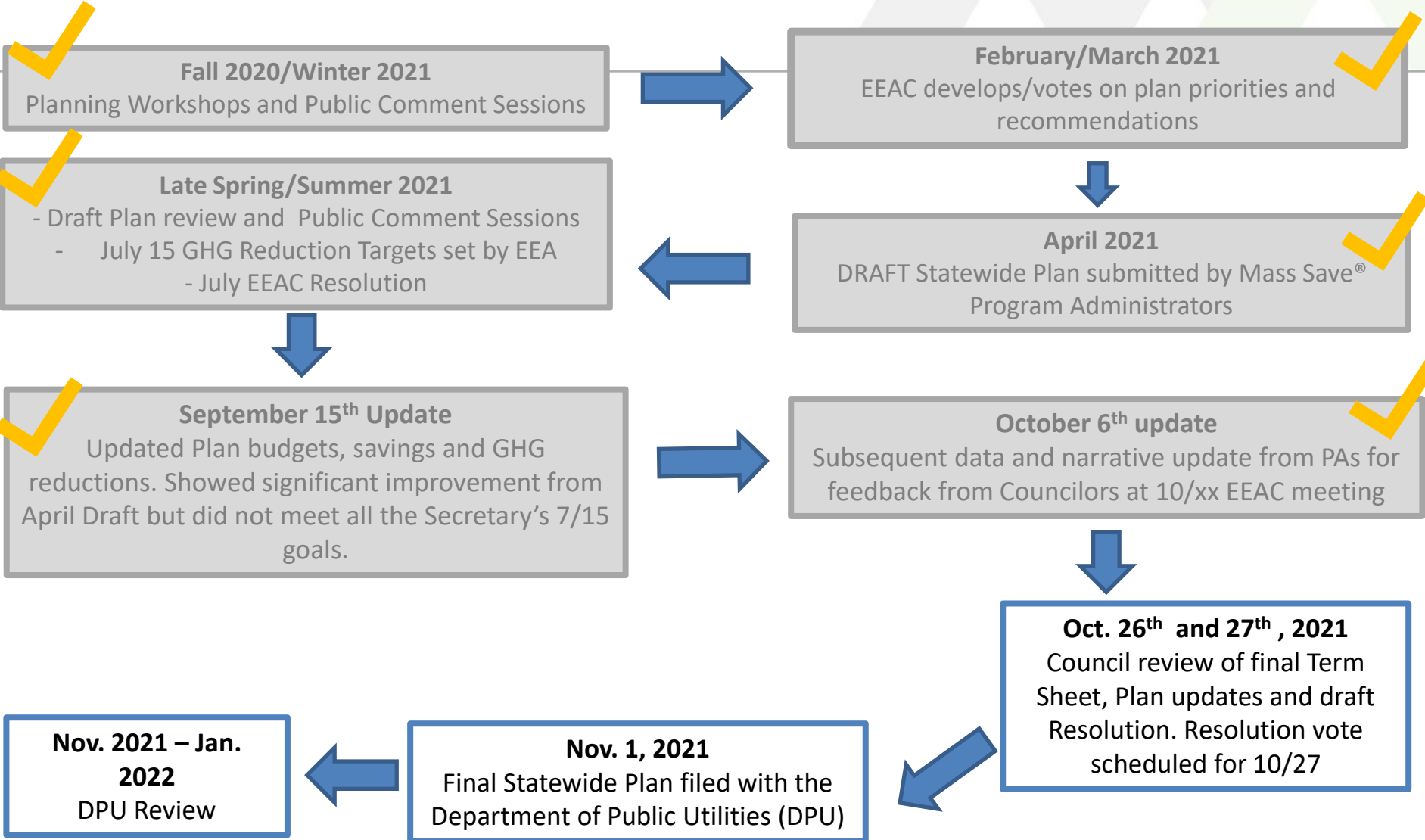


# OVERVIEW OF FINAL 2022-2024 EE PLAN

► **October 26, 2021**

# 2022-2024 PLANNING STATUS UPDATE



# GOAL OF TODAY'S MEETING

- ▶ **Provide an overview of the 2022-2024 EE Plan and Resolution, to be discussed and voted on by the Council on Wednesday 10/27**
- ▶ **Clarify and highlight specific changes in final plan compared to the 10/6 plan (9/22 data submission) and early October presentations to the Council**
- ▶ **Highlight outstanding issues to be addressed in Council Resolution**
- ▶ **Provide overview of new Performance Incentive mechanism**
- ▶ **What this presentation doesn't do: Provide a full overview of the plan (this presentation should be taken in context of Oct 6 draft plan and consultant presentation from October EEAC)**

# AGENDA

- ▶ **High Level Updates**
- ▶ **Council Priorities Updates**
  - Greenhouse Gas Reductions and electrification
  - Equity
  - Workforce Development
- ▶ **Sector Specific Updates**
  - Residential
  - Income Eligible
  - Commercial and Industrial
  - Active Demand Management
- ▶ **Reporting**
- ▶ **Performance Incentive**

**Note:** All info in this presentation is pulled from materials posted for meeting

# HIGH LEVEL UPDATES – TOP LINE METRICS

Sector	Electric Budget	Electric Benefits	Gas Budget	Gas Benefits
<b>Residential</b>	\$1,189,152,554	\$4,385,264,163	\$661,637,450	\$1,772,243,006
<b>Low Income</b>	\$341,297,657	\$935,327,275	\$249,232,952	\$765,611,841
<b>C&amp;I Total</b>	\$1,200,767,315	\$3,731,971,588	\$296,616,379	\$1,270,364,085
<b>Total</b>	<b>\$2,731,217,526</b>	<b>\$9,052,563,027</b>	<b>\$1,207,486,781</b>	<b>\$3,808,218,932</b>

GHG Goal	Secretary's Goal - 2030 Metric Tons	% Achievement April Draft	% Achievement Oct 6	% Achievement Final Plan	Final Plan 2030 Metric Tons
<b>Electric</b>	504,000	57%	90%	<b>94%</b>	474,000
<b>Gas</b>	341,000	96%	110%	<b>108%</b>	371,000
<b>Aggregate</b>	845,000	73%	98%	<b>100%</b>	845,000

Note: 30,000 metric tons of GHG reduction through gas to electric fuel switching will be allowed to count for up to 6% of underachievement on electric GHG goal

# ELECTRIFICATION HIGHLIGHTS

Category – Electric Programs		April Draft Plan 3-Year Total Units	Final Plan 3-Year Total Units
<b>Residential</b>	Full displacement	4,335	15,332
	Partial Displacement	22,678	31,953
	Electric Resistance	8,093	7,364
	HPWH		4,551
<b>Income Eligible</b>	Full displacement	255	1,580
	Partial Displacement	198	3,598
	Electric Resistance	1,550	1,418
	HPWH	273	1,000

Category – Gas Programs		April Draft Plan 3-Year Total Units	Final Plan 3-Year Total Units
<b>Residential</b>	Full displacement	-	765
	Partial Displacement	-	1,039

# GHG AND ELECTRIFICATION HIGHLIGHTS

- ▶ **Increased goals for electrification in residential and C&I sector, \$800 million investment**
- ▶ **New incentives and goals for electrification in gas programs for residential and C&I**
- ▶ **Commitment to all-electric new construction offerings in 2022 for residential and commercial**
- ▶ **Weatherization Investments:**
  - Residential Electric: \$257,216,800
  - Income Eligible Electric: \$39,816,337
  - Residential Gas: \$275,596,773
  - Income Eligible Gas: \$66,684,898
- ▶ **Commitment to launch:**
  - Deep Energy Retrofit offering for commercial buildings in 2022
  - Deep Energy Retrofit offering for affordable multi-family in 2022
- ▶ **Continuing successful Passive House support**

# EQUITY HIGHLIGHTS

## ▶ Finalization of equity targets (Term Sheet Attachment A)

## ▶ PA commitment to community partnerships, including \$6M dedicated to municipal and community partnerships to increase participation by underserved customer groups with focus on EJ communities

- Continued area of focus for EEAC and EWG: Exploring partnership program designs negotiated with and driven by communities

## ▶ Agreement on 38 EJ Communities for targeted partnerships, increased investments, and increased benefits.

- Attleboro
- Boston (select zip codes)
- Brockton
- Chelsea
- Chicopee
- Eastham
- Everett
- Fall River
- Fitchburg
- Gardner
- Gloucester
- Great Barrington
- Haverhill
- Holbrook
- Lawrence
- Lowell
- Lynn
- Malden
- Methuen
- Montague
- New Bedford
- North Adams
- Northampton
- Palmer
- Peabody
- Pittsfield
- Quincy
- Randolph
- Revere
- Southbridge
- Springfield
- Stoughton
- Taunton
- Wareham
- Webster
- West Springfield
- Williamstown
- Worcester



# EQUITY HIGHLIGHTS

- ▶ **Moderate Income: \$136M investment planned for enhanced incentives for moderate income customers, pre-weatherization barrier funding, and streamlined income verification**
  - Continued areas of focus for EEAC and EWG: moderate income integrated program delivery, differential of incentives for elec/fossil fuel, weatherization requirement
- ▶ **Language Isolated Residents: Commitment to developing language access plan to be implemented by 2023 (\$9M investment)**
  - Continued areas of focus for EEAC and EWG: expediently complete language access plan; improve language access support for residents who speak languages other than Spanish, Portuguese, Mandarin (three of the most commonly spoken languages)
- ▶ **Small Business: Commitment to 2,100 small business weatherization projects, including targeted efforts to host Main Streets events in EJ neighborhoods**
  - Continued area of focus for EEAC and EWG: streamlined participation and pre-weatherization barriers
- ▶ **Workforce: Commitment to workforce development, including Clean Energy Pathways Program**
  - Continued areas of focus for EEAC and EWG: PA coordination with MassCEC, programs beyond Clean Energy Pathways, increasing DBE participation within Mass Save
- ▶ **Renters/Landlords: PA commitment to prepare strategic plan for serving renters and landlords to be complete by Q3 2022 (will be area of focus for EWG)**

# WORKFORCE DEVELOPMENT

## ► Key Highlights

- Workforce Development investment of over \$49M (inclusive of MassCEC budget)
- Clean Energy Pathways (CEP) internship program
- Diversifying PA pool of business partners through increasing contracting and subcontracting opportunities diverse business enterprises
- Heat pump specific trainings for HVAC contractors
- Collaboration with MassCEC
- Training for building operators

## ► Additional Expectations for Plan Term (from Resolution):

- Emphasize retention through support and mentorship and track retention of individuals participating in CEP program
- Evaluate the performance of CEP internship program
- Continue investment outside of the CEP program
- Council updates on details regarding collaboration with MassCEC
- Train qualified residential contractors to participate in turnkey small business program
- Increase funding for Income-Eligible sector workforce development

# RESIDENTIAL

- ▶ **Key Highlights and Changes since 9/22 data submission and 10/6 draft:**
  - Electrification investment of \$252 million and weatherization investment of \$533 million (electric and gas) in the residential sector
  - Since 9/22, PAs increase residential new construction heat pumps to 7,105 units.
- ▶ **Additional expectations for Plan Term (from Resolution):**
  - Market transformation plan for achieving heat pump numerical goals
  - Implement additional methods of co-delivery of weatherization and heat pumps
  - Integrated home energy scorecards
  - Implement all-electric new construction offer for the 1-4 unit market segment
  - Promote continued growth of passive house multi-family new construction
  - Update EEAC on contractor engagement and pricing in light of changes to material and labor costs

# INCOME ELIGIBLE

## ► **Key Highlights and Changes since 9/22 data submission and 10/6 Draft:**

- Total Income Eligible investments \$589 million
- Increased heat pump budget and installation goals for heat pumps since 9/22 (to 6,600 space HPs and 1,000 water heating) and wifi thermostats
- \$4 million reduction in lighting budget
- Commitment to developing pay-for-savings offering for Affordable Multi-family deep energy retrofits
- Commitment to implement mixed-income protocol by Q2 2022
- Commitment to new quarterly KPI to improve transparency and data reporting

## ► **Additional expectations for Plan Term (from Resolution):**

- Prioritize heat pumps over fossil fuel systems and limit delivered fuel heat systems
- Commitment and timeline to phase out lighting measures
- Support ADM measure uptake beyond wifi thermostats to include battery storage and EV charging
- Improve reporting for greater transparency around electrification
- Prioritize installation of envelope measures in gas program
- Provide more detail to EEAC on strategy for serving small multi-family buildings, including naturally occurring low-income housing
- Develop statewide computerized audit tool by third quarter of 2022

# COMMERCIAL & INDUSTRIAL

- ▶ **Key Highlights and Changes since 9/22 data submission and 10/6 Draft:**
  - Budgets have been restored since April Draft, \$1.5 Billion
  - Increased GHG emissions reductions from 9/22
  - \$21 million reduction in lighting budget
  - Commitment to deep energy retrofit program to launch in 2022, and agreement to reporting
  - Commitment to C&I stakeholder and customer working group to be co-led by DOER and PAs starting in 2022, 4 meetings per year
- ▶ **Additional expectations for Plan Term (from Resolution)**
  - Updates from C&I working group to Council
  - Increased savings delivered through electric HVAC efficiency, including retro-commissioning and integrated controls
  - Reduced reliance on fossil fuel equipment incentives
  - Dedicated strategies for municipal building participation in deep energy retrofit offering

# ACTIVE DEMAND MANAGEMENT

## ► Key Highlights and Changes since 9/22 data submission and 10/6 Draft:

- ADM – 278 MW goal (includes expansion of residential wifi thermostats DLC and commitment to statewide EV charging program, no increases since 9/22)
- Phase out of fossil fuel generators from ADM program offerings
- Commitment to report wi-Fi thermostat ADM participation in the Connected Solutions program by customer class (residential, residential – discount rate, commercial)

## ► Additional expectations during plan term (from Resolution)

- Increase participation and reporting of low income ADM offerings
- Co-deliver ADM with traditional EE to increase demand savings
- Increase participation in direct load control and load curtailment offerings
- Expect current EV charging offerings to continue until the program shifts to statewide offering
- PAs should work with ADM vendors on ongoing program changes to solicit feedback from the industry prior to implementing changes
- Continue to focus on storage incentives, including 5-year incentive lock

# REPORTING

## ► Key Highlights

- PA commitment to reporting on equity targets and spending
- Bi-annual reporting on the performance incentive components
- Quarterly updates on electrification market transformation
- Continued quarterly KPIs with mutually agreed upon changes, and bi-annual reporting metrics
- Implementation of a new income eligible specific quarterly KPI

## ► Additional expectations during plan term (from Resolution)

- Regular updates on multi-family savings, participation, savings and regular updates on new initiatives such as the residential and commercial deep energy retrofit offerings

# PERFORMANCE INCENTIVE

- ▶ Performance Incentive (PI) for 2022-2024 has been updated to reflect priorities
- ▶ Continue to focus on achieving benefits
- ▶ Use three PI components for electric and gas, based on benefits, to focus directly on the 2022-2024 Plan priorities
  - Equity Benefits: benefits achieved in specific EJ communities (not including large C&I) and for moderate income customers statewide, including from electrification
  - Electrification Benefits: benefits from electrification measures that are not in EJ communities or not for moderate income customers statewide
  - Remaining Portfolio (“Standard”) Benefits: benefits achieved in the rest of the service territories that are not counted in the two benefits components above
- ▶ Discontinue the PI value component; it disincentivizes electrification benefits and equity outcomes



# OTHER FEATURES OF PI MECHANISM FOR 2022-2024

- ▶ **Equity and Electrification PI payout rates (PI \$ per unit of benefits) are 20% (electric) and 50% (gas) higher than in Remaining portfolio**
- ▶ **Performance threshold for each PI component; incentive for each component would not begin to be earned until the threshold is met**
  - **Equity 85% and Electrification 60%; Remaining Portfolio 75% or meet weighted average portfolio threshold (73% elec, 77% gas)**
- ▶ **Equity and Electrification are not capped, though subject to 125% total portfolio cap. Standard portfolio capped at 125% of design. Remaining portfolio benefits > 125% cannot contribute to combined portfolio max until the thresholds for Equity & Electrification are met**
- ▶ **Planned PI pool of \$170M total for electric and gas, compared to \$137M for 2019-2021 Plan. PI earned is based on actual performance**
- ▶ **Planned PI pool of \$170M is about 4% of program costs**
- ▶ **Tracking and reporting of all three PI components**

# SUMMARY OF PI COMPONENTS



Component	What's Included	Threshold	Design	Cap
Equity	Benefits achieved in specific EJ communities and selected Boston zip codes (not including large C&I) and for moderate income customers statewide, including from electrification  Equity benefits for Res/IE to be at least 25% of Res/IE portfolio benefits for electric and 45% for gas by 2024	85%	100%	N/A
Electrification	Benefits from electrification measures that are not in EJ communities or not for moderate income customers statewide	60%	100%	N/A
Standard	Benefits achieved in the rest of the service territories that are not counted in the two benefits components above	75% threshold of standard component or meeting weighted average portfolio threshold	100%	125% of standard EE until equity & electrification thresholds are met
Portfolio	All program benefits, with the exception of MAC benefits from fossil fuel systems, are eligible to earn PI in one (and only one) of the above PI components	Weighted Avg Threshold of 73% elec / 77% for gas *	100%	125%

There may be slight shifts in these percentages as numbers are updated to reflect final agreement/term sheet

# BENEFITS AND PI PAYOUT RATES



ELECTRIC PI 2022-2024*					
Component	Statewide Benefits (No CLC)	% of Total	Statewide PI Pool	PI as % of Pool	Payout Rates
Equity	\$1.4B	16.2%	\$23.7m	17.9%	\$0.0172
Electrification	\$2.2B	25.9%	\$37.8m	28.7%	\$0.0172
Standard	\$4.9B	57.8%	\$70.38m	53.3%	\$0.0143
Total	\$8.5B		\$131.8m		

GAS PI 2022-2024*					
Component	Statewide Benefits	% of Total	Statewide PI Pool	PI as % of Pool	Payout Rates
Equity	\$1.1B	28.8%	\$14.1m	36.9%	\$0.0126
Electrification**	\$0.3B	8.7%	\$4.2m	11.1%	\$0.0126
Standard	\$2.4B	62.5%	\$19.8m	51.9%	\$0.0081
Total	\$3.9B		\$38.2m		

\*There may be slight shifts in these totals and payout rates as numbers are updated to reflect final agreement/term sheet

\*\*PAs are specifically looking into gas electrification to QC; current estimates look too high