



Energy Efficiency Board Special Meeting

Thursday, September 24, 2015, 12:30 – 4:00 PM
Energize CT Center, 122 Universal Drive North, North Haven, CT

MINUTES¹

In Attendance

Voting Board Members: Bill Dornbos (Chair), Taren O'Connor (Vice-Chair), Shirley Bergert, Diane Duva, Amanda Fargo-Johnson (phone), Neil Beup (phone), Eric Brown, Ravi Gorthala (phone)

Utility Board Members: Pat McDonnell, Ron Araujo, Matt Gibbs

Board Members not in Attendance: Mike Casella, Chris Ehlert, Mike Wertheimer

Board Consultants: Jeff Schlegel, Les Tumidaj (phone), Glenn Reed (phone), Craig Diamond

Others: Lynn Stoddard, Steve Bruno, Donna Wells, Jack Starr, Joan Cizek, Michael Townsley (phone), Tom Coughlin (phone), Rebecca Meyer (phone), Eric Gribbin (phone), Guy West, Bob Neal, Walter McCree, Tracy Babbidge, Erin O'Neill, Dick Oswald (phone), Joe Swift (phone), Vinay Ananthachar

Process

Minutes

The Board considered whether to approve the minutes from the September 9, 2015 Board meeting. Ms. Duva requested edits on pages 2 and 3 of the draft minutes. The edits were incorporated into the draft. Ms. O'Connor moved to approve, Ms. Bergert 2nd. All voted to approve the minutes (including Mr. Wertheimer whose vote was provided via proxy by Ms. O'Connor). **September 9, 2015 minutes approved.**

Public Comments

Erin O'Neill, Next Step Living (NSL). Ms. O'Neill said that NSL supports the proposed annual budget caps for each contractor. She said NSL encourages better quality measurements (for example, the requirement that a technician have at least 3 years of experience is not necessarily a good indicator of quality).

Executive Secretary's Report

Mr. Diamond said that the special Board meeting tentatively scheduled for October 28 would be cancelled, assuming the Board votes to approve the 2016-2018 C&LM Plan at today's meeting.

¹ Meeting materials available in Box.net: <https://app.box.com/s/v2nye4vwr3k3m16n8iyrgebqsa480qku>

Programs and Planning

2016-2018 C&LM Planning

- *Overview, Including Summary of Key Priority Topics.* Mr. Bruno and Ms. Wells provided a presentation. Mr. Schlegel explained that since the September 9 Board meeting, some funds had been moved from activities that do not produce direct savings, to activities that do result in direct savings. In regard to education activities, Mr. Gibbs clarified that reductions in the Clean Energy Communities budget was for grants rather than staff time. He said that the reduction in the education budget was \$946,022 compared to the September 9 draft budget. Mr. Gibbs also clarified that no cuts were made to education activities that contribute directly to savings. Ms. Duva said that DEEP is still concerned about some of the budget categories in the Institute for Sustainable Energy (ISE) budget. She asked if some of the programs in ISE should be funded by sources other than the CEEF. Mr. Brown asked for clarification on the proposed ISE budget. Mr. Gibbs said that the \$610,000 proposed budget is what was discussed at the C&I Committee. Mr. Duva asked if the Northwest Energy Efficiency Council proposed program was included in the proposed Plan. Mr. Gibbs said that it was not. Mr. Gibbs also clarified that the Green Eco Warriors proposal was not included in the proposed Plan. He said that the community college proposal was included in the draft Plan.
 - Increasing savings goals. Mr. Bruno discussed the increases in electric savings compared to the Sept. 9 proposal. Mr. Schlegel noted that CT's energy efficiency programs are very cost-effective resources being purchased by CT. He also noted that the programs directly benefit businesses and consumers in the state. Mr. Bruno said that the lifetime net benefit of the Plan is \$1.38 billion, which goes to customers over the Plan's 3 year period. He noted that the \$1.38 billion is higher than the Sept. 9 proposal. Mr. Brown asked for clarification of who the benefits flow to. Mr. Gibbs said that the number applies to all customers in aggregate. He further clarified that even ratepayers that don't participate in the program still get some benefit due to system benefits (e.g., reductions in peak demand, avoided generation resources, and health & safety benefits). He said there are also some economic benefits that are not captured in the cost-effectiveness test. Mr. Brown asked if, after the Plan is finalized, it might be beneficial to further break down who benefits and why (e.g., which types of customers save how much, and why), and to then communicate that to the public to enhance understanding of the benefits of the programs. The Board generally agreed that it would be good to produce better communication tools on the benefits of the programs.
- *Energy Saving Goals and Budgets*
 - Review revised draft budgets (budgets and funding sources) and changes in budget allocations and the levels of funding sources. Mr. Schlegel provided a high level overview of the budget. Mr. Brown asked why the Evaluation budget

was increased compared to 2015 rather than decreased. Ms. O'Connor said that the budget was increased, in part, because the previous budget was based on a 10-month budget, and in response to DEEP's 2015 annual update. She noted that some of the reduced budget from 2015 had to be put into the 2016 budget, and that two large C&I studies increased the studies budget and the Evaluation Consultant budget (to allow work on the two large C&I studies). Ms. O'Connor noted that the Evaluation Committee is committed to carefully reviewing each scope of work as it is released, and is open to making alterations to a scope if there is a more cost-effective way to gather data. It was noted that the total budget of the two large deferred C&I studies was \$1.2 million. Ms. Duva said that DEEP continues to believe it is important that the Evaluation budget be set to maximize value. She said the Board and the Companies need to ensure that data quality objectives are achieved to meet the requirements of the ISO Forward Capacity Market. Ms. Duva also said it is important to prioritize the evaluation studies and to consider which work and roles require a third party administrator. She also said that the Evaluation Consultant budget should not be set as a percentage of the studies budget; rather, the budget should be set based on the particular needs of the studies. Mr. Brown said that the Board should continue to look at the Evaluation budget moving forward. He said that he does not see enough value coming from the Evaluation studies. He suggested that we need to do better at communicating the value of Evaluation to the Board. Ms. O'Connor agreed with that. Ms. Bergert pointed out that Evaluations do provide significant value and are essential for the programs. Ms. Duva asked if we could find more cost-effective ways to document savings through data and real-time monitoring. She said that doing so might be able to supplement and/or reduce the need for some studies. Ms. Fargo-Johnson agreed that we should look further at data and real-time monitoring.

- Review revised goals (savings and benefits), cost-effectiveness, and supporting tables. Mr. Schlegel said that the 1.51% electric savings in the current proposal is a reasonable and respectable goal. It was noted that the gas savings, now proposed at 0.61%, is a little higher than the goal in the Sept. 9 proposal. Mr. Schlegel noted that the Companies were very responsive to the Board's requests at the Sept. 9 meeting. Mr. Gibbs noted that over time electric use in the C&I sector is decreasing, so there is a need to get more savings from lower usage levels over time. Mr. Dornbos thanked the Companies for being responsive to the Board's concern on savings. Ms. Duva asked if there were any remaining challenges that might have kept the savings in the Plan from being even higher. Mr. McDonnell said that it is not easy to balance the necessary cuts and additions in the programs. In regard to lighting, Mr. McDonnell said that LEDs will become much more mainstream (around 2020), and at that time will need to look harder to get energy savings. Ms. Duva asked about the role of market transformation in the Plan moving forward - in particular in relation to LEDs. She asked the Board to consider what needs to be addressed looking ahead to the next 3-year Plan. Mr. Schlegel said that we need to find ways to make the market work better (e.g., strategic placement of retail light bulbs), and

we need to better quantify market transformation impacts. Mr. McDonnell asked if we need to do more with behavioral programs, or if we should place more emphasis on codes and standards.

- *Review Revised Draft Plan Text.* Mr. McDonnell said that increasingly, energy efficiency projects include both gas and electric savings. He also said that with the increased number of HES contractors, and an imperfect budget process, it is not unlikely that a given company's budget could become spent before the end of the year. Mr. McDonnell said that the Companies don't have many levers other than co-pay to manage that situation, and that the Companies don't have a lot of control over spikes and valleys in demand. He wants to set this expectation with the Board. Mr. Dornbos said that Board members are sensitive to that issue. There was some discussion regarding the language in the Plan regarding the Board's view of shut-down and Co-Pay. Mr. Dornbos clarified that Board did not explicitly say that shut-down should occur if budgets are depleted before the end of the year. Mr. Schlegel said that we need to differentiate between 2016/2017, and 2018 where budget issues become more urgent. Mr. Schlegel said that the Consultants would work with the Companies to develop mutually agreeable language in the Plan. Mr. McDonnell said that he would like clarity from DEEP (with DEEP's approval of the Plan) regarding any spend-forward allowances. Mr. Schlegel mentioned a change in the Joint Committee Coordinated Priorities document. He also said there were still some outstanding issues regarding Mr. Brown's proposed edits to the Priorities section of Plan. In regard to the section with Mr. Brown's proposed edits, Mr. Bruno said that the version of the Plan in front of the Board today had not yet been edited to reflect any changes from Mr. Brown, but the Companies will make some of those changes in next version, except for those comments for which he and Ms. Bergert disagree. Mr. Brown suggested that the language in the Plan be submitted with the Companies' changes, and that DEEP can then consider Mr. Brown's remaining comments during its review of the Plan. Ms. Duva said she has some questions related to the section in the Plan on demand response. In particular, she asked about the size of the proposed C&I pilot program. Mr. Bruno said the pilot would likely be in the range of \$100K - \$200K. It was agreed that the Companies would discuss the proposed pilot in the C&I Committee. Ms. Duva said that perhaps more investment was needed in the Plan for demand response, in part given the importance of demand response to DEEP and Acadia Center. Mr. Schlegel noted that the 2016 pilot could lead to a larger investment in 2017 and 2018.
- *Public Input Document.* Mr. Schlegel said that the Consultants still needed to complete the Board's responses in the document. Mr. Schlegel suggested deferring discussion and vote to the October Board meeting, and filing the document with the Board's letter to DEEP on the Plan. The Board agreed with this suggestion.
- *Performance Management Incentive (PMI).* Mr. Gibbs said that the 4.5% incentive is a good balance for the level of scale in CT's energy efficiency program. Mr. Schlegel said that 80% of performance is tied to achieving benefits and net benefits; he noted that this approach had been used for more than a decade. Mr. Bruno presented an

overview of the proposed 2016-2018 PMI on behalf of the Companies, including the Residential and C&I metrics that comprise the PMI. It was noted that the proposed PMI incentive ranged from a minimum of 2% of annual budget if 70% of performance goals are achieved, to 4.5% of annual budget if 100% of performance goals are achieved, to a maximum of 8% of annual budget if 130% of performance goals are achieved. Ms. O'Connor said that the Office of Consumer Counsel (OCC) is not comfortable with the 4.5% PMI, but the OCC is comfortable with the proposed metrics. Ms. O'Connor encouraged the Board to compromise at the 4.25% level, and said 4.25% is the highest incentive level OCC would support. Ms. O'Connor noted that she held the proxy vote for Michael Wertheimer, and said that he had communicated that the Attorney General's office would not support an incentive level over 4.0%. Mr. Brown noted that incentives are a powerful model used in the private sector, and said he supports the 4.5% incentive and the metrics as proposed. Ms. Bergert said she support 4.25%, but not higher. Mr. Dornbos said that Acadia Center is in support of the proposal as is. Ms. Duva said that DEEP believes that operational audits of the programs should be performed, and that would add another level of oversight/incentive. She also noted that the 20% of additional metrics is helpful.

- *VOTES on 2016-2018 Plan.*

Ms. Bergert moved that the Board should combine the vote for the goals, budget, and text. Ms. O'Connor 2nd. Mr. Brown said that he will support the Plan, but noted that there is more opportunity for comment (as part of DEEP's review of the Plan) following today's vote. **VOTE on goals, budgets, and text: all voted in favor (including Mr. Wertheimer via proxy provided by Ms. O'Connor), except for Ms. Duva who abstained because DEEP will be reviewing the Plan. The Board approved the goals, budget, and text for the 2016-2018 C&LM Plan.**

The Board then considered whether to approve the proposed PMI. Mr. Brown moved that the Board adopt the PMI as proposed, including the proposed 4.5% incentive corresponding with 100% attainment of performance goals. Neil Beup 2nd. Mr. Brown, Mr. Beup, Mr. Gorthala and Mr. Dornbos voted yes; Mr. Wertheimer (via O'Connor vote proxy), Ms. O'Connor, Ms. Bergert and Ms. Fargo-Johnson voted no. Ms. Duva abstained. It was a tie vote so the motion did not pass. Ms. Bergert then moved that the Board adopt the PMI as proposed, except with a 4.25% incentive corresponding with 100% attainment of performance goals. Ms. O'Connor 2nd. Ms. Fargo-Johnson, Ms. O'Connor, Mr. Dornbos and Ms. Bergert voted yes; Mr. Brown, Mr. Beup, Mr. Gorthala and Mr. Wertheimer (via O'Connor vote proxy) voted no. Ms. Duva abstained. It was a tie vote again, so this motion also did not pass.

Following these two inconclusive votes, the Board agreed that it would communicate, via its letter to DEEP, that the Board had voted twice (once for the 4.5% and once for the 4.25%) and that there was a tie for both votes and thus the Board could neither recommend nor reject the 4.5% incentive as proposed. It was also agreed that in the letter, the Board would note that four Board members (Brown, Beup, Dornbos and

Gorthala) had expressed a preference for an increase to 4.5% from the current 4.0%; three other Board members (Fargo-Johnson, Bergert, O'Connor) had expressed a preference for an increase to 4.25% from the current 4.0%, and that one Board member (Wertheimer) had expressed a preference to keep the incentive at 4.0%. It was also clarified that the Plan would be filed with the 4.5% incentive.

Board Consultant Procurement

Mr. Dornbos proposed an amendment to the memo to the Board on Board Consultant Procurement prepared by Ms. O'Connor and himself. He proposed that the Board issue an RFP for all of the Board's technical consultants, but not the Executive Secretary, and that the RFP would invite individual and team bids. He said that if the Board is comfortable with that process, the Board could discuss and potentially vote on a proposed RFP at the next meeting. Ms. Bergert, Ms. O'Connor, and Mr. Gorthala said they supported that approach. Ms. Duva expressed appreciation for this approach because it addresses DEEP's concerns with procurement. The Board agreed to consider a draft RFP at its October Board meeting.

DEEP Comment Notice for Energy Resource Procurement (P.A. 15-107)

Ms. Duva and Ms. Babbidge summarized Public Act 15-107 and highlighted the existence of a DEEP public notice that requests public comment on proposed evaluation criteria for a series of Requests for Proposals for energy procurement. The comment period closes September 30th. They noted that the Board has a role in working with the Companies to assess the feasibility of the Companies' potential submittal of a bid in response to the Request for Proposals for energy efficiency when that request is released. The energy efficiency procurement is supplemental to the efficiency work of the C&LM Plan and Energy Efficiency Fund.

Other

Mr. McDonnell said that a letter addressed to Energize CT had been received from an attorney. The letter requested that a contractor be removed from the list of recommended contractors. There was discussion about how to respond to the letter. The Board agreed that Companies should respond to the letter, and take any actions as a result of the letter. It was also agreed that the Board would comment on the Companies' draft letter before it is sent. Mr. Brown said this example shows that control of vendors can be a liability.

Ms. Bergert announced that she was resigning from the EEB after this meeting. Ms. Bergert said she was proud of her service on the Board. She thanked the Board Consultants for their service to the Board. She expressed appreciation for the service of many great Board members. Ms. Duva expressed appreciation for Ms. Bergert's service on the Board.

Mr. McDonnell said that through August, SCG's HES budget was 85% expended. He said he would let the Board know if they need take action on this. Mr. Araujo said that Eversource would move some C&I funding into HES/HES-IE. Mr. Gibbs announced that the Clean

Energy Communities event would take place on Oct. 14 at 9 am in Wallingford to recognize CT towns participating in energy efficiency programs. Mr. Gibbs also mentioned that the heating loan interest rate would be set at 2.99 % starting in October.

The meeting adjourned at 4:19 pm