

An EM&V Framework for Delaware

Consultants' Initial Plan, for May 2015 Energy
Efficiency Advisory Council Meeting

Presentation Outline – Structure vs. Content

- ▶ Structure covers how evaluation activities occur
 - Roles and Responsibilities
 - Collaborative philosophy
- ▶ Content covers some of the key issues in evaluation
 - Application of savings
 - Cost-effectiveness
 - TRM Updates

A Collaborative EM&V Framework

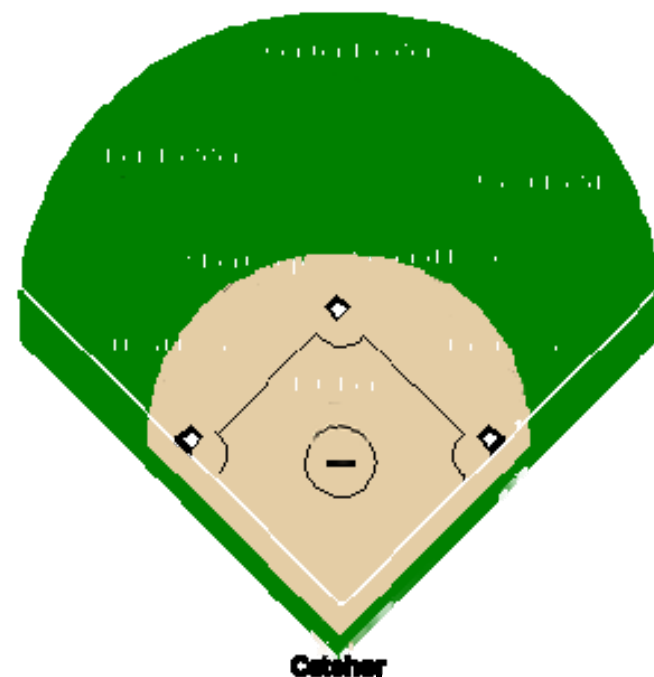
- ▶ More emphasis on flexibility and cost-efficiency
- ▶ Utilize existing best practices, standards, and protocols
- ▶ Result: better outcomes, in less time, for less \$\$
 - Everyone agrees beforehand on methodology, avoids most post-evaluation arguments or need to redo studies
- ▶ Statewide efforts whenever possible
 - More cost-effective
 - Adds explanatory power

EM&V Roster

- ▶ EM&V Collaborative – A group composed of AEP/PA representatives and EEAC's consultants
- ▶ DNREC – State authority on EM&V
- ▶ EEAC Consultants – Team includes experts in program areas and evaluation
- ▶ AEPs/PAs – Any AEP, plus SEU; each will designate a representative for the Collaborative
- ▶ Independent Evaluation Contractor(s) – selected jointly by Collaborative by competitive bid

Positions Played

- ▶ EM&V Collaborative – Issues RFP for IEC(s); establishes multi-year evaluation plan and budget; discusses and approves individual study plans, work products, and reports
- ▶ DNREC – Promulgates regulations; hires and manages EEAC Consultant
- ▶ EEAC Consultants – Reviews and approves selection of IECs; oversees planning of EM&V activities
- ▶ AEPs/PAs – Contracts with IECs; tracks and provides data; identifies EM&V needs
- ▶ Independent Evaluation Contractor(s) – completes all primary EM&V activities



Programs Evaluated Using Ex-Post Verified Net Savings

- ▶ Gross savings determined by best available method (e.g., billing analysis, engineering analysis, TRM deemed savings)
- ▶ Savings as verified, may be adjusted based on primary EM&V but no retrospective changes to deemed savings
Net savings calculated using pre-determined NTG ratios, prospectively
- ▶ Changes to TRM are prospective, covered in annual update

Portfolio Level Cost-effectiveness Using TRC

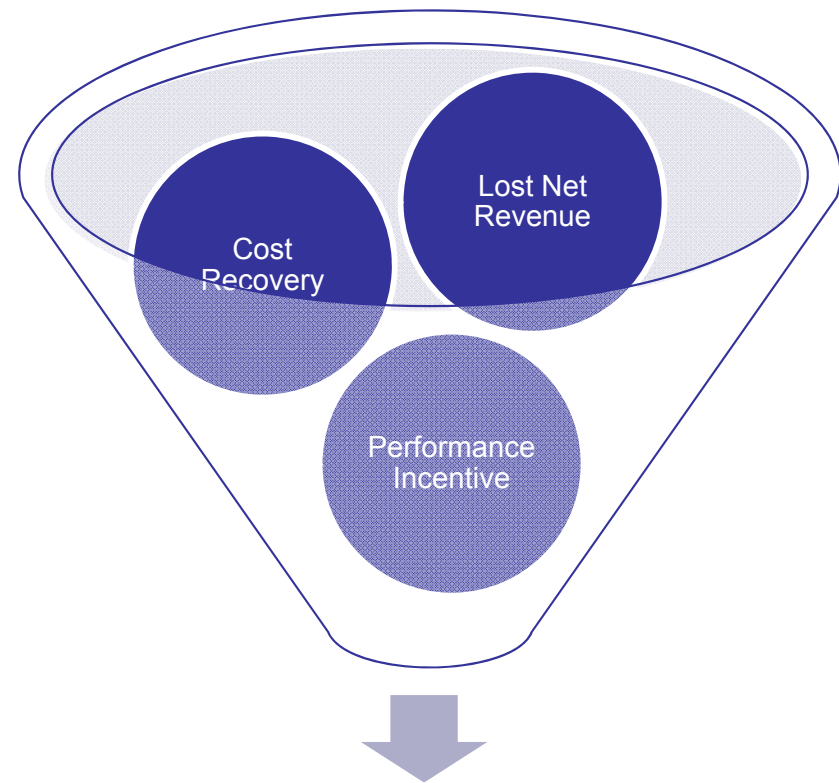
- ▶ Total Resource Cost (TRC) test applied as per Framework
- ▶ Captures full effective useful life of measures, discounting at societal rate
- ▶ Benefits
 - All avoided energy and capacity benefits
 - DRIPE
 - Non-energy benefits (quantifiable and/or adder)
- ▶ Costs
 - Program administration costs
 - Incremental measure costs (up to and including labor as appropriate)
 - Non-energy costs (quantifiable and/or adder)

Regular TRM Updates

- ▶ Aligned with the update process for the Mid-Atlantic TRM
- ▶ Updates completed July 1
 - Programs launched January 1 will use updated data in planning for the subsequent year
 - Programs launched in advance of January 1 of the subsequent year will use existing data until the start of the next program year
- ▶ DNREC maintains the proposed list of measure additions, deletions, or modifications for inclusion in the update

Making Utilities Whole: Three Components

- ▶ Recover 100% of program costs
- ▶ Remove dis-incentives: address lost net revenues
- ▶ Provide positive incentives: measurable metrics



Utility "made whole"

Thank You

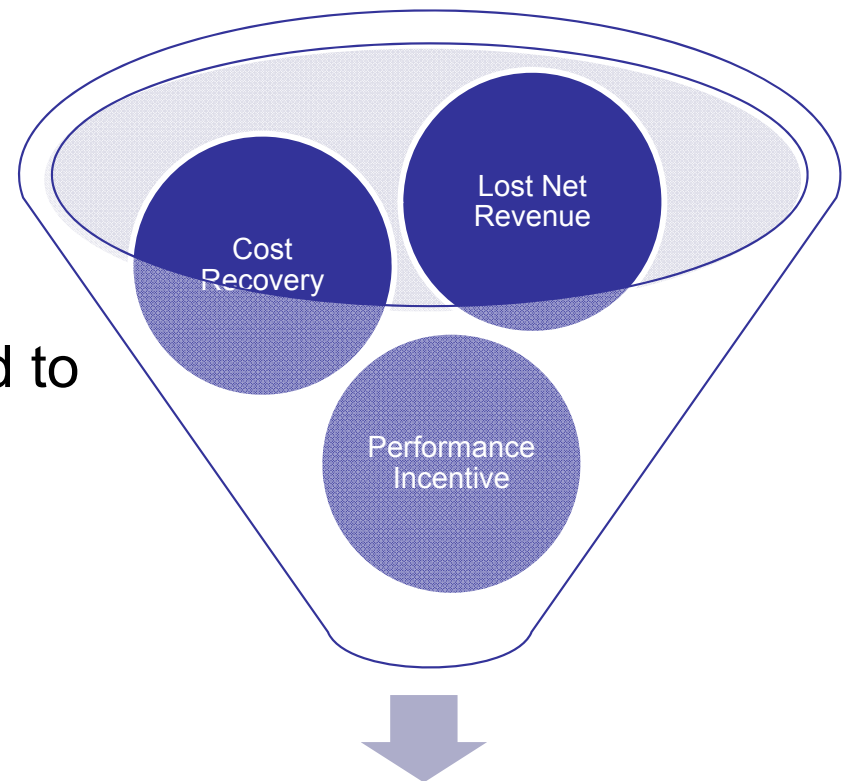
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Guidance on Cost Recovery and Performance Incentives

- ▶ Caveat: for those AEPs that are regulated by the PSC, cost recovery and performance incentives are the purview of the Commission
- ▶ Three key components
 - ▶ Recover program costs
 - ▶ Address lost net revenues
 - ▶ Provide incentives (evaluators need to recommend measurable metrics)



Collect 100% of Actual Program Costs

- ▶ Strive for proportional allocation of costs by customer class, except for low income
- ▶ Amortizing program costs to better align with program benefits has merit, but interest rate likely $<$ WACC
- ▶ Annual true-up of under/over-collection
- ▶ Program costs NOT included in rate-base

Remove Dis-incentives for Efficiency

- ▶ Decoupling is a possibility
- ▶ Lost revenue adjustments should NOT be made in isolation; AEPs should not earn above actual net lost revenue
 - Example: Verified efficiency savings of 1,00 MWh, but AEP only 350 MWh short (e.g., hot summer, economic expansion)
- ▶ Annual true-up

Provide Positive Incentives

- ▶ Give EE/DR similar earnings potential as supply-side investments
- ▶ Protect ratepayers against excessive awards
- ▶ Based on measureable performance under the AEP's control
- ▶ Tied to outcomes (e.g., verified savings, market transformation, cost of savings) rather than actions (e.g., expenditures, meetings, events)
- ▶ Scalable, multi-variate, and multi-year