Massachusetts Energy Efficiency Advisory Council
Meeting Minutes (DRAFT)
Tuesday, September 8, 2009

Councilors Present:

Voting	Present (designee)	Non-Voting	Present (designee)
Heather Clark	X	Derek Buchler	X
Martha Coakley	Jed Nosal	James Carey	X
Penn Loh	X	Penni Conner	X
Lucy Edmondson	X	Alisha Frazee	
Philip Guidice	X	Kevin Galligan	X
Debra Hall	X	George Gantz	Scott Albert
Charles Harak	X	John Ghiloni	
Elliott Jacobson	X	Paul Gromer	X
Samuel Krasnow	X	Andrew Newman	
Rick Mattila	X	Richard Oswald	X
Robert Rio	X	Michael Sommer	X
		Timothy Stout	Carol White

DOER: Mike Sherman, Steven Venezia, Susan Kaplan
Consultants: Paul Horowitz, Jeff Schlegel, John Livermore

Present

Marc Breslow	Jeanne Cherry	Christina Dietrich
Jack Habib	Birud Jhaveri	Paul Johnson
Jeff Leupold	Emmett Lyne	Erin Malone
Jeremy McDiarmid	Lori Segall	Lisa Shea
Tilak Subrahmanian	Danah Tench	Christine Vaughan
Trish Walker	Meera Reynolds	Barry Perlmutter
Gabriel Shapiro	Darlene Lombos	Cindy Luppi
Soledad Boyd	Loie Hayes	Mark Liu
Michelle McGruder	Josh Lynch	Dilip Shah
Sam Nutter	Michael McAteer	

I. Introduction

Guidice called the meeting to order at 2:08pm, and welcomed new Councilor, Penn Loh, who is replacing Paul Deare.

II. Evaluation, Measurement, and Verification (EM&V) Administration

EEAC Resolution on Evaluation, Measurement and Verification has been circulated to the Council for review. Guidice asked for motion to approve. Harak motioned. Council voted and unanimously approved.

III. Financing, on-bill repayment, and Other Sources of Funding

Schlegel presented information on the financing options that exist through the existing efficiency programs.

- MassSAVE: HEAT Loan – $7-8 million over the past several months. Very successful program. Could have a longer list of lenders. Jacobson notes that default rate for 0% overcharge loans in 80's was very low. Low-income folks need grants, not loans.
- Multifamily: Tina Haggerty (NSTAR) can give update at an upcoming meeting.
- Small C&I: 24 month on-bill financing. 15% discount for lump sum payment. Financing is one of the principle enablers of the program. Used mostly for lighting. Gives customer a positive cash flow. About 60-70% of customers take this option.
- Large C&I: Offered to medium and large customers with on-bill capability. Approximately $3 million in 2009.

The PAs, with the consultants, could develop a summary table of programs and financing if that would be helpful to the Council. In low-income programs there has been a tremendous amount of effort to secure money from outside of SBC.

The primary objective is to increase customer participation while leveraging rate payer funding and reducing upwards pressure on program costs and utility rates. The primary solution is to develop financing supported with outside capital. There is the question of how much outside funding to include in the PA plans. The consultant recommendation is to include outside funding in the statewide plans in the amount of $10-50 million in 2010, and at least $200 million in 2012.

Harak asked if there would be changes in program design based on increased financing? Do the PA's assume that increased financing will increase participation? Schlegel notes that consultants assume that increased financing will increase participation. This is preferable to increased bill impacts.

Jacobson noted two areas of concern: 1. What if the commodity costs go up, savings won't be there?, and 2. On the national level, DOE is proposing taking $70 million of Federal money away from low-income and put into financing. Need to watch the details.

Krasnow noted that this is uncharted territory, but it's worth it to pursue this 'next frontier' to support all of our common goals. There are a lot of opportunities that will benefit ratepayers. The plans currently have an assumption of zero financing. Need to pick a number that is not zero.

Nosal commented that from ratepayer perspective financing makes a lot of sense. Does the council have a clear mandate to pursue all available financing (consistent with consumer interests)?

Harak noted that one needs to be concerned about the suitability of a loan (e.g. around 80% of median area income). It will be a challenge to fashion the rules for this middle tier of people.

Loh noted that financing is absolutely essential for success of efficiency programs. Important to have these mechanisms in place. Hope to have financing assigned to meter or payment stream.

Schlegel explained that the consultants are exploring all financing options. It is a separate question as to which customers the financing is suitable for. These are two distinct issues that need to be addressed. Currently the PAs are in the $10-20 million financing range for 2009. Galligan put forth that the PAs could put zero in tables and then footnote the ongoing efforts. Guidice responded that 'zero' would tend to put more emphasis on bill impacts.

Conner voiced that the PAs are passionate about securing outside funding, but they feel that the plans should be reviewed based on existing known funding. She suggested filing plans without outside funding, and then re-submit if/when outside funding is secured. Schlegel expressed confidence that the PAs are going to re-file in 2010 based on learning over the first several months of program operation, and emphasized the importance of having some dollar amount (not zero) in the plan. Horowitz added that without outside funding, based on bill-impacts the DPU may decide that the GCA goals are not attainable.

Mike Sherman talked about the financing working group and invited people to attend the meetings.

IV. Savings Goals and Costs to Achieve the Goals

Schlegel briefly recapped the savings goals (slides from the August 25th meeting). Electric: Consultants recommendation is 2.7% by 2012 which is slightly less than Council resolution (2.8-3.0%). PA plan is at 2.14% by 2012. Gas: Consultants recommendation is 1.25% by 2012 which is slightly less than Council resolution. PA plan is at 0.87% by 2012. Greenhouse gas reduction charts have been added per DEP request.

Electric: There is variation among the PAs, 1.6% to 2.5% in 2010. If the PAs with lower savings targets could come up to the higher savings PAs we'd be where we need to be overall.

Krasnow observed that it seems like the lines aren't moving and asked what are the things that still need to be resolved at the working groups?

Schlegel noted that the savings numbers are decided above the working group level.

Edmonson noted that the Global Warming Solutions Act (GWSA) say that we need to be closer to 3.0% to meet emission reduction mandates.

Jacobson pointed out that this relates back to the performance incentive. The PAs may have anxiety about whether they're meeting and exceeding their goals. Schlegel responded that the PI proposal mitigates risk in year 2 and 3. In C&I, the main difference between Consultant and PA number is volume.

Edmondson said that what we're doing is creating a collaborative model. If we set the target at X, that's what we're going to get. We know we can do this we just have to figure out how. Let's be as aggressive as possible.

Loh asked why there was a big reduction in the residential sector from July numbers? Conner responded that it has mostly to do with lighting. Same number of bulbs but reduced savings now associated with each bulb.

Livermore commented on two productive working group meetings (MassSAVE and Multifamily) that looked at individual PA screening assumptions for programs. Additional savings opportunities were identified and the PAs agreed to re-examine their numbers.

Rio asked if Smart Grid technology would be a better place to put efficiency money?

Carey added the perspective of a small gas company (50,000 customers) in Fall River. The majority of their customers are low-income, and they recently lost their largest textile customer. Their customers are very sensitive to bill impacts. He expressed that the goals are aggressive for N.E. Gas. They are concerned about hitting goals, especially in this economy, and in his service territory.

Guidice noted that there are significant EE opportunities in Fall River. It increases the economic importance of finding EE financing options that work for people.

Clark read proposed resolution:

1. savings goals (up to consultant levels for electric and gas)
2. outside financing (at consultant recommended levels)
3. cost per savings ($ per kWh and $ per therm) is currently too high, unless supported by sufficient evidence.

Break (3:32-3:44pm)

Guidice proposed to take the proposed resolution off the table for today. Councilors were encouraged to discuss this.

Harak suggested that the Council should vote on the outside funding piece at some point. White expressed concern that PAs would be required to include external financing money in their plans, as it could affect achieving savings goals. She suggested a caveat that if external capital can't be secured it will have XYZ effects on goals/programs. PAs are nervous about locking into something that is too aggressive.

Jacobson reminded the Council that the DPU schedule goes into January, so we may not get approval until after January. How many months in 2010 will PAs have to implement programs and achieve goals? It could be an 8 month year.

Nosal noted that we're so deep in the process that we need to pick a number based on the best information that we have. Also, we need for planning purposes what the various bill-impact scenarios would be. Clark expressed concern that we may see the same savings numbers at the next EEAC meeting.

Conner explained that she can take back to her team the Council's wishes on savings targets, and emphasized that we will get the best result if we continue to work together.

Guidice emphasized that it is important to try to collaboratively narrow the savings gap. Lyne said that he doesn't think we're at an impasse point. The PAs are trying to get an absolute 'lock down' date for getting info from working groups, September 10 or 11. There are big challenges remaining, including triangulating the appropriate savings goals. At the beginning of this process it was agreed that the assessment would be separate from the savings goals in the plans. PAs don't think outside financing alone is going to get them to the council target savings goals, but they are very engaged in this process. Jhaveri is working on bill impacts.

Guidice again asked for the consultants and PAs to work to a collaborative resolution of this issue. Krasnow added that the Council wants to see both outside funding and more savings per dollar.

V. Performance Incentives

Schlegel described the revised performance incentive (PI) proposal. The key pieces are: 1) the level of incentive, 2) the incentive mechanism. Historically the PAs earn more than they plan for. Currently they can earn 8% after tax. Horowitz noted that the PAs are no longer living in a cost-constrained world, and so incentives should not be based on an uncapped expenditure. The incentive amount should not be based on % of program costs, but rather on the value of the total performance and the role of performance incentives. We need to come up with a statewide incentive number based on other criteria, not budget. Schlegel showed example graphs and explained that the incentive rate can be scaled to encourage higher savings. He went on to stress that the policy environment in MA has significantly changed, and this is what needs to be done to reach the goals of the GCA legislation, including basing the performance target and performance range on Council targets rather than the PA-proposed savings goals.

Harak asked if this PI formula would apply to each individual PA. Schlegel responded that the council could decide to calculate it this way. It would be more complicated, but there may be some good reasons to do this.

Schlegel further explained that the three main components of PI are: Savings, Net Benefits, and Performance metrics. You could vary the weighting of these three components over the three year period – the weighting would vary by sector. It was proposed to include specifics on PI just for the first year, with the overall structure of the mechanism for all three years set forth, but with the details not included for 2011 and 2012.

Schlegel talked about a PA proposal for the application of evaluation results, and noted that the proposal is not endorsed by the consultants. The PAs propose two systems, one for the PI determination (prospective application of evaluation results, no retrospective adjustments) and one for the annual report (use of all evaluation results, with retrospective application). The consultants and PAs will continue to meet to make progress on PI between now and the next EEAC meeting.

Krasnow noted that we're moving from utilities making money from selling more to a place where they'll make more money from saving energy. We need PIs that make sense and encourage PAs to achieve higher savings.

Clark asked about what the remaining outstanding issues are? Lyne responded with three main pieces: 1) Getting a threshold that is challenging and achievable, 2) Retrospective vs. Prospective application of evaluation results, 3) Assuming decoupling, what is an appropriate pot of money?

Oswald expressed concern about the retroactive application of evaluation data, and mentioned the recent lighting evaluation results that show significantly lower savings for CFLs. White explained the need to also talk about how each of the goals come back to the individual PAs. She said that separating evaluation and incentive issues makes it very clean. Guidice noted that he feels savings should be based on actual results.

Horowitz asked the PAs about their thoughts on Lost Base Revenue (LBR). White responded that she hasn't had a chance to discuss this with other PAs yet.

Conner noted PA appreciation for Paul and Jeff's efforts, and said the PAs will work collaboratively toward closure as quickly as they can.

VI. Council work plan and schedule

Schlegel noted that the September 22nd meeting has been moved to September 30th, and that other upcoming meeting dates include October 6th, October 13th, and October 27th. During one of these meetings the PAs should give a briefing on their progress, and the consultants can comment. There may be an extended public comment period at the October 6th meeting. Schlegel emphasize that, while the schedule has slipped significantly, the Councilors still have to make a decision on statewide plans in late October.

Guidice commented that if the PAs and consultants can work the remaining issues out between now and September 30th then it could be a fairly straightforward meeting.

VII. Public comment

Darlene Lombos from the Green Justice Coalition commented on the great progress that has been made by the Council. She reiterated how important it is to shoot for 3% overall savings, and expressed that the GJC is a partner who supports all the work that the PAs, consultants, and Council are doing. Solidad Boyd voiced support for the deeper and broader approach, and encouraged the Council to look at all means to address upfront costs for deep energy treatments.

Paul Johnson asked why couldn't the PAs have an instant rebate instead of on-bill financing? [No response from the Council since this was a question, not a comment]

VIII. Meeting adjourned at 4:55pm.