

**Resolution of the Energy Efficiency Advisory Council
Regarding the 2011 Program Administrators' Proposed Mid-Term Modifications
and EEAC Consultant Report**

Adopted December 14th, 2010

The Energy Efficiency Advisory Council (EEAC), having reviewed the performance of the Program Administrators (PAs) to date in implementing the Three Year Energy Efficiency Plans and their proposed Mid-Term Modifications and related changes to the Plans for 2011, resolves the following, and directs that these resolutions be transmitted in full to the Department of Public Utilities, along with the attached and referenced Consultant Report. In overview, the EEAC supports the PAs' Mid-Term Modifications as filed with the Department on October 29, 2010, with the caveats and notes highlighted in this resolution. With respect to the Consultant Report (Report) attached hereto, the EEAC accepts and supports the report, subject to the caveats and notes in this resolution, and is directing that such Report be submitted to the Department for consideration in connection with the PAs' 2011 MTM filings. It is the Council's view that such Report sets forth discussion that merits consideration and review by the Department and the PAs as they continue with their MTM efforts. The Council encourages further collaborative discussion among the PAs and the consulting team regarding the limited open matters set forth in such Report and asks that such parties report any additional proposed points of agreement or resolution regarding such matters at the next Council meeting.

The EEAC continues to support the Three Year Plans and expects the PAs to continue to work toward achieving all the goals of the Plans. We acknowledge and appreciate the hard work of the PAs in implementing these aggressive efficiency programs, in particular their efforts to take on many of the historically challenging areas of energy efficiency work, and their efforts to collaborate thoroughly on a statewide basis. We look forward to continued collaboration and cooperation among PAs, the EEAC, and other interested stakeholders to achieve or exceed the goals of the Plans.

We expect the PAs to achieve all the goals of the original Three Year Plans, including savings and benefits, as well as net benefits except where, for example, achieving deeper energy savings may justifiably increase costs. We are concerned about the changes to the 2011 gas plans that lower the total economic benefits to the Commonwealth. While noting with understanding that code changes and improved evaluation of gas programs contributed to that reduction, we request that the PAs make every effort to achieve all the goals of the Three-Year Plans through continued improvement to the programs. The EEAC is committed to achieving the savings and benefits of the Three Year Plans; therefore, any shortfall in savings or benefits in any program year should be made up during the remaining time in the three-year period.

We appreciate the good progress PAs have made in a number of high priority areas for 2010, including developing approaches to financing efficiency investments for customers; redesigning the residential program to improve the customer experience and improve transparency and opportunities for a range of contractors; requiring contractors responsibly comply with applicable laws and making reasonable efforts to encourage their lead energy efficiency

contractors to provide workers with a livable wage and fair benefits; launching a ground-breaking multifamily building efficiency program; developing effective partnerships of various types including with municipal governments, neighborhood groups and local Chambers of Commerce to drive participation in the programs; reaching multi-year agreements with universities and other large customers to improve their energy efficiency; and beginning to use data analysis and new strategies to reach targeted customers.

We expect the PAs will follow through on planned improvements to the residential program, and will also redouble their efforts to find outside funding to support delivery of the programs. We also note our understanding that the C&I sector offers large savings opportunities and a renewed focus on achieving broader and deeper C&I savings is encouraged.

While acknowledging that Massachusetts has in place some of the best programs developed anywhere to date for delivering energy savings to all participants including people below 60% of median income, we expect that the PAs will redouble their efforts to make progress in serving historically hard-to-reach populations, including residential and commercial rented space, and communities that use languages other than English as their primary language. We acknowledge questions that have been raised about the rate of participation among moderate-income households, and expect that PAs will both provide sufficient data to evaluate the subject and continue to work with the EEAC in 2011, and in statewide evaluation efforts, to refine and implement programs that effectively reach all customers who want to participate.

We come to the conclusion that the Commonwealth and the EEAC need more data and more analysis of existing data about the programs and customer market segments, in order to further understand, evaluate, and explain the programs; to further increase the effectiveness of the programs; to continue to deliver sufficient transparency and accountability to ratepayers and stakeholders; and to better understand and plan for the relevant characteristics – including but not limited to demographic, socioeconomic, geographic, and industry sector characteristics – of program participants and non-participants. Improved transparency and accountability will enable long term public support for these programs. While a significant amount of data is already provided transparently on a periodic basis, still better data, more quickly available, will enable PAs and the Commonwealth to make more informed and timely decisions about program design, customer outreach, funding, and more. We understand the need to be sensitive to privacy expectations and comply with statutes and regulations governing the privacy and competitive sensitivity of customer data. We acknowledge that achieving this vision is a joint project of PAs, DOER, the EEAC, the Attorney General's office (AG), and other stakeholders, and we request continued PA cooperation in developing a shared vision and long-term work plan for improving the availability of quality data about program savings, benefits, costs, and customer group participation.

We note that the DOER, the AG, and the EEAC Consultants do not agree with all elements of the PAs' interpretation of the DPU guidelines on thresholds for Mid-Term Modifications, and the appropriateness of the thresholds, and request that the DPU and any interested parties revisit the thresholds to strike a better balance between flexibility and clarity – both of which are requirements for PAs to successfully invest in efficiency as the Commonwealth's first fuel.

While we have concerns about the PAs' interpretation of the DPU guidelines for Mid-Term Modifications, we believe the program modifications the PAs have proposed for 2011 in response to the guidelines are reasonable and reflect good faith responses of the PAs to evaluation results and experiences in the field.

We note that DOER, the AG, the Low-income Energy Affordability Network (LEAN) and the EEAC Consultants have concerns about the Performance Incentive proposals made by the PAs for 2011 and request that the DPU and any interested parties carefully review the Performance Incentive package in the 2011 MTM proceedings to ensure it adequately focuses PAs on achieving all of the goals of the Three Year plans and other useful outcomes, and sets a sufficiently high bar. We restate our view that Performance Incentives are appropriate for inclusion in the Plans as a tool for the Commonwealth to hold PAs accountable for their management of the programs. We encourage continued discussion between the PAs and consultants on outstanding Performance Incentive matters.

We appreciate the progress made to date in developing a Technical Reference Manual (TRM) for the programs and acknowledge all the hard work many parties have put in, though we note that we had expected it to be complete for the 2010 program year. We expect the TRM, coupled with more accessible data about program performance, to form a new and stronger foundation for the Commonwealth's efficiency programs, and to be fully integrated with program planning and delivery going forward. We note that the EEAC Consultants and the PAs still have not come to complete agreement on some key details of the TRM, the 2011 EM&V plan, and the application of EM&V results, and we request the PAs and the Consultants continue to work to come to agreement and file any updates as necessary with the DPU. If agreement is not possible, we as individual voting Councilors reserve our rights to participate in subsequent DPU proceedings, on this or other subjects.

Where the PAs have proposed specific Mid-Term Modifications that are not otherwise mentioned herein, we reserve our rights and also adopt by reference the attached Consultant Report.