

EM&V Overview and a Review of Prior Commission Orders

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Collaborative Workshop
in 013 Docket



Purpose of EM&V

- EM&V evaluations serve two fundamental purposes:
 - Evaluations act as a test score for both ratepayer dollars and shareholder reward, enforcing accountability for energy efficiency programs.
 - Evaluations provide feedback information for program improvement, providing more accurate saving estimates for individual measures, and providing a basis for future energy efficiency program funding.

Use of a Third Party System

- The Commission has indicated a strong preference towards an independent third-party 'audit' system for evaluations, with all third party providers selected through a collaborative RFP process.
 - “An EM&V provider or providers will be selected through the collaborative RFP process and must be approved by the Commission. The Commission will not accept evaluations from a provider or providers that have not been selected through the collaborative process and have not been approved by the Commission. However, utilities may propose providers they have worked with as recipients of an RFP, as long as such providers were or are not directly involved in developing the utilities energy efficiency programs.” (Order Following Collaborative, ¶ 154)

Use of a Third Party System

- “As stated above, the Commission prefers a third-party evaluation scheme and will seek to implement such a process through the collaborative docket to be opened. As noted, utilities may perform their own EM&V or contract with a provider to do so, if Staff or the Commission determines a program or programs should be formally reviewed by the Commission prior to the selection of an EM&V provider through the collaborative process.” (*442 Order Following Collaborative*, ¶170)
- However, the question of whether one or several EM&V providers should be utilized and whether the services should be contracted with each utility or with the Commission was not decided by the Commission, and specifically left to this collaborative. (*ibid*, ¶153)

Flexibility of RFP Collaborative Regarding Third-Party System

- “Details of the EM&V process may need to be changed and refined in the context of the RFP proposal collaborative. Therefore, the Commission notes that its findings pertaining to EM&V evaluation expressed here are its views at this time, but the Commission may reconsider these views should it be found prudent to do so in the course of the collaborative RFP docket.” (*442 Order Following Collaborative*, ¶ 156)

Scope of Evaluations

Three basic types of evaluations:

1. **Impact Evaluations**

- Determines the benefits of a program such as reduction in energy and demand usage.

2. **Market Effects Evaluations**

- Examines the long run future effects of a program on market structure.

3. **Process Evaluations**

- Determines the efficiency and effectiveness of program implementation by inspection and comparison with best practices.

Scope of Evaluations

- The first formal two-year review should focus on impact evaluations. The scope of subsequent reviews will be determined after the first review, and may involve a broader scope. (*442 Order Following Collaborative*, ¶150)
- An exception is made in the case of education programs, which should not undergo a impact evaluation. Instead these programs should undergo a process evaluation, and if appropriate a market effects evaluation. (*ibid*, ¶137)

Timing of Evaluation Activities

- EM&V review of a program should be conducted two years after program implementation with six months given for the completion of the review. *(442 Order Following Collaborative, ¶149)*
- Interim reports containing data tracking program participation, savings, and a comparison to expected goals should be provided on a semi-annual basis. *(442 Order Following Collaborative, ¶152)*
- EM&V report review will be conducted in the following manner:
 - Report is filed
 - Comments and reply comments by interested parties
 - A Commission order issued without a hearing, with the option for parties to request a hearing following issuance of the order. *(442 Order Following Collaborative, ¶151)*

Balancing Precision with Costs

- As a guideline, EM&V expenditures should not exceed 5% of a program's budget. (442 Order Following Collaborative, ¶50)
- The Commission may consider spending on EM&V in excess of 5% for particular programs, provided strong justification is given for doing so. (442 Order Following Collaborative, ¶136)

Planning Issues

- Selecting evaluator or evaluators
- Defining evaluation scale and boundaries
- Defining baseline, baseline adjustments, and any potential data collection requirements
- Selecting impact evaluation methodology for approaches for gross and net savings