This is a good opportunity to promote energy efficiency. The DPU has responsibility to review the term report, but this is the first one. The Council as a whole or as individuals can communicate and/or submit comments. The Consultants recommend that the Council continue to take a look. This is \$4 billion in energy efficiency spending, the highest energy efficiency spending ever done. What issues should the DPU be looking at?

Seidman said she supports some communication to the DPU highlighting 5 or 6 things that stand out to us and that will have an impact in the current 3-year plan and beyond. That is an important role for this group. Venezia said the Council has in the past adopted a resolution or submitted a letter.

Judson said they will take this on as an action item and next steps.

## **7. 2<sup>nd</sup> Quarter Progress Report**

The PAs' 2<sup>nd</sup> Quarter Progress report was presented by Melanie Cohen and Steve Mengus (available on the Council's website).

Mengus presented a comparison of electric achievements for Q2 across 2014, 2015 and 2016. He noted that achievements are fairly consistent across sectors, in contrast to past years. This is a result of the new plan. Participant values tend to be higher because of how behavior and upstream lighting are tracked.

Cohen presented gas results: Gas low income program funds for year have already been committed (note that the Consultants have subsequently confirmed that these are for the Low Income Multi-family Initiative).

Mengus presented 2016 year-end projections for electric: Typical values are 95-98%, with the high forecast going above 100%.

Cohen said that projections for gas are similar to electric. The forecast is to achieve less than 100%, with the high forecast exceeding that amount. It is fairly similar this year compared to last.

Judson asked where participants in in renter and moderate income customer and multi-family deliverable fuels get counted? Amy Vavak responded that renters and moderate income customers are participants in HES. There is some participation in C&I for MF oil, though most is in the Residential Multi-family Retrofit Initiative.

Judson said we would hope to see participation at 50% at this point. Why is it not at that level? She actually expected 50% for all values. Melanie said that activity is expected to pick up at the end of year. Judson asked if this is a hockey stick effect or is there an issue?

Cohen said that low income gas customers are all in queue and the PAs expect to meet goals. C&I large projects are in the pipeline. Reported values don't measure what is in queue.

Regarding slide 11, Glynn asked if this is indicative of the lower goal for C&I? Is Residential lower than last year at this time? Mengus said that Residential right now is a shade lower than last year, but goals were lower when you look at % of sector savings. C&I is slightly above last year for lifetime savings.

Johnson asked if the PAs have made up for Next Step Living being gone. White said they have worked hard with partners and HES results are strong.

Johnson noted a high percent of participants for Residential. Cohen said this is a result of how behavior participants are counted.

## **8. Adjournment**

Judson adjourned the meeting at 4:07 PM.