



Energy Efficiency Board Monthly Meeting

Wednesday, December 13, 2017, 1:00 – 3:30 PM
10 Franklin Square, New Britain, CT (Hearing Room 1)

MINUTES¹

In Attendance

Voting Board Members: Taren O'Connor (Chair), Bill Dornbos (Vice-Chair), Mike Wertheimer, Eric Brown, Ravi Gorthala, Adrienne Houel, Diane Duva, Jack Traver, Neil Beup, Amanda Fargo-Johnson (phone)

Utility Board Members: Pat McDonnell, Ron Araujo, Chris Plecs, Will Redden (phone)

Board Members Not in Attendance: Roddy Diotalevi

Board Consultants: Jeff Schlegel, Glenn Reed, George Lawrence, Craig Diamond, Lisa Skumatz (phone), Les Tumidaj (phone), Chris Kramer (phone)

Others: Mary Sotos, Pam Penna Verrillo, Steve Bruno, Anthony Clark, Bert Hunter, Vivian Perez, Stephanie Weiner, Walter McCree, Leticia Colon, Vinay Ananthachar, Guy West (phone), Lynn Stoddard (phone), Mark Thompson (phone)

Process

Minutes

The Board considered whether to approve the minutes from the November 8, 2017 Board meeting. Mr. Brown moved to approve, Mr. Wertheimer 2nd. All present voted in favor.

November 8, 2017 EEB minutes approved.

Public Comments

Leticia Colon – In regard to budget changes related to the legislative fund diversion, Ms. Colon said that the EEB should protect HES and HES-IE, reduce the behavior program and retail products program (both of which do not support CT jobs), and allow for a small rebate for insulation for oil customers.

2018 EEB and Committee Meeting Schedule

Mr. Diamond said that the 2018 EEB and Committee meeting schedule would follow the same monthly pattern that the Board has had for several years. He noted that some of the meetings in 2018 might be rescheduled, or eliminated, based on budget issues and other factors, but for now the schedule included monthly meetings for the Board and all the Committees.

¹ Meeting materials available in Box.com: <https://app.box.com/s/kbuqq2iu2xhcg8mzakflatjeu15kshmd>

Programs and Planning

Financial Update Highlights

Mr. Plecs provided an update for Eversource. Regarding ES electric, he noted that there was a tendency for the “hockey stick” effect, so it was difficult to estimate results at the end of the year. He said that ES Electric expenditures would come in at about 85% of budget. He said that the C&I electric expenditures would be a bit below budget, and the Residential electric expenditures would be a bit above budget. He said that revenue would be \$5-\$10 million below budget. Mr. Plecs said that the “hockey stick” effect also impacts the gas programs, but they were estimating that the gas expenditures could be a little above budget. Mr. McDonnell provided an update for UIL. He said that expenditures for UIL overall was currently at 85% of budget, evenly split between C&I and Residential. He said that UIL was making significant efforts to slow spending at end of the year, given the budget situation. Mr. McDonnell said that there were undercollections in revenue due to a mild winter in 2016-2017. He said that on net, UI would be about \$3 million under budget, and then an additional \$6 million under budget due to the budget cuts. He said that for SCG/CNG, there were low collections (about \$900,000) due to the mild 2016-2017 winter.

Discussion and VOTES: Proposed Changes to the 2018 C&LM Budget and Goals

Mr. Schlegel said that the Board Consultants were recommending that the Board conditionally approve the following: 1) program changes; 2) budget changes; and 3) savings changes (as presented in documents distributed on December 8). He said that the Consultants were recommending four conditions associated with the program, budget, and savings changes: 1) a potential increase in HES-IE units over the current proposal; 2) identifying next steps on SBEA financing and recapitalization; 3) determining the Evaluation studies budget; and 4) making adjustments to the savings goals (Mr. Schlegel said the Consultants would like to see improvements to the goals). Mr. Schlegel also said that the Board needed to resolve how to address the Fund’s negative fund balance, and that the Board should request to DEEP that it waive the 15% limit on carry-forward of a negative fund balance. Mr. Brown said there were questions still open about the Consultants budget and the 2018 HES RFQ deferral that was discussed at the morning’s Residential Committee meeting. Mr. Schlegel said the Board still needed to discuss the EEB Consultants budget and Evaluation Administrator budget. Mr. Gorthala said that the budget cut for the DOE-University of New Haven project (for which the C&LM Fund provided some funding) could result in cancellation of the project overall. He noted that the project was not just an education project, because \$200,000 of the grant was used towards direct installation of technology. Mr. Wertheimer asked about the Energize CT Center, and whether the Center should be closed and removed from the budget. Mr. McDonnell said that the budget of the Energize CT Center would be reduced by 30%. He said there was a lease that would be in place for two more years. Mr. Brown asked about the budgets for the HES/HES-IE quality control inspections. Mr. Brown said it was important that those budgets not be cut. Mr. Araujo said that Eversource’s budget for the quality control inspections was being reduced. Mr. McDonnell said that UIL was reducing the budget as well. Mr. Araujo and Mr. McDonnell said that those budget reductions were proportional to the HES and HES-IE program budget reductions. Mr. Gorthala asked about the Information Technology

(IT) budget item. Mr. Plecs said that the Companies did not want to make deep reductions to the IT budget because the budget was needed to maintain important systems. Mr. Dornbos asked if more of the IT budget could be paid through the distribution charge. Mr. Plecs said it could not, and said that he viewed IT as a relatively fixed cost. Mr. Duva asked about the Education budget. Mr. McDonnell said the Clean Energy Communities program was being reduced to a maintenance level. He said there were also large cuts to the EE Smarts program and the tech schools program. Ms. Fargo-Johnson asked if there were potential ways for UI to terminate its Energize CT Center lease, or to potentially do a sub-lease. Mr. McDonnell said UI had not explored a sub-lease option. Ms. O'Connor suggested that UI explore the option of subleasing, to free up the lease costs for other parts of the budget. Mr. McDonnell noted that significant resources had already been put into improving the Center.

Discussion and Vote on HES-IE (EEB Condition of Approval)

Ms. Houel reported out on the discussion on HES-IE at the morning's Residential Committee meeting. Ms. Houel proposed that the Board consider the following: adding 1,000 – 1,200 additional HES-IE units back into the budget, with 1,000 for Eversource and 200 for UI. She suggested that the funds come from a combination of the Retail Products program and the Behavior program. Ms. O'Connor said she was comfortable with the 1,200 units being added back to the budget, with 50% being taken from Retail Products and 50% from Behavior. Mr. Brown said he was concerned with parity issues. He also said he was concerned that HES-IE was less cost-effective than HES. He asked that the Companies try to make the HES-IE program more efficient. Mr. McDonnell noted that UI had already eliminated its Behavior program entirely, and that UI was already overindexed on parity by 1.5%; therefore, he did not recommend that 200 units should be added back in for UI. Mr. Wertheimer noted that last time there was a fund raid, the parity principle (within Residential) was stretched temporarily. Mr. Araujo noted that the Board had identified direct savings as a very important principle. He said that Eversource had not taken more out of the Behavior and Retail Products programs because those programs generate much of the Residential program savings. He also noted that the cost-benefit calculation would not decrease nearly as much if funds were taken from Retail Products as opposed to Behavior, but he noted that Retail Products savings do contribute to the Forward Capacity Market. Mr. McDonnell noted that UI had already reduced its HES-IE units by 20%, and noted that UI had already reduced its Behavior program by 100% and Retail products by 45%. The Board voted on the following motion:

The Board supports an increase in the 2018 HES-IE budget and units served, i.e., at least 1,000 additional HES-IE units at Eversource, and consideration of additional units at UI, with related budget reductions in two other Residential programs (Retail Products and Behavior); the Companies will recommend how much budget reduction should come from Retail Products vs. Behavior.

All voted in favor, except Mr. Brown who voted no, and except for DEEP which abstained. **The motion was approved.**

Potential Deferral of the 2018 HES RFQ

The Board agreed that action should be taken on this item (which was discussed at the morning's residential Committee meeting), but it agreed not to take action at today's meeting. It was also acknowledged that the question of insulation rebates for oil customers was also still an open issue, but the Board did not discuss whether it should take action on that issue.

Ms. Duva said the Board should address market transformation soon. Mr. Brown said he agreed with that.

SBEA Recapitalization (EEB Condition of Approval)

Mr. Kramer provided a presentation (which he also provided to the C&I Committee the previous day) on three scenarios: 1) Business as usual (BAU); 2) SBEA recapitalization of new loans only; and 3) SBEA recapitalization and monetization (selling existing loans). Mr. Kramer noted that at the C&I Committee meeting, there was support for option 2, but the Committee was not sure about option 3, given the \$1 million cost of obtaining the additional \$4 million. Mr. Plecs said that he supported the idea of using some capital provider, whether it be JPM or another capital provider. He said that Eversource still was concerned about expenses and risks, and that the EEB needed to be comfortable with expenses and risks. The Board considered the following motion:

- a) **The Board supports continuing to develop and make progress on SBEA recapitalization, with the intent of having it implemented by April 2018.**
- b) **The Companies should communicate the Board's support for continuing the development of SBEA recapitalization in the Companies' cover filing of the proposed 2018 Plan adjustments, citing the Board's approval with conditions of the 2018 Plan adjustments.**
- c) **The Companies should include the financial impacts of the SBEA recapitalization in the 2018 budget, specifically by including the financial impacts in the reconciled 2018 budget in February 2018.**

Mr. Beup moved to approve the motion, Ms. O'Connor 2nd. Mr. Brown requested that the Board make a final vote on Scenario 2, and not vote only to have continued discussions. Mr. Brown proposed an amendment to the motion: that it include specific language that the EEB approves of the creation of the JP Morgan facility proposed by the Green Bank. Mr. Plecs said he was concerned about Mr. Brown's amendment's specific reference to the JP Morgan facility. Mr. Plecs said that Eversource would like to see more risk taken on by the Green Bank and JP Morgan. Mr. Hunter said that the Green Bank could not absorb further risk. He also said that asking JP Morgan to take on more risk would mean that the RFP would need to be re-issued. He said that the Board motion as proposed would not help the Green Bank with JP Morgan very much. Mr. Hunter said the Green Bank Board would not be willing to move forward (due to the legal costs the Green Bank would incur) without specific Board support of the JP Morgan proposal. Following this discussion, the Board voted on the motion. **The Board voted unanimously to approve the motion.** Mr. Wertheimer was not present, but Ms. O'Connor voted as his proxy to support the motion.

Discussion and Vote on Evaluation Studies Budget (EEB Condition of Approval)

Ms. Duva said she was concerned about the recommendation to defer some C&I studies to 2019, because expenditures for those deferred studies would occur in 2019, and therefore the deferrals should not be considered a budget cut. Ms. Skumatz said that the best option is to delay the two projects from 2018 to 2019 (both studies are impact evaluations). Ms. Skumatz recommended that there be a 51% cut (electric) to the evaluation studies budget in 2018 (including the deferrals). Mr. Dornbos suggested the Board vote to approve the 51% budget cut, with the approval condition that the remaining budget questions be addressed prior to, and at, the February Board meeting. He noted that deferring the two C&I studies to 2019 did not represent a commitment to conducting those studies in 2019. The Board voted on the following motion:

The Board approves the Evaluation Measurement and Verification studies budget for 2018 (an electric budget reduction of 51% in 2018), with the condition that clarifications are needed regarding which evaluation studies are continuing as planned, which are being cut or scaled back, and which are being deferred, as well as how the multi-year funding impacts will be addressed in each program year (including through accruals and carryforward), based on the revised memo from the Evaluation Administrator dated December 12, 2017.

Mr. Traver moved to approve the motion, Mr. Brown 2nd. All voted in favor of the motion, except for DEEP which abstained. Mr. Wertheimer was not present, but Ms. O'Connor voted as his proxy to support the motion. **The motion was approved.**

The Board then voted on the following motion (Condition of Approval):

The Board approves the 2018 budget, savings, and program changes, with the condition that savings should be revised and improved, particularly the C&I savings, and some savings and goals will change as a result of addressing budget conditions. Ms. Houel moved to approve the motion, Mr. Dornbos 2nd. All voted in favor of the motion, except for DEEP which abstained. Mr. Wertheimer was not present, but Ms. O'Connor voted as his proxy to support the motion. Mr. Beup was not present, but Mr. Dornbos voted as his proxy to support the motion. **The motion was approved.**

The Board then voted on the following motion (Conditions of Approval):

The Board will review and discuss the 2018 Evaluation Administrator budget and the 2018 EEB Consultants budget in an upcoming meeting.

All voted in favor of the motion, except for DEEP who abstained. **The motion was approved.** Mr. Wertheimer was not present, but Ms. O'Connor voted as his proxy to support the motion. Mr. Beup was not present, but Mr. Dornbos voted as his proxy to support the motion.

Ms. Duva said that due to potential public criticism, DEEP would need a clear rationale for not cutting the EEB Consultants budget by at least 33% (electric).

The Board then voted on the following motion:

The Board approves the 2018 budget, savings and programs changes with the six conditions of approval. In addition, the Board will request to DEEP that, if necessary, it waive the 15% limit on carryforward accounting for C&LM over-expenditures, to allow for a carryforward of a negative fund balance into 2018, which may be larger than 15% at 2017 year-end due to the legislative budget cuts that affect calendar year 2017 but, based on the timing of legislative action, allowed the Companies only about two months to address and manage the budget cut during 2017. Mr. Traver moved to approve, Mr. Dornbos 2nd. All voted to approve, except for DEEP which abstained. Motion approved.

Eversource 34 MW Small Scale Clean Energy RFP Response, Update

This agenda item was not covered at the meeting.

Other

None

Closing Public Comments

None

The meeting adjourned at 4:15 pm.