

ENERGY EFFICIENCY AND RESOURCE MANAGEMENT COUNCIL

Minutes-October 18, 2012

Conference Room B, Second Floor DOA

Call to Order: Chairman Ryan called the meeting to order at 3:00 PM.

Members Present: Dan Justynski, Chris Powell, Marion Gold, Abigail Anthony, Paul Ryan, Vic Alienello, Joe Newsome and Joe Cirillo

Consultants Present: Scudder Parker and Mike Guerard

Staff Present: Chris Kearns, Barbara Cesaro and Charles Hawkins

Others Present: Shigeru Osada, Josh Croft, Puja Vohra, Frank Gorke, Mark DePetrillo, Matthew Schweich, Brian Kearney, Kim Ziegelmayr, Ian Springsteel, Sean Murphy, Rachel Henschel, Tim Roughan, Bill Ferguson, Jennifer Brooks Hutchinson, Wendy Waller, John Isberg, Matthew Banoub, Angela Li, David Jacobson, Danny Musher, Jeremy Newberger, Michel McAteer, and Jon Hagopian

Acceptance of Minutes: Joe Cirillo made a motion to accept the September minutes: it was seconded by Joe Newsome and passed unanimously.

Executive Director's Report

Marion G. began by thanking the consultant team, the Council, the DSM Collaborative (DSMC) and the Division of Public Utilities (DPUC) for their hard work on the 2013 Energy Efficiency Program Plan (EPPP). She went on to say that the Office of Energy Resources (OER) is hoping to post three new positions, two are eminent and the other will come later. She also said that the transfer of the Low Income Energy Assistance Program (LIHEAP) to the Department of Health & Human Services (HHS) is proceeding.

The Public Energy Partnership (PEP), whose goal it is to reduce energy usage in RI public buildings by 20%, is moving along. NGrid has pledged \$500,000 in in-kind support. Water supply facilities will be the first priority. Marion G. has met with RI Building Commissioner Jack Leyden & Facilities Manager Marco Schiappa to look at low hanging EE opportunities in state buildings.

Marion G. passed out a written report from OER Low Income Manager Lewis Babbitt that shows that OER is close to reaching their weatherization goals. She said she would like to have HHS's Director Sandra Powell as a guest for a future Council meeting. She will also meet with the Green & Healthy Home Initiative team and has reached out to the Capitol Good Group who have some good ideas on financing residential EE. She also mentioned the Strategic Energy Plan where OER is partnering with the Division of Planning to look at long range energy planning. An MOU has designated the OER as the

lead agency to work with the URI Renewable Energy Siting Partnership (RESP) team to take a broad view of the energy system in RI. There will a presentation of this plan at the November 27th joint meeting between the EERMC & the Renewable Energy Coordinating Board (RECB). A twenty-three person advisory council has been chosen to work on the plan. She also mentioned a recent briefing OER staff received on the ARRA funded Energy Assurance Plan which deals with the security of energy systems. She suggested the team that did the plan may want to brief the Council.

Discussion & Vote on the 2013 Energy Efficiency Program Plan (EEPP)

Jeremy N. of NGrid was introduced to give this power point (attached). NGrid feels this plan meets the statutory requirement for LCP and meets or exceed the savings targets in the Three Year Plan. It is also cost effective, creates \$462 million in lifetime economic benefits, and is cheaper than supply. The savings are consistent with the Three Year Plan with electric the same and gas slightly higher. The overall electric budget is also the same as the Three Year Plan with gas slightly higher.

Chris P. asked what the trends were for the TRC from previous years. What is the cost for KWh past & present. He would like to see some charts that reflect this. Jeremy N. said it was lower than for the 2012 EEPP. Scudder P. said that when you drive the savings into the marketplace you do not get to claim the savings. Chris P. feels it is important to see where the program has been and where it is going. It is important to see where the TRC is headed to get support for the next Three Year Plan.

Jeremy N. then gave highlights of both the residential and C&I plans that were discussed during the September meeting. Dan J. asked about how commitments will be timed over the implementation period. If a commitment is made to a CHP project in 2013 it will it be under the rules adopted in the 2013 plan. Jeremy N. said if a CHP project is committed to in 2013 but it will not come on-line until 2015, NGrid would like to fund that commitment over a two year period. NGrid has a commitment budget of \$7 million for next year for projects that will be coming on-line in 2014. Dan J. asked what would happen if the demand for incentives outstripped the supply. Jeremy N. said that NGrid has the flexibility to spend more than the budget if the demand for incentives is greater than expected. Dan J. said that he would like to see the marketplace fund projects customers would do on their own. If ratepayers are willing to do the EE work on their own, incentives are not needed.

The electric implementation budget is less than projected in the Three Year Plan and the EE charge is the same. The gas implementation budget is slightly higher, because of the multifamily element, and the EE charge is significant lower than projected. There have been two changes to the shareholder incentive: the incentive mechanism has been altered to provide greater incentive to the company to meet goals; and the elimination of the incentive related to securing outside funding. The incentive will be lower if you get to a less percent of the goals but higher if the company gets to 100% of savings goals.

VEIC Presentation on the 2013 EEPP

Mike G. & Scudder P. were introduced to give this power point presentation (attached). Scudder P. began by saying the Council was pushing the limit on what other jurisdictions are doing about EE. Over the last four years the levels of engagement have been remarkable with DPUC, the DSMC, the Council and other groups like Tec-RI contributing. NGrid has become a leader in this field. It has been a scramble in the last three months to get this accomplished but it's been a very productive process

Mike G. said that the two key statutory requirements are cost effectiveness and having EE measures that are lower than the cost of the acquisition of additional supply. The program design has to meet the objectives of Least Cost Procurement (LCP) by identifying and capturing savings, prudently and reliably. The process to determine cost effectiveness begins with the Technical Reference Manual, which feeds into the benefit/cost model, which generates the data that is included in the EEPP appendix tables for the PUC filing. After the filing VEIC then does a cost effectiveness memo to be presented to the council at the November meeting before it is filed at the PUC.

As a result of this review VEIC has determined that the EEPP appears to be cost effective. Some minor adjustments may be required but should not bring the BCR below 1.0. Next VEIC reviewed the costs to determine if were appropriate and less than the cost of supply. The EEPP is consistent with the Three Year Plan and lower in some areas. Chris P. asked what VEIC was using for cost of supply. NGrid takes it off the tariff sheets and compares it to standard offer. The total electric budget is slightly higher than projected and this is driven by the on-bill financing.

On the LCP side, the EEPP hits the key themes. Scudder P. feels that the C&I financing plan hits on the theme of innovation. The code work done by NGrid also is innovative as well as the new Home Energy Report program, which is behavioral savings.

Mike G. said that this is a strong plan but there are some things that are missing. Some programs are lacking in detail like CHP, Codes & Standards, the Home Energy Reports Program and On-bill Repayment Program. These programs are new and positive but lack a track record. On-bill repayment represents an industry leading innovation but VEIC does not have the data on it yet. Scudder P. said that the Home Energy Report Program is not well established, but it represents 30% of the residential savings. It has not been piloted in RI. The savings are only for one year, and other EE measures have lifetime savings. It is a different approach that deserves attention. The savings are cheaper but you need to get them every year. Behavioral programs need to be integrated with advanced metering to get deeper savings.

VEIC recommends provisional approval of the 2013 EEPP with the condition that the parties involved agree to effectively resolve the final issues raised today by October 25th. They also recommend delaying voting on the CHP provisions pending further discussion among key stakeholders.

Other recommendations about the process going forward are to start the 2014 process much earlier than this year. The second one is having a clear policy and process for selecting vendors that is transparent and allows for Council & stakeholder input. The last point is a need to monitor the performance of the 2013 EEPP in real time with monthly updates. Next steps are finalizing details by October 25th for a November 1st filing to the PUC. At the November Council meeting VIC will present a draft cost effectiveness memo for their review to be filed with the PUC during the week of November 12th.

Jeremy N was confident that these issues can be resolved. He said that NGrid has been running a Home Energy Report Program in Massachusetts since 2010, that has been evaluated through studies, so there is not as much of a learning curve. The CHP issue is very narrow and is a rate and tariff issue.

Jon Hagopian of the DPUC said that the remaining unresolved issues in the EEPP are important to the DPUC. They have made data requests of NGrid on CHP and they are not ready to sign off on the plan until they digest this information. They would like to have more time before they sign on. As far as the incentive is concerned, they have worked with the company in order to see how that incentive will be performed over years. Jon H. is cautiously optimistic they can work through these issues. Mike M said the DPUC showed great leadership in addressing the incentive issue and they worked together collaboratively. Chris P. said that DPUC's involvement in the CHP debate is critical because of the separate rate impacts. Scudder P. said that in other jurisdictions VEIC has worked, if the DPUC is not on board it is a hard road for LCP.

Abigail A. was prepared to make a motion but Paul R. said he wanted to pin down some loose ends before the council votes. He said that the DPUC has not signed on; and CHP is still a major loose end. Abigail A. said that the Council is in the same position it is in every year, they are about 97% of the way there. The DPUC always signs on separately. She said the Council has two choices: Vote to approve the 2013 EEPP conditionally with the subcommittee continuing to work through outstanding issues; or we vote to approve the 2013 plan excluding the CHP components and authorize the subcommittee to finalize outstanding issues and sign off on the CHP part. She wanted Chris P.'s take on this. He likes the second option better. It gives the subcommittee the ability to take the time needed to really vet these issues. It has a significant impact on C&I ratepayers.

Abigail A. made the following motion: **The EERMC will vote to approve the 2013 Energy Efficiency Program Plan, excluding the CHP section, and authorize the planning subcommittee to continue to work with the stakeholders to resolve any outstanding issues. The EERMC will also authorize the CHP subcommittee to resolve outstanding issues related to CHP and approve the CHP plan upon resolution. The EERMC will ratify the CHP subcommittee decision at the November meeting. It was seconded by Paul R. and approved unanimously.**

Joe N. asked who is on the subcommittee who will approve this. VEIC, Marion G., Abigail A. and anybody else who would like to be involved like Bill F. of Tec-RI.

Discussion & Vote on the 2013 System Reliability (SR) Plan

NGrid's Lindsey Perry was introduced to give this power point presentation (attached). The 2013 SR Plan does not propose a new non wire alternative (NWA) project this year. Wires projects were screened in 2012 to determine if they met criteria for a NWA analysis and one qualified but the customer pool was deemed to small to support load reduction. The 2013 SRP proposes continuing with the Tiverton/Little Compton Pilot. In the 2012 pilot NGrid expects to reach 40% of the demand savings target. The pilot started late so NGrid did not have the full twelve months.

2013 incentives include free wi-fi thermostats to customers with central AC and rebates of up to \$50 for energy star window ACs. They also want to broaden their marketing outreach and increase touch points. The pilot is on track to meet deferral requirements which is the main objective. The budget of \$343,500 is higher than projected in the 2012 SRP Report. This is because of increased marketing, more in-depth evaluations and increased incentives.

Paul R. said that Tiverton is a hard town to write ordinances for because of the difference in makeup of sectors of the town. Vic A. asked if there was a target number for participation. Lindsey said that in 2012 NGrid hopes to replace 250 window ACs in the target area. Scudder P. said that VEIC recommends that the council support the SRP.

Abigail A. made a motion to vote to approve the 2012 System Reliability Plan. It was seconded by Dan J. and passed unanimously.

Presentation of NGrid's Organizational Chart for RI EEPP

Jeremy N. said that both the Council & the DSMC have expressed interest in NGrid's RI EE presence. To date, there are 35.5 FTEs currently working in RI. These include 60 people actively working on RI EE with more than 15% of their time. Of these, 34 are physically located in RI. Jim Mattie heads up the Customer Organization which includes Customer & Business Strategy which has 11.9 FTEs; Marketing & Customer Experience which has 1.7 FTEs; Sales and Program Operation which has 19 FTEs; and Customer & Market Analytics with 2.9 FTEs.

Customer & Business Strategy develops, communicates, delivers and evaluates long-terms customer strategy, energy solutions and technology for customers & regulators. They develop the EEPP. This group is headed by Ed White and includes: Jeremy N., and Rachel H. Forty people work in this sector with a total of 11.88 FTEs. Some are physically located in RI, some in Massachusetts.

Marketing & Customer Experience delivers core marketing communications and activities. It also develops strategies that improve the customer experience through customer insights learned from outreach. The recent public forum was coordinated by this group. There are 30 people in this group that totals 1.72 FTEs.

Sales & Program Operations manages all sales support function across the business and focuses on trend analysis that supports systemic problem resolution. They are in charge of vendor management and are the ones who process the rebates. The VP of this group is Terence Sobolewski and the Director is Sean Mongan, who presented at a recent EERMC meeting. About 50 people work in this group for a total of 19 FTEs. Joe N. asked how NGrid got to 15% when listing the 60 people actively working in RI for 15% of the time. Jeremy N. said that they thought 15% was a substantial chunk of someone's in a matrix operation of people support other people.

The Customer and Market Analytics group researches and analyzes data to support growth and increase customer satisfaction. They also support all teams with customer insights, annual budgeting processes, sales forecasts and monthly variance analysis. It also includes NGrid's tracking system. About 40 people work in this group with a total of 2.90 FTEs. Other resources include jurisdiction, legal, regulatory strategy and media relations. Scudder P. said that NGrid sub-contract a lot of EE work to vendors and if they were included in the Org Chart it would look like NGrid had a lot more employees working on EE. Abigail A. wanted to thank NGrid for the presentation and said this was what the council was looking for. Marion G. agreed. **At this point Paul R. needed to leave the meeting and turned the gavel over to Chris P.**

NGrid's Data Dashboard with Year to Date Data

Mike M. said this dashboard was in response to the Council request for more real time EEPP data. He passed out a chart that reflected both the gas & electric 2012 forecasts by sectors. The two major bits of information are the total budget spend and the KW savings. On the residential electric side they are to 49% of the spend and are forecasting 84% of goal. On the savings side they are at 51% of spend but forecast 92%. In Low Income (LI) electric programs they are at 80% of the spend and at 100% forecast. On C&I electric NGrid is at 32% of the spend but forecast 80%. On the savings they are at 32% with a forecast of 77%.

On the gas side residential is at 65% of spend and forecast 94%. On the savings side they are at 25% with a forecast of 74%. On C&I gas they are at 40% of spend and forecast 83%. On the gas savings they are at 32% of goal with a forecast of 97%. Some observations include the goals being more challenging than originally thought. C&I new construction has lagged because there are no new buildings being build. The C&I Retrofit Program has been slowed because many companies simply do not have the capitol to invest in large EE projects. That is why the on-bill financing package in the 2013 EEPP is so important. The goals of the High Efficiency Heating Equipment (HEHE) Program were not set to the market potential.

Mike M. said that if you look at the goals from last year and compare to this year NGrid is farther ahead. They have done more but the trajectory of the EEPP demand they do more. This dashboard also does not reflect the gap closers discussed at the last meeting. NGrid is also planning for the 25% increase savings goals embedded in the 2013 EEPP.

NGrid is also committing resources to the DOE PEP grant with a full time dedicated staffer. They will also be committing resources to the Strategic Energy Plan that is being developed by OER in conjunction with URI and State Wide Planning. They also want to dedicate a full time person to the Codes & Standards Initiative.

Mark D. said that other savings will come from the summer kicker programs like the Providence Place Mall LED project. Some of this data is just being recorded now. On the residential side, NGrid has a lot of invoices that have not been paid yet. He expects the “Hockey Stick Effect” will result in a strong end of the year finish. Mike M. wanted to emphasize how seriously NGrid was taking their EE mission. He feels they have the right people in the right places they just have to get the alignment straight.

Vic A. asked if there was a way to measure oil to gas heating conversions to determine if those switching are switching to the most EE gas units. Mark D. said a rough calculation would be about 24% on the gas side but he does not know on the residential. Mark said it took about 18 months of vendor training for the contractors to catch on to trying to sell the more EE units. Marion G. said that both the dash board and the Org Chart were fabulous. The Data Dashboard is not in the EEPP because the concept was developed after the plan was drafted. NGrid will now include it in the 2013 EEPP and continue to provide this information to the Council going forward. Chris P. appreciates this data, but he would like to see bullet points that summarize key issues included.

Discussion of the EERMC Budget/Evaluations on the EERMC Website/Open House

Abigail A. reminded the council that at the end of 2011 the council set aside \$180,000 to do a Gas Opportunity Report and it only cost \$100,000. So the EERMC has \$80,000 that they need to figure out what to do with. She would like to have the budget subcommittee (Chris P., Abigail A., & Marion G.) come up with recommendations for the November meeting.

Abigail A. also suggested having all of the EE evaluations & studies on the EERMC website. The Massachusetts website has them organized by year and by sector. She would like to try the same thing. Does OER have the capability to do that website work? Marion G. said that they did.

Abigail A. also suggested having the EERMC host an open house event to showcase their activities. They could provide EE guidance to RI policy makers and ratepayers and highlight the policy recommendations in the Annual Report. She thought early winter was an appropriate time. Abigail A. said she would be happy to take the lead. Dan J. not only thought it was a good idea, he volunteered to help and offered Citizen's Bank as a venue so people could see Citizens' EE initiatives. He said the 870 Westminster Street building would be a good location because EE work has recently been there.

Public Comment

Marion G. said that she is looking to schedule a RGGI subcommittee meeting soon to talk about OER's spending plan. She also wanted to announce that OER was using \$2.4 million in unused ARRA funding to begin a residential PACE Program and establish a loan loss reserve. Chris P. asked if the Fanny Mae PACE problem been resolved. Marion G. said there has been a lot of forward progress and cited Vermont's successful PACE program. She will be looking to the Council for assistance with this.

Another important issue is benchmarking for the PEP. OER would like to assist towns in documenting their energy use but it is a huge task. OER has a small amount of ARRA funding (\$500,000) to do this and would like to work with a Council subcommittee to develop this.

Joe C. said that the Council needs to talk to the architects, engineers and builders who do the physical EE work. He would like to see funding for a state- sponsored training program. The builders are broke and they need assistance. He talked about a 1% surcharge on every building permit in RI and he would like to use this funding for this purpose. There is over \$1 million in this fund.

Chris P. made a motion to adjourn. It was seconded by Dan J. and passed unanimously.

The meeting was adjourned at 5:40 PM.

Respectfully submitted
Charles Hawkins
Secretary Pro-tempore