I. ENERGY EFFICIENCY GUIDELINES

Guidelines for the Methods and Procedures for the Evaluation and Approval of Energy Efficiency Plans and Energy Efficiency Reports

Section 1: Purpose and Scope

(1) Purpose. These Guidelines set forth (a) the filing requirements applicable to Program Administrators, and (b) the standards by which the Department will review Energy Efficiency Plans, Energy Efficiency Annual Reports, Energy Efficiency Three-Year Term Reports, Mid-Term Modifications, and Demonstration Projects.

(2) Scope. These Guidelines apply to all Program Administrators.

Section 2: Definitions

(1) "Cap and Trade Pollution Control Program" refers to any state, regional or national program as defined by G.L. c. 21A, § 22(a), including, but not limited to, the carbon dioxide allowance trading mechanism established under the Regional Greenhouse Gas Initiative Memorandum of Understanding, as defined in G.L. c. 21A, § 22(a).

(2) "Council" refers to the Energy Efficiency Advisory Council established pursuant to G.L. c. 25, § 22.

(3) "Demonstration Project" refers to a hard-to-measure offering, including pilots, limited in term and scope designed to provide the information required to assess its potential for

measurable, cost-effective savings and benefits that can be scaled to be included in programs.

(4) "Department" refers to the Massachusetts Department of Public Utilities.

(5) "Distribution Company" refers to a gas company or an electric company as defined in G.L. c. 164, § 1.

(6) "DRIPE" refers to demand-reduction-induced price effect, which is the reduction in wholesale market electric energy and capacity prices that occur as a result of a reduction in energy or capacity demand.

(7) "Energy Efficiency Core Initiative" refers to a component of an Energy Efficiency Program that is intended to reduce or minimize the amount of energy required to produce a desired or given output, including, but not limited to, those described in G.L. c. 25, § 21(b)(2).

(8) "Energy Efficiency Annual Report" or "Annual Report" refers to a report filed annually by a Program Administrator regarding the implementation of its Energy Efficiency Plan during the prior year.

(9) "Energy Efficiency Three-Year Term Report" or "Three-Year Term Report" refers to a report filed by a Program Administrator after the completion of each three-year term regarding the implementation of its Energy Efficiency Plan during the applicable term.

(10) "Energy Efficiency Plan" or "Plan" refers to a three-year portfolio of Energy Efficiency Programs developed by a Program Administrator, in consultation with the Council, and filed with the Department pursuant to G.L. c. 25, §§ 19 through 21.

(11) "Energy Efficiency Program" refers to a set of Energy Efficiency Core Initiatives implemented by a Program Administrator that are intended to reduce or minimize the amount of energy required to produce a desired or given output, including, but not limited to, those described in G.L. c. 25, § 21(b)(2).

(12) "Energy Efficiency Surcharge" refers to a surcharge included in (a) an electric Distribution Company's annual rate, pursuant to G.L. c. 25, § 19(a), that collects additional money for approved Energy Efficiency Programs when the cost of implementing those programs exceeds the funding provided through other funding sources, or (b) a gas Distribution Company's annual rate, pursuant to G.L. c. 25, § 19(b), that collects money for approved Energy Efficiency Programs.

(13) "Forward Capacity Market" refers to the wholesale electric capacity market administered by the Independent System Operator-New England.

(14) "Hard-to-Measure Energy Efficiency Core Initiative" refers to a component of a Hard-to-Measure Energy Efficiency Program that has costs but does not have direct energy savings or whose energy savings may be difficult to quantify.

(15) "Hard-to-Measure Energy Efficiency Program" refers to programs that have costs but do not have direct energy savings or whose energy savings may be difficult to quantify.

(16) "Low-Income Customer" refers to a customer of a Distribution Company who is eligible to participate in a Program Administrator's low-income Energy Efficiency Programs.

(17) "Municipal Aggregator" refers to a municipality or group of municipalities that aggregates the electric load of interested electric consumers within its boundaries with a certified energy efficiency plan pursuant to G.L. c. 164, § 134(b).

(18) "Program Administrator" refers to an entity that administers an Energy Efficiency Plan.

(19) "Program Participant" refers to a customer of a Distribution Company who receives an incentive to participate in, or is encouraged to implement energy efficiency measures by, an Energy Efficiency Program.

(20) "System Benefits Charge" refers to the $0.0025 per kilowatt-hour charge established by G.L. c. 25, § 19(a) to partially fund electric Energy Efficiency Programs.

Section 3: Energy Efficiency Plans

3.1 Purpose. This section of the Guidelines sets forth the information that a Program Administrator shall include in its Energy Efficiency Plan regarding:

(a) Funding Sources (§ 3.2);
(b) Program Administrator Budgets (§ 3.3);
(c) Cost-Effectiveness (§ 3.4);
(d) Evaluation Plans (§ 3.5); and
(e) Performance Incentives (§ 3.6).

This section also sets forth the procedures and standards by which the Department will review an Energy Efficiency Plan (§ 3.7).

3.2 Funding Sources

3.2.1 Electric Funding Sources. An electric Program Administrator shall use the following sources to fund the implementation of its Energy Efficiency Plan:

(a) system benefits charge;

(b) revenues from the Forward Capacity Market;

(c) revenues from Cap and Trade Pollution Control Programs;

(d) other funding; and

(e) Energy Efficiency Surcharge.

3.2.1.1 An electric Program Administrator shall (a) present information regarding funding sources consistent with the format approved in Energy Efficiency Guidelines, D.P.U. 08-50-B, as may be revised from time to time, and (b) provide supporting documentation for the calculation of the revenue from each funding source.

3.2.1.2 An electric Program Administrator shall allocate revenue from: (a) the System Benefits Charge; (b) the Forward Capacity Market; and (c) Cap and Trade Pollution Control Programs to each customer sector in proportion to the sector's kilowatt-hour sales.

3.2.1.3 Other funding revenue refers to revenue received by an electric Program Administrator in excess of revenue from the funding sources listed in § 3.2.1.2 for the purpose of funding its Energy Efficiency Programs. An electric Program Administrator shall allocate other funding revenue to its residential and commercial and industrial customer sectors in the proportion to the sector's kilowatt-hour sales. An electric Program Administrator's Energy Efficiency Plan shall include a detailed description of all other funding revenue sources that it considered, including, but not limited to: (a) the different other funding sources identified by the electric Program Administrator; (b) whether or not the electric Program Administrator attempted to access those other funding revenue sources; (c) if the electric Program Administrator chose not to access those other funding revenues, the reason behind that decision; (d) a statement of the amount of the other funding revenues available; (e) whether the other funding revenue source is a recurring source; (f) any conditions placed on the use of the other funding revenue sources; and (g) whether receiving other funding revenue allowed the electric Program Administrator to seek less money from ratepayers.

3.2.1.4 An electric Program Administrator shall calculate the Energy Efficiency Surcharge for residential and commercial and industrial ("C&I") sectors in accordance with its Energy Efficiency Surcharge tariff. The residential sector includes low-income classes.

(a) The Low-Income Allocation factor for each year of the three-year term shall be calculated by using a distribution revenue allocator and collect the resulting allocation from each rate class in the sector using a volumetric charge;

(b) The Residential Energy Efficiency Surcharge for each year of the three-year term shall be calculated by adding (I) the amount required to fund residential programs for the applicable year divided by total residential kilowatt-hour sales for that year, and (ii) the Low-Income Allocation Factor for the applicable year; and

(c) The C&I Energy Efficiency Surcharge for each year of the three-year term shall be calculated by adding (i) the amount required to fund commercial and industrial programs for the applicable year divided by total commercial and industrial kilowatt-hour sales for that year, and (ii) the Low-Income Allocation Factor for the applicable year.

3.2.1.5 The Department will review and approve an Energy Efficiency Surcharge after considering: (a) the effect of any rate and average bill impact on customers; (b) the availability of other private or public funds, utility administered or otherwise, that may be available; and (c) whether past Energy Efficiency Programs have lowered the cost of meeting customers' electricity needs.

3.2.1.6. Rate and Average Bill Impacts. An electric Program Administrator's Energy Efficiency Plan shall present information regarding rate and average bill impacts consistent with the Department's directives in Energy Efficiency Guidelines, D.P.U. 08-50-D.

3.2.2 Gas Funding Sources. A gas Program Administrator shall fund the implementation of its Energy Efficiency Plan through the Energy Efficiency Surcharge, which is included in its Local Distribution Adjustment Clause tariff.

3.2.2.1 Other funding revenue refers to revenue received by a gas Program Administrator in excess of revenue from the funding source listed in § 3.2.2 for the purpose of funding its Energy Efficiency Programs. A gas Program Administrator shall allocate other funding revenue to its residential, low-income, and commercial and industrial customer sectors in the proportion to the sector's therm sales. A gas Program Administrator's Energy Efficiency Plan shall include a detailed description of all other funding revenue sources that it considered, including, but not limited to: (a) the different other funding sources identified by the gas Program Administrator; (b) whether or not the gas Program Administrator attempted to access those other funding revenue sources; (c) if the gas Program Administrator chose not to access those other funding revenues, the reason behind that decision; (d) a statement of the amount of the other funding revenues available; (e) whether the other funding revenue source is a recurring source; (f) any conditions placed on the use of the other funding revenue sources; and (g) whether receiving other funding revenue allowed the gas Program Administrator to seek less money from ratepayers.

3.2.2.2 Rate and Average Bill Impacts. A gas Program Administrator's Energy Efficiency Plan shall present information regarding rate and average bill impacts consistent with the Department's directives in Energy Efficiency Guidelines, D.P.U. 08-50-D.

3.3 Program Administrator Budgets

3.3.1 A Program Administrator's budget for each year of the three-year term shall be comprised of, for the applicable year, its Energy Efficiency Program implementation costs, its performance incentive, and recovery of lost base revenues, as approved by the Department.

3.3.2 A Program Administrator shall present: (a) information regarding its budget sources consistent with the format approved in Energy Efficiency Guidelines, D.P.U. 08-50-B, as may be revised from time to time; and (b) supporting documentation for the budget sources.

3.3.3 Program implementation costs shall include all costs incurred by a Program Administrator to implement its Energy Efficiency Programs, including, but not limited to:

(a) program planning and administration, providing a breakdown of costs in dollars by:
    i. internal costs;
    ii. external legal services;
    iii. assessments;
    iv. vendor services; and
    v. sponsorships and subscriptions
(b) marketing and advertising;
(c) program participant incentive;
(d) sales, technical assistance and training; and
(e) evaluation and market research.

3.3.4 Performance incentives are funds earned by a Program Administrator based on its performance in implementing its Energy Efficiency Plan and shall be determined pursuant to § 3.6, below.

3.3.5 Minimization of Administrative Costs. A Program Administrator, in developing and reporting on its Energy Efficiency Plan and delivering energy efficiency services, shall minimize administrative costs to the fullest extent practicable and include in its Energy Efficiency Plan a detailed description and supporting documentation of the steps taken to minimize administrative costs.

3.3.6 Competitive Procurement. A Program Administrator, in delivering its Energy Efficiency Programs, shall use competitive procurement processes to the fullest extent possible and present information regarding competitive procurement consistent with the format approved in Energy Efficiency Guidelines, D.P.U. 08-50-B, as may be revised from time to time.

3.4 Cost-Effectiveness

3.4.1 Purpose. This section of the Guidelines establishes the method by which the Department will review and determine the cost-effectiveness of Energy Efficiency Programs.

3.4.2 An Energy Efficiency Plan shall include and present information regarding Energy Efficiency Program cost-effectiveness consistent with the format approved by the Department.

3.4.3 The Department will rely on the Total Resource Cost Test to determine cost-effectiveness. The Total Resource Cost Test includes all benefits and costs associated with the energy system, as well as all benefits and costs associated with Program Participants.

3.4.3.1 A Program Administrator shall perform cost-effectiveness screening on a sector level, as well as an Energy Efficiency Program and Core Initiative-specific basis, except for Hard-To-Measure Energy Efficiency Programs discussed in § 3.4.3.2. An Energy Efficiency Plan shall be deemed cost-effective if the cumulative present value of each sectors benefits, defined in § 3.4.4, below, are equal to or greater than the cumulative present value of each sectors costs, defined in § 3.4.5, below. An Energy Efficiency Program and Core Initiative should be projected to be cost-effective over the term.

3.4.3.2 Hard-to-Measure Energy Efficiency Programs. A Program Administrator shall allocate the benefits and costs of Hard-to-Measure Energy Efficiency Programs to the program's customer sector. If such inclusion causes the sector's benefit-cost ratio to fall below one, then the Hard-To-Measure Energy Efficiency Program's core initiatives shall be revised or removed.

3.4.3.3 An Energy Efficiency Plan shall include the following information regarding Hard-to-Measure Energy Efficiency Core Initiatives: (a) detailed descriptions of the purpose, scope and design of the Hard-To-Measure Energy Efficiency Core Initiative; (b) supporting documentation for why the core initiative is qualified to be included as part of the Hard-to-Measure Energy Efficiency Program; (c) any recommendations made by the Council regarding the Hard-To-Measure Energy Efficiency Core Initiative; and (d) how the core initiative will provide benefits to Massachusetts ratepayers.

3.4.3.4 An Energy Efficiency Plan shall include sufficient information to allow a determination of the cost-effectiveness on an energy efficiency measure-specific basis.

3.4.4 Energy Efficiency Program Benefits. Energy Efficiency benefits include commodity-related avoided cost factors, which shall be uniform for all Program Administrators, where applicable. Transmission, distribution and other Program Administrator factors that are territory-specific should be used as appropriate, and each Program Administrator shall provide a detailed description and supporting documentation of the method used to calculate any non-uniform factor.

Energy Efficiency benefits shall be calculated by taking the product of the associated energy savings, the associated time period and the avoided cost factor for the following benefit categories:

(a) Electric benefits, which shall be comprised of the following:

(i) avoided capacity costs, consisting of avoided: (A) summer generation; (B) winter generation; (C) transmission; and (D) distribution;

(ii) avoided electric energy costs, consisting of avoided: (A) summer-period peak; (B) summer-period off-peak; (C) winter-period peak; and (D) winter-period off-peak energy costs;

(iii) the avoided capacity, energy, transmission and distribution cost factors shall include related environmental compliance costs that are reasonably projected to be incurred in the future because of state or federal laws, rules and/or regulatory requirements that are currently in effect, or are projected to take effect in the future; and

(iv) electric DRIPE benefits, consisting of avoided: (A) electric capacity; (B) electric energy; and (C) electric cross-fuel generation costs. The DRIPE factor shall be uniform for all Program Administrators.

(b) Natural gas benefits, which shall be comprised of the following:

(i) avoided gas supply costs;

(ii) avoided gas distribution costs;

(iii) the avoided gas supply and distribution cost factors shall include related environmental compliance costs that are reasonably projected to be incurred in the future because of state or federal laws, rules and/or regulatory requirements that are currently in effect, or are projected to take effect in the future; and

(iv) natural gas DRIPE benefits, consisting of avoided: (A) natural gas energy; and (B) natural gas cross-fuel electric generation costs. The DRIPE factor shall be uniform for all Program Administrators.

(c) Deliverable fuel benefits, which account for the avoided costs of fuels other than natural gas for which consumption is reduced as a result of the implementation of an Energy Efficiency Plan.

(d) Other resource benefits, which include but are not limited to: (i) water; (ii) sewage; and (iii) disposal, where consumption is reduced as a result of the implementation of an Energy Efficiency Plan.

(e) Non-energy impacts, which include, but are not limited to: (i) reduced costs for operation and maintenance associated with efficient equipment or practices; (ii) the value of longer

equipment replacement cycles and/or productivity improvements associated with efficient equipment; (iii) reduced environmental and safety costs, (iv) the value of owned or leased property resulting from efficient equipment or practices; (v) reduced health costs; and (vi) all benefits associated with providing energy efficiency services to Low-Income Customers. Non-energy impacts shall be calculated based on benefits that accrue to program participants.

(f) Reductions in all costs to the Distribution Company associated with reduced customer arrearages and reduced service terminations and reconnections.

(g) The avoided deliverable fuel and other resource benefit cost factors shall include related environmental compliance costs that are reasonably projected to be incurred in the future because of state or federal laws, rules and/or regulatory requirements that are currently in effect, or are projected to take effect in the future.

3.4.5 Energy Efficiency Program Costs. A Program Administrator shall categorize program costs as program implementation costs, performance incentives, or Program Participant costs.

3.4.5.1 Program implementation costs shall include costs as described in § 3.3.3, above.

3.4.5.2 Performance incentives shall include costs as described in § 3.3.4, above.

3.4.5.3 Program Participant costs shall include all expenses incurred by a Program Participant as a result of its participation in an Energy Efficiency Program, including, but not limited to: (a) the net cost of energy efficient equipment; (b) the cost to plan for and install energy efficient equipment; and (c) the cost of energy efficiency services, such as energy audits or inspections for proper equipment functioning.

3.4.6 Discount Rate. Benefits and costs that are projected to occur over the term of each Energy Efficiency Program shall be stated in present value terms, using a discount rate that is equal to a twelve-month average of the historic yields from the ten-year United States Treasury note, using the previous calendar year to determine the twelve-month average.

3.4.7 All Available Energy Efficiency. A Program Administrator shall seek to implement all available cost-effective energy efficiency and demand reduction resources, while balancing the impact to customer bills. A Program Administrator shall demonstrate that its Energy Efficiency Plan addresses the following: (a) establishes a sustainable effort in its continued delivery of energy efficiency, (b) considers new technologies and enhancements, (c) includes the results of avoided costs, potential studies, and evaluation, measurement, and verification ("EM&V") studies, and (d) seeks to design programs to address identified barriers.

3.4.7.1 An Energy Efficiency Plan shall include a service territory-specific assessment of potential available energy efficiency and demand reduction resources that are cost-effective.

3.4.7.2 An Energy Efficiency Plan shall include energy savings and demand savings goals, as well as a net lifetime all fuel savings metric, for each Energy Efficiency Program and Core Initiative. Energy savings goals should include electric savings (MWh), electric demand savings (MW), gas savings (therms), and delivered fuel savings. The net lifetime all fuel savings metric shall be determined by converting all fuel savings to MMBtu. The conversion factor must take into account, when converting electric savings, the embedded energy with heat values from a mix of fuels that generate the electricity.

3.4.8 If an Energy Efficiency Plan does not achieve all available cost-effective energy efficiency, the Program Administrator shall provide a detailed analysis of why it is not able to achieve this goal.

3.5 Evaluation Plans

3.5.1 Purpose. This section of the Guidelines sets forth the information that a Program Administrator shall include in its Energy Efficiency Plan regarding the evaluation of its Energy Efficiency Programs over the term of the Energy Efficiency Plan.

3.5.2 Each three-year Energy Efficiency Plan shall include a strategic evaluation plan describing how the Program Administrator will evaluate the Energy Efficiency Programs during the course of its Energy Efficiency Plan. The evaluation plan should include at least the following information: (a) evaluation research areas descriptions; (b) available budget, how the budget was developed and support for requested budget; (c) expected Program Administrator staffing and details on anticipated external vendor teams covering research areas; (d) research completed during the previous three-year term; (e) any developed work plans for future research; (f) short and long term priorities for evaluation; and (g) how the Program Administrator incorporated directives or resolutions from the Council into its evaluation plans.

3.5.2.1 In the development of a strategic evaluation plan, a Program Administrator shall demonstrate: (a) an approach to verify cost effective savings opportunities; (b) evidence that it has considered previous evaluation research to avoid duplicative efforts; (c) efforts to minimize uncertainty of savings estimates; and (d) the relevance or usefulness of the proposed research to the future of energy efficiency.

3.5.2.1.1 As referenced in 3.5.2(e), a Program Administrator shall submit the following information for any proposed evaluation work plans for future research:

(a) name of work plan;
(b) research area;
(c) type of work plan;
(d) applicable fuel the work plan applies to;
(e) overall goals of work plan;

(f) a description of the research questions to be studied;
(g) a description of approach or methodology; and
(h) proposed budget of the study.

3.5.3 A Program Administrator shall submit the following information for completed evaluation studies that are being applied to the Energy Efficiency Programs:

(a) name of study;
(b) research area;
(c) type of study;
(d) applicable fuel the study applies to;
(e) overall goals of study;
(f) a description of results;
(g) how the results of the study will be used; and
(h) a description of approach or methodology.

3.6 Performance Incentives

3.6.1 Purpose. This section of the Guidelines sets forth the principles by which Program Administrators shall design, and the Department will review, a performance incentive mechanism.

3.6.2 A performance incentive mechanism shall be:

(a) designed to encourage Distribution Companies to pursue all available cost-effective energy efficiency;

(b) designed in such a way as to encourage Energy Efficiency Program designs that will best achieve the Commonwealth's energy goals, particularly with regard to the goals stated in Chapter 169 of the Acts of 2008;

(c) based on clearly defined goals and activities that can be sufficiently monitored, quantified and verified after the fact;

(d) available only for activities where the Distribution Company plays a distinct and clear role in bringing about the desired outcome;

(e) as consistent as possible across all electric and gas Distribution Companies, with clear justification for any deviations across Distribution Companies; and

(f) created in such a way to avoid any perverse incentives.

3.6.3 The amount of funds available for a performance incentive mechanism should be kept as low as possible, in consideration of the other principles contained herein, in order to minimize the costs to electric and gas customers.

3.6.4 For each Program Administrator, performance incentive payments shall be calculated based on performance over the term of its Energy Efficiency Plan, rather than performance in each year of the Plan.

3.6.4.1 Each Program Administrators shall be allowed to collect design performance incentive payments during the term of its Plan, based on projected performance during the term, as approved by the Department.

3.6.4.2 Each Program Administrator shall reconcile actual and design performance incentive payments at the end of each term, on a schedule established by the Department.

3.6.5 Any proposed modifications to a previously approved performance incentive mechanism shall include sufficient justification demonstrating how the proposed modifications will improve upon the performance incentive mechanism with consideration for each of the design principles listed above.

3.6.6 Penalty Provision. In reviewing a Distribution Company's Energy Efficiency Term Report, the Department will consider whether the Distribution Company has reasonably complied with its Three-Year Energy Efficiency Plan and whether it is appropriate to impose a penalty pursuant to G.L. c. 25, § 21(e).

3.7 Department Review of Energy Efficiency Plans

3.7.1 The Department will review an Energy Efficiency Plan consistent with the procedures and timeline set forth below, subject to modification by the Department, as necessary, in a particular proceeding.

3.7.2 Procedures

(a) Procedural Tracks

(i) General Track Participants

A Council participant and a party whose interests are represented on the Council, pursuant to G.L. c. 25, § 22(a), is presumed to be familiar with the content of an Energy Efficiency Plan and the issues that it may likely seek to address during the course of the adjudicatory process and will be treated as putative intervenors in such proceeding until the Department has issued rulings on intervention. A party who was previously granted intervention as a full party or limited participant status will be considered a General Track participant for future Three Year Plan proceedings.

(ii) Alternate Track Participants

If there are any persons who petition to intervene in a proceeding and who are found, pursuant to G.L. c. 30A, § 10, by the Department to be substantially and specifically affected by these proceedings but who otherwise did not participate in or whose interests were not adequately represented in the Council process, and have not previously participated in a Three-Year Plan proceeding before the Department as a full party or limited participant, a reasonable opportunity will be provided for such parties to formulate their respective positions on an Energy Efficiency Plan in the context of the 90-day period of time provided by G.L. c. 25, § 21(d)(2) to review an Energy Efficiency Plan.

(b) Pre-Hearing Statements

Each party will be required to: (1) file a pre-hearing statement pursuant to the schedule established for a proceeding, and (2) timely update its pre-hearing statement as warranted. To the extent that the information required in a pre-hearing statement is set forth in a Program Administrator's Energy Efficiency Plan, a Program Administrator's reference to the provision in its Energy Efficiency Plan containing that information will satisfy the pre-hearing statement in that regard. Each pre-hearing statement shall set forth the following information:

i. the name of all witnesses who may be called to testify by the party, along with the subject matter of each such witness' testimony;
ii. a description of all exhibits that may be used by the party in presenting its case and the witness sponsoring each;
iii. a statement of the party's basic position in the proceeding;
iv. a statement of each question of fact, question of law, and policy question that the party considers at issue, along with the party's position on each issue, and, where applicable, the names of the party's witness(es) who will address each issue;
v. a statement of issues to which the parties have stipulated;
vi. a statement of all pending motions or other matters the party seeks action upon;
vii. a statement identifying the party's pending requests or claims for confidentiality; and
viii. any objections to a witness' qualifications as an expert.

(c) Technical Session

The Department may conduct a joint technical session after the filing of the Energy Efficiency Plans. The focus of the technical session will be to reduce the need for non-substantive discovery requests.

(d) Joint Hearing for Common Issues

The Department may conduct joint evidentiary hearings on issues common to some or all of the individual Energy Efficiency Plans.

3.7.3 Model Procedural Schedule

The model procedural schedule is intended to guide the expectations of the parties as to the general schedule that will be observed in a proceeding to review an Energy Efficiency Plan. An actual procedural schedule will be established for the review of each Program Administrator's filing and may depart from the model.

Event	Date
Energy Efficiency Plan filed	On or before October 31 (F)
General Track: intervention petition; discovery commences	F+1 business day (all references in this table are to business days)
Notice and Order of Notice issues	F+1
General Track: intervention answer	F+3
General Track: pre-hearing statement	F+5
Notice published	F+6
Alternate Track: intervention petition	F+9
General Track: intervenor testimony	F+11
Alternate Track: intervention answer	F+11
Alternate Track: discovery commences	Upon Department ruling on a petition to intervene
Alternate Track: pre-hearing statement; intervenor testimony	F+15
Discovery closes	F+18
Public hearing	F+21
Discovery responses	F+23
Evidentiary hearings	F+26 through 30
Simultaneous initial brief	10 days after close of evidentiary hearing
Simultaneous reply brief	15 days after close of evidentiary hearing,

3.8 Mid-Term Modifications

3.8.1 A Program Administrator that seeks to make the following significant modifications to its Energy Efficiency Plan shall submit its proposed modifications to the Council for review:

(a) the termination of an existing Energy Efficiency core initiative or Hard-to-Measure Energy Efficiency core initiative; or

(b) a modification to the implementation of one or more Energy Efficiency core initiatives that is projected to result in a decrease in the Energy Efficiency Program benefits over the three-year term that is greater than 20 percent.

3.8.1.1 If the Council passes a resolution supporting the proposed modification, the Program Administrator may implement the modification. Intervenors in the Program Administrator's Energy Efficiency Plan proceeding would then have 30 days from the date of the Council resolution to request that the Department open an investigation to review the proposed modification. Any such request must be accompanied by (a) a copy of the Council resolution, and (b) justification, including supporting documentation, showing why the proposed modification should be denied.

3.8.1.2 If the Council passes a resolution opposing the proposed modification, the Program Administrator may not implement the modification. The Program Administrator would then have 45 days from the date of the Council resolution to request that the Department open an investigation to review the proposed modification. Any such request must be accompanied by (a) a copy of the Council resolution and (b) justification, including supporting testimony and documentation, showing why the proposed modification should be approved.

3.8.2 A Program Administrator that seeks to make the following significant modifications to its Energy Efficiency Plan shall submit its proposed modifications at the same time for (a) review by the Council, and (b) review and approval by the Department:

(a) the addition of an Energy Efficiency Core Initiative or Hard-to-Measure Energy Efficiency Core Initiative or Demonstration Project; or

(b) the transition of a Hard-to-Measure Energy Efficiency Core Initiative to an Energy Efficiency Core Initiative; or

(c) an increase or decrease to a three-year term sector budget that is greater than 10 percent.

The Program Administrator may not implement the modification pending review and approval by the Department.

3.8.2.1 If the Council opposes the proposed modification, it must submit a resolution to the DPU within 60 days of the filing date. The Program Administrator will then have 30 days to submit further justification, including supporting testimony and documentation, showing why the proposed modification should be approved.

3.9 Demonstration Projects

3.9.1 A Program Administrator may propose a Demonstration Project for Department approval as part of a three-year plan or a mid-term modification. In reviewing a Demonstration Project, the Department considers the:

(a) reasonableness of the size, scope, and scale of the proposed project in relation to the likely benefits to be achieved;

(b) adequacy of the evaluation plan;

(c) extent to which there is appropriate coordination among Program Administrators; and

(d) bill impacts to customers.

3.9.1.1 Demonstration Projects are Hard-To-Measure offerings initially but are anticipated to have measurable savings and benefits. The expectation of measurable savings and benefits does not mean that a Demonstration Project is required to be cost-effective at the initial testing and evaluation stage. Like a hard-to-measure program, the addition of a Demonstration Project must not result in a sector's benefit-cost ratio falling below one.

3.9.1.2 In absence of cost-effectiveness screening, detailed program descriptions and appropriate analysis must support the potential of the Demonstration Project to deliver net benefits in the future.

3.9.2 A Program Administrator must submit a final process evaluation report at the conclusion of the Demonstration Project, including feedback from participants as well as a detailed analysis of the actual costs and benefits of the Demonstration Project, and the projected costs and benefits were the project to be delivered as a program at scale. In subsequent annual or term reports, the Program Administrator shall include annual progress reports covering the final process evaluation report topics, as well as setting forth quantified benefit calculations, including deferred or avoided transmission and distribution capital costs and other distribution benefits; associated savings; and design details.

3.9.3 If a Program Administrator seeks to discontinue a Demonstration Project, it must notify the Council and the Department.

3.9.3.1 Minor modifications to Demonstration Project design will not require Department approval provided such changes do not increase the approved project budget. Minor reallocation of approved budget amounts is permissible without prior Department approval, but the total approved Demonstration Project budget within a sector cannot be exceeded nor can budget amounts be allocated between sectors.

3.9.3.2 Any unspent Demonstration Project funds must be returned to customers through the Energy Efficiency Surcharge. The budgetary flexibility allowed in § 3.8.1 and § 3.8.2 for Energy Efficiency Projects does not apply to Demonstration Projects.

Section 4: Energy Efficiency Annual Reports and Energy Efficiency Three-Year Term Reports

4.1 Upon completion of each three-year term, on August 1, each Program Administrator shall submit an Energy Efficiency Three-Year Term Report that details its performance during the applicable term. The Three-Year Term Report shall include information in a format specified by the Department in D.P.U. 11-120-B.

4.1.1 The Department will review the Energy Efficiency Three-Year Term Report to determine whether the Program Administrator (a) reported its program savings, benefits, and costs accurately and reliably, and (b) implemented its Energy Efficiency Plan during the term in a manner that is consistent with its Department-approved Energy Efficiency Plan.

4.1.2 Pursuant to the results of our investigation of the Energy Efficiency Three-Year Term Report, the Department will approve final recovery of (a) actual costs incurred during the term, (b) actual performance incentive payments earned during the term, and (c) actual lost base revenue during the term, where applicable.

4.2 Upon completion of each year of the three-year term, on June 1, each Program Administrator shall submit an Energy Efficiency Annual Report that details its performance during the applicable year. The Annual Report shall include information in a format as specified by the Department. Each Program Administrator shall provide a copy of its Annual Report to the Council.

4.3 The Department may investigate a Program Administrator's performance at any time during a three-year term on its motion, or at the request of the Council.

Section 5: Exceptions

These Guidelines set forth (a) the filing requirements applicable to Program Administrators, and (b) the standards by which the Department will review Energy Efficiency Plans and Energy Efficiency Reports. A Program Administrator that seeks an exception to any provision included herein shall have the burden to demonstrate the compelling nature of such request.

I. ENERGY EFFICIENCY GUIDELINES

Guidelines for the Methods and Procedures for the Evaluation and Approval of Energy Efficiency Plans and Energy Efficiency Reports

Section 1: Purpose and Scope

(1) Purpose. These Guidelines set forth (a) the filing requirements applicable to Program Administrators, and (b) the standards by which the Department will review Energy Efficiency Plans, Energy Efficiency Annual ~~Performance~~ Reports ~~and~~, Energy Efficiency Three-Year Term ~~Performance~~ Reports, Mid-Term Modifications, and Demonstration Projects.

(2) Scope. These Guidelines apply to all Program Administrators.

Section 2: Definitions

(1) "Cap and Trade Pollution Control Program" refers to any state, regional or national program as defined by G.L. c. 21A, § 22(a), including, but not limited to, the carbon dioxide allowance trading mechanism established under the Regional Greenhouse Gas Initiative Memorandum of Understanding, as defined in G.L. c. 21A, § 22(a).

(2) "Council" refers to the Energy Efficiency Advisory Council established pursuant to G.L. c. 25, § 22.

(3) "Demonstration Project" refers to a hard-to-measure offering, including pilots, limited in term and scope designed to provide the information required to assess its potential for measurable, cost-effective savings and benefits that can be scaled to be included in programs.

~~(3)~~(4) "Department" refers to the Massachusetts Department of Public Utilities.

~~(4)~~(5) "Distribution Company" refers to a gas company or an electric company as defined in G.L. c. 164, § 1.

~~(5)~~(6) "DRIPE" refers to demand-reduction-induced price effect, which is the reduction in wholesale market electric energy and capacity prices that occur as a result of a reduction in energy or capacity demand.

~~(6)~~(7) "Energy Efficiency Core Initiative" refers to a component of an Energy Efficiency Program that is intended to reduce or minimize the amount of energy required to produce a desired or given output, including, but not limited to, those described in G.L. c. 25, § 21(b)(2).

~~(7)~~(8) "Energy Efficiency Annual ~~Performance~~ Report" or "Annual Report" refers to a report filed annually by a Program Administrator regarding the implementation of its Energy Efficiency Plan during the prior year.

~~(8)~~(9) "Energy Efficiency Three-Year Term ~~Performance~~ Report" or "Three-Year Term Report" refers to a report filed by a Program Administrator after the completion of each three-year term regarding the implementation of its Energy Efficiency Plan during the applicable term.

~~(9)~~(10) "Energy Efficiency Plan" or "Plan" refers to a three-year portfolio of Energy Efficiency Programs developed by a Program Administrator, in consultation with the Council, and filed with the Department pursuant to G.L. c. 25, §§ 19 through 21.

~~(10)~~(11) "Energy Efficiency Program" refers to a ~~program~~set of Energy Efficiency Core Initiatives implemented by a Program Administrator that ~~is~~are intended to reduce or minimize the amount of energy required to produce a desired or given output, including, but not limited to, ~~programs~~those described in G.L. c. 25, § 21(b)(2).

~~(11)~~(12) "Energy Efficiency Surcharge" refers to a surcharge included in (a) an electric Distribution Company's ~~distribution rates~~annual rate, pursuant to G.L. c. 25, § 19(a), that collects additional money for approved Energy Efficiency Programs when the cost of implementing those programs exceeds the funding provided through other funding sources, or (b) a gas Distribution Company's ~~distribution rates~~annual rate, pursuant to G.L. c. 25, § 19(b), that collects money for approved Energy Efficiency Programs.

~~(12)~~(13) "Forward Capacity Market" refers to the wholesale electric capacity market administered by the Independent System Operator-New England.

(14) "Hard-to-Measure Energy Efficiency ~~Program~~Core Initiative" refers to a ~~program~~component of a Hard-to-Measure Energy Efficiency Program that ~~might~~has costs but does not have ~~immediate~~direct energy savings or whose energy savings may be difficult to quantify ~~including, but not limited to: (a)~~ .

~~(13)~~(15) "Hard-to-Measure Energy Efficiency Program" refers to programs ~~for research, development and commercialization of efficiency products; (b) programs to support new appliance and product efficiency standards; (c) programs to integrate efficiency products with building~~that have costs but do not have direct energy ~~codes~~savings or ~~high performance sustainable buildings that exceed code; (d) programs for public education regarding~~whose energy ~~efficiency; (e) pilot programs; and (f) new types of programs (e.g., combined heat and power projects and demand response programs).~~ savings may be difficult to quantify.

~~(14)~~(16) "Low-Income Customer" refers to a customer of a Distribution Company ~~-~~who is eligible to participate in a Program Administrator's low-income Energy Efficiency Programs.

~~(15)~~(17) "Municipal Aggregator" refers to a municipality or group of municipalities that aggregates the electric load of interested electric consumers within its boundaries with a certified energy efficiency plan pursuant to G.L. c. 164, § 134~~.~~(b).

~~(16)~~(18) "Program Administrator" refers to an entity that administers an Energy Efficiency ~~Programs~~Plan.

~~(17)~~(19) "Program Participant" refers to a customer of a Distribution Company who receives an incentive to participate in, or is encouraged to implement energy efficiency measures by, an Energy Efficiency Program.

~~(18)~~(20) "System Benefits Charge" refers to the $0.0025 per kilowatt-hour charge established by G.L. c. 25, § 19(a) to partially fund electric Energy Efficiency Programs.

Section 3: Energy Efficiency Plans

3.1 Purpose. This section of the Guidelines sets forth the information that a Program Administrator shall include in its Energy Efficiency Plan regarding:

(a) Funding Sources (§ 3.2);
(b) Program Administrator Budgets (§ 3.3);
(c) Energy Efficiency Program Cost-Effectiveness (§ 3.4);
(d) Evaluation Plans (§ 3.5); and
(e) Performance Incentives (§ 3.6).

This section also sets forth the procedures and standards by which the Department will review an Energy Efficiency Plan (§ 3.7).

3.2 Funding Sources

3.2.1 Electric Funding Sources. An electric Program Administrator shall use the following sources to fund the implementation of its Energy Efficiency Plan:

- System Benefits Charge;
(a) Revenuessystem benefits charge;
(a)(b) revenues from the Forward Capacity Market;
(b)(c) Revenuesrevenues from Cap and Trade Pollution Control Programs;
(c)(d) Other Fundingother funding; and
(d)(e) Energy Efficiency Surcharge.

3.2.1.1 An electric Program Administrator shall (a) present information regarding funding sources consistent with the format approved in Energy Efficiency Guidelines, D.P.U. 08-50-B, as may be revised from time to time, and (b) provide supporting documentation for the calculation of the revenue from each funding source.

3.2.1.2 An electric Program Administrator shall allocate revenue from: (a) the System Benefits Charge to its residential, low-income,; (b) the Forward Capacity Market; and commercial(c) Cap and industrialTrade Pollution Control Programs to each customer sectorssector in proportion to the sector's kilowatt-hour consumptionsales.

3.2.1.3 An electric Program Administrator shall allocate revenue from the Forward Capacity Market to its residential, low-income, and commercial and industrial customer sectors in proportion to the sector's kilowatt-hour consumption.

3.2.1.4 An electric Program Administrator shall allocate revenue from Cap and Trade Pollution Control Programs to its residential, low-income, and commercial and industrial customer sectors in proportion to the sector's kilowatt-hour consumption.

3.2.1.53.2.1.3 Other funding revenue refers to revenue received by an electric Program Administrator in excess of revenue from the funding sources listed in §§§ 3.2.1.2 through 3.2.1.4 for the purpose of funding its Energy Efficiency Programs. An electric Program Administrator

shall allocate other funding revenue to its residential, low-income, and commercial and industrial customer sectors in the proportion to the sector's kilowatt-hour consumptionsales. An electric Program Administrator's Energy Efficiency Plan shall include a detailed description of all other funding revenue sources that it considered, including, but not limited to: (a) the different other funding sources identified by the electric Program Administrator; (b) whether or not the electric Program Administrator attempted to access those other funding revenue sources; (c) if the electric Program Administrator chose not to access those other funding revenues, the reason behind that decision; (d) a statement of the amount of the other funding revenues available; (e) whether the other funding revenue source is a recurring source; (f) any conditions placed on the use of the other funding revenue sources; and (g) whether receiving other funding revenue allowed the electric Program Administrator to seek less money from ratepayers.

3.2.1.6 For each year of the three-year term, an electric Program Administrator shall calculate the revenue required from the Energy Efficiency Surcharge for each customer sector as the difference between each sector's (a) program administration budget for the applicable year, defined in § 3.3, and (b) revenue allocation for the applicable year made pursuant to §§ 3.2.1.2 through 3.2.1.5. 4 An electric Program Administrator shall calculate a separatethe Energy Efficiency Surcharge for its low-income, residential, and commercial and industrial customer("C&I") sectors in the following manner:accordance with its Energy Efficiency Surcharge tariff. The residential sector includes low-income classes.

(a) The Low-Income Customer Energy Efficiency SurchargeAllocation factor for each year of the three-year term shall be calculated by dividing (i) the Energy Efficiency Surcharge revenue required to fund low-income programs for the applicable year, by (ii) the total company-wide (i.e., the sum of all customer sectors) kilowatt-hour sales for that yearusing a distribution revenue allocator and collect the resulting allocation from each rate class in the sector using a volumetric charge;

(b) The residential customerResidential Energy Efficiency Surcharge for each year of the three-year term shall be calculated by adding (i) the Energy Efficiency Surcharge revenueamount required to fund residential programs for the applicable year divided by total residential kilowatt-hour sales for that year, and (ii) the Low-Income Customer Energy Efficiency SurchargeAllocation Factor for the applicable year; and

(c) The commercial and industrial customerC&I Energy Efficiency Surcharge for each year of the three-year term shall be calculated by adding (i) the Energy Efficiency Surcharge revenueamount required to fund commercial and industrial programs for the applicable year divided by total commercial and industrial kilowatt-hour sales for that year, and (ii) the Low-Income Customer Energy Efficiency SurchargeAllocation Factor for the applicable year.

3.2.1.6.1 If, in any year of the three-year term, funding for a customer sector from the System Benefits Charge, Forward Capacity Market, Cap-and-Trade Pollution Control Programs, and other sources (as allocated pursuant to §§ 3.2.1.2 through 3.2.1.5) exceeds the customer sector's

budget, as defined in § 3.3, the electric Program Administrator: (a) shall not recover an Energy Efficiency Surcharge for that customer sector in that year; and (b) shall carry over any excess funding to the customer sector's budget for the subsequent year.

3.2.1.6.2 The Department will review and approve Energy Efficiency Surcharges for each year of the three-year term

3.2.1.5 The Department will review and approve an Energy Efficiency Surcharge after considering: (a) the effect of any rate and average bill impact on customers; (b) the availability of other private or public funds, utility administered or otherwise, that may be available; and (c) whether past Energy Efficiency Programs have lowered the cost of meeting customers' electricity or gas needs.

3.2.1.6.3 Rate and Average Bill Impacts. An electric Program Administrator's Energy Efficiency Plan shall present information regarding rate and average bill impacts consistent with the Department's directives in Energy Efficiency Guidelines, D.P.U. 08-50-D.

3.2.1.6.4 An electric Program Administrator's Energy Efficiency Surcharges, as approved by the Department, will remain in effect during the three-year term, except as described in § 3.2.1.6.4.1. The surcharges for each year of the three-year term will take effect according to a schedule determined by the Department. Reconciliation of Energy Efficiency Surcharge costs and revenue will occur during the subsequent term, on a schedule established by the Department.

3.2.1.6.4.1 Consistent with the schedule by which its Energy Efficiency Surcharges take effect during each year of the three-year term, an electric Program Administrator shall calculate an updated cents per kilowatt-hour charge for each customer sector, using the most current information and the method described in §§ 3.2.1.6(a) through (c).

~~(a) For each customer sector, the Program Administrator shall determine the impact on a typical customer's bill that would result from replacing the Department-approved Energy Efficiency Surcharge for the applicable year with the updated cents per kilowatt-hour charge. If the bill impact for a customer sector would exceed two percent, the Program Administrator shall file a revised Energy Efficiency Surcharge for that customer sector. The Program Administrator shall provide all information necessary to support the revised Energy Efficiency Surcharge.~~

~~(b) For each customer sector, the Program Administrator shall calculate the difference between the revenue it would collect using (i) the updated cents per kilowatt-hour charge, and (ii) the Department-approved Energy Efficiency Surcharge for the applicable year. If the sum of these differences exceeds 25 percent of the total revenue the Program Administrator projects to collect through its Department-approved Energy Efficiency Surcharges for the applicable year, the Program Administrator shall file revised Energy Efficiency Surcharges. The Program Administrator shall provide all information necessary to support the revised Energy Efficiency Surcharges.~~

~~3.2.1.6.4.2 If an electric Program Administrator is not required to file revised Energy Efficiency Surcharges pursuant to §§ 3.2.1.6.4.1(a) and (b), the Program Administrator shall submit a statement to the Department, including supporting documentation, indicating that such a filing is not required. The Program Administrator shall provide a copy of the statement to the Council.~~

~~3.2.1.7 If any one of an electric Program Administrator's proposed funding sources, expressed as a percentage of total funding, differs by more than 20 percent from the statewide percentage of total funding for that funding source, the electric Program Administrator shall provide a detailed description and supporting documentation regarding the difference. If this information is not available at the time of the filing of the Energy Efficiency Plan, the electric Program Administrator shall state when such information will be available for filing.~~

3.2.2 Gas Funding Sources. A gas Program Administrator shall fund the implementation of its Energy Efficiency Plan through the Energy Efficiency Surcharge, which is included in its Local Distribution Adjustment Clause tariff.

3.2.2.1 Other funding revenue refers to revenue received by a gas Program Administrator in excess of revenue from the funding source listed in § 3.2.2 for the purpose of funding its Energy Efficiency Programs. A gas Program Administrator shall allocate other funding revenue to its residential, low-income, and commercial and industrial customer sectors in the proportion to the sector's therm ~~consumptions~~sales. A gas Program Administrator's Energy Efficiency Plan shall include a detailed description of all other funding revenue sources that it considered, including, but not limited to: (a) the different other funding sources identified by the gas Program Administrator; (b) whether or not the gas Program Administrator attempted to access those other funding revenue sources; (c) if the gas Program Administrator chose not to access those other funding revenues, the reason behind that decision; (d) a statement of the amount of the other funding revenues available; (e) whether the other funding revenue source is a recurring source;

(f) any conditions placed on the use of the other funding revenue sources; and (g) whether receiving other funding revenue allowed the gas Program Administrator to seek less money from ratepayers.

3.2.2.2 Rate and Average Bill Impacts. A gas Program Administrator's Energy Efficiency Plan shall present information regarding rate and average bill impacts consistent with the Department's directives in Energy Efficiency Guidelines, D.P.U. 08-50-D.

~~3.2.2.3 The Department-approved Energy Efficiency Surcharges will remain in effect during the three-year term, except as described in § 3.2.2.3.1. The surcharges for each year of the three-year term will take effect according to a schedule determined by the Department.~~

~~3.2.2.3.1 Upon completion of each year of the three-year term, a gas Program Administrator shall calculate, using the most current information, an updated cents per therm charge for each customer sector.~~

~~(a) For each customer sector, the Program Administrator shall determine the impact on a typical customer's bill that would result from replacing the Department-approved Energy Efficiency Surcharge for the applicable year with the updated cents per therm charge. If the bill impact for a customer sector would exceed two percent, the Program Administrator shall file a revised Energy Efficiency Surcharge for that customer sector. The Program Administrator shall provide all information necessary to support the revised Energy Efficiency Surcharge.~~

~~(b) For each customer sector, the Program Administrator shall calculate the difference between the revenue it would collect using (i) the updated cents per therm charge, and (ii) the Department-approved Energy Efficiency Surcharge for the applicable year. If the sum of these differences exceeds 25 percent of the total revenue the Program Administrator projects to collect through its Department-approved Energy Efficiency Surcharges for the applicable year, the Program Administrator shall file revised Energy Efficiency Surcharges. The Program Administrator shall provide all information necessary to support the revised Energy Efficiency Surcharges.~~

~~3.2.2.3.2 If a gas Program Administrator is not required to file revised Energy Efficiency Surcharges pursuant to §§ 3.2.2.3.1(a) and (b), the Program Administrator shall submit a statement to the Department, including supporting documentation, indicating that such a filing is not required. The Program Administrator shall provide a copy of the statement to the Council.~~

~~3.2.2.3 If any one of a gas Program Administrator's proposed funding sources, expressed as a percentage of total funding, differs by more than 20 percent from the statewide percentage of total funding for that funding source, the gas Program Administrator shall provide a detailed description and supporting documentation regarding the difference. If this information is not available at the time of the filing of the Energy Efficiency Plan, the gas Program Administrator shall state when such information will be available for filing.~~

3.3 Program Administrator Budgets

3.3.1 A Program Administrator's budget for each year of the three-year term shall be comprised of, for the applicable year, its Energy Efficiency Program implementation costs, its performance incentive, and recovery of lost base revenues, as approved by the Department.

3.3.2 A Program Administrator shall present: (a) information regarding its budget sources consistent with the format approved in Energy Efficiency Guidelines, D.P.U. 08-50-B, as may be revised from time to time; and (b) supporting documentation for the budget sources.

3.3.3 Program implementation costs shall include all costs incurred by a Program Administrator to implement its Energy Efficiency Programs, including, but not limited to: ~~(a)~~

(a) program planning and administration~~; (b)~~, providing a breakdown of costs in dollars by:
  i. internal costs;
  ii. external legal services;
  iii. assessments;
  iv. vendor services; and
  v. sponsorships and subscriptions

(b) marketing and advertising; ~~(c) Program Participant~~

(c) program participant incentive; ~~(d)~~

(d) sales, technical assistance and training; and ~~(e)~~

~~(a)~~(e) evaluation and market research.

3.3.4 Performance incentives are funds earned by a Program Administrator based on its performance in implementing its Energy Efficiency ~~Programs~~Plan and shall be determined pursuant to § 3.6, below.

3.3.5 ~~If any one of a Program Administrator's proposed budget categories, as expressed as a percentage of total budget, differs by more than 20 percent from the statewide percentage of total budget for that budget category, the Program Administrator shall provide a detailed description and supporting documentation regarding the difference. If this information is not available at the time of the filing of the Energy Efficiency Plan, the Program Administrator shall state when such information will be available for filing.~~

~~3.3.6~~ Minimization of Administrative Costs. A Program Administrator, in ~~delivering~~ developing and reporting on its Energy Efficiency ~~Programs~~Plan and delivering energy efficiency services, shall minimize administrative costs to the fullest extent practicable and include in its Energy Efficiency Plan a detailed description and supporting documentation of the steps taken to minimize administrative costs.

3.3.76 Competitive Procurement. A Program Administrator, in delivering its Energy Efficiency Programs, shall use competitive procurement processes to the fullest extent possible and present information regarding competitive procurement consistent with the format approved in Energy Efficiency Guidelines, D.P.U. 08-50-B, as may be revised from time to time. If any one of a Program Administrator's competitive procurement categories, as expressed as a percentage of a total budget category, differs by more than 20 percent from the statewide percentage of total competitive procurement for that budget category, the Program Administrator shall provide a detailed description and supporting documentation regarding the difference. If this information is not available at the time of the filing of the Energy Efficiency Plan, the Program Administrator shall state when such information will be available for filing.

3.4 Energy Efficiency Program
3.4 Cost-Effectiveness

3.4.1 Purpose. This section of the Guidelines establishes the method by which the Department will review and determine the cost-effectiveness of an Energy Efficiency ProgramPrograms.

3.4.2 An Energy Efficiency Plan shall include and present information regarding Energy Efficiency Program cost-effectiveness consistent with the format approved by the Department in Energy Efficiency Guidelines, D.P.U. 08-50-B, as may be revised from time to time.

3.4.3 The Department will rely on the Total Resource Cost Test to determine cost-effectiveness. The Total Resource Cost Test includes all benefits and costs associated with the energy system, as well as all benefits and costs associated with Program Participants.

3.4.3.1 A Program Administrator shall perform cost-effectiveness screening on a sector level, as well as an Energy Efficiency Program and Core Initiative-specific basis, except for Hard-To-Measure Energy Efficiency Programs discussed in § 3.4.3.2. An Energy Efficiency ProgramPlan shall be deemed cost-effective if the cumulative present value of itseach sectors benefits, defined in § 3.4.4, below, are equal to or greater than the cumulative present value of itseach sectors costs, defined in § 3.4.5, below. An Energy Efficiency Program and Core Initiative should be projected to be cost-effective over the term.

3.4.3.2 Hard-to-Measure Energy Efficiency Programs. A Program Administrator shall allocate the benefits and costs of Hard-to-Measure Energy Efficiency Programs to the program's customer sector. If such inclusion causes the sector's benefit-cost ratio to fall below one, then that Hard-To-Measure Energy Efficiency Program shall be deemed to be not cost-effective. An Energy Efficiency Plan shall include the following information regarding a Hard-to-Measure Energy Efficiency Program: (a) the best estimates available regarding the Hard-To-Measure Energy Efficiency Program's savings, costs and benefits; (b) detailed descriptions of the purpose, scope and design of the Hard-To-Measure Energy Efficiency Program; (c) supporting documentation for why the program is qualified to be treated as Hard-to-Measure Energy Efficiency Program; and (d) any recommendations made by the Council regarding the

Hard-To-Measure Energy Efficiency Program.the Hard-To-Measure Energy Efficiency Program's core initiatives shall be revised or removed.

3.4.3.3 3.4.3.3 An Energy Efficiency Plan shall include the following information regarding Hard-to-Measure Energy Efficiency Core Initiatives: (a) detailed descriptions of the purpose, scope and design of the Hard-To-Measure Energy Efficiency Core Initiative; (b) supporting documentation for why the core initiative is qualified to be included as part of the Hard-to-Measure Energy Efficiency Program; (c) any recommendations made by the Council regarding the Hard-To-Measure Energy Efficiency Core Initiative; and (d) how the core initiative will provide benefits to Massachusetts ratepayers.

3.4.3.4 An Energy Efficiency Plan shall include sufficient information to allow a determination of the cost-effectiveness on an energy efficiency measure-specific basis.

3.4.4 Energy Efficiency Program Benefits. An electric Energy Efficiency benefits include commodity-related avoided cost factors, which shall be uniform for all Program Administrators, where applicable. Transmission, distribution and other Program Administrator shall calculate Energy Efficiency Program benefits in accordance with § 3.4.4.1, below. A gas factors that are territory-specific should be used as appropriate, and each Program Administrator shall calculate provide a detailed description and supporting documentation of the method used to calculate any non-uniform factor.

Energy Efficiency Program benefits in accordance with § 3.4.4.2, below.benefits shall be calculated by taking the product of the associated energy savings, the associated time period and the avoided cost factor for the following benefit categories:

3.4.4.1 Electric Energy Efficiency Program Benefits. An electric Energy Efficiency Program's benefits shall be comprised of electric benefits and non-electric benefits.

(a) Electric benefitsElectric benefits, which shall be comprised of the following:

(i) Avoided capacity benefits, consisting of avoided: (A) summer period; and (B) winter period capacity benefits. For each time period, the avoided capacity benefit shall be calculated as the product of: (A) the capacity savings in that period; and (B) the period's avoided capacity cost factor. The avoided capacity cost factors shall be uniform for all electric Program Administrators and shall be updated every two years or as necessitated by changing market conditions, as approved by the Department.

(i) Avoided avoided capacity costs, consisting of avoided: (A) summer generation; (B) winter generation; (C) transmission; and (D) distribution;

(ii) avoided electric energy benefitscosts, consisting of avoided: (A) summer-period peak; (B) summer-period off-peak; (C) winter-period peak; and (D) winter-period off-peak energy benefits. For each time period, the avoided energy benefit shall be

calculated as the product of: (A) the energy savings in that time period; and (B) the period's avoided energy cost factor. The avoided energy cost factors shall be uniform for all electric Program Administrators and shall be updated every two years or as necessitated by changing market conditions, as approved by the Department. costs;

(iii) Avoided transmission benefits, calculated as the product of: (A) an Energy Efficiency Program's capacity savings; and (B) an avoided transmission cost factor. The avoided transmission cost factor shall be based on the transmission costs specific to each electric Distribution Company. An Energy Efficiency Plan shall include a detailed description and supporting documentation of the method used to calculate the avoided transmission cost factor.

(iv) Avoided distribution benefits, calculated as the product of: (A) an Energy Efficiency Program's capacity savings; and (B) an avoided distribution cost factor. The avoided distribution cost factor shall be based on the distribution costs specific to each electric Distribution Company. An Energy Efficiency Plan shall include a full description of the method used to calculate the avoided distribution cost factor.

(v)(iii) The the avoided capacity, energy, transmission and distribution cost factors shall include related environmental compliance costs that are reasonably projected to be incurred in the future because of state or federal laws, rules and/or regulatory requirements that are currently in effect, or are projected to take effect in the future.; and

(iv)Capacity electric DRIPE benefits, calculated as the productconsisting of avoided: (A) an Energy Efficiency Program's electric capacity savings; (B) electric energy; and (B) a capacity DRIPE factor. C) electric cross-fuel generation costs. The capacity DRIPE factor shall be uniform for all Program Administrators.

(b) Natural gas benefits, which shall be comprised of the following:

(i) avoided gas supply costs;

(ii) avoided gas distribution costs;

(iii) the avoided gas supply and distribution cost factors shall include related environmental compliance costs that are reasonably projected to be incurred in the future because of state or federal laws, rules and/or regulatory requirements that are currently in effect, or are projected to take effect in the future; and

(i)(iv) natural gas DRIPE benefits, consisting of avoided: (A) natural gas energy; and (B) natural gas cross-fuel electric generation costs. The DRIPE factor shall be uniform for all electric Program Administrators, shall include only those capacity DRIPE benefits that accrue to customers in Massachusetts, and shall be updated every

two years or as necessitated by changing market conditions, as approved by the DepartmentProgram Administrators.

(vi) Energy DRIPE benefits, calculated as the product of: (A) an Energy Efficiency Program's energy savings; and (B) an energy DRIPE factor. The energy DRIPE factor shall be uniform for all electric Program Administrators, shall include only those energy DRIPE benefits that accrue to customers in Massachusetts, and shall be updated every two years or as necessitated by changing market conditions, as approved by the Department.

(vii) Reductions in all costs to the electric Distribution Company associated with reduced customer arrearages and reduced service terminations and reconnections.

Non-electric benefits shall

(b) Deliverable fuel benefits, which account for those benefits that are specific to Program Participants and shall be comprised of the following:

(c) Resource benefits, which account for the avoided costs of natural gas, oil, propane, wood, kerosene, water, andfuels other resourcesthan natural gas for which consumption is reduced as a result of the implementation of an Energy Efficiency Program. Resource benefits shall be calculated as the product of: (A) the reduction in consumption of the identified resource and (B) the avoided cost factor for each resource. Plan.

(d) Non-resource benefitsOther resource benefits, which include but are not limited to: (i) water; (ii) sewage; and (iii) disposal, where consumption is reduced as a result of the implementation of an Energy Efficiency Plan.

(d)(e) Non-energy impacts, which include, but are not limited to: (Ai) reduced costs for operation and maintenance associated with efficient equipment or practices; (Bii) the value of longer equipment replacement cycles and/or productivity improvements associated with efficient equipment; (Ciii) reduced environmental and safety costs, such as those for changes in a waste stream(iv) the value of owned or disposal of lamp ballastsleased property resulting from efficient equipment or ozone-depleting chemicalspractices; (v) reduced health costs; and (Dvi) all benefits associated with providing energy efficiency services to Low-Income Customers. Non-energy impacts shall be calculated based on benefits that accrue to program participants.

(e) For each identified non-electric benefit, an Energy Efficiency Plan shall: (i) identify the non-electric benefit; (ii) provide a complete description of the calculation used to determine the benefit amount; and (iii) provide all supporting documentation.

3.4.4.2 Gas Energy Efficiency Program Benefits. A gas Energy Efficiency Program's benefits shall be comprised of gas benefits and non-gas benefits.

(a) Gas benefits shall be comprised of the following:

(f) Avoided gas supply benefits, calculated as the product of: (A) an Energy Efficiency Program's gas commodity savings; and (B) an avoided gas supply cost factor, as appropriate. Reductions in all costs to the Distribution Company associated with reduced customer arrearages and reduced service terminations and reconnections.

(ii) The avoided gas supply cost factor shall be based on the gas supply costs specific to each gas Distribution Company.

(iii)Avoided distribution benefits, calculated as the product of: (A) an Energy Efficiency Program's gas commodity savings; and (B) an avoided distribution cost factor. The avoided distribution cost factor shall be based on the distribution costs specific to each gas Distribution Company.

(f)(g) The avoided gas and distributiondeliverable fuel and other resource benefit cost factors shall include distribution related environmental compliance costs that are reasonably projected to be incurred in the future because of state or federal laws, rules and/or regulatory requirements that are currently in effect, or are projected to take effect in the future.

(iv)Reductions in all costs to the gas Distribution Company associated with reduced customer arrearages and reduced service terminations and reconnections.

(b) Non-gas benefits shall account for those benefits that are specific to Program Participants, and shall be comprised of the following:

(i) Resource benefits, which account for the avoided costs of electric, oil, water, sewage disposal, and other resources for which consumption is reduced as a result of the implementation of an Energy Efficiency Program. Resource benefits shall be calculated as the product of: (A) the reduction in consumption of the identified resource; and (B) the avoided cost factor for each resource.

(ii) Non-resource benefits, which include, but are not limited to: (A) reduced costs for operation and maintenance associated with efficient equipment or practices; (B) the value of longer equipment replacement cycles and/or productivity improvements associated with efficient equipment; (C) reduced environmental and safety costs, such as those for changes in a waste stream or disposal of lamp ballasts or ozone-depleting chemicals; and (D) all benefits associated with providing energy efficiency services to Low-Income Customers.

(c) For each identified non-gas benefit, an Energy Efficiency Plan shall: (i) identify the non-electric benefit; (ii) provide a complete description of the calculation used to determine the benefit amount; and (iii) provide all supporting documentation.

3.4.4.3 For each Energy Efficiency Program, if any one of a Program Administrator's proposed benefit categories, as expressed as a percentage of total benefits, differs by more than 20 percent

from the statewide percentage of total benefits for that benefit category, the Program Administrator shall provide a detailed description and supporting documentation regarding the difference. If this information is not available at the time of the filing of the Energy Efficiency Plan, the Program Administrator shall state when such information will be available for filing.

3.4.5 Energy Efficiency Program Costs. A Program Administrator shall categorize program costs as program implementation costs, performance incentives, or Program Participant costs.

3.4.5.1 Program implementation costs shall include costs as described in § 3.3.3, above.

3.4.5.2 Performance incentives shall include costs as described in § 3.3.4, above.

3.4.5.3 Program Participant costs shall include all expenses incurred by a Program Participant as a result of its participation in an Energy Efficiency Program, including, but not limited to: (a) the net cost of energy efficient equipment; (b) the cost to plan for and install energy efficient equipment; and (c) the cost of energy efficiency services, such as energy audits or inspections for proper equipment functioning.

3.4.6 Discount Rate. Benefits and costs that are projected to occur over the term of each Energy Efficiency Program shall be stated in present value terms, using a discount rate that is equal to a twelve-month average of the historic yields from the ten-year United States Treasury note, using the previous calendar year to determine the twelve-month average.

3.4.7 All Available Energy Efficiency. An Energy Efficiency Plan shall include an assessment of all available energy efficiency and demand reduction resources that are cost-effective. A Program Administrator shall seek to implement all available cost-effective energy efficiency and demand reduction resources that are cost-effective. , while balancing the impact to customer bills. A Program Administrator shall demonstrate that its Energy Efficiency Plan addresses the following: (a) establishes a sustainable effort in its continued delivery of energy efficiency, (b) considers new technologies and enhancements, (c) includes the results of avoided costs, potential studies, and evaluation, measurement, and verification ("EM&V") studies, and (d) seeks to design programs to address identified barriers.

3.4.7.1 An Energy Efficiency Plan shall include a service territory-specific assessment of potential available energy efficiency and demand reduction resources that are cost-effective.

3.4.7.2 An Energy Efficiency Plan shall include energy savings and demand savings goals, as well as a net lifetime all fuel savings metric, for each Energy Efficiency Program and Core Initiative. Energy savings goals should include electric savings (MWh), electric demand savings (MW), gas savings (therms), and delivered fuel savings. The net lifetime all fuel savings metric shall be determined by converting all fuel savings to MMBtu. The conversion factor must take into account, when converting electric savings, the embedded energy with heat values from a mix of fuels that generate the electricity.

3.4.8 If an Energy Efficiency Plan does not achieve all available cost-effective energy efficiency, the Program Administrator shall provide a detailed ~~explanation~~analysis of why it is not able to achieve this goal.

3.5 Evaluation Plans

3.5.1 Purpose. This section of the Guidelines sets forth the information that a Program Administrator shall include in its Energy Efficiency Plan regarding ~~its plans to evaluate~~the evaluation of its Energy Efficiency Programs over the term of the Energy Efficiency Plan.

3.5.2 Each three-year Energy Efficiency Plan shall include ~~an~~a strategic evaluation plan describing how the Program Administrator will evaluate the Energy Efficiency Programs during the course of its Energy Efficiency Plan. The evaluation plan should include at least the following information: (a) ~~how the~~ evaluation ~~plan is consistent with~~research areas descriptions; (b) available budget, how the budget was developed and support for requested budget; (c) expected Program Administrator staffing and details on anticipated external vendor teams covering research areas; (d) research completed during the previous three-year term; (e) any ~~statewide~~developed work plans for future research; (f) short and long term priorities for evaluation ~~plans; (b) how the activities of the evaluation plan will be coordinated with the activities of other Program Administrators; (c) how the electric and gas evaluation efforts have been integrated; and (d~~; and (g) how the Program Administrator incorporated directives or resolutions from the Council ~~in forming~~into its evaluation plans. ~~A Program Administrator should fully document and justify all areas where its evaluation plan deviates from either (a) any statewide evaluation plan, or (b) any directives or resolutions from the Council. If this information is not available at the time of the filing of the Energy Efficiency Plan, the Program Administrator shall state when such information will be available for filing.~~

3.5.2.1 In the development of a strategic evaluation plan, a Program Administrator shall demonstrate: (a) an approach to verify cost effective savings opportunities; (b) evidence that it has considered previous evaluation research to avoid duplicative efforts; (c) efforts to minimize uncertainty of savings estimates; and (d) the relevance or usefulness of the proposed research to the future of energy efficiency.

3.5.2.1.1 As referenced in 3.5.2(e), a Program Administrator shall submit the following information for any proposed evaluation work plans for future research:

(a) name of work plan;
(b) research area;
(c) type of work plan;
(d) applicable fuel the work plan applies to;
(e) overall goals of work plan;

(f) a description of the research questions to be studied;
(g) a description of approach or methodology; and
(h) proposed budget of the study.

3-.5.3 A Program Administrator shall providesubmit the following information for eachcompleted evaluation studystudies that it plansare being applied to participate in over the term of the Energy Efficiency Programs:

(a) name of study;
(b) whether the Program Administrator plans to undertake the study by itself or with other Program Administrators;research area;
(c) type of study;
applicable fuel
(b)(d) name of entity conducting the study applies to;
(a) if a third party is conducting the study, the method by which the Program Administrator selected the third party;
(b) Energy Efficiency Program(s) (and energy efficiency measures, as appropriate) that are the subject of, or will be affected by, the study;
(c) type of study (e.g., impact or process evaluation), and the reason the Program Administrator chose to participate in the study;
(d) description of evaluation method(s) (e.g., site-specific measurement analysis, billing analysis, survey-based evaluation);
(e) overall goals of study;
(f) a description of results;
(c)(g) how the results of the study will be used to revise the applicable Energy Efficiency Program;; and
(e) projected start and completion dates; and
(f) the role of the study in the Program Administrator's overall evaluation plan.

(h) a description of approach or methodology.

3.6 Performance Incentives

3.6.1 Purpose. This section of the Guidelines sets forth the principles by which Program Administrators shall design, and the Department will review, a performance incentive mechanism.

3.6.2 Guiding Principles. A performance incentive mechanism shall be:

(a) • designed to encourage Distribution Companies to pursue all available cost-effective energy efficiency;

(b) designed in such a way as to encourage Energy Efficiency Program designs that will best achieve the Commonwealth's energy goals, particularly with regard to the goals stated in Chapter 169 orof the Acts of 2008;

(c) based on clearly- defined goals and activities that can be sufficiently monitored, quantified and verified after the fact;

(d) available only for activities where the Distribution Company plays a distinct and clear role in bringing about the desired outcome;

(e) as consistent as possible across all electric and gas Distribution Companies, with clear justification for any deviations across Distribution Companies; and

(f) created in such a way to avoid any perverse incentives.

3.6.3 The amount of funds available for a performance incentive mechanism should be kept as low as possible, in consideration of the other principles contained herein, in order to minimize the costs to electric and gas customers.

3.6.4 For each Program Administrator, performance incentive payments shall be calculated based on performance over the term of its Energy Efficiency Plan, rather than performance in each year of the Plan.

3.6.4.1 Each Program Administrators shall be allowed to collect design performance incentive payments during the term of its Plan, based on projected performance during the term, as approved by the Department.

3.6.4.2 Each Program Administrator shall reconcile actual and design performance incentive payments at the end of each term, on a schedule established by the Department.

3.6.5 Any proposed modifications to a previously approved performance incentive mechanism shall include sufficient justification demonstrating how the proposed modifications will improve upon the performance incentive mechanism with consideration for each of the design principles listed above.

3.6.6 Penalty Provision. In reviewing a Distribution Company's Energy Efficiency AnnualTerm Report, the Department will consider whether the Distribution Company has reasonably complied with its Three-Year Energy Efficiency Plan and whether it is appropriate to impose a penalty pursuant to G.L. c. 25, § 21(e).

3.7 Department Review of Energy Efficiency Plans

3.7.1 The Department will review an Energy Efficiency Plan consistent with the procedures and timeline set forth below, subject to modification by the Department, as necessary, in a particular proceeding.

3.7.2 Procedures

(a) Procedural Tracks~~:~~

(i) ~~Council~~General Track Participants

A Council participant and a party whose interests are represented on the Council, pursuant to G.L. c. 25, § 22(a), is presumed to be familiar with the content of an Energy Efficiency Plan and the issues that it may likely seek to address during the course of the adjudicatory process and will be treated as putative intervenors in such proceeding until the Department has issued rulings on intervention. A party who was previously granted intervention as a full party or limited participant status will be considered a General Track participant for future Three Year Plan proceedings.

(ii) ~~Non-Council~~Alternate Track Participants~~/Parties~~

If there are any persons who petition to intervene in a proceeding and who are found, pursuant to G.L. c. 30A, § 10, by the Department to be substantially and specifically affected by these proceedings but who otherwise did not participate in or whose interests were not adequately represented in the Council process, and have not previously participated in a Three-Year Plan proceeding before the Department as a full party or limited participant, a reasonable opportunity will be provided for such parties to formulate their respective positions on an Energy Efficiency Plan in the context of the 90-day period of time provided by G.L. c. 25, § 21(d)(2) to review an Energy Efficiency Plan.

(b) Pre-Hearing Statements

Each party will be required to: (1) file a pre-hearing statement pursuant to the schedule established for a proceeding, and (2) timely update its pre-hearing statement as warranted. To the extent that the information required in a pre-hearing statement is set forth in a Program Administrator's Energy Efficiency Plan, a Program Administrator's reference to the provision in its Energy Efficiency Plan containing that information will satisfy the pre-hearing statement in that regard. Each pre-hearing statement shall set forth the following information:

i. the name of all witnesses who may be called to testify by the party, along with the subject matter of each such witness' testimony;
ii. a description of all exhibits that may be used by the party in presenting its case and the witness sponsoring each;
iii. a statement of the party's basic position in the proceeding;

iv. a statement of each question of fact, question of law, and policy question that the party considers at issue, along with the party's position on each issue, and, where applicable, the names of the party's witness(es) who will address each issue;
v. a statement of issues to which the parties have stipulated;
vi. a statement of all pending motions or other matters the party seeks action upon;
vii. a statement identifying the party's pending requests or claims for confidentiality; and
viii. any objections to a witness' qualifications as an expert.

(c) Technical Session

The Department may conduct a joint technical session after the filing of the Energy Efficiency Plans. The focus of the technical session will be to reduce the need for non-substantive discovery requests.

(d) Joint Hearing for Common Issues

The Department may conduct joint evidentiary hearings on issues common to some or all of the individual Energy Efficiency Plans.

3.7.3 Model Procedural Schedule

The model procedural schedule is intended to guide the expectations of the parties as to the general schedule that will be observed in a proceeding to review an Energy Efficiency Plan. An actual procedural schedule will be established for the review of each Program Administrator's filing and may depart from the model.

Event	Date
Energy Efficiency Plan filed	On or before October 31 (F)
~~Council~~General Track: intervention petition; discovery commences	F+1 business day (all references in this table are to business days)
Notice and Order of Notice issues	F+1
~~Council~~General Track: intervention answer	F+3
~~Council~~General Track: pre-hearing statement	F+5
Notice published	F+6
~~Non-Council~~Alternate Track: intervention petition	F+9
~~Technical session~~	~~F+9~~
~~Council~~General Track: intervenor testimony	F+11
~~Non-Council~~Alternate Track: intervention answer	F+11
~~Non-Council~~Alternate Track: discovery commences	Upon Department ruling on a petition to intervene
~~Non-Council~~Alternate Track: pre-hearing statement; intervenor testimony	F+15

Discovery closes	F+~~16~~18
~~Discovery responses~~	~~F+21~~
Public hearing	F+21
Discovery responses	F+23
Evidentiary hearings	F+~~22~~26 through ~~28~~30
Simultaneous initial brief	10 days after close of evidentiary hearing
Simultaneous reply brief	15 days after close of evidentiary hearing, ~~but not later than F+43~~

3.8 Mid-Term Modifications

3.8.1 A Program Administrator that seeks to make the following significant modifications to its Energy Efficiency Plan shall submit its proposed modifications to the Council for review:

~~(1) the addition of a Hard-to-Measure Energy Efficiency Program;~~

~~(2)~~ the termination of an existing Energy Efficiency ~~Program~~core initiative or Hard-to-Measure Energy Efficiency ~~Program;~~

(a) ~~a change in the three-year term budget of an Energy Efficiency Program~~ core initiative; or ~~Hard-to-Measure Energy Efficiency Program of greater than (1) 20 percent, or (2) a dollar value to be specified by the Department; or~~

(b) a modification to the ~~design~~implementation of ~~an~~one or more Energy Efficiency ~~Program~~core initiatives that is projected to result in a decrease in ~~program~~ the Energy Efficiency Program benefits over the three-year term that is greater than 20 percent.

3.8.1.1 If the Council passes a resolution supporting the proposed modification, the Program Administrator ~~mayimplement~~may implement the modification. Intervenors in the Program Administrator's Energy Efficiency Plan proceeding would then have ~~60~~30 days from the date of the Council resolution to request that the Department open an investigation to review the proposed modification. Any such request must be accompanied by (a) a copy of the Council resolution, and (b) justification, including supporting documentation, showing why the proposed modification should be denied.

3.8.1.2 If the Council passes a resolution opposing the proposed modification, the Program Administrator may not implement the modification. The Program Administrator ~~and intervenors in the Program Administrator's Energy Efficiency Plan proceeding~~ would then have ~~60~~45 days from the date of the Council resolution to request that the Department open an investigation to review the proposed modification. Any such request must be accompanied by (a) a copy of the Council resolution and (b) justification, including supporting testimony and documentation, showing why the proposed modification should be approved.

3.8.2 A Program Administrator that seeks to make the following significant modifications to its Energy Efficiency Plan shall submit its proposed modifications firstat the same time for (a) review by the Council, and then for(b) review and approval by the Department:

(a) the addition of a newan Energy Efficiency Program;Core Initiative or Hard-to-Measure Energy Efficiency Core Initiative or Demonstration Project; or

(1) the transition of a Hard-to-Measure Energy Efficiency Program to an Energy Efficiency Program; or

(b) a change in the three-year term budget of a customer sector that would require a cents per kilowatt-hour (calculated using the method described in § 3.2.1.6) or cents per therm charge for the sector that, if it wereCore Initiative to replace the Department-approved an Energy Efficiency Surcharge for the applicable year, would result in a bill Core Initiative; or

(b)(c) an increase for an average customer in theor decrease to a three-year term sector exceeding twobudget that is greater than 10 percent.

The Program Administrator may not implement the modification pending review and approval by the Department.

3.8.2.1 If the Council passes a resolution opposingopposes the proposed modification, it must submit a resolution to the DPU within 60 days of the filing date. The Program Administrator and intervenors in the Program Administrator's Energy Efficiency Plan proceeding wouldwill then have 60 days from the date of the Council resolution to request that the Department open an investigation30 days to review the proposed modification. Any such request must be accompanied by (a) a copy of the Council resolution and (b)submit further justification, including supporting testimony and documentation, showing why the proposed modification should be approved.

3.8.3 If the Council fails to act on a proposed modification within 45 days of filing, the Program Administrator and intervenors in the Program Administrator's Energy Efficiency Plan proceeding would have 60 days to request that the Department open an investigation to review the proposed modification. Any such request must be accompanied by justification, including supporting testimony and documentation, showing why the proposed modification should be approved.

3.9 Demonstration Projects

3.9.1 A Program Administrator may propose a Demonstration Project for Department approval as part of a three-year plan or a mid-term modification. In reviewing a Demonstration Project, the Department considers the:

(a) reasonableness of the size, scope, and scale of the proposed project in relation to the likely benefits to be achieved;

(b) adequacy of the evaluation plan;

(c) extent to which there is appropriate coordination among Program Administrators; and

(d) bill impacts to customers.

3.9.1.1 Demonstration Projects are Hard-To-Measure offerings initially but are anticipated to have measurable savings and benefits. The expectation of measurable savings and benefits does not mean that a Demonstration Project is required to be cost-effective at the initial testing and evaluation stage. Like a hard-to-measure program, the addition of a Demonstration Project must not result in a sector's benefit-cost ratio falling below one.

3.9.1.2 In absence of cost-effectiveness screening, detailed program descriptions and appropriate analysis must support the potential of the Demonstration Project to deliver net benefits in the future.

3.9.2 A Program Administrator must submit a final process evaluation report at the conclusion of the Demonstration Project, including feedback from participants as well as a detailed analysis of the actual costs and benefits of the Demonstration Project, and the projected costs and benefits were the project to be delivered as a program at scale. In subsequent annual or term reports, the Program Administrator shall include annual progress reports covering the final process evaluation report topics, as well as setting forth quantified benefit calculations, including deferred or avoided transmission and distribution capital costs and other distribution benefits; associated savings; and design details.

3.9.3 If a Program Administrator seeks to discontinue a Demonstration Project, it must notify the Council and the Department.

3.9.3.1 Minor modifications to Demonstration Project design will not require Department approval provided such changes do not increase the approved project budget. Minor reallocation of approved budget amounts is permissible without prior Department approval, but the total approved Demonstration Project budget within a sector cannot be exceeded nor can budget amounts be allocated between sectors.

3.9.3.2 Any unspent Demonstration Project funds must be returned to customers through the Energy Efficiency Surcharge. The budgetary flexibility allowed in § 3.8.1 and § 3.8.2 for Energy Efficiency Projects does not apply to Demonstration Projects.

Section 4: Energy Efficiency Annual Performance Reports and Energy Efficiency Three-Year Term Performance Reports

4.1 Upon completion of each three-year term, on a schedule set by the DepartmentAugust 1, each Program Administrator shall submit an Energy Efficiency Three-Year Term Performance Report that details its performance during the the applicable term. The Three-Year Term Report shall include information in a format specified by the Department in D.P.U. 11-120-B.

4.1.1 The Department will review the Energy Efficiency Three-Year Term Performance Report to determine whether the Program Administrator (a) reported its program savings, benefits, and costs accurately and reliably, and (b) implemented its Energy Efficiency Plan during the term in a manner that is consistent with its Department-approved Energy Efficiency Plan.

4.1.2 Pursuant to the results of our investigation of the Energy Efficiency Three-Year Term Performance Report, the Department will approve final recovery of (a) actual costs incurred during the term, (b) actual performance incentive payments earned during the term, and (c) actual lost base revenue during the term, where applicable.

4.2 Upon completion of each year of the three-year term, on a schedule set by the DepartmentJune 1, each Program Administrator shall submit an Energy Efficiency Annual Performance Report that details its performance during the applicable year. The Annual Report shall include information in a format as specified by the Department. Each Program Administrator shall provide a copy of its Annual Report to the Council.

4.3 The Department may investigate a Program Administrator's performance at any time during a three-year term on its motion, or ifat the request of the Council passes a resolution requesting that the Department do so.

Section 5: Exceptions

These Guidelines set forth (a) the filing requirements applicable to Program Administrators, and (b) the standards by which the Department will review Energy Efficiency Plans and Energy Efficiency Reports. A Program Administrator that seeks an exception to any provision included herein shall have the burden to demonstrate the compelling nature of such request.