**Business Closure Approaches for SAG Review**

**Follow-up from November 13, 2020 Meeting**

**Open Questions:**

1. What is the correct policy treatment in evaluation of business closures on a regular basis?
2. Should that same policy treatment be applied to the current COVID-19 driven economy, or, similar to the conversation around estimation of savings during COVID-19, should a separate treatment be considered?

**Instructions:**

* SAG participants are invited to review and comment on the five (5) approaches below. Please indicate which approach you prefer, for both 1) policy treatment in evaluation of business closures on a regular basis and 2) whether a separate treatment should be considered for business closures in the COVID-19 driven economy.
* Comments are due by **Friday, December 11**.
* Send comments to Zach Ross, Opinion Dynamics (zross@opiniondynamics.com); Rick Berry, Guidehouse (rick.berry@guidehouse.com) and CC Celia Johnson (Celia@CeliaJohnsonConsulting.com).

**Approach 1: Treat the Business Closure as a Persistence Issue**

This approach has previously been proposed by Guidehouse. The savings for the measure or project would be is verified as installed and the lifetime savings are calculated using effective useful life (EUL) in the TRM. This would require that EULs in the TRM capture all persistence effects, including business closures.

**Approach 2: Verify Savings for the Time the Equipment was in Service**

In this approach, the evaluators would verify savings prorated for only the period of time the business remained open and savings would decrease to zero after that point.

* This is not consistent with how the TRM considers first-year savings.
* If a project was installed on December 31st, the TRM says it generates a full year of savings (less proration for in-service and persistence effects captured in other measure parameters).
* Also notably, no further checkpoints exist beyond the initial verification activity; if a business closes two years after project completion, savings will still be assigned for the entire EUL of the measure.

**Approach 3: Assign Zero Savings to All Closed Businesses**

The evaluators could assign zero savings to any business found to be closed. This approach would not count at least some savings known to have occurred.

**Approach 4: Estimate Lifetime Savings Based on Re-Opening Probability**

The evaluators could estimate the probability that a business will reopen (either under the same owner or under a different owner but with the same equipment) and the expected timeframe for re-opening and calculate lifetime savings using that information. This approach would require a substantial degree of evaluation judgement to forecast re-opening probability.

**Approach 5: Use a Default Assumption for Closed Businesses**

When the evaluators encounter a business that is closed, there should be recognition of the potential for either 1) the business reopening; 2) another business moving into the space and reusing the efficient equipment, or 3) the efficient equipment being sold on the secondary market and used by another business in the service territory.

The combined likelihood of the scenarios above should be a default percentage assumption the evaluators use whenever a business is found to be closed. If approach 5 is selected, the evaluators should propose this default assumption.