

Name/Organization
Address

Dear Public Service Commissioners,

We wish to recommend the following changes to the rules regarding Renewable Energy and Energy Optimization Programs, Case no. U-15900. Our recommendations focus on Rule 2460.201 Definitions and Rule 460.246. Energy optimization program evaluations.

These changes are supported by the following persons/organizations:

PART 1. GENERAL PROVISIONS

R 460. 201 Definitions.

Rule 1. As used in these rules:

(i) “Impact evaluation” means an assessment of the direct demand, energy savings, and other effects of an energy optimization program. Impact evaluations include estimation of gross energy savings, **and** net energy savings, ~~and co-benefits.~~

(j) “Market effects evaluation” means ~~an assessment of the effects of an energy optimization program on the general market for efficiency, conservation, and load management services, including effects on likely future program elements.~~
an assessment of changes in the structure or functioning of a market or the behavior of participants in a market that result from one or more program efforts.

(m) “Net energy savings” means the change in energy consumption or demand, net of that which would have occurred in the absence of the energy efficiency program. Net energy savings **can** include the effects of ~~free drivers, spillover,~~ free riders, energy efficiency standards, ~~changes in energy prices and economic conditions,~~ and other causes.

Rule 460.246. Energy optimization program evaluations.

Rule 46. (1) Energy optimization program evaluation requirements for plan proceedings shall include all of the following:

(a) A description of the request for proposal process used to select an independent evaluation contractor.

(b) Proposed evaluation budget.

(c) Proposed evaluation ~~schedule or timeline for implementation of evaluation~~ components. **scope, schedule/timeline, and objectives for implemented programs.**

~~(d) Evaluation goals.~~

~~(e d)~~ Evaluation methodology including a description of the evaluation approaches ~~considered or ultimately~~ selected for calculating gross and net energy savings.

(f) When relevant and practicable, market effects evaluations and process evaluations for each energy optimization program ~~that was approved in the prior energy optimization plan, and is proposed to be continued in the current plan period.~~

~~(g) Other evaluation requirements as determined by the commission.~~ **implemented in a plan year.**

(2) Energy optimization program evaluation requirements for reconciliation proceedings shall include all of the following:

(a) **The** use of an independent evaluation contractor selected through a request for proposal process.

~~(b) Independent validation of net energy savings achieved by the providers' energy optimization program. The quantification of net energy savings achieved shall include a consideration of program participation levels, gross energy savings and net to gross ratio factors.~~

~~(e b)~~ **The** use of annual per-measure energy savings values irrespective of when measures were actually implemented by customers, in ~~validating the net energy savings achieved under subrule (2)(b) of this rule,~~ **identifying the gross energy savings achieved**, unless otherwise determined by the commission in a previous plan proceeding.

~~(d c)~~ ~~Use of MEMD values, current at the time the associated energy optimization plan was approved by the commission, or engineering estimates current at the time the energy optimization plan was approved by the commission or measures not included in the MEMD as the source for gross energy savings. The commission, for good cause, may order a provider to use measured gross energy savings values using sampling methods. The use of the most current MEMD values or most current engineering calculation for measures not included in the MEMD as the source for gross energy savings. Current is defined as the most recent MEMD or calculation method prior to the start of a specific program year. Program year is defined as a calendar year.~~

(d) Independent validation of gross energy savings achieved by the providers' energy optimization program. A recommendation concerning the process for making adjustments to gross energy savings will be developed by the Evaluation Collaborative and submitted to the Collaborative Steering Committee for approval and will include:

(i) An audit of EO program savings that ensures accurate counts of rebated end-uses, proper application of program incentives, and proper transfer of MEMD values.

(ii) Measure verification which includes verification of actual installation, invalid installations outside of service territories, improper installation and removal of installed equipment.

~~(e) Filing of a provider-specific measured net to gross ratio analysis for each program implemented during the calendar year being reconciled. The net to gross ratio analysis will be updated every 3 years, and in the interim, providers may use the most current analysis as the source for deemed net to gross ratio values. Providers with less than 1,000,000 customers may file a joint net to gross ratio analysis, and may upon commission approval, use statewide deemed net to gross ratio values developed by a statewide collaborative that includes interested stakeholders and meets regularly for design, planning, implementation and evaluation of programs.~~ **Independent validation of net energy savings achieved by the providers' energy optimization program. A recommendation concerning the process for making adjustments to identify net energy savings will be developed by the Evaluation Collaborative and submitted to the Collaborative Steering Committee for approval and will include:**

- (i) The identification of provider-specific net to gross ratios for each program. Providers may file a joint net to gross ratio analysis for programs**
- (ii) Determining the frequency with which net to gross ratios will be updated.**
- (iii) A recommendation regarding the deeming of net-to-gross ratios for programs or program components that may not warrant allocation of evaluation dollars.**

~~(f) Gross energy savings discount factors for providers using agreed to gross energy savings values or engineering estimates, in place of measured gross energy savings achieved. Such factors shall reflect equipment installation, operation, and other factors which may impact the calculation of gross energy savings.~~ **When relevant and practicable, independent validation of assumptions and calculations used to identify deemed savings values in the MEMD. Based on results from evaluation research, the Evaluation Collaborative will identify MEMD measures requiring review and possible adjustment. A recommendation concerning the process for altering or updating MEMD values will be developed by the Evaluation Collaborative and submitted to the Collaborative Steering Committee for approval.**

~~(g) Documentation of the source of stipulated gross energy savings or net to gross ratio factors used in the evaluation.~~

~~(h) g) An independent evaluation of the savings from measures implemented by self-directed customer plans and attributed to the provider's energy optimization program or attributed to the administrator's energy optimization program for such utility that has all of the following attributes:~~ **A review of the savings identified by self-directed customer plans and attributed to the provider's energy optimization program.**

- ~~(i) The scope of the~~ **This** review shall be limited to the self-directed customer's savings calculations, plans, and biennial and annual reports described in section 93(8) and (9) of the act, ~~MCL 460.1093(8) and (9).~~
- ~~(ii) Where necessary, the evaluation shall include recommended adjustments to the savings claimed by self-directed customers.~~
- ~~(iii) The independent evaluation shall include a verification that customers have actually implemented the measures indicated in their plans, and a validation of achieved savings, using documentation review and analysis of self-reported~~

~~information contained in the customer biennial reports, combined with interviews and surveys as deemed necessary.~~

~~(iv ii) The commission staff may conduct field verification.~~

~~(i) Any other information that the commission determines to be necessary.~~

~~(3) For the first year of the programs, a net to gross ratio of 1.0 shall be used in the reconciliation proceedings. In addition, gross savings discount factors reflecting installation and operation shall also be 1.0 for the first reconciliation. For subsequent years, and unless otherwise approved by the commission, the values of a net to gross ratio and operation and installation discount factors shall be based upon program evaluations under subrule (2) of this rule. **Gross and net energy savings adjustments as identified in subrule (2) (d) and (2)(e) will be used to determine annual energy savings as part of statutory reporting requirements on the following time table:**~~

~~(a) 2009 energy savings reconciliations will include the adjustment identified in subrule (2) (di). All other adjustment ratios will be assumed to be 1.0.~~

~~(b) 2010 energy savings reconciliations will include the adjustment identified in subrule (2) (di). All other adjustment ratios will be assumed to be 1.0.~~

~~(c) Energy savings for programs years 2011 and beyond will include all adjustments identified in subrules (2)(d) and (2)(e).~~

~~(d) Gross energy adjustments relating to verification of installations and net-to-gross adjustments for a program year, must be determined prior to the start of a program year.~~

~~(e) As new programs are added to a provider's portfolio, adjustments to those programs' savings values for their first two calendar years of operation will include the adjustment identified in subrule (2) (di). All other adjustment ratios will be assumed to be 1.0. For the purposes of identifying annual energy savings as part of statutory reporting requirements, a program's third year of operation will include all adjustments identified in subrules (2)(d) and (2)(e).~~

4) Independent expert evaluation, measurement, and verification required by this rule shall not exceed 8% of the costs of implementing the energy optimization plan.