



# The Commonwealth of Massachusetts

---

## DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 08-50-C

May 5, 2011

Investigation by the Department of Public Utilities on its own Motion into Updating its Energy Efficiency Guidelines Consistent with An Act Relative to Green Communities.

---

### ORDER ADOPTING ENERGY EFFICIENCY ANNUAL REPORT TEMPLATE

TABLE OF CONTENTS

- I. INTRODUCTION ..... 1
- II. ENERGY EFFICIENCY ANNUAL REPORT ..... 4
  - A. Introduction ..... 4
  - B. Description of Proposed Annual Report Template ..... 5
  - C. Summary of Comments ..... 5
    - 1. Attorney General..... 5
    - 2. Environment Northeast ..... 8
    - 3. Department of Energy Resources ..... 9
    - 4. Department of Environmental Protection..... 11
    - 5. Program Administrators ..... 12
  - D. Analysis and Findings ..... 12
    - 1. Introduction ..... 12
    - 2. Funding Information ..... 13
    - 3. Lost Base Revenue Information ..... 14
    - 4. Emissions Reduction Data..... 15
    - 5. Forward-Looking Information ..... 16
    - 6. Additional Preliminary Year-End Information..... 17
    - 7. Statewide Summaries ..... 19
    - 8. Other Issues ..... 20
    - 9. Conclusion ..... 21
- III. ORDER..... 22

## I. INTRODUCTION

An Act Relative to Green Communities, Acts of 2008, chapter 169 (“Green Communities Act” or “Act”) mandates significant changes to the energy efficiency programs developed and administered by the Commonwealth’s Program Administrators.<sup>1</sup> Specifically, Program Administrators are required to develop energy efficiency plans that will “provide for the acquisition of all available energy efficiency and demand reduction resources that are cost effective or less expensive than supply.” G.L. c. 25, § 21(b)(1). To accomplish this goal, the Act directs Program Administrators to develop three-year, statewide energy efficiency plans (“Three-Year Plans”), specifies the components of the energy efficiency plans, establishes an Energy Efficiency Advisory Council (“Council”), and creates a new stakeholder and regulatory review process for the Three-Year Plans. G.L. c. 25, §§ 21, 22.

Given the Green Communities Act’s significant changes related to the delivery of energy efficiency in the Commonwealth, the Department of Public Utilities (“Department”) determined that it would be appropriate to open an investigation to update the energy efficiency guidelines (“98-100 Guidelines”) that were established in Investigation to Establish Methods and Procedures to Evaluate and Approve Energy Efficiency Programs, D.T.E. 98-100 (2000). Accordingly, on August 22, 2008, the Department issued its vote and Order opening Investigation by the Department of Public Utilities on its own Motion into Updating its Energy Efficiency Guidelines Consistent with An Act Relative to Green Communities,

---

<sup>1</sup> Program Administrators are those entities that administer energy efficiency programs in Massachusetts (i.e., the gas and electric distribution companies and the Cape Light Compact).

D.P.U. 08-50 (2008). This on-going investigation is intended to review the existing standards for energy efficiency cost-effectiveness, shareholder performance incentives, Department review of energy efficiency plans, and Department review of Program Administrators' energy efficiency annual reports ("Annual Report"). D.P.U. 08-50, at 3.

The Department -- through comment, technical sessions, and working groups -- has engaged interested stakeholders<sup>2</sup> in examining the various topics identified in the notice of investigation. On March 16, 2009, the Department issued D.P.U. 08-50-A, which addressed: (1) the criteria for determining energy efficiency program cost-effectiveness; (2) shareholder performance incentive and penalty mechanisms; and (3) Department review of rate and average bill impact analyses. On October 26, 2009, the Department issued D.P.U. 08-50-B, which addressed: (1) the Three-Year Plans template; (2) rate and average bill impact calculation and presentation; and (3) model procedural schedule and procedures for the review of the Three-Year Plans. Also, in D.P.U. 08-50-B, the Department issued its revised energy

---

<sup>2</sup> The following entities have participated in the D.P.U. 08-50 stakeholder process: the Attorney General of the Commonwealth of Massachusetts; the Massachusetts Department of Energy Resources; Boston Gas Company and Colonial Gas Company d/b/a National Grid; NSTAR Gas and Electric Company; Fitchburg Gas and Electric Light Company d/b/a Unitil; New England Gas Company; Bay State Gas Company d/b/a Columbia Gas of Massachusetts; The Berkshire Gas Company; Cape Light Compact; Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid; Western Massachusetts Electric Company; Low-Income Weatherization and Fuel Assistance Network; Massachusetts Energy Directors Association; Low-Income Energy Affordability Network; Environment Northeast; Conservation Law Foundation; Associated Industries of Massachusetts; Greater Boston Real Estate Board; Massachusetts Chapter of the National Association of Industrial and Office Properties; the Energy Consortium; Comverge; Northeast Energy Efficiency Partnership, Inc.; Wal-Mart Stores East, L.P.; Community Labor United; and the Program to Advance Use of Sustainable Energy at the University of Massachusetts-Boston.

efficiency guidelines (“08-50 Guidelines”). Finally, in D.P.U. 08-50-B, the Department convened a working group to address issues associated with Program Administrators’ Annual Reports. See D.P.U. 08-50-B at 3.

At the Annual Report working group’s first meeting, held on June 7, 2010, the participants agreed to form a subcommittee<sup>3</sup> and charged it with developing an Annual Report template. Working with a draft Annual Report template prepared by the Department, the subcommittee members engaged in an iterative review process that involved both meetings and written comments from participants. Based on the work of the subcommittee, the Department drafted a proposed Annual Report template and, on March 10, 2011, circulated it to the D.P.U. 08-50 service list for comment.<sup>4</sup> On March 24, 2011, the Department received written comments from the Attorney General of the Commonwealth of Massachusetts (“Attorney General”), the Massachusetts Department of Energy Resources (“DOER”), Environment Northeast (“ENE”), the Massachusetts Department of Environmental Protection (“DEP”), and the Program Administrators.<sup>5</sup>

---

<sup>3</sup> The subcommittee included representatives from the Program Administrators, the Attorney General of the Commonwealth of Massachusetts, the Massachusetts Department of Energy Resources, the consulting team to the Energy Efficiency Advisory Council, and Community Labor United.

<sup>4</sup> The proposed draft is described in Section II.B, below.

<sup>5</sup> The following Program Administrators submitted joint comments: Bay State Gas Company d/b/a Columbia Gas of Massachusetts; the Berkshire Gas Company; Cape Light Compact; Fitchburg Gas and Electric Light Company d/b/a Unitil; Massachusetts Electric Company, Nantucket Electric Company, Colonial Gas Company and Boston Gas Company d/b/a National Grid; New England Gas Company; NSTAR Electric Company; NSTAR Gas Company; and Western Massachusetts Electric Company.

After consideration of the comments received, the Department adopts in this Order an Annual Report template to be used by Program Administrators in preparing their respective Annual Reports.

## II. ENERGY EFFICIENCY ANNUAL REPORT

### A. Introduction

Under § 4 of the 98-100 Guidelines the Department employed a pre- and post-deployment cost-effectiveness evaluation of energy efficiency programs. Before deployment, a Program Administrator would file with the Department an energy efficiency plan that supports a determination of a program's cost-effectiveness. 98-100 Guidelines § 4.2.1. Following deployment, a Program Administrator would file an Annual Report that provides an analysis of the costs incurred and the savings achieved by each program. 98-100 Guidelines § 4.2.2.

Similarly, under the Green Communities Act, an energy efficiency program must be screened for cost-effectiveness before its deployment and, once deployed, the Department and the Council must periodically monitor it for continued cost-effectiveness. G.L. c. 25, § 21(b)(3). A program that fails a subsequent cost-effectiveness evaluation must either be modified to meet the cost-effectiveness test or be terminated. G.L. c. 25, § 21(b)(3). To fulfill this oversight requirement, the Department proposed to continue to require Program Administrators to file Annual Reports on their energy efficiency activities. See D.P.U. 08-50, at 38.

B. Description of Proposed Annual Report Template

Under the proposed template, an Annual Report would consist of: (1) an introduction; (2) a series of summary and detailed tables that present the substance of the Annual Report; and (3) a series of appendices that provide supporting documents for the material presented in the Annual Report. The proposed tables would present information on the following topic areas: (1) program performance; (2) evaluation, measurement and verification activities (“EM&V”); (3) statutory budget requirements; and (4) performance incentives. The appendices would include: (1) a glossary of defined terms; (2) tables supporting cost-effectiveness; (3) tables and documentation supporting performance incentives; (4) other supporting documentation; (5) information concerning lost base revenue (“LBR”); (6) documents supporting competitive procurement; (7) documents supporting performance metrics; (8) the technical reference manual (“TRM”); (9) program and pilot program EM&V studies; and (10) screening tools.

C. Summary of Comments

1. Attorney General

The Attorney General notes that under the proposed Annual Report template, Program Administrators would present evaluated results for total program costs, performance incentives, total resource costs (“TRC”) benefits and costs, net benefits, and benefit-cost ratios (Attorney General Comments at 1). In addition to these materials, the Attorney General requests that all Program Administrators be required to provide preliminary year-end results for the referenced performance categories and explain changes among planned values,

preliminary year-end results, and evaluated results (Attorney General Comments at 1). The Attorney General asserts that this information is necessary to fully evaluate the programs and their implementation by the Program Administrators (Attorney General Comments at 1-2). Additionally, the Attorney General contends that this information will be a valuable program-planning tool as the Program Administrators continue to offer energy efficiency programs and develop their next Three-Year Plans (Attorney General Comments at 2). Asserting that this information is readily available, the Attorney General argues that its inclusion should not be administratively burdensome and that any potential burden is outweighed by the need to ensure that customers, in funding these programs, are receiving the full value of their investment (Attorney General Comments at 2).

Regarding pilot programs, the Attorney General argues that the Program Administrators should be required to describe: (1) the pilot's goals; (2) the plan for achieving the goals; and (3) how the achievement of those goals was measured (Attorney General Comment at 2). The Attorney General contends that this information will allow for the review of the pilot, its implementation, and its impact on the Three-Year Plans and customers (Attorney General Comments at 2). Additionally, the Attorney General states that this information will allow a Program Administrator to determine the pilot's fate (i.e., whether to discontinue a pilot, to incorporate it into an existing program, or to continue the pilot as a full-fledged program) (Attorney General Comments at 2). If a Program Administrator has determined that a pilot should become a full-fledged program or that portions should be incorporated into existing programs, the Attorney General suggests that limited information

regarding the anticipated timeline and the forum for accomplishing such integration be included in the Annual Report (Attorney General Comments at 2). The Attorney General asserts that such information is important in analyzing whether performance incentive metrics associated with the pilot were achieved (Attorney General Comments at 2).

For internal or external audits conducted regarding a Program Administrator's energy efficiency efforts, the Attorney General requests that the Department require the Program Administrator to provide: (1) the recommendations, if any, included in the final audit; (2) the Program Administrator's process for determining whether to implement or reject a recommendation; (3) what recommendations were implemented and their impact on the energy efficiency programs; and (4) the reasoning for rejecting a recommendation (Attorney General Comments at 3). The Attorney General contends that including such information ensures that the programs have been tailored to include best processes and practices that provide maximum value and benefits to customers (Attorney General Comments at 3).

The Attorney General requests that the Program Administrators include a detailed explanation of any changes between the planned and reported versions of the TRM and the impact of these changes on the relevant energy efficiency program (Attorney General Comments at 3). She argues that the TRM affects all aspects of an energy efficiency plan and that a clear picture of the impact of any TRM changes allows for a more thorough review of the programs (Attorney General Comments at 3).

Finally, the Attorney General observes that the proposed Annual Report template omits several of the D.P.U. 08-50 Three-Year Plans support tables (i.e., those related to funding,

LBR, and energy efficiency reconciliation factor (“EERF”) calculations) and recommends that they be included in the template (Attorney General Comments at 3). The Attorney General argues that these tables are necessary to review the cost-effectiveness of the Three-Year Plans and affect the analysis of whether a Program Administrator has achieved its performance incentives (Attorney General Comments at 3).

## 2. Environment Northeast

ENE requests that the cost-effectiveness support tables found in the proposed Annual Report template appendix, include: (1) a master summary table similar to that which is included in the Three-Year Plans template; and (2) pollution reduction data that relate to evaluated savings (ENE Comments at 1). ENE asserts that the master summary table included in the Three-Year Plans template is valuable because it provides a single reference for many high-level data points (ENE Comments at 2). ENE argues that including a master summary table in the Annual Report template would, similar to the Three-Year Plans template, provide a means to compare planned data with evaluated or actual data, making the Annual Report a more useful resource for the Council, DOER, and other stakeholders (ENE Comments at 1-3).

ENE notes that energy efficiency is expected to play a significant role in achieving the climate emission reduction targets contained in the Commonwealth’s Global Warming Solutions Act<sup>6</sup> (ENE Comments at 3). Accordingly, ENE argues that reporting emissions data in the Annual Reports will help ensure that energy efficiency programs deliver their expected emissions reductions and provide the Department, the Council, and the public with the most

---

<sup>6</sup> Acts of 2008, chapter 298.

accurate and up-to-date emissions data related to energy savings (ENE Comments at 3-4).<sup>7</sup>

Finally, ENE asserts that Department review of the Program Administrators' energy savings data improves its accuracy and, accordingly, argues that emissions numbers that are indexed to energy savings will provide an added degree of accuracy and public confidence (ENE Comments at 4).

### 3. Department of Energy Resources

While DOER acknowledges and defers to the Department's specific regulatory requirements regarding the purpose of Annual Reports, DOER notes that, in the absence of a statewide database regarding the Commonwealth's energy efficiency efforts, the Department should expand the information required to be provided in the proposed Annual Report template (DOER Comments at 2-3). DOER asserts that this repository would serve the needs of DOER, the Massachusetts Executive Office of Energy and Environmental Affairs, other agencies of the Commonwealth, the Council, and the Program Administrators by facilitating rapid access to such data (DOER Comments at 2-3).

DOER also notes that the Department, in its proposed Annual Report template, has omitted certain of the cost-effectiveness support tables that are required by the Three-Year Plans template. DOER maintains that these support tables should be modified and included in the Annual Report template because they serve the needs of DOER and multiple parties (DOER Comments at 3). Specifically, DOER asserts that including statewide summary tables

---

<sup>7</sup> ENE notes that energy efficiency in the Commonwealth is expected to account for 6.7 million metric tons of greenhouse gas reductions in 2010 (ENE Comments at 3, citing, Massachusetts Clean Energy and Climate Plan for 2020, at 18 (2010)).

would enhance its and the Council's ability to efficiently review the performance of the Program Administrators at a statewide and individual Program Administrator level (DOER Comments at 3). DOER also recommends that tables related to energy efficiency funding and the calculation of the EERF be included in the electric Annual Report template because DOER finds these tables valuable (DOER Comments at 4).

In particular, DOER argues that the master summary table is a key source of information about the efficiency programs for itself and the Council (DOER Comments at 4). DOER recommends two versions of the master summary table be required: (1) an annual summary of the report year's planned data, evaluated data, and the variance between planned and evaluated data for each program; and (2) a three-year summary of current best available information for each year of the Program Administrator's Three-Year Plan and for the three years in total, at the sector level (DOER Comments at 4). DOER requests that the three-year table have two sub-tables, one summarizing the planned three-year data and the other summarizing the variance between the planned data and the current best available information (DOER Comments at 4).

In addition, DOER recommends that the master summary table document efficiency program emissions reductions and, further, recommends the creation of a new table documenting emissions reductions by program (DOER Comments at 2, 4-5). According to DOER, DEP uses two different emissions factors -- one that is Massachusetts based and a second that is based on Massachusetts' share of regional data -- and, accordingly, suggests including both factors in the master summary table (DOER Comments at 4). DOER asserts

that the new emissions reductions table should include emissions reductions by fuel type, with subtotals and totals for nitrogen oxides (“NO<sub>x</sub>”), sulfur oxides (“SO<sub>x</sub>”), and greenhouse gases (“GHG”), as well as planned data, evaluated data, and the variance between planned and evaluated data (DOER Comments at 5). DOER contends that this table is needed to support the Commonwealth’s tracking and reporting of emissions reductions for the Clean Energy and Climate Plan (DOER Comments at 5). DOER offers to coordinate with DEP to develop this new table (DOER Comments at 5). Finally, DOER recommends that savings and benefits from gas energy efficiency activities be reported on both a lifetime basis and on an annual basis, as appropriate (DOER Comments at 5).

4. Department of Environmental Protection

DEP states that it has been working with the Program Administrators to estimate avoided GHG, NO<sub>x</sub> and SO<sub>x</sub> emissions associated with the reduced need to combust fuel to generate electricity and has been working to incorporate these estimates into the Program Administrators’ quarterly and annual reports to the Council (DEP Comments at 1). DEP asserts that it would be useful to have this information documented in the Annual Reports to the Department because the initial energy savings estimates reported to the Council in February are likely to be updated by the time the Annual Reports are filed in August and, thus, including estimates of avoided air pollution in the Annual Report would allow the avoided pollution estimates to correlate with the updated energy savings values (DEP Comments at 1).

## 5. Program Administrators

The Program Administrators note that the proposed Annual Report template, in several places, requires information that is forward looking. The Program Administrators argue that forward-looking information is not appropriate in an Annual Report, particularly information related to future evaluation studies, but rather is better suited to a planning docket (Program Administrator Comments at 1, citing, proposed Annual Report template at 12). Additionally, in the limited instances in which certain information required by the proposed Annual Report template may not apply for a given year or to an individual Program Administrator, the Program Administrators suggest that they be permitted to provide the best available information and then work diligently to provide the requested information in the following year (Program Administrator Comments at 2). Finally, the Program Administrators recommend that electric end-use data be presented at a “higher level” and only include evaluated results (Program Administrator Comments, proposed Annual Report template at 5).

### D. Analysis and Findings

#### 1. Introduction

Pursuant to the Green Communities Act, an energy efficiency program must be screened for cost-effectiveness before its deployment and, once deployed, the Department and the Council must periodically monitor it for continued cost-effectiveness. G.L. c. 25, § 21(b)(3). As such, the purpose of the Annual Report template is two-fold. First, the Annual Report template clearly identifies the information that a Program Administrator is required to provide in its Annual Report for the Department and intervenors to fully review the Program

Administrator's performance for the year. Specifically, a Program Administrator must provide detailed information on spending, savings, and benefits for the year as compared to its planned spending, savings, and benefits. This information will then be used to determine program cost-effectiveness and performance incentives for the Program Administrator. Second, the Annual Report template specifies the format for providing the required information.

The Department acknowledges the substantial effort of the working group participants who contributed to the development of the proposed Annual Report template. We note the wide breadth of interests represented by the working group's participants and the general support for the proposed template.

Many of the comments received on the proposed template request that additional information be reported by the Program Administrators in their Annual Reports. While the Department recognizes the importance of reporting detailed information, for reasons of administrative efficiency our goal is to limit the content of the Annual Reports to include only the information that is (1) necessary for the Department to review a Program Administrator's program cost-effectiveness during the program year, or (2) related to the results of the program year, but that is not provided by the Program Administrators elsewhere. Below, the Department addresses the commenters' suggested changes to the proposed Annual Report template.

## 2. Funding Information

The Attorney General and DOER recommend that tables related to funding that are included in the Three-Year Plans template (including the calculation of the EERF for electric

Program Administrators) also be included in the Annual Report template (Attorney General Comments at 3; DOER Comments at 4). The Department notes that funding information is provided by electric Program Administrators in their respective EERF filings and by gas Program Administrators in their respective Local Distribution Adjustment Factor (“LDAF”) filings in which the electric and gas energy efficiency surcharges are reviewed by the Department, respectively. Funding information is not germane to the Department’s review of program cost-effectiveness. Accordingly, the Department will not require the inclusion of funding information in the Annual Report template.

### 3. Lost Base Revenue Information

The Attorney General recommends that the tables related to the calculation of LBR, which are included in the Three-Year Plans template, also be included in the Annual Report template (Attorney General Comments at 3). As with funding information, the Department notes that the requested LBR information will be provided by electric Program Administrators in their EERF filings and by gas Program Administrators in their LDAF filings and is not germane to the Department’s review of program cost-effectiveness. However, LBR information differs from funding information because the savings on which LBR is based will be reviewed by the Department in the Program Administrators’ Annual Reports.

The Department will require all Program Administrators seeking to recover LBR for a program year’s energy efficiency activities to provide in their Annual Reports the savings on which LBR is based. Program Administrators should provide the savings on which LBR is based in a format and method consistent with the specific method approved by the Department

for each gas Program Administrator<sup>8</sup> and consistent with the method to be determined by the Department in the 2010 EERF filings for electric Program Administrators.<sup>9</sup>

#### 4. Emissions Reduction Data

ENE, DEP, and DOER request that emissions reduction data be included in the Annual Report template, similar to the emissions reduction data included in the master summary table of the Three-Year Plans template (DOER Comments at 2-5; ENE Comments at 2-3; DEP Comments at 1-2). Additionally, ENE and DOER recommend that GHG emissions reduction data be calculated and reported using two different emissions factors -- one that is Massachusetts based and the other that is based on Massachusetts' share of regional data (DOER Comments at 4; DEP Comments at 2-3).

While emissions reduction data are not germane to our review of Annual Reports and program cost-effectiveness, we observe that, similar to the calculation of benefits, emissions reduction data are directly calculated from evaluated energy savings, and emissions reduction data from energy savings related to energy efficiency programs are not reported by the Program Administrators elsewhere. To facilitate the tracking and reporting of emissions reductions associated with the Program Administrators' energy efficiency programs, the Department concludes that it is appropriate for the Program Administrators to report emissions

---

<sup>8</sup> See, e.g., Colonial Gas Company, D.T.E. 97-112, at 33 (1999).

<sup>9</sup> See NSTAR Electric Company, D.P.U. 10-06; Western Massachusetts Electric Company, D.P.U. 10-07; Fitchburg Gas and Electric Light Company d/b/a Unitil, D.P.U. 10-08; Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid, D.P.U. 10-09.

reduction data related to evaluated energy savings from energy efficiency programs in their Annual Reports, for informational purposes only. To incorporate emissions reduction data, the Annual Report template includes the master summary table from the Three-Years Plan template, modified to include Massachusetts-specific and regional emissions estimates, as recommended by DOER and DEP.

5. Forward-Looking Information

The proposed Annual Report template would require: (1) a discussion of how program and pilot program performance during the program year informs program implementation or modification in upcoming years; and (2) a summary of evaluation studies expected to be included in the following year's Annual Report. The Program Administrators assert that forward-looking information should not be presented in Annual Reports, especially information on future evaluation studies (Program Administrator Comments, Cover Letter at 1). The Program Administrators argue that the Annual Report's purpose is to report and review actual data and that forward-looking information is more appropriately included in planning dockets, such as mid-term modification proceedings (Program Administrator Comments at 1).

The Department finds that certain forward-looking information related to program and pilot program performance is necessary for a full understanding of an Annual Report and program cost-effectiveness in future years. While such forward-looking information could be provided in a mid-term modification filing, our hope is that mid-term modification filings may not be necessary for each year as the Program Administrators become more experienced in

implementing Three-Year Plans. See Cape Light Compact, D.P.U. 10-106, at 7-8 (January 10, 2011).

Regarding future evaluation studies, the Department has stated its expectation that Annual Reports should include a description of evaluation studies that are in progress or will soon be initiated. Electric Three-Year Plans Order, at 132; Gas Three-Year Plans Order, at 122. The Department finds that the forward-looking information included in the proposed Annual Report template appropriately addresses the Department's expectations in this regard. The Department, therefore, will require each Program Administrator to provide a discussion of its expected program, pilot program and evaluation activities based on the Program Administrator's performance presented in its Annual Report.

6. Additional Preliminary Year-End Information

In addition to reporting preliminary year-end results for program savings,<sup>10</sup> the Attorney General requests that the Program Administrators be required to: (1) provide preliminary year-end results for program costs and benefits, and performance incentives; and (2) explain the variances among the planned values, preliminary year-end results, and evaluated results for each of these categories (Attorney General Comments at 1). The

---

<sup>10</sup> At the end of a program year, each Program Administrator estimates its preliminary year-end savings based on its actual performance during the year. See, e.g., NSTAR Electric Company, D.P.U. 08-46, at 2 (2010). Evaluated savings revise preliminary year-end savings to take into account the results of the evaluation studies in which a Program Administrator participated during a program year. See, e.g., D.P.U. 08-46, at 2.

Attorney General argues that this information contributes to a complete analysis of the performance of the programs (Attorney General Comments at 1-2).

The Department requires the Program Administrators to report preliminary year-end values for the savings associated with the implementation of their energy efficiency programs because these values provide useful information that otherwise would not be reported. Specifically, the reporting of preliminary year-end savings values provides the Department and other interested stakeholders an important insight into actual program performance levels as compared to planned performance levels, before the effect of evaluation studies are incorporated into the savings results. The same is not true for the cost and benefit information requested by the Attorney General. The Department reviews after-the-fact program cost-effectiveness based on the evaluated costs and benefits reported by the Program Administrators; whether a program is cost-effective based on preliminary year-end data, before the incorporation of the effect of evaluation studies, is not germane to our review. In addition, because the changes that occur in program benefits between the planned and preliminary year-end stages are strictly the result of the changes in program savings that occur between the two stages,<sup>11</sup> requiring Program Administrators to report preliminary year-end program benefits would provide no new information regarding program performance beyond that provided by the required preliminary year-end savings themselves. Accordingly, the Department will not

---

<sup>11</sup> Program benefits are calculated as the product of (1) program savings, and (2) avoided costs factors, as identified in avoided energy supply cost studies commissioned by the Program Administrators. The avoided costs factors remain constant throughout the planned, preliminary year-end, and evaluated stages of a particular program year.

require the Program Administrators to provide preliminary year-end program cost and benefit information in their Annual Reports.

Similarly, the Department sees little value in requiring the Program Administrators to provide a calculation of what their performance incentives would be based on preliminary year-end savings values. Performance incentives are initially calculated based on planned savings and performance levels, and then reconciled based on evaluated levels of program savings and performance. Preliminary year-end savings play no role in the Program Administrators' calculation of their performance incentives and, therefore, would not contribute to our review of the Annual Reports. Accordingly, the Department will not require the Program Administrators to provide preliminary year-end performance incentive information in their Annual Reports.

#### 7. Statewide Summaries

DOER recommends that the Annual Reports include statewide summary tables, similar to those included in the Three-Year Plans template (DOER Comments at 3). The Green Communities Act requires the preparation of statewide energy efficiency plans which, in turn, requires the presentation of statewide data in the Three-Year Plans. G.L. c. 25, § 21(b)(2). Conversely, when reviewing an Annual Report, the focus is on information that is specific to each Program Administrator because the Department is required to make findings regarding each Program Administrator's performance in implementing its Three-Year Plan.

D.P.U. 08-50, at 38, citing G.L. c. 25, § 22(d). The Department, therefore, will review Annual Reports on a Program Administrator-specific basis and will not require the Program

Administrators to provide statewide data.<sup>12</sup> The Department does, however, encourage the Program Administrators to work collaboratively with stakeholders through the Council process to provide the statewide information necessary for the Council's review of program performance.

#### 8. Other Issues

The Attorney General made a number of reporting recommendations concerning pilot programs, audits, and the TRM (Attorney General Comments at 2-3). We find that such information will assist the Department and interested parties in reviewing the Program Administrator's performance for the year. Accordingly, the Attorney General's reporting recommendations in these areas are incorporated in the Annual Report template.

DOER requests that the master summary table include both annual data and data for the sum of the three-year plan period (DOER Comments at 4-5). The Department finds that data related to the three-year term is not necessary for the Department to review program cost-effectiveness during the program year. Accordingly, we will not require Program Administrators to provide this information in their Annual Reports.

DOER also recommends that the Annual Reports include the Low-Income Budget table that is in the appendix of the Three-Year Plans template (DOER Comments at 4). The Department notes that this table is maintained in the Annual Report template.

---

<sup>12</sup> For activities conducted by all Program Administrators on a statewide basis, such as evaluation studies, Program Administrators should file a common exhibit.

The proposed Annual Report template would require that electric end-use data be provided at the sector level on a preliminary year-end and evaluated basis. The Program Administrators recommend that electric end-use data be presented at a higher level and only include evaluated results (Program Administrator Comments, proposed Annual Report template at 5). The electric Program Administrators have historically provided end-use data on a preliminary year-end and evaluated basis for each sector. See, e.g., NSTAR Electric Company, D.P.U. 09-64 (2010). The Department will continue its practice and require that end-use data be provided by electric Program Administrators in their Annual Reports as it will assist the Department in its review of program cost-effectiveness.

9. Conclusion

We find that the attached Annual Report template addresses, in appropriate scope and depth, the material necessary for the Department to fulfill its obligations under the Green Communities Act, while accommodating limited additional reporting considerations. Accordingly, the Department approves the attached Annual Report template and directs Program Administrators to prepare and file their respective Annual Reports in accordance therewith, and the directives contained in this Order, by August 1<sup>st</sup> of each year.

