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Attachment D

Energy Division Staff Notes

June 17, 2009 Workshop

Note: These notes do not provide a running commentary of the meeting on June 17th. The key points that were discussed have been synthesized for each topic of discussion, and do not in most cases include a citation of the person who made the comment.

Introduction

- Opening comments included the context for the discussion, review of the agenda and the general format of the meeting.

Initial Question:

- Opening question (SCE): The administrative structure decision that is currently in place and applies to EM&V, appears flexible. It is unclear why we need to change that structure, and the need for change is not clearly articulated in the white paper or the straw proposal? Is something not working?
- ED Staff Response: The key reason for the proposed changes is for the purposes of greater transparency.
 - Most recommendations are a refinement to existing policy; excerpts from decisions are included in appendices
 - ED is still responsible for impacts, IOUs for early M&V
 - Hoping to enhance the stakeholder review process
 - Note the bullets in straw proposal for the reasons
 - Utilities have been asking for more transparency to EMV process and we want to bring transparency to all the EMV
 - There have been some problems with IOU EMV in the 06-08 cycle
 - found studies that don't fit into either process or early EMV
 - learn how to collaborate better if we know what everyone is doing
 - There has also been an expressed desire for more informal collaboration
 - Would have liked to have done that, but incentive mechanism created very litigious atmosphere which is not conducive to collaboration
 - Hope for better working environment going forward

Goals of EMV (Straw Proposal Section A; Slide 5)

Key Points from Discussion:

- Evaluating the cost effectiveness of the energy savings delivered are not included on the list, even though they may be embedded in the oversight function.
- GHG effects are not considered beyond emissions factor; quantifying green house gas impacts should also be part of our goals.
- EM&V goals should be to have data that is compatible with resource supply side goals; like regular field measurement that could be used in ISO and procurement proceedings.

- Should have buy-in on whatever goals are adopted to ensure that everyone is working toward achieving the same goals.
- Lack of a clear need for an update to the existing administrative structure was noted, but a need for greater cooperation and transparency was generally agreed.
 - Greater transparency is a need
 - Refinements to existing policy
 - Desire for more informal communication

Called out for comments:

- Are these the correct goals? What should be added or deleted?
- Do we need agreement/buy-in on goals of EMV?
- Should cost of EMV be included in goals?
- Should better understanding of relationship between EMV and greenhouse gas reduction be included in goals?

Respective scope of EM&V responsibilities for CPUC and IOU Staff (Straw Proposal Section B, Slides 6-10)

Key Points from Discussion:

- List of activities and assignments to CPUC, Joint and IOU management intended to illustrate that impact vs. process evaluations is not sufficient to describe varied interests in evaluation activities.
- Process evaluations and evaluations of program design are of growing importance to CPUC; given current involvement in the Strategic Planning process.
 - Change from the existing administrative structure was noted; and reason was questioned.
 - Discussion of pros and cons of greater ED involvement in program design was mentioned as needed at some point.
- Criteria for joint management of evaluation projects should be defined.
- Early feedback evaluations need quick turn around, which may not be possible in the proposed framework.
- Intent of the framework is for greater transparency for both IOU and ED led evaluations.
- Greater cooperation on evaluation activities (including planning and seeing studies through) would be welcome by SCE.
- Concerns remain about ED having an oversight role that supersedes utility project management directions were noted:
 - Contracting would necessitate only having the contractor getting direction from one entity, in order to not insert liability issues. (IOU concern)
 - Opportunities for efficiency gains by not having evaluation contractors conducting both process and impact evaluations on the same sets of programs but contracted separately. (ED staff concern)

- Firewall (implementer and evaluator) could be loosened to allow case by case opportunities to collect field data during implementation phase.
 - Need to be careful of contractual relationships with third parties
 - Firewall already allows for this in cases of inadequate number of bidders, but this would allow for more direct data collection.
 - Not intending to have implementers evaluate their own programs.

Called out for comments:

- Should proposed categories of EM&V be refined?
- Should ED be involved in IOU program design?
- With respect to coordination between IOU and ED on EMV projects (**slide 9**), what criteria should be used to determine projects that would benefit from this activity? (see suggestions in "inventory" of activities in appendix B to straw proposal)
- What issues arise from such coordination, such as timing or contractual problems?

Input on EMV Project Inventory (Straw Proposal Appendix B; Slide 11)

Key Points from Discussion:

- Several clarifications were made as we looked at Appendix B together including:
 - “Key Technology” could be a significant technology in the current portfolio or a technology that may show future promise.
 - Financial Audits will continue to be done by CPUC Auditors, funding for it is lumped in with EM&V; but they will not do incremental measure cost studies (ED staff would lead that work).
 - Scope of the studies does not explicitly call out C&S and ET, CPUC intends to still evaluate those programs (but the ET programs would still assess the impacts of the specific technologies).
 - Columns specify management responsibilities, but not implying no involvement either oversight or review.
 - CPUC projects: managed by CPUC staff and contractors
 - Joint: close collaboration with CPUC staff and IOU staff
 - IOU: managed by IOU staff
- Some studies may be able to come out of program dollars not EM&V dollars which could allow for quicker turn around: but may create some issues with the firewall and who oversees and conducts the studies.
 - A clear division of EM&V dollars and what they are going to fund needs to be established (DRA)
- All of the studies in the list are inter-related (and cross-related with other data users like CEC, the LTPP, and CARB).
 - Predictive and subsequent analysis of baselines and what we’ve done to date.
 - A matrix of sorts may allow for a better picture of the studies and their inter-related nature.
 - Assigning “x’s” on a line item basis may lose flexibility in addressing the overall needs.

- The table was just a first look at the studies; and means to start getting input from stakeholders. Will use it to refine the list of studies and start scoping them out.
- Market analysis and policy support research categories were discussed in the context of existing “saturation studies”; the need to build market analysis into all impact studies; and the last lines of “alternate methods” which need further refinement.
- Next review of the project inventory (appendix B) should include:
 - Articulation of objectives for each type of project
 - Rationale as to why CPUC, Joint or IOU management was chosen.
 - Return On Investment – how to build that framework into this list; resources are scarce some have high return, some marginal – suggests that CPUC consider projects in this light. Prioritization will have to come at some point.
- Appendix C the utility’s current proposals for EM&V was briefly discussed with respect to the specific line item of evaluation conference attendance and activities being funded with ratepayer funds.

Called out for comments:

Refer to EM&V project inventory handout

- What is on these lists that **shouldn’t** be?
- What is **not** on these lists that should be?
- **Who** (ED/IOU) should manage the specific projects?
- How should the lists be **prioritized**?
- How do we **coordinate** shared (ED/IOU) projects?
- ED is looking for written comments on individual line items, and will subsequently refine the inventory list.
 - For this exercise we should ignore RRIM and look at what activities need to happen and who should be responsible.
- Should there be an articulation of objectives for each line item and why X is in a particular column? Should “X’s” be in more than one column?
- Should some items in Appendix C (IOU Proposed EM&V Projects) come out of program funds rather than EM&V funds?

Stakeholder Input Process and Approval of EM&V Projects (Straw Proposal Section C; slides 12-17) Stakeholder participation in ALL EM&V – ED and IOU

Key Points from Discussion:

- Same process as 06-08 but with ALJ resolution of project-specific EM&V plan issues
- The process is intended to apply to all EM&V projects (IOU and CPUC managed)
- CPUC intends to have a two-stage process for EM&V in the portfolio
 - 1st decision covers critical EM&V issues
 - 2nd decision would approve EM&V plans and budgets (should be out before January 2010)
- The IOU's have concerns about the turn around time for approving projects that involve early feedback (to make program decisions which does represent a large number of projects, but not as large a portion of the budget). Perhaps projects under a certain dollar value could be exempted from all or parts of this process.
- Third party implementers are concerned that evaluation contributes to the stop-start- problems for these programs as utilities fear savings will not be achieved based on evaluation feedback. They are also concerned about some of the EM&V methods being used in HVAC.
- Choosing contractors would still be at the discretion of the IOUs but with ED oversight, perhaps a list of approved bidders would be easier.
- ED plans to have advisory contractors in the 09-11 cycle.
- Resolution may come through defining the timeline for each proposed step.
 - Additional time for revising draft reports would be very valuable so changes aren't disregarded based on time available.
- The addition of the ALJ motion was in response to complaints that there is not a clear resolution process at the end of the evaluation work.
 - The number of steps proposed and the final ALJ decision makes this process MORE formalized and it is not appropriate to have an ALJ make decisions on evaluated results that require professional judgment.
 - More informal collaboration on the studies may be more valuable. CALMAC may be one venue, but some do not like that CALMAC is run by the IOUs. More informal communication is also part of ED's straw proposal.
 - A project advisory board may be another approach to limit disputes at the end of the process (because evaluation plans inevitably change)

- Some issues of reporting were discussed including the availability of aggregate reports (where multiple evaluations are included in one report – i.e. Performance Basis Report, there are not good examples for the IOUs).
 - It would be nice to have the ex-ante, reported and evaluated results all in one accessible place. Which doesn't happen right now (ex-ante goals and reported are on EEGA, and ex-post evaluated are scattered in CALMAC reports)
 - Reporting needs vary significantly (from detailed to aggregate) and schedules need to allow for the varied reporting needs.
 - Evaluation reports are all going on CALMAC now.

Called out for comments:

- How should process be structured to avoid lengthy delays?
- What, if anything, should be exempted from process, and why?
- Should “aggregated reports” be clarified?
- Should IOU draft reports be released?
- What should the process for review of draft reports?
- Is this process too formal for all reports?
 - What type of informal process might suffice in some cases?

Cost-Effectiveness Calculations and Accomplishment Reporting (Straw Proposal Section D., slides 19-22)

Key Points from Discussion:

- ED is developing new CE calculator tool
- Measure parameters from DEER and non-DEER will feed this tool
- Two phases for development
 - first: 09-11 accomplishment reporting
 - second: incorporating IOU claims with ED data
- Parallel tool development for portfolio planning
- ED will want stakeholder feedback on user interface and for beta testing
- The tool will be the way the utilities generate the quarterly reports as well as a cost effectiveness calculator.
- It will include custom projects and levelized costs similar to the E3 capabilities
- Program tracking data will have to be cleaned before it can go into this tool (standardizing and quality control would be very important first steps).
- IOU's are still responsible for submitting their reports; tracking therefore needs to stay in utility control to submit the whole package.
- Tool will have added value if it can be used as a scoping mechanism for third parties.

Called out for comments:

- What would IOUs and stakeholders like to see in the tool and what should be included in the interface?
 - For example, can tool be used as scoping mechanism by third parties?
 - Should this be used to generate IOU reports?
- Should CE Calculator be downloadable or run on centralized system?
- What would be the best process for parties to be involved in review and input into the tool development process?

Non-DEER measures review process (Straw Proposal page 13; slide 23)

Key Points from Discussion:

- ED will provide workpaper templates; based on review of existing templates from utilities.
- The non-DEER Database is publicly accessible, and measures may be revised or added on an ongoing basis.
- Workpaper review process proposed may be overwhelming for ED staff (PG&E has 600 workpapers waiting to be reviewed)
 - Duplication of contractor expenses to build workpapers, and review workpapers
 - Not significantly different than what we are all doing now.
 - Third party workpapers have to go through the utilities (who also review) adds another level of back and forth. (3 sets of engineers engaged); and can hinder the contracting process (can't work until workpapers approved).
 - If statewide third party – has to go to each utility for approval – then to CPUC.
- SCE is working on naming conventions to minimize duplication of workpapers;
- In some cases workpapers are submitted when certain parameters in DEER are not used for a unit energy savings but most of the parameters are being used. A process for minor changes would be appreciated.
- Note that DEER was built off of a collection of workpapers, and now we're back to accepting a lot of workpapers.
- IOU's asked if they needed to wait for the workpaper template for 2009 bridge funding period. CPUC staff will discuss with them.

Called out for comment:

- How should review of new submissions be structured so that it is not too time-consuming?
- How should existing workpapers be updated?
- Should there be a schedule and what would it look like?

- What if certain measures are using DEER for most, but all not, parameters (e.g., lighting for non-res uses self-report run hours, use everything from DEER except run hours)? How should that be incorporated?
- How should small changes be treated? Should they require a workpaper?
- How should disagreements be resolved?

Adding new DEER measures/updates (Straw Proposal page 12, slides 25-26)

Key Points from Discussion:

- Would be good to have all measures in one data tool; i.e. MISER tool doesn't have all the measures.
- A process is needed to address errors or disagreements swiftly and recommendations and suggestions on the proper process are requested.
- CEC wants to be involved in DEER updates, especially when based on code changes or programs that affect compliance rates.

Called out for comment:

- When IOUs identify possible errors or where there are disagreements, what should be the process to address issues?

DEER Update for 2012-2014 Application Planning (Slide 30)

Key Points from Discussion:

- The CPUC is working on the DEER Update for the 2012-14 cycle; and would like comments on both the cost effectiveness tool and this DEER update process.
- The "DEER Team" is Itron, Jeff Hirsch and Associates, and KEMA.

Called out for comment:

- ED is seeking suggestions on developing use of CE Tool as portfolio planning tool.
- ED is seeking suggestions for a planning tool for DEER update for next cycle.

Resolution of Disputes Concerning DEER Measure Values or IOUs's Non-DEER Workpapers (slide 31)

Key Points from Discussion:

- The intent is to have it be like "traffic court" where the evidence is presented and the ALJ makes a decision.
- With an ALJ dispute resolution mechanism it is not unlikely that the ALJ would have to hire a consultant as well to decide on the dispute. That adds yet another consultant cost to an already high consultant cost activity.
- Alternatives to an ALJ resolution process should be proposed and considered, perhaps a binding arbitration in front of a third party evaluator from out of state?

Called out for comment:

- Should there be an alternative to resolution of disputes via motion to ALJ? What should that alternative process be?

Proposed Process for Authorizing EM&V Budgets and Projects (Straw Proposal Section E, slide 32)

Key Points from Discussion: (This process was discussed in more detail in the morning.)

- The options for funding below 8% for EM&V were discussed briefly, specifically that the amount seems large given the overall funding of the portfolio
- Based on the programs that come out of the portfolio, we should be able to have a better sense of what budget is appropriate.
- Public review of EM&V plans and appropriate budget will be in the second stage of the decision on the 09-11 portfolios.
- There may still be lots of EM&V activities that cannot be defined (early feedback and un-anticipated evaluation that will need to be done to guide implementation).
 - Contingency funds will need to be established
- Gaps in timing of the evaluation activities were noted as a hardship to evaluation contractors.

Called out for comment:

- Should there be a different cap than 8 percent for EM&V funding, and how should it be determined?
- Should there be flexibility in allocating fund for EMV projects for IOUs, such as contingency funding?

Data Availability, Data Quality Improvement, and Reporting (Straw Proposal Section F; slides 33-34)

Key Points from Discussion:

- Data cleaning and prep for evaluation takes an enormous amount of time and money.
- Volume of data requests have been burden on all sides.
- Evaluation contractors provided specific feedback on data issues in 06-08 cycle.
- Standardization of data systems would likely be cost effective investment;
- Standardization of data systems may be very costly, direction on the appropriate level of administrative cost to get this done would be helpful.
- PG&E is investing significant portion of EM&V \$ into a new data tracking system.
- Some data is still not available in electronic format (customized measures information in paper files)

- Intent of sharing these issues is to bring it to light for the Commission and get direction to fix it.
 - Specificity of the direction may not be necessary; instead set a goal like having “fed-ex’ like capability.
- HERS raters may be a useful resource in collecting field data in a consistent manner.
- Investing in a real system that could solve problems (instead of band-aid patch) may be a better approach.
- Third parties are held to the same data requirements as CPUC has laid out – it has taken a while to get them to that point – but significant progress has been made.

Called out for comments:

- Should all project data be available in electronic format?
- Should tracking system data fields be standardized across all utilities?
- What would be an appropriate cost for standardizing across the utilities?
- Could rule-based methodology be developed so that IOUa submit data to repository in standardized form?
- Would a tracking system such as that used by FedEx be workable in the future – assign customer numbers and provide handhelds for onsite?

2009 Bridge Funding Period (Straw Proposal Section G; slides 35-36)

Key Points from Discussion:

- ED does not intend to do a separate evaluation for 2009; but would use final EM&V results from 06-08.
- A methodology will be issued at a later date
- The method should probably have public review, since it may have some uncertainty and want to challenge on the specifics.
- CEC is interested in how this is done to be able to incorporate the 2009 results into their forecast.
- Consider that some programs may be significantly modified coming into 2009 cycle, and applying the 06-08 results may not be accurate.
 - If that is the case, please make note of it in comments (issue and magnitude of the impact (i.e. # of programs that have been radically modified).

Called out for comment:

Should the bridge funding period M&V process as proposed by ED staff be modified? If so, how?

Additional Comments:

- Should there be some form of annual report that summarizes what EM&V work was done and identifies what Best Practices occurred during that period? What should be included in this report and what should be its intended purposes?

Next Steps:

- ALJ will be issuing a ruling soliciting formal comments on the EM&V issues discussed in this workshop (probably after July 4).
 - The due date for comments will be in the ruling.
 - It is NOT the same due date as the comments for the other workshops on 09-11 that were held this month. EM&V comments should be separate.
- There will likely be a two step process on decisions for EM&V plans and budgets similar to the 2005 process.
- Tim will get clarification if you have to be an official party to comment; there is precedent for non-parties (evaluation contractors for example) to comment.
 - Even if comments are not allowed “on the record” they will still be helpful to the ED and IOU staff to develop their plans.