

Customized Project Approach September 2010

Overview

Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas and Electric (SDG&E), and Southern California Gas Company (SCG) (IOUs or Joint IOUs) have expressed to Energy Division that it is not possible to provide ex ante estimates for custom calculated measures or projects until a customer submits an application for a specific measure or project. Energy Division understands that due to their very nature, there is a wide and somewhat unpredictable variation of custom measures and projects that will be encountered during the 2010-2012 energy efficiency program cycle.

For each of these custom measures or projects, the energy savings impacts, net-to-gross values, effective useful lives, and participant and incentive dollar values are not known until a customer program application is approved by the utility. The utilities have provided Energy Division with a forecast of their target total custom measure/project participation and have also provided a list of calculation methods they expect will primarily be used to produce ex ante energy savings claims; however both the measure or project mix and the specific calculations methods used on each will vary as implementation proceeds. As such, while the values used for customized projects cannot be “frozen”, the Joint IOUs believe it reasonable and consistent with Commission policy to freeze the approach to calculating customized projects for the 2010-2012 program cycle. The approach outlined below should be adopted immediately for the duration of the program cycle.

Additionally, it is expected that there will be a need to alter existing methods or add new methods in cases when specific custom project are encountered that are not adequately addressed by existing, approved methods available at the time of the ex ante “freeze.” Therefore, the approach outlined below will be the agreed upon procedure for which the utilities will provide information/data to Energy Division for review of customized projects for the 2010-2012 program cycle. The Energy Division’s review process will be in parallel to the utilities’ own internal project application review and approval process. The intent is that Energy Division’s review process will be implemented without causing a delay in the Joint IOUs’ program application process or the project implementation activity and will not cause any retroactive adjustments to projects that have already been completed and reported.

Approach Objectives

This document outlines an approach to customized projects that addresses the processes for:

- Energy Division review of ex ante values for custom measure/project claims, and

- IOU reporting of ex ante claims for custom measures/projects.

The objectives of this approach are to ensure:

- Energy Division conducts a timely review of IOU ex ante custom project estimates and provides real time feedback to the utilities without interrupting the program application process or project implementation activity, and
- There are no retroactive adjustments to projects that have already been completed and reported.

Approach

The Joint IOUs propose that Energy Division and the Joint IOUs adhere to the following approach for customized projects.

1. **Custom measure/project calculation methodologies shall be based upon DEER methodologies as frozen for DEER 2008 version 2.05 when possible or practical.**

If a measure or project utilizes technologies or is subject to use patterns or interactive effects considerations that are the same or similar to DEER measures, the calculations should be consistent with methods or values taken from DEER. This requirement is not intended to restrict the Joint IOUs' ability to add new custom measures or restrict the custom measure calculation procedures for measures not within DEER. It is also not meant to restrict the Joint IOUs from using common engineering tools that do not use DEER approaches that the IOUs may use. It is intended to ensure that custom measures that are variants of a DEER measure, where practical, utilize methodologies derived from DEER to ensure the ex ante estimates for similar deemed and custom measures are comparable.

Energy Division will instruct the DEER team to post all DEER analysis tools, models, and documentation on changes to parameters or methodologies on the DEERresource.com website. The DEER team will also be instructed to provide assistance to IOU staff and their contractors to understand DEER methodologies and how to utilize the DEER tools in support of their development of workpapers and added tools for their ex ante estimates. Once this data is posted, the Joint IOUs shall have adequate time to update existing tools that they develop to include DEER methodology. Any updates to existing tools will not be applied retroactively and will not impact any previously completed projects ex ante values.

2. **The Joint IOUs shall provide the Energy Division a list of commonly used engineering calculation tools.**

The Joint IOUs will provide Energy Division with a list of commonly accepted engineering tools that are used to quantify custom project savings calculations to

enable Energy Division to review and utilize these tools as part of their custom project reviews. Tools are defined as software, spreadsheets, “hand” calculation methods with procedure manuals, or any automated methods that are commonly used for multiple projects. For tools that are commonly available to the public online, the Joint IOUs will provide website links. Tools that are created by or for the IOUs will be supplied to the Energy Division along with any available documentation. The submitted list of tools and tool website links will be updated by the Joint IOUs on a quarterly basis during the 2010-2012 program cycle.

The tool submission list shall include:

- a. Manuals and use guidelines, where applicable. If the calculation tool is a spreadsheet, then all key cell formulas and documentation shall be readily accessible from the tool;
- b. A list of technologies that may be used for custom calculations using the tool. If several tools may be used to perform calculations for the same measure, all will be listed, including any cases where only one or another tool can be used; and
- c. When available, a list of key input parameters (both baseline and installed project) for each tool and each technology covered by that tool;

Energy Division may review the tools as part of their ex ante value feedback role. In this role, the Energy Division will insure that the type of input parameters and methodologies used are reasonable and consistent with common engineering practices. This review will take place as the Joint IOUs submit projects during the implementation period. As time permits during the review cycle, Energy Division may choose to provide the Joint IOUs with comments on one or more of the tools or require more information or documentation on the tool.

After review of a tool, Energy Division may require changes to a tool or make a determination not to use the tool for future evaluation if they conclude the tool produces erroneous results. Energy Division shall provide the Joint IOUs reasonable opportunity to amend any tool deficiency prior to removal from the list. Any updates to existing approaches will not be applied retroactively and will not impact any previously completed ex ante values.

3. The Joint IOUs shall keep a complete project archive of all custom measures or projects for which applications are approved and/or claims are made.

For each custom measure or project, the Joint IOUs will maintain an archive that contains all documentation, tool information, tool input files or parameters used in the measure or project calculation, and descriptions of the source of the key tool input parameters. While the goal is to provide much of this electronically, those items which cannot be readily stored electronically (such as red-lined plans) will be stored by other means. With this submission, it is expected that the Joint IOUs will provide Energy Division with the same documentation its own reviewers had access to during their review for application approval such that Energy Division

and its consultants are able to reproduce and review any selected project ex ante savings estimates or claims.

All cost-effectiveness parameters shall be identified in the project files including the source of those parameters (including estimated incentive and participant cost, effective useful life, and net-to-gross ratios for each measure included in the custom project). A summary of these project assumptions and their source will be the basis of the customized project work papers for the projects that meet the triggers in section 4. Each utility claim or tracking data submission will include a reference for each custom measure or project to the archive entry for that item and the claim or tracking submission will include the archive for all measures or projects claimed. The Joint IOUs will work with Energy Division to develop the infrastructure to accomplish this task.

4. For applications that meet or exceed the trigger points defined below, the Joint IOUs will provide custom project applications and ex ante and incentive estimate supporting documentation to Energy Division.

The trigger level is set for projects that meet or exceed:

- 500,000 kWh;
- 250 kW; and
- 150,000 therms

These values are intended to capture approximately 10-20% of the largest projects where the majority of the project savings are custom measures, and represent an estimated 50-70% of the total custom measure ex ante savings. The trigger values shall be at the site or project level for a single application. The trigger for submission shall be effective at or prior to the time of IOU customer application approval by the IOU.

For those projects at or above the trigger level, the Joint IOUs will provide Energy Division with complete preliminary supporting documentation for ex ante impacts, incentive, and cost effectiveness estimates. This identical information will also be reviewed by the Joint IOUs prior to customer application approval, and in parallel with the Energy Division's review.

Applications that meet this trigger should be submitted as early as possible to facilitate this coordinated activity. Once the required non disclosure agreements are in place with the appropriate parties, the applications and supporting documentation shall be submitted to Energy Division in electronic format through the following website: <https://energydivision.basecampHQ.com>. Energy Division and the Joint IOUs will develop an agreed upon project identification system that will be used to uniquely name the files that are submitted.

Although this trigger will require a utility electronic submission to Energy Division, the project implementation may proceed once the submission is

complete. If deemed necessary, an Energy Division M&V contractor will coordinate with the utility to perform any combination of:

- a. Reviewing project savings estimate calculations including either parameter values or tool estimate methods;
- b. Coordinating pre-/post- site inspections;
- c. Coordinating pre-/post- M&V for this project.

Energy Division will supply the Joint IOUs with the results of their reviews and any measurement and verification activities on an ongoing basis in order to facilitate improved feedback. Energy Division reviewers will interact with and provide feedback to IOU review staff on an ongoing basis to ensure that IOU reviewers are aware of key issues as early as possible. Energy Division will coordinate any M&V activities on these custom projects with the Joint IOUs and may choose to utilize the Joint IOUs or its own contractors, at Energy Division expense, to perform site inspections or pre-installation M&V.

For many non residential programs, the Joint IOUs normally schedule on-site visits during the pre-inspection period for applicable projects and/or programs. It should be noted that the preliminary project reviews typically follow these site visits, once applicable data has been collected.

When inspections are required, the Joint IOUs will provide notification of an inspection to Energy Division within one business day of scheduling the site visit. The submission is intended to allow Energy Division to review the application in parallel with the utility and allow Energy Division to coordinate any pre-installation inspections, customer interviews and pre-installation M&V, or spot measurements with similar IOU activities. In cases where no pre-inspection is required, the Joint IOUs will provide notification of a project review to Energy Division within one business day of scheduling the review.

Not all projects submitted for early review as a result of the above trigger will be subject to an Energy Division M&V activity. However, those projects selected for review may be later included as sample points into Energy Division's ex post impact evaluations.

Energy Division acknowledges that applications submitted as a result of meeting the trigger thresholds defined above may have ex ante estimates updated prior to being included in a portfolio savings claim submission as the projects are completed. The assumptions made by a utility for ex ante claims are to be frozen when the final project is completed and incentives are paid. These would only be "unfrozen" if the IOUs recognize that a significant error needs to be corrected. No subsequent evaluations, modifications to program policies, or calculation approaches would apply retroactively to ex ante claims during the program cycle.

The IOUs are expected to consider the Energy Division review information in future application review and approval activities as well as future ex ante saving claims. However, there is no requirement for any specific action in response to information provided to the Joint IOUs from the Energy Division's ongoing review process. Any updates to existing approaches will not be applied retroactively and will not impact any previously completed projects ex ante values.

The IOUs will work with Energy Division to develop the infrastructure to accomplish this task within two months of the approval of the Petition.

5. Energy Division and the Joint IOUs will establish a working group to facilitate future communication.

Energy Division and the Joint IOUs will establish a working group to allow an ongoing dialogue on issues and problems in any aspect of the custom measure impact estimation process within one month of the approval of the Petition. This working group will provide a forum for all parties to exchange information on their current activities and future plans, and to discuss and resolve problems and issues with the process outlined in this document.

The working group will also provide a forum for Energy Division to inform the Joint IOUs on issues related to its impact evaluation activities that affect the custom measure ex ante estimation process. These issues include items such as baseline definitions, net versus gross savings definitions, and other items as any party deems necessary.