

EO Collaborative Evaluation Workgroup

Recommendation for the Validation and Certification of EO Energy Savings - DRAFT

On August 20, 2009, the MPSC Staff hosted a meeting regarding evaluation issues. In attendance were representatives from DTE Energy, Consumers Energy, their independent third party evaluation contractors, the Michigan Electric Cooperative Association, and other interested parties. One of the discussion topics was the validation and certification of EO program energy savings.

The validation and certification of an EO provider's annual energy savings will be performed by that provider's third-party evaluation contractor. However, it is important to distinguish between the validation/certification process and the program evaluations (process, market & impact) these contractors will be conducting throughout the tenure of a provider's EO program.

Program evaluation methods and timelines vary by EO program and the evaluation effort is an on-going process. In particular, the timing of impact evaluations are dictated by the timing of program launch and the time required to complete individual EO program evaluations based on the method selected, not a particular calendar date. For example, the use of statistical billing analysis to estimate program impacts requires a year's worth of pre and post installation billing data.

Given the different timing of evaluation efforts, impact evaluation results for all EO programs will not be available for each annual reconciliation report. Additionally, not every program will be evaluated every year during a provider's EO plan tenure.

Recommendation 1

The Evaluation Workgroup recommends that independent third party evaluation contractors conduct an **audit of the data tracking systems** for the validation and certification of energy savings that will be used to inform the annual reconciliation reports provided by the various EO program providers. This audit will:

- Confirm, where applicable, that equipment specified on the incentive applications and logged in the tracking system met the program incentive requirements.

- Review a random, statistically significant sample (at the project level) of incentive applications for each EO program. Through a comparison of application information and information stored in tracking systems, this review will assess the consistency and accuracy of the following data:
 - Customer contact information
 - Type and quantity of EO measures installed
 - Incentive amount paid
 - Comparison of incentives paid to customer/site incentive caps
 - Total installed cost (to ensure incentive does not exceed total cost)
 - Utilization of correct MEMD deemed kWh, KW or MCF/Therm values
- Compare results of Annual EO reports with data maintained in tracking systems databases to ensure the utilization of an accurate process for calculating total savings values by measure, applicant, program, and total program portfolio.

Recommendation 2

The Evaluation Workgroup recommends that findings from the tracking system audit will be used to adjust data¹ captured in the provider's tracking systems if necessary. The tracking system audit findings will be used, in conjunction with information contained in the MEMD to identify energy savings for the purpose of EO credit certification and providers' annual reconciliation reports.

Recommendation 3

The Evaluation Workgroup recommends that results from the comprehensive impact evaluations be used to inform changes to the MEMD through a periodic collaborative review process. The impact evaluations will confirm and refine assumptions (e.g. equipment operation, hours of usage) in the database and adjust deemed energy savings based on actual EO program results in Michigan. On a going forward basis, these new deemed values will be used in tracking systems and will be reflected ultimately in the annual reconciliation reports. The deemed savings review process is distinct and separate from process described above for the validation and certification of EO energy savings. A separate recommendation for the application of the MEMD adjustment process will be developed by the Evaluation Workgroup.

¹ It is important to note that such "tracking system" adjustment factors and the resulting *adjusted reported gross impacts* are considered to be distinctly different from the more comprehensive impact evaluations that the evaluation teams will undertake to estimate *verified impacts* of EO programs. In addition to any tracking system errors, the impact evaluations will account for technical differences between the *reported* and *verified impacts*, such as measure operating characteristics, hours of use, baseline conditions, etc.