

MEMORANDUM

To: Ian Finlayson, Alex Pollard, and Alissa Whiteman --
 Massachusetts Department of Energy Resources

From: Eric Belliveau

Date: September 22, 2015

Subject: Consultant Team Budget Increase Request

The approved Year 2015 EEAC Consultant Team budget is \$1,516,685. Through the end of August, actual costs are \$1,180,679 or 78% of the annual budget total with 33% of the year remaining. Table 1, below, presents actual costs to date versus the annual budget by work area.

Table 1. Total Costs by Work Area – January 1, 2015 to August 31, 2015

Totals by Consultant Team Work Area: 1/1/15 to 8/31/15

	Planning & Analysis	C&I	Residential & Low Income	EM&V	Technical Services	Totals
Year 2015 Budget	\$546,456	\$350,345	\$253,680	\$279,704	\$86,500	\$1,516,685
Costs YTD	\$510,932.21	\$198,397.96	\$202,361.24	\$216,902.08	\$52,085.41	\$1,180,678.90
Budget Remaining	\$35,523.79	\$151,947.04	\$51,318.76	\$62,801.92	\$34,414.59	\$336,006.10
% Budget Spent	93%	57%	80%	78%	60%	78%
% Budget Remaining	7%	43%	20%	22%	40%	22%

If the annual budget was spent evenly throughout the year, we would expect to have used 67% (8/12) over the first 8 months of 2015, or \$1,011,123. Actual spending for the first 8 months exceeds this amount by \$169,556. We reported an overage of \$143,000 through May. Although we expected this year's work load to be front loaded, the costs to date are higher than projected. This is due to a number of tasks that were either not included in the budget or that required a much higher level of effort than anticipated when the budget was formulated last year. We have been communicating the overages to the EEAC and submitting invoices that indicate the overages since early in the year. Our additional budget request for 2015 is \$160,000.

The following effort was not included in the Year 2015 approved budget:

- **Mid-Term Modifications (MTMs):** This was included in the Year 2015 Scope of Work as a potential task, but a budget line was not included given the uncertainty as to whether

or not the PAs would file MTMs. Costs in 2015 to date for this task are \$34,088, due to the number and significant effects of the MTMs.

The following tasks took a much higher level of effort than anticipated:

- **Prepare materials (briefing documents, presentations, etc.) and participate in the Year 2016-18 Plan Workshops:** Given that prior Three-Year planning efforts did not include multiple workshops, the briefing documents, or the general high level of engagement, the full scope of this task was not included in the budget. The decision to hold these workshops was made subsequent to the Consultant Team's preparation of its Year 2015 Scope of Work and budget. To date there have been 11 workshops and stakeholder input sessions. Costs to date to support this effort, including additional time spent in June, are \$88,417. We calculate that only about \$15,000 of these costs were anticipated in considering stakeholder input. The net additional cost is \$73,417.
- **AESC Avoided Cost Study:** Having a new contractor required an increased level of review and feedback. Costs to date in 2015 are \$49,911. We anticipated \$35,000 of these costs. The net additional cost is \$14,911.
- **Assessment of Potential:** The items in the assessment process that required a much higher than expected level of effort to review and comment were the four small PA potential studies, a potential study for Cape Light Compact, and an additional C&I potential study recently completed by National Grid. Other costs were also slightly over budget but within range. Costs to date for the assessment process are \$59,144. We estimated the costs for this effort would be ~\$42,000. The net additional cost from this process is \$17,144.

As we stated in May, the entire Year 2016-18 Three-Year planning process has unfolded far differently than prior efforts. In 2012, there was one stakeholder input meeting and the rest of the planning process, up to the point of the draft plan submittal, was evenly distributed over time. The Year 2015 Planning and Analysis scope and budget were based on this year's process being similar to that of the 2012 Draft Plan. We did acknowledge some increased effort would be required to review the April Draft Plan, which was to be a more complete draft than received in 2012. While we were able to identify specific items above totaling \$139,560, there are numerous items from our budget that were not individually identified but were encompassed in the overall effort. An example of this comes from the budget item, "Support Three-Year Plan" in the Planning and Analysis, Residential and C&I consultant work plans. Total costs for this effort to date (inclusive of the workshops and the assessment of potential) are \$417,753, which includes the \$147,560 in additional costs enumerated above. This is 114% of the annual budget set aside for these efforts.

As of the submission of this memo, there are still tasks ahead given that the PAs' 3YP proposal is quite different in both costs and savings from what the EEAC reviewed in the Consultant

Team memo on 2016-2018 goal recommendations. In addition to the level of effort in the earlier planning stages, we did not anticipate producing the Goals Memo as an additional work deliverable (beyond the earlier Consultant recommendations), recorded as a task item in the Three-Year plan category. This turned out to be an important document but was not in the work plan explicitly.

As in past years, Optimal continues to closely monitor the EEAC Consultant Team budget. This includes re-allocating resources and scaling up and down the level of effort as needed.

WORKPLAN UPDATE SEPTEMBER THROUGH DECEMBER 2015

Our original workplan did not predict the amount of spending for the team in the last quarter of 2015 specifically. Previous years' spending resulted in roughly 5% less in the last third of the year as December is usually a month with less activity, and generally the PAs are very busy doing work with customers associated with the "hockey stick" projects late in the year. We are not certain of the level of our involvement or effort during the 3-YP proceeding in front of the DPU, which will occur in November and December, but the rest of our plan below is typical for the remainder of the year. While we use the word "typical," note that we are not fully certain of the amount of Consultant Team work needed to complete the development of the 2016-2018 Plan between now and October 30. We do not believe we will need more than this additional amount through the end of the year. In order to give the DOER and EEAC a sense of what tasks still lay ahead, we have developed a short section of this memo to update our workplan. The section below lays out a high level view of the rest of 2015 but should not be seen as a revision of the original workplan document and the Consultant Team deliverables described therein.

Continue work on 2016-2018 Plan

The Team will continue to support the Council in its work on the 2016-18 statewide energy efficiency Plan. This work will include:

- Reviewing, analyzing, and providing comments on the September 18 revised draft Plan;
- Supporting the analysis of key issues and numerical quantities for the term sheets;
- Briefing councilors on the Plan and participating in EEAC meetings and processes;
- Conducting other work required as the PAs finalize the Plan for submission to the DPU on October 30; and
- Working with the PAs through the PAG and Management Committees and other appropriate channels to advance the Council's priorities from the planning process and associated resolutions. Work on these priorities will include (though is not limited to):
 - Engaging with the PAs on developing new initiatives for renters and moderate income customers;
 - Pursuing innovations with wireless communicating thermostats and home automation for behavior, customer engagement, and demand response;

- Continuing to accelerate introduction of LEDs through both retail and direct install channels;
- Implementing continuous improvements to the core residential initiatives
- Continuing to monitor and plan for the C&I market transition from linear fluorescent lighting to LED lighting;
- Continuing to provide support and consulting services on plans for streetlight and controls tariffs
- Ongoing discussion on how to best serve mid-sized customers
- Consulting on how to integrate the Council resolutions in to the plan and programs
- Working to increase the Combined Heat and Power project pipeline
- Providing technical support during the DPU review of the final Plan.

Support translation of key evaluation findings into implementation practices

This work is a regular focus of our team, but several significant studies prompt a particular focus through year's end:

- **Multifamily impact evaluations:** Impact evaluations for both the Low Income Multi-Family Initiative and Multi-Family Retrofit Initiative will shortly be completed. It appears that the results for the latter initiative in particular will yield very low realization rates. This outcome, paired with the PAs' plans to retool this initiative for 2016-18, support a close involvement by the consultant team in securing successful outcomes.
- **Home Energy Services/HEAT Loan evaluation:** This evaluation identified several important implementation issues, including key differences between the main delivery channels. The team plans to continue to work with the PAs to ensure the evaluation findings are addressed.
- **Boiler installation practices:** an evaluation finding from earlier this year was that many condensing boilers installed and supported through Mass Save are not condensing. The team has begun discussions with the PAs on how this will be addressed and will continue to engage with them with a goal of realizing the full savings available from this measure.
- **Small Business Program Process Evaluation Report:** This evaluation highlights many opportunities to improve the Small Business program, including ways to provide a more equitable service across all PAs and ways to increase gas measure participation. The PAs have expressed the intent to overhaul the Small Business program and to incorporate the findings of this report, and the Consultant Team will continue to work with the PAs in this effort.
- **C&I On-Site Assessment report:** This report continues to be updated with new information and provide good insight into the state of the Massachusetts market with respect to lighting and HVAC. Additional information on refrigeration and other technologies is expected to highlight additional opportunities for more savings.

- **LED Spillover Net to Gross Study:** This study will have a significant effect on the C&I upstream program between 2016-18. Understanding and planning for the ramifications of the large swing in the NTG rate is important.

EM&V

Items that are still on the list for the evaluation team in 2015:

- Complete work on the 2016-2018 Strategic Evaluation Plan (SEP), including:
 - Completing the 2nd draft to be included in the September 18 draft of the Three-Year Plan.
 - Developing the final SEP to be included in the final three-year plan to be filed on October 30. The final version of the SEP is expected to include enhanced detail on specific studies, timing, and budgets.
- Move new high-priority studies discussed in the SEP to the starting gate for implementation in early 2016.
- Continue to oversee implementation of in-progress studies.
- Oversee final reporting for studies that are either now in the reporting stage or are expected to reach it by the end of the year.
- Incorporate late-breaking impact evaluation results into the savings assumptions for the three-year plan.
- Coordinate with the Residential, Non-Residential, and Planning teams on EM&V-related issues bearing on non-EM&V portions of the Three-Year Plan.

Conclude the 2013-2015 Plan

The Team will continue its work for the Council and with the PA implementation staff as the 2013-15 Plan wraps up. This will include reviewing the PAs' reporting (including quarterly and year-end forecasts) and participating in biweekly MC meetings on matters already in progress and others that may arise in the remaining months of the year. Much of this work will overlap with the two activities noted above.