Illinois Energy Efficiency Stakeholder Advisory Group
Small Group Meeting: COVID-19 Evaluation Impacts
Thursday, June 11, 2020
3:00 – 5:00 pm

Teleconference Meeting

Attendee List and Meeting Notes

Meeting Materials – Thursday, June 11 Meeting

- Meeting page: June 11 Small Group Meeting
- Illinois Evaluation and COVID-19: What to do when COVID-19 will affect the energy efficiency savings we measure?

Thursday, June 11 Meeting Attendees (by webinar)

Celia Johnson, SAG Facilitator
Greg Ehrendreich, Midwest Energy Efficiency Alliance (MEEA) – Meeting Support
Laura Agapay-Read, Guidehouse
Jennifer Alvarado, Franklin Energy
Charles Ampong, Guidehouse
Matt Armstrong, Ameren Illinois
Jean Ascoli, ComEd
Tyler Barron, Environmental Law & Policy Center
Bob Baumgartner, Leidos
Brady Bedeker, ComEd
Rick Berry, Guidehouse
David Brightwell, ICC Staff
Erin Daughton, ComEd
Eric DeBellis, Citizens Utility Board
Leanne DeMar, Nicor Gas
Mark DeMonte, Whitt-Sturtevant, on behalf of Ameren Illinois
Atticus Doman, Resource Innovations
K.C. Doyle, ComEd
Nick Dreher, MEEA
Jeff Erickson, Guidehouse
Jason Fegley, Ameren Illinois
Scott Fotre, CMC Energy
Omayra Garcia, Peoples Gas & North Shore Gas
Jenny George, Leidos
Jean Gibson, Peoples Gas & North Shore Gas
Kevin Grabner, Guidehouse
Andrey Gribovich, DNV-GL
Paul Grimyser, ComEd
Randy Gunn, Guidehouse
Vince Gutierrez, ComEd
Jim Heffron, Franklin Energy
Dave Hernandez, ComEd
Amalia Hicks, Cadmus Group
Steven Hiersche, Franklin Energy
Adam Householder, Franklin Energy
Hannah Howard, Opinion Dynamics
Catherine Izard, Opinion Dynamics
Cheryl Jenkins, VEIC (IL-TRM Administrator)
Lalita Kalita, ComEd
Haley Keegan, Resource Innovations

Anna Kelly, Power Takeoff
Aaiysha Khursheed, Opinion Dynamics
Mike King, Nicor Gas
Ryan Kroll, Michaels Energy
John Lavallee, Leidos
Bruce LiuBruce, Nicor Gas
Molly Lunn, ComEd
Marlon McClinton, Utilivate
Rebecca McNish, ComEd
Samarth Medakkar, MEEA
Nishant Mehta, Guidehouse
Abby Miner, IL Attorney General's Office
Jennifer Moore, Ameren Illinois
Jennifer Morris, ICC Staff
Denise Munoz, ComEd
Chris Neme, Energy Futures Group, on behalf of NRDC
Rob Neumann, Guidehouse
Victoria Nielsen, Applied Energy Group
Eric O'Neill, Michaels Energy
Lorelei Obermeyer, CLEAResult
Carly Olig, Guidehouse
Randy Opdyke, Nicor Gas
Christina Pagnusat, Peoples Gas & North Shore Gas
Quinn Parker, EMI Consulting
Darshan Pather, ICF
Deb Perry, Ameren Illinois
Michael Pittman, Ameren Illinois
Zach Ross, Opinion Dynamics
Andrea Salazar, Michaels Energy
Emma Salustro, ComEd
Cal Silcox, EMI Consulting
Kristol Simms, Ameren Illinois
Julie Soderna, Citizens Utility Board
Milos Stefanovic, ComEd
Jacob Stoll, ComEd
Mark Szczygiel, Nicor Gas
Harsh Thakkar, Franklin Energy
Evan Tincknell, Opinion Dynamics
Desiree Vasquez, Franklin Energy
Ted Weaver, First Tracks Consulting, on behalf of Nicor Gas
Shelita Wellmaker, Ameren Illinois
Ken Woolcutt, Ameren Illinois
Medy Xu, ICF
Cate York, Citizens Utility Board
Joel Zahlan, Cadmus Group
Angela Ziech-Malek, CLEAResult
Jim Dillon, Ameren Illinois
Arvind Singh, DNV-GL
Rick Tonielli, ComEd
Sara Wist, Cadmus Group
Kessie Avseikova, Opinion Dynamics
Tyler Barron, Environmental Law & Policy Center
Jan Harris, Guidehouse
Amalia Hicks, Cadmus Group
Patricia Plympton, Guidehouse

<u>Meeting Notes</u>
Follow-up items and next steps indicated in red font.

Opening & Introductions

Celia Johnson, SAG Facilitator

- The purpose of the small group June 11 SAG meeting is to discuss impacts to Illinois evaluation due to COVID-19.

Evaluation Impacts due to COVID-19

Carly Olig and Jeff Erickson, Guidehouse; Zach Ross, Opinion Dynamics

Program Changes

- Documentation changes – no on-site QC, adapting to new documentation such as photos, receipts, etc. Phone verification.
- Changes in level of program activity – some programs reduced, some redesigned; evaluation will be adjusted accordingly.

Difficulty Performing Evaluation Activities

- Surveys continuing, monitoring responses & response rates; Nicor Gas small business survey is on hold.
- Onsite data collection is halted, hopefully will be done later this year. Some less rigorous M&V like shorter metering periods may be possible. If not able to get in at all, then will adjust to other remote verification and data collection, estimation instead of direct measurement of a parameter, etc.

Calculating First Year Savings and Cumulative Persisting Annual Savings (CPAS)

- Looking for feedback on evaluator recommendation
- Given large changes, there is uncertainty on how to measure in 2020
  - Deemed vs custom
    - TRM-based deemed impacts are for a "typical" year, most of those will not be impacted
    - Custom calculations – variables like hours of operation, production, customer usage
      - Some normalizing is typical – weather normalizing
      - Interested in discussing how to normalize for CY2020 since this isn't a "typical" year due to COVID-19

Q: [Kristol Simms]: Do you have examples of what would be smaller or larger?
A: If a business was closed, hours of operation would be lower than usual and smaller savings; or if a company was drafted into producing PPE and added production then they could have more hours of operation and higher savings.
Q: [Ted Weaver] Could you adjust custom operations to get savings that would project over the lifetime of measure?
A: Yes; that's what we're recommending as an evaluation team.

- Examples of custom inputs & calculations affected:
  - Home energy reports – CY2020 savings might not reflect future years
  - VSDs – hours of operation, could be normalized to TRM default level
  - Occupancy or production might be different this year than typical year
  - Business permanently close before evaluation

Q: [Jennifer Morris] Consistency between deemed approach and customer – has verification – can't count it if business closes, won't be back next year, can't credit CPAS. Some of these others for short term shutdown could be expected to come back and calculate with a typical year.
A: There was some disagreement between evaluation and ICC Staff about business closures – we are hoping this can be addressed as a policy (Policy Manual).
A: [Jeff Erickson] We need to have a discussion of the business closure aspect; it is materially different than the other items being discussed.

Q: [Kristol Simms] Does business closure mean they never operate again?
A: Yes, permanent closure, out of business.

Q: If it is a dry cleaner that goes out of business but then someone reopens next year as a dry cleaner, can those savings still persist?
A: That's a consideration about business closure, per Jeff's point let's save to the end or a future discussion.

[Zach Ross] If COVID is causing an increased rate of businesses permanently closing, that's an unforeseen effect the utilities didn't expect. If the utility program did everything they could to get the EE equipment installed and commissioned, that's what we're trying to get at.

[Jennifer Morris] It's unreasonable to expect those savings will persist [in the event of business closure].

[Zach Ross]: Our prior discussion [back in 2015] was first year savings only, CPAS will require us to revisit this.

[Cheryl Jenkins] There is an imperfect line between deemed & custom savings – a number of measures have a variable populated by onsite data if available but not bulk of the TRM. Most have a default value.

- First year vs lifetime
    - Normal: Measure first year, extend for CPAS (electric only)
    - This year: first year savings probably not representative of expected future years
- Normalization options
    - Option 1: Normalize savings for all years of EUL (recommended by evaluators)
    - Option 2: Do not normalize CY2020, normalize after that
    - Option 3: Do not normalize any year
- Pros and cons of options
    - #1 All years: not rewarding or penalizing utility for pandemic; may overstate 2020 savings
    - #2 Don't normalize 2020: more accurate for 2020, won't affect future EUL; could reward or penalize utilities for CY2020, can cause inconsistencies with some TRM measures, effects gas and electric differently
    - #3 don't normalize at all: accurate for 2020; misstates lifetime savings for rest of EUL, rewards or penalizes utility for things outside of their control, inconsistencies with some TRM measures

Q: Is option #2 difficult from an evaluation perspective?
A: It requires more work; we would have to calculate both actual and normalized.
[Jeff Erickson] Another con is that the implementation on #3 would be difficult because we normally normalize, and would have to figure out what to normalize or what not to normalize. This could be a complex undertaking.

[Kristol Simms] Concerned about referring to "rewarding" the utilities – more like acknowledging what we knew at the time of implementing the program rather than any added benefit.

[Carly Olig]: Yes, I used it as opposite of penalize meaning that if savings were higher than planned, due to something unexpected.

[Chris Neme]: I like #1, it's not unlike weather normalization. We don't let them claim more savings for a hotter summer than a typical one; we kind of do this already for other reasons. This is just expanding the list of reasons to include COVID.

[Carly Olig]: Yes, that's an extension of what we do already. It's a fairly straightforward extension of the tools already in our toolkit.

[Andrea Salazar]: Question about more effort - #2 would definitely be more work and would need more budget because you are essentially doing two evaluations.

[Comment]: We would also probably need to increase the sample for sampled programs, that higher/lower would have to be factored into sample size. Outside of a census review, it's difficult to understand which way COVID will affect the outcome of a project.

[Erin Daughton]: Of the choices here seems like #1 would have less of a problem of always having to explain 2020 in future analysis – don't have to always have an asterisk next to 2020. Makes it easier for future analysts to understand.

[Carly Olig]: It sounds like this discussion is leaning towards #1.

[Kristol Simms]: Ameren IL is not ready to make a decision now, we are listening and understanding. Will need to further review.

[Molly Lunn]: Echoing Kristol, will need to review.

[Ted Weaver]: Agree for Nicor that #1 is the right approach; consistent with what we have always done in EE

[Zach Ross]: I suppose the same concept would hold true to how we do cost-effectiveness for gas as well.

[Chris Neme]: I wonder about whether residential behavior programs can be normalized for people being home more?

[Carly Olig]: That's one of the more complicated programs. We could use CY19 or past years data and adjust for 2020 weather, could use some early year and later year data. Res behavior is treated somewhat differently already; will need to have conversations with utilities and implementers to determine exactly how that will work.

Next steps on estimating savings due to COVID: Options on estimating savings in 2020 will be circulated for review and feedback (15 business days).

Business Closure Discussion

- Jeff Erickson: To recap our discussion a few years ago – there was a case where after program finished QC on a project, evaluator tried to verify at site and learned the business closed (flood destroyed business). The short version of the question was that whether it is a persistence issue in the EUL in the TRM and that when the program did its due diligence it was operating as expected, so it would be unfair to take those savings away. The conversation didn't conclude with a policy resolution. At that time, savings goals for both gas and electric were based on first year savings then, now it's lifetime (for electric). In that realm, savings for a business that is permanently closed seems to reopen the conversation. There is also a case that some businesses may reopen with same equipment and then the savings would still appear. This is very situation dependent – change hands, change brands, hard to know whether they are keeping existing equipment.

[Jennifer Morris]: Concern was discussed last time that even with first year savings, you draw the sample and extrapolate out to population – I thought it was inappropriate to ignore that sample point because other businesses could also close too. Jeff mentioned the evaluators didn't think it was appropriate to remove those savings.

[Zach Ross]: To repeat the point from earlier, I still think in this situation [with COVID-19] we're talking about something that is somewhat different. Even if you were to count the savings because some other project also could be flooded. In this case, is it appropriate to bring that same concept to COVID impacts? It's possible we can find a lot more businesses closed when we sample. It's a bigger policy question about whether the utilities should bear the risk.

[Jennifer Morris]: Echoing Zach, we never resolved the issue of what to do in a "normal" year if a business closes. Closures could be more common due to COVID.

[Q]: If we don't count the savings, does it go so far as to allow partial year savings? Or is it just a yes/no answer?

[Jeff Erickson]: If business closed in a year, then half first year and no EUL savings, that's possible but different.
[Comment]: This could go against the normalization of savings. We don't do that for savings installed on New Year's Eve, for example; in that scenario the savings count for the full year, not one day.

[Jeff Erickson]: In the EUL, predominantly technical measure life, not shortened for persistence issues.

[Comment]: High impact measure EULs have been updated in TRM. Persistence was considered for some measures, but wasn't extended to business closures.

[Andrea Salazar]: I don't know whether EULs are the appropriate place to account for persistence, but last year there were at least 2 businesses where equipment was removed for repairs and we recommended a 1-year EUL for that equipment with de-rated savings.

[Zach Ross]: That's project specific. In that case, we are looking at equipment failure – something broke – and that's different to me than a business closure from an exogenous effect. We want to capture the rate of natural equipment failure and extrapolate that out. Different than this business closure issue.
[Jeff Erickson]: This would imply that sampling strategy, to Jennifer's point, ought to pick up business closure.

[Andrea Salazar]: For the project evaluated with zero savings – in 2015-16 before when we talked about it, the argument was made that measures in TRM are average savings and should include things like businesses closing. We did some research for PJM and the number of businesses closing then was determined to be negligible. This is a different environment. Maybe we need policy guidance.

[Ted Weaver]: If a business closes, unless they tear it down or junk the equipment, then it still has the same EUL once it is used again. So, it really should only apply if a building is torn down or the equipment removed and trashed.

[Q:] What if we found out in year 2 that equipment was torn out?
[Zach Ross]: Policy Manual states once CPAS are locked in that we don't change them.

[Comment]: Remodeling might include lighting controls but not some of the big-ticket items.

[Zach Ross]: Should it be measure by measure?
[Chris Neme]: For custom project process improvement that is more applicable than for equipment.

[Jeff Erickson]: How do we operationalize that? If a business is closed, we can't talk to anybody, just look in the windows to see if measure is still there. Hard to get information if business is closed.

[Zach Ross]: Need a line between what goes into EUL and what goes into evaluation. Don't want to 'double penalize' by applying to both.

[David Brightwell]: For verification sampling, how do you go about it to contact people, if a business is not open and you are not able to get into the building…how aggressive against non-responsiveness?

A: [Various] We are pretty aggressive with multiple outreach approaches, then ask the utility to reach out through account reps; depending on size of sample we try pretty hard. If it is a really big project, in particular. We rarely give up. This differs from a phone survey where we accept a 25% response rate. [David Brightwell]: What is the average energy savings size of these custom projects?

A: There aren't a lot of small projects – custom application isn't worth the effort, but difference could be between high and low ends – 2-3 projects that have to be sampled because they are 60% of program.

[David Brightwell]: Do you expect failure rate of these larger projects / businesses to be smaller due to COVID than with smaller businesses?

A: Depends on what they make, probably it is unlikely that out of 10-20 projects that we would get more than one permanent closure. General principle that smaller the business the more likely to fold, and also would impact program less. Would like to have this conversation resolved in a timely manner.

[Kristol Simms]: Pulling back to the policy question, the points expressed here are interesting, but from policy perspective, what are we leading the utilities to do? If it is riskier to help small businesses [due to business closure concern], do utilities walk away because of the uncertainty? Outside of the COVID situation how do we expect utilities to manage the uncertainty of any company going out of business?

[Erin Daughton]: I had a conversation with custom program manager where we provided incentives and then they moved. We talked about whether you can ask the customer how long they plan to be in a facility. We didn't feel that was appropriate to ask. Do we feel that this COVID environment is different and affects projects we implemented in Q1 and they won't survive, and could really penalize savings? In the past there were big projects we could have gotten zero savings on but they were really rare. There are estimates that 20-50% of small businesses could close, that would be a big hit to the programs.

[David Brightwell]: If it is that volatile, even if you claim savings it doesn't change the volatility. Concerned about the certainty of claimed savings and shifting all of the risk to the ratepayers.

[Kristol Simms]: We want to build robust programs and market to those that need them.

[Rob Neumann]: For the project Jeff talked about before, that was a grocery store and we did give them prorated savings for the part year.

[Kevin Grabner]: One final note on gas – regarding the interactive effects of internal gains on electric equipment on gas space heating – want implementers to be aware of normalization. If lights and equipment are off and less people in space, less internal gains even though same temp setting could be higher gas usage. Something to be aware of.

Next steps for business closure policy issue: Evaluators will prepare a memo summarizing business closure potential scenarios, options, and pros/cons. The memo will be circulated for review and comment. A follow-up policy discussion will be scheduled.

Additional COVID-19 Challenge

Ted Weaver, First Tracks Consulting, on behalf of Nicor Gas

Challenge for discussion: Market changes impacting assumptions around Net to Gross (NTG) and baselines; how do we adjust for post-COVID?

- Ted Weaver: Most of the discussion today has been related to COVID impacts on evaluation. We should talk about how do we look forward. How do we apply NTG forward-looking? Values are updated once per year. It's likely going to be a lot different next year. How do we make 2021 adjustments that meet what the Policy Manual is asking us to do? Not sure of the answer but pretty sure 2021 will be a lot different than 2018-2019.

  [Chris Neme]: I appreciate Ted's points about the potential for NTG to be different next year. Not intuitively clear for which programs and which direction those changes would go. Conceptually can see that things will be different; however, I'm struggling how to come up with a basis for adjustment.

  [Randy Gunn]: Seems like we ought to look at 2020 NTG research and see how it compares with previous results, should tell us something and take some action from that.

  [Chris Neme]: It would be useful if there is data available by September that is post-COVID, but [that timeframe] could still be very different than 2021. There are many uncertain variables.

  [Jeff Erickson]: I don't disagree with Randy, but reflecting on what Chris said; little NTG research done for ComEd throughout year, ability to estimate how things have changed will be limited from existing data. We could design some research that would help answer that question. ODC is doing a survey for Ameren, could expand to whole state, was that related to NTG?

  [Hannah Arnold]: We are not in the field yet, trying to get an idea of how the trends are, what we can decipher; types of customers and directions of movement; etc. Results could inform this discussion.

  [Kristol Simms]: Building on Chris's point, there could be a different impact from market conditions and economic conditions than just health impacts from COVID and state shelter in place orders.

[Chris Neme]: Not sure on direction, how many affected, or how to find out.

[Ted Weaver]: Agreed. It's hard to come up with precise estimates, but not as hard to think about the direction. Likely less people making investments in EE because of economic depression; less money to spend, lower free ridership probably. We could likely come up with a reasonable adjustment.

[Chris Neme]: Maybe. Potential data sources: AHRI tracking sales of furnaces and ACs nationally, percentage that is higher efficiency; could compare to same quarter 2019. SAG had a presentation from VEIC and Energy Solutions in April on midstream programs, some of those might have market share data which might give some comparisons to 2019.

[Ted Weaver]: AHRI are not very forthcoming with their data. Another consideration – we would need to talk through individual programs; the world is clearly going to be different and we need to think about it.

[Zach Ross]: We can track 1) number of participants; 2) different types of participants, especially in non-residential programs – this we can find out from utility tracking; 3) of those who are left in programs, how did their decision-making change, that's the hard question. This would be a useful exercise though.

[Ted Weaver]: To the extent the utilities shift or don't shift resources; this could be tricky comparing in future years.

Next steps for Potential COVID Impacts to NTG:

1. SAG Facilitator to follow-up with VEIC and Energy Solutions about whether there is midstream / upstream data that could be shared with utilities.
2. SAG Facilitator to follow-up with ODC on timing for potential Ameren IL survey results.
3. Further discussion is anticipated during the annual SAG NTG update process in September.
    - *Reminder on NTG Process:* Evaluators provide NTG recommendations for the 2021 program year by September 1, 2020. There are four meetings scheduled in September to discuss. NTG recommendations must be finalized by October 1, 2020.
    - It may be useful for evaluators to highlight which programs were impacted by COVID when providing NTG recommendations this year; and whether there are any NTG recommendations that relate to COVID impacts.

Summary of June 11 Action Items

- **Next steps on estimating savings due to COVID:** See attached for three options for estimating savings in CY2020 due to the COVID-19 pandemic – the evaluation teams recommend option #1.
    - **Feedback is due by Friday, July 10.** Send comments to Carly Olig. Guidehouse (carly.olig@guidehouse.com) and Zach Ross, Opinion Dynamics (zross@opiniondynamics.com), CC'ing Celia Johnson (Celia@CeliaJohnsonConsulting.com).
    - A follow-up discussion will be scheduled, if needed.

- **Next steps for business closure policy issue:** Evaluators will prepare a memo summarizing business closure potential scenarios, options, and pros/cons. The memo will be circulated for review and comment. A follow-up policy discussion will be scheduled.
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