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EO Collaborative Evaluation Workgroup
March 24, 2010
1:30-4:00

Meeting called to order 1:30.

1. Discuss Rule 460.246 Energy Optimization Program Evaluations (PowerPoint available at the Evaluation web page)

- Net-to-Gross (NTG):

Q: Bill Ware (CMS): How will this be used?

A: Rob Ozar (MPSC): Draft Rules: provides for a Net-to-Gross for the 2010 reconciliation, We'll have to see if this is workable. If an EO administrator can develop NTG figures, then they may be used to determine EO credits generated by program. Or we could work through this Collaborative to develop a state-wide NTG number which would benefit the smaller utilities. The MEMD works statewide, but not sure about NTG working that way. NTG is very specific to the way an individual utility program works. For example, how many direct install kits get installed?

Q: (Evaluator) But what purpose would the numbers serve at the end of the day?

A: Rob: They would be used to update the MEMD, net savings would be used to determine compliance with the statute.

Q: In case a utility is not part of a statewide consortium, how would they participate?

A: Rob: Good question, I don't know the answer.

Bill: Well, that is a talking point on the agenda – good anticipation!

Looking at the Draft rules, Rule 46, bottom of the page, 3

Just like we didn't have firm figures in the MEMD in the beginning, maybe we can go ahead and use the NTG stand in figures?

Bill/Tim (Kema): Really not possible being that NTG figures must be specific to the program in order to be accurate.

DELEG is an equal opportunity employer/program.
Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

Sami: Differences in rural/urban, populations can give a huge range of numbers.

Marty Kushner: if these numbers will be used to calculate financial incentives for utilities, then a NTG of 1.0 may be too generous. Available information and reasonable judgment should be used to create values for them, a good use of the Collaborative.

Bill: There was an understanding of a NTG of 1 for the first year...

Adela (DTE): evaluating the impact of ARRA funds in this, at this point we're not willing to look at NTG adjustments even in the 2011 year.

Bill: the federal stimulus money has had an impact, look at the HVAC program. If we were to look at that and say we're not getting the impact out of it, maybe we should shut down the program, even though it's a popular program.

Marty: Companies have adopted off the shelf programs with a history, so it's not like we're starting without any information.

Audience member: Trying to take a NTG number from another state and apply it to a Michigan program is just a guess and not fair to either the company or the customer.

Marty: rolling over a blanket 1.0 would be generous. A program by program evaluation would be good, discussion about market trends and impacts, entertaining other numbers.

Audience Member: Any other studies in other states that we could look at for lessons learned? A collection of this information would be useful.

Marty: There's quite a few studies out there.

Jeff Crandall: Agrees with Marty, NTG of 1.0 is high, given his experience in Illinois. Being fair to programs and utility needs to take timing into consideration. A company is working under the assumption that a program has a NTG of 1.8 and it turns out that actual number is 0.3 There has to be a way to adjust the program midstream and get real time numbers so adjustments can be made.

Bill: Gets back to calendar years 2010, those values should have been known by the implementers when they were putting together programs.

Adela: Even though we're opposed to the adjustments before 2011, it's certainly too late for 2010, the train has already left the station and it would be very unfair to us to have to change midcourse in the middle of the year.

Rob: What if we came to a consensus that wouldn't hurt the utilities, taking into account ARRA funds and a NTG of 1.0.

Adela: That is a consideration, but this issue has come to the attention of higher ups in my company...

Bill: You have to account for the savings of a program... The assumption was that we would have time to study the numbers.

Tim: One way around that is to build in a discount into the program.

Marty: Hard to imagine that a utility wouldn't have built in a cushion.

Rob: It's my understanding that only a few programs will have evaluations that will look at it in depth.

Tim: 0.65 to 1.03 variance between the same program in one state – also have to account for different evaluation strategies.

Art Thayer: Didn't incentivize certain programs were we figured there would be free riders, so he knows his NTG is 1.0. His programs would be hurt if a general supposition was applied to his program.

Rob: Sounds like this would be an appropriate time to make an exception for your program.

Sami: I think it would be a mistake to make exceptions for specific programs.

Rob: So smaller utilities would be at a disadvantage because they don't have the budget for it. Sami, do you have information about other states and smaller utilities?

Sami/Assistant: Other states do not require smaller utilities to report. MA experience has larger utilities do this, but smaller utilities can buy into this and use their experience. Programs can be delivered so differently, it's hard to tell.

Tim: Is this a question about using statewide numbers

Rob: maybe we'll find some similarities in numbers for the same programs.

Audience Member: so how do you pick the "right" one?

Art: Pick the best one! Because his programs started late, he's in a different situation. Tax credits are impacting the programs.

Marty: The Ratepayers are the ones who will be impacted. We need to be able to say to them that this is the way we handled it and we feel it's fair.

Phone: CFL program shows very different numbers, based on how the program is run in his state. Utilities had to readjust it to meet legislative targets. If there's no consistency in Michigan's approach, then there's trouble. Need an agreed upon approach that can be used by any EMV team. If different evaluation contractors are going out, then they will need a consistent framework. Need some way to give credit to programs, taking into consideration free riders, etc. Need to have an assurance that they can tell the Commission we thought it was appropriate to use this standard. Just because we have a standard NTG ratio, doesn't mean our problems are over. We need a consistent method when all these reports come in.

Tim: As a native from IL, I can tell you there are big differences between small towns and Chicago, they do things very differently. Looking at Detroit and the U.P. won't be that different.

Bill: To get some closure, how do we treat 2010 and 2011?

Marty: Wording in the rules is ambiguous, need to clarify "Verified Gross" vs NTG. He hopes that all the numbers used are VG, some way of verifying the measures were installed and how many hours they are in use. The point he wants to make, certainly for 2010, when operating, data verification and tracking systems are up and running, numbers should be VG numbers.

Bill: If we have 100 light bulbs we're taking credit for and then we find out it should be 80.

Rob: The issue on what happens in 2010 and 2011 is also a policy issue that we would appreciate input on. This is already March; we have a year before the next reconciliation period. Calendar period.

Tim: Efficiency United, MECA this is their first year, not 2009.

Rob: Technically, I hear you, but they should have had their programs active in 2009.

Sami: MEMD numbers are being used, multiplying that times the number of measures installed. We're not looking backwards. If VG is looking at only those measures installed, we aren't looking backward.

Rob: We understand that. Right now, the MEMD is being changed in ways we don't even understand. We haven't formalized that process, but this Workgroup is going to be responsible for that. We formally review it (peer review) and approve it.

Bill: I think we've talked about Section 3 to the point I know Rob's position and also the utility point of view.

Rob: We have evaluators here – Opinion Dynamics, munis, Cadmus, Kema.

Evaluator: Working on plans right now, there are more than one way to evaluate. Third party should be providing the number – a statewide approach will require a lot of coordination.

Tim: There are a number of ways to approach evaluation, but I had to deal with budget constraints. Make the assumption that programs have been implemented the same across same size utilities.

Art: the State administered programs can be looked at as one program, with samples made. Have to do that due to limited budgets.

Rob: Rule 2E was specifically put in that providers with less than 1 million customers can jointly file.

Bill: So, are we in agreement that we do not have to have the same number across programs?

Sami: Upstream programs are where the majority of the savings are. If you know who the customer is, you ask the same questions and use the same methods.

Evaluator: there's the basic, standard and enhanced approach. Basic is to make a few calls, standard may require a visit – the level of rigor goes up.

Tim: we may use different methods, but we all agree on what we need.

Rob: There's such a compressed timeframe to process these cases...

Sami: if you agree on the process, you should accept the numbers at the end. And then what will you do with the numbers.

Jeff: disparity between large and small utilities, when you have one low-budget EMV vs a larger resource intensive EMV, can we throw one out? The numbers should be the same if the process was the same. Ohio is setting up the process, the Commission has hired a third party to do due diligence on the evaluators. Can one EMV contractor do all the evaluations? Can the NTG savings be deemed? A lot of ratepayer money is being tied up. Or maybe it's worth spending the money the first couple of years to get the information. Ohio is using deemed numbers-not uncommon the first few years.

Phone: People use the word Measurement around these numbers, perhaps a better use is estimate. Measurement defines a certain level of precision that just isn't there.

Rob: there are no EO credits in market transformation. We need real time program information with reconciliation.

Marty: rather than establish up front this is the type of evaluation we're using and changing the numbers up front, I'd rather see the studies as input into the question of NTG. It puts a lot of pressure on one study to live up to this.

Break: 3:15 – 3:30

Rob: appears flat out agreement on a standard methodology isn't likely, but perhaps agreement on principles of evaluation.

Bill: even between CMS and DTE, both handling light bulbs, but we're working with spiral bulbs where DTE is looking at specialty bulbs.

Tim: Evaluation method would be different based on size of program.

Sami: sample size may be different, but a lot of consistency between them. The only place it will break down is in the upstream area. The question is self-reporting, free riders. How many of those people would have done this on their own?

Bill: We have a pilot project coming up – O Power, an educational project that we'll be testing the impact of information.

Evaluator: usually more rigorous, but it's still self-reported.

Sami: The default is going to be self-reported. In MA and CA that's the way it's been.

Adela: What about baseline information where you can compare before and after and different years.

Jennifer (EMI on Phone) : conducted 500 surveys of commercial customers who did not participate and will triangulate free riders and where the market was before the program started.

Pam (phone) some staff from PA met with staff and developed a set of questions to market free ridership. She can share it, but it is in the process of changing.

Bill: supports the idea that NTG is self-reported and I don't think that's where we want to go. Is it?

Rob: no reason to have to decide on that today – although it should be discussed more. Wondering if some of this should be in the rules. Want some flexibility. The rules can be back any day now from Legislative Service Bureau and the Commission can start the formal process.

Bill: do you think it would be beneficial for us to take the rules and write changes. Otherwise we could be having a number of meetings that not accomplish anything.

Sharon Theroux: Just to clarify, when the Rules come back, there will be a time for public comment and the Collaborative could submit their consensus.

Bill: And individuals could submit their own recommendations that otherwise could not be agreed upon.

Rob: we just want essential points in the rules – we don't want everything, but it's hard to change the Rules once they are final.

Bill: When we're talking about NTG are we talking on the program level or the use level (furnaces, pipe wrap, water heaters, etc.)

Jennifer: I think its important program attribution, not at the specific measure level. We generally stick to an end use NTG.

Rob: I don't understand...

Sami: you don't want to look at free ridership for A/C level 14, 15, 16 SEER. Maybe A/Cs overall but not each measure. Not cost effective.

Rob: If you had a track changes copy of the Rules, then in 2 weeks we could review it. Everyone would have a copy of all the results.

Bill: What should not be in the Rules?

1 c: specific timeline – has to be an evaluation each year of implementation. How much savings have been achieved. Not a full-blown Evaluation every year. A full NTG evaluation won't have to be done every year, every 3 years.

Adela: if we have our programs, probably the same for quite a while, are you saying that each program has to be done or each program once during the 3 year period.

Rob: would like a short white paper regarding the 4 step calculation Sami spoke of within 2 weeks. We will circulate an electric version of the rules, requesting feedback within 2 weeks.

Meeting adjourned 4:20