Illinois Energy Efficiency Stakeholder Advisory Group
Small Group Meeting:
Follow-Up on COVID-19 Evaluation Impacts
Monday, August 24, 2020
2:00 – 3:30 pm

Teleconference Meeting

Attendee List and Meeting Notes

Meeting Materials – Monday, August 24 Meeting

- Meeting page: August 24 Small Group Meeting
- August 24, 2020 Small Group SAG Agenda
- Estimating Savings in 2020 Due to COVID-19: SAG Comments Received
- Joint Presentation from Evaluation Teams: Illinois Evaluation and COVID-19 (Guidehouse and Opinion Dynamics, Aug. 24, 2020)
- Memo from The Opinion Dynamics and Guidehouse Evaluation Teams: Impacts of COVID-19 on CPAS (Aug. 10, 2020)
- *Provided for reference:* Memo on EM&V and the Coronavirus Outbreak from The Pennsylvania Statewide Evaluation (SWE) Team

Meeting Attendees (by webinar)

Celia Johnson, SAG Facilitator
Greg Ehrendreich, Midwest Energy Efficiency Alliance (MEEA) – Meeting Support
Jennifer Alvarado, Franklin Energy
Matt Armstrong, Ameren Illinois
Jean Ascoli, ComEd
Kessie Avseikova, Opinion Dynamics
Tyler Barron, Environmental Law & Policy Center
Kathia Benitez, Franklin Energy
Rick Berry, Guidehouse
David Brightwell, ICC Staff
Ed Byrnes, Franklin Energy
Jane Colby, Apex Analytics
Mark DeMonte, Whitt-Sturtevant, on behalf of Ameren IL
Erin Daughton, ComEd
Leanne DeMar, Nicor Gas
Nick Dreher, MEEA
Jeff Erickson, Guidehouse
Jason Fegley, Ameren IL
Scott Fotre, CMC Energy
Omayra Garcia, Peoples Gas & North Shore Gas
Jean Gibson, Peoples Gas & North Shore Gas
Kevin Grabner, Guidehouse
Andrey Gribovich, DNV-GL
Randy Gunn, Guidehouse
Vince Gutierrez, ComEd
Mark Hamann, ComEd
Dave Hernandez, ComEd
Steven Hiersche, Franklin Energy
Paul Higgins, Guidehouse
Julie Hollensbe, ComEd

Jim Jerozal, Nicor Gas
Mike King, Nicor Gas
Ryan Kroll, Driftless Energy
Bruce Liu, Nicor Gas
Karen Lusson, National Consumer Law Center
Marlon McClinton, UtilivateRebecca McNish, ComEd
Samarth Medakkar, MEEA
Nishant Mehta, Guidehouse
Gina Melekh, Franklin Energy
Abigail Miner, IL Attorney General's Office
Phil Mosenthal, Optimal Energy, on behalf of IL Attorney General's Office
Chris Neme, Energy Futures Group, on behalf of NRDC
Rob Neumann, Guidehouse
Dantawn Nicholson, ComEd
Victoria Nielsen, Applied Energy Group
Eric O'Neill, Michaels Energy
Randy Opdyke, Nicor Gas
Christina Pagnusat, Peoples Gas & North Shore Gas
Katie Parkinson, Apex Analytics
Darshan Pather, ICF
Deb Perry, Ameren Illinois
Zach Ross, Opinion Dynamics
Andrea Salazar, Michaels Energy
Emma Salustro, ComEd
Ramandeep Singh, ICF
Milos Stefanovic, ComEd
Jacob Stoll, ComEd
Harsh Thakkar, Franklin Energy
Miguel Thomas, Franklin Energy
Todd Thornburg, ComEd
Evan Tincknell, Opinion Dynamics
Taso Tsiganos, IL Attorney General's Office
Andy Vaughn, Ameren Illinois
Ted Weaver, First Tracks Consulting, on behalf of Nicor Gas
Ken Woolcutt, Ameren Illinois
Angie Ziech-Malek, CLEAResult
Arvind Singh, DNV-GL
Chris Vaughn, Nicor Gas
Mark Milby, ComEd
Jake Millette, Michaels Energy
David South, West Monroe Partners

SAG Facilitator Introductions

- **Meeting purpose**: To follow-up on COVID-19 evaluation impacts and discuss resolution of the option the evaluators will use to count 2020 custom savings.
- **Background:** A meeting was held on June 11 to discuss evaluation challenges due to COVID 19, including counting custom savings in 2020
    - The evaluation teams shared three options for counting custom savings, with a preference for option 1
    - Following the June meeting, participants were invited to share their preferred option
    - Six parties expressed a preference for the option evaluators will use we do not currently have consensus
    - Evaluation teams will share additional information on the options today, including responding to questions raised by IL Attorney General's Office

- **Timing for Resolution:** Evaluation teams have requested resolution as soon as possible, given current evaluation activities for the 2020 program year
    - If possible, goal of resolving within the next week
    - Evaluation teams have requested resolution be documented
    - For example, resolution can be documented on the Policy page of the SAG website: https://www.ilsag.info/policy/
- **Next Steps if No Consensus (see Policy Manual Section 3.10):**
    - *The SAG does not make use of formal voting. If the Commission directs a specific decision or action to the SAG, consensus decision-making will be used to reach agreement. Consensus decision-making is in the nature of settlement discussions. As a matter of general agreement, positions or statements made during SAG meetings shall not be used by any party to contradict or impeach another party's position, or prove a party's position, in a Commission proceeding.*
    - *If, after a reasonable period of time, as determined by the SAG Facilitator, consensus is not reached, the SAG Facilitator will produce a Comparison Exhibit that identifies the issue, different opinions, and the basis for those opinions. Where practicable, the parties supporting each position will be identified. For consensus decision-making, SAG participants shall provide one position on a particular issue, per company or organization. The SAG Facilitator will share information with SAG participants unable to attend a consensus decision-making meeting, including an opportunity to review and comment on the proposed agreement.*

Summary of Comments Received

- See: Estimating Savings in 2020 Due to COVID-19: SAG Comments Received
- **Ameren Illinois [Matt Armstrong]:** Preference for Option 1. Case by ODC and Guidehouse was well laid out. Still a lot of unknowns but the fact that Option 1 doesn't reward or penalize utilities is important to keep in mind. Memo pointed out additional cost to do two evaluations on custom savings – keeping in mind those dollars were not budgeted for and would come from program implementation and take away from savings and helping the customer.
- **ComEd [Vince Gutierrez]:** Supports Option 1, except for Home Energy Reports – those are assessed using randomized control trial which should take into account pandemic effects. That analysis should be enough and account for differences equally, so why change it.
- **Illinois Attorney General's Office [Taso Tsiganos]:** Supports Option 2. Interested in reflecting the most accurate savings. Pandemic has affected everyone. Ratepayers are taking a lot of hits. What is claimed as being saved should be reflected accurately.
- **NRDC [Chris Neme]:** For Option 1, I was thinking about C&I / custom, had not considered Home Energy Reports (HER). Agrees with evaluation team rationale. It's worth noting that the approach we take in TRM for all sorts of measures is intended to produce an average savings that accounts over the life of the measure, including economic ups and downs and weather. We never adjust for those things; we control for them in the TRM. Otherwise savings estimates get "lumpy" and difficult to manage. With respect to AG's concern on implications of not accounting for impacts on a performance incentive for 2020, in the grand scheme of things I think incentive would be higher under Option 2. Extra savings would show up on books in 2020 because they were acquired in 2019, making it easier to earn a bonus in 2021 – option 1 protects customers better than option 2. Following discussion below, disagrees with ComEd on an exception for HER. Prefers option 1.

- **Nicor Gas [Ted Weaver]:** Agree with Option 1. Agree with Chris Neme that the goal is to assess over life of measure and have always reflected that. Cold winter doesn't calculate higher gas savings for that winter. Disagree on exception for Home Energy Report / behavior programs – Pennsylvania EM&V memo reason for exception is that savings for HER only count for a single year with no future savings. We've done groundbreaking work on behavior in IL with savings degradation over 7 years for gas and 9 for electric. The HER program has a lifecycle. What is saved in 2020 doesn't necessarily reflect the future. Not sure a control group would just make that go away. Advocate Option 1 for all programs.
- **Peoples Gas/North Shore Gas [Christina Pagnusat]:** We agree with Option 1.

Discussion on Home Energy Reports Exception to Option 1:

[Chris Neme] Clarifying question. What is different in HER estimate under Option 1? Consumption of participant and non-participant – difference is the savings. Do you think we should make an exogenous adjustment?

[Ted Weaver] Good question. Policy right now is look at weather and make an adjustment if that has a significant impact. Weather is easier to adjust for than COVID. The way we were thinking of it is presumably there will be savings in 2020 that are different than 2019, Want to hear how the evaluators would adjust them.

[Chris Neme] Are you suggesting COVID normalizing?

[Ted Weaver] For other custom projects, we make weather adjustments as a matter of course, we think the same should be done for COVID.

[Chris Neme] To the extent that the evaluators think the non-randomized control doesn't account for COVID impacts and they think it should be adjusted?

[Phil Mosenthal] Not sure I agree, Chris. Your premise that the comparison group doesn't control for COVID.

[Chris Neme] Can we clear up Ted's view first, you want the evaluators to decide whether a COVID adjustment is relevant and if they say there isn't then don't use one?

[Ted Weaver] Yes, treat it just like every custom evaluation. Adjust for weather, business cycle, COVID, etc. Evaluators would figure out methods and apply it.

[Phil Mosenthal] I don't disagree with overall statement. I thought Chris was looking for a position that the comparison group doesn't account for COVID. Comparison group should pick up similar increase in at home as participants, so they both capture that. Percent savings might apply to a bigger load. Could take percent savings and still apply to a weather normalized residential forecast load instead of the observed COVID load.

[Chris Neme] I support evaluators deciding whether an adjustment should be made.

[Ted Weaver] Could take that percent savings and apply to normalized load. Concern with ComEd's position. Should be symmetrical however we agree to it.

Estimating 2020 Savings Due to COVID-19

Jeff Erickson, Guidehouse
Zach Ross, Opinion Dynamics

- Purpose of discussion: To provide additional information on Options 1 and 2; respond to questions raised by IL Attorney General's Office.
- [Zach Ross] Let's start by explaining what we mean by normalization. General idea is we would be attempting to evaluate a counterfactual if COVID hadn't occurred. What it would have been in a normal 2020. Will already include weather and production that would smooth out some of the lumpiness already, would apply same concepts to the disruptions in activity due to COVID. E.g. higher or lower operation hours, occupancy.

[Taso Tsiganos] My understanding for custom measures is that normally evaluator would come back approx. a year later and extract information to see if what was claimed had happened. Why now are we doing this before the evaluation has even taken place? You mentioned that you would ask operational questions like hours of operation, wouldn't that be asked after the fact with the evaluation? Seems like we are doing this ahead of what is normally done.

[Zach Ross] Not sure I agree. You're talking I think about the data collection to do the evaluation. There are many ways we assess custom savings. We're trying right now to answer the policy question of whether the savings are the way we normally do it with some normalization, are they something else, or will they specifically reflect COVID? For example, savings from equipment on a production line is a function of production. If we measured actual production and it is a non-representative year, we run the risk of deeming savings for 15 years at the wrong level. If we have 3 other years of data, do they line up, or can we smooth things out to better estimate lifetime savings. Here the question is whether it is appropriate to normalize out the effect of COVID. Is it a real impact or is it more appropriate to estimate as if COVID hadn't occurred? We're not responding to the data; it's about how we treat the data.

[Jeff Erickson] We try to get in the field a couple times over the course of the year. Especially on complex projects. There is limited time if we waited until the end of the year. We come to [custom program participants] a shorter time after implementation and ask questions, so we can get some information before memory fails.

[Phil Mosenthal] Doing whatever surveys or data collection you are going to do wouldn't add any more cost, it's just the analysis side that adds more cost?

[Jeff Erickson] It will probably take more questions to tease out differences. Analysis side also gets more complicated too. Site by site and a lot more debate.

[Zach Ross] Would it help to have more of the data before we decide what to do, then?

[Jeff Erickson] In an ideal world, sure. But come Feb. 1 we don't have the luxury of time.

- [Zach Ross]: Addressing IL AG Questions 1-2: What is amount of savings is impacted? Is there a way to quantify actual savings impact?
  - Answer: No basis right now to say what we think the effects will actually be on custom projects. We took the projections the utilities provided from Q1 reports and did some analysis assuming a range of scenarios. Numbers on slide are percent of currently projected 2020 net energy savings that we expect will be evaluated using custom methods where normalization could be an issue. For Ameren Electric, we expect these methods to be used for 11% of the portfolio. That includes a handful of programs, custom and Rx and voltage optimization (but we don't think because of the way that calculation will be made that the VO will be affected).

[Phil Mosenthal] Clarifying question – your memo indicated the 11% isn't the total potential impact, it's the customers you intend to sample?

[Zach Ross] No, it's the percentage of the savings that are in the potential normalization bucket. Slightly different for electric and gas. For ComEd, voltage optimization methodology is different and will need normalizing unlike Ameren. We present ComEd with and without HER because of the opinions expressed.

[Zach Ross] No basis for Ameren for what we might expect as adjustment to projects. Ran a sensitivity analysis though. What it might be if we saw a certain level of adjustment. If all Ameren custom projects had a 10% downward reduction, would achieve 92% of AAIG, etc. Ran sensitivities all the way up and down to +/- 100%.

[Chris Neme] Taking the Option 2 example of Ameren – if a 10% adjustment down led to 91.9%, let's just call It 5000 MWH downward adjustment. In 2021 those would come back and get added back to new first year savings for 2021?

[Zach Ross] Yes, CPAS achieved in 2021 would show an increase then under Option 2 only.

[Chris Neme] That adjustment taken in 2020 would then be added relative to the AAIG in 2021 for programs from 2020. As it relates to shareholder

incentives, it would lead to an easier time meeting or exceeding the 2021 AAIG and the shareholder incentive implications.

[Karen Lusson] Why would MWh be added back in 2021?

[Zach Ross] When we evaluate CPAS savings, we show savings achieved in each year for a project over the life of the project. The specific conception of Option 2 is to not normalize for COVID, but for 2021 we normalize for a 'typical' year. The penalty/reduction in savings in 2020 but the project returns to its "normal" level of savings in 2021.

[Chris Neme] Even before CPAS with CFLs we would see rebated 10,000s of CFLs and claim for the ones installed in 2020 and purchased in 2020. The ones that were shelved until next year, we would then claim on next year. We've been doing that for a long time. Only difference now is the shareholder incentive is involved.

[Phil Mosenthal] Is it true that the savings added back in Option 2 would 'net out' the expiring savings – more persisting savings and a lower AAIG?

[Chris Neme] AAIG doesn't change. We know what that is years in advance.

[Phil Mosenthal] Rephrasing, would it lower annual goals for 2021 because new savings coming in would that credit against expiring savings or would it seem like a windfall from a big project on Jan 1?

[Chris Neme] I don't think the distinction makes any difference. Need to earn savings to reach the AAIG. MWh would show up as new savings whether they were counted first toward expiring savings wouldn't matter, they all count toward the goal.

[Phil Mosenthal] We could think about it as goal for next year going down because it is being calculated out of the expired savings…

[Chris Neme] I don't think there is any basis for adjusting a goal. Effect will be the same.

[Ted Weaver] Zach could you explain the 'No Normalization slide' why it is all at 100% for gas but not at 100% for electric?

[Zach Ross] The electric utilities have a goal we know about well in advance. From their Q1 reports, they projected these levels they would be reaching. For gas utilities we don't have the same long-term benchmark and are using implementation plan goals from Q1 reports to show the bands around savings.

[Jeff Erickson] Also the gas is first year savings and the electric is AAIG.

- [Zach Ross] Addressing IL AG Question 3: What is cost of evaluation?
  - Answer: Don't have a solid basis but we came up with a rough estimate of 1.5x and we think now it is a potentially lower ceiling that we might

have. Assuming 1.5x which might be conservative, the actual costs in added cost is shown on the slide. +$1,240,000 statewide. Is not room in current budget to do this and complete Option 2, would have to be more funding.

- [Zach Ross] Addressing IL AG Question 4: Why would Option 2 require two evaluations?
    - Answer: Would have to estimate savings twice – once for 2020 and then for hypothetical future years. We would have to develop two analyses with two different sets of data. We almost always to some normalization. Some, if not all of that, would still have to be done for weather under Option 2. Production becomes fuzzier now though – to what degree do we consider production changes directly resulting from COVID? Depends on the type of business, not always clear where the dividing line is on where we normalize and don't. Will take lots of discussion internally, and a lot of decisions over a short period of time.

[Phil Mosenthal] For normalization you typically do, if they went out of business in a normal year, what do you do? Do you count or zero?

[Jeff Erickson] We're writing a memo about the issues for that very question for SAG who will debate and come to a decision. We had the discussion a few years ago and didn't resolve it.

[Celia Johnson] I suggest we can hold off on this discussion for a separate meeting. The evaluators could include info about other jurisdictions in the memo.

[Phil Mosenthal] Here's a non-business closure example. Factory shifts from 2 shifts to 1 shift and doesn't plan to go back to 2 – what do you do?

[Zach Ross] I would say that by very nature it is custom and we're going to look at it project-by-project. If it is a business change, we don't just smooth out and ignore reality, but if we think it is just economic downturn and facility might not be forecasting a date to return to 2 shifts, we might do some kind of hybrid.

[Jeff Erickson] That's the anticipated difficulty. We're going to ask whether they did it because of COVID or if it was planned for other reasons. Might not be a clear yes or no.

[Taso Tsaiganos] Clarifying question: If the customer leads us to believe it is a business decision, then you are adjusting. This is at the onset when you do the evaluation, not ongoing over life of measure? You only visit a project once?

[Zach Ross] We cannot change CPAS after the first-year evaluation, per the Policy Manual. We might use some historical data, but we can't go back in later years.

[Rick Berry] I support the statement on custom project normalization. It is uncommon but does occur where a project assumes an increase in production that doesn't end up true, we do adjust down to actual production values as we're normalizing. If there is something that like Zach said is assumed to be intermittent like a boiler shutdown, we would pull that data out of the analysis and assume it doesn't happen every year. When this started, we all had some hope that it would be a 2-month shutdown and companies would bounce back. Given now that we're six months in and the endpoint isn't tangible, it's hard to assume anyone is going to go right back up to pre-COVID production levels. We will have to take that into account.

- [Zach Ross] Addressing IL AG Question 5: What do we do next year if COVID continues?
    - Answer: I don't think the decision on 2020 should be binding on the future, but should provide a precedent to evolve in 2021. Decision we reach hear now shouldn't be considered to be binding on 2021 unless SAG wants it to be.
- Follow-up discussion on proposed exception to Option 1 for Home Energy Reports:

[Zach Ross] Our expert on this not available to join us today. A few quick things. First, to Phil's note about bringing HER into alignment with non-residential custom, wanted to point out that HER is always different. We estimate actual savings because we do a randomized trial. We don't do normalization on that – we've considered weather normalization but it didn't have an impact. Second, persistence formula estimates future incremental savings for each year. Will introduce a lot of complication for persistence algorithms in future years. Will require future ongoing conversation.

[Ted Weaver] We do evaluation to see if utilities met their goals, which were set from a framework 4 years ago. If the world changed and savings go down for 1 year, and we measure from new goalposts instead of when we set the goals, it could be unfair.

Next Steps

Celia Johnson, SAG Facilitator

- Request for any other comments from parties, or suggestions on next steps if we are not able to reach agreement?

[Taso Tsiganos] To the extent that the new information from today, it hasn't personally changed my mind but will take it back to discuss internally.

[Phil Mosenthal] Option 1 would preserve/create consistency between custom measures and the TRM but those have never necessarily been consistent. Custom has always been retroactively adjusted based on evaluation results.

[Zach Ross] To respond to Phil, I agree custom and TRM measures have always been different. There was a specific difference from custom and TRM

in this case as to what those savings mean in the context of COVID. Custom will be more fluid.

[Zach Ross] There is some urgency from the evaluation side – seems like we will get pushed into a place as evaluators that we will have to act as if we are doing Option 2 by default if we don't reach consensus, meaning the costs and data requirements will go up. Planning accordingly will require a decision as soon as we can.

[Jeff Erickson] Agree. Absence of consensus would force our hand.

[Phil Mosenthal] Do you have an example of what data you need for Option 2? Why do you have to ask more than what you normally ask?

[Zach Ross] What's different – we would still ask for the same data but could have to extend the conversation and clarify and probe more. I don't think that the bulk of the additional cost is from data, it's from analysis and follow-on conversations. Lots of back and forth with utility engineers already, and that will double with Option 1. From the utility perspective, they will want to try to align their ex ante estimates as well and that could be quite a lift as well.

Follow-up item: If any parties have additional comments or feedback on the options proposed by the evaluation teams for counting custom savings in 2020, please send no later than Tuesday, September 1 to the following:

- Celia Johnson (Celia@CeliaJohnsonConsulting.com)
- Zach Ross, Opinion Dynamics (zross@opiniondynamics.com)
- Jeff Erickson, Guidehouse (jeff.erickson@guidehouse.com)
- Kevin Grabner, Guidehouse (kevin.grabner@guidehouse.com)