

Stakeholder Advisory Group Net-To-Gross Framework

Jeff Erickson – February 5, 2013



STRATEGIC THINKING AND DELIVERY

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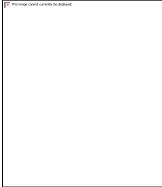
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When to Choose Retroactive vs. Proactive?

- » When does the decision get made about what values should be used for a particular program year?
 - › Framework: Deemed NTG is the most recent evaluation NTG available when the program year starts, unless program or market change.
 - › Options for PY5
 - Over the next few weeks in discussions with utilities and ICC. **EM&V team favors this option.**
 - After evaluation does research on the program and market, but before the end of PY5 (perhaps not meaningfully different from the first option).
 - In the course of evaluation research on PY5 and ultimately determined in the evaluation reporting process after the program year ends.

When to Choose Retroactive vs. Proactive?

» Options for PY6 and on

- › In PY5 evaluation prior to the start of PY6. Issues:
 - Program design may be changing near the beginning of the program year.
 - Remedy, make determination as soon as possible after the program year starts. **EM&V team favors this option.**
- › Mid-year in PY6 after any program design changes have taken root and the evaluation has had time to do research.

Who Decides?

- » Who decides what NTG values will be used for a particular program year? Options:
 - › Utilities in their program filings
 - › EM&V Team decides, in consultation with ICC and SAG
 - › EM&V Team recommends, SAG Comments, then ICC Decides, then EM&V team reports.
 - › EM&V Team recommends, SAG and ICC Staff Comment, EM&V decides and reports, ICC Decides. **EM&V team favors this option.**

Does the Framework need updating?

» Four Clarifications

- › New programs, in their second year
- › New evaluation methods
- › Utility discretion to choose retroactive
- › Joint Gas-Electric programs

New Programs in Their Second Year

- » Programs that were new in PY_x , what is done in PY_{x+1} ?
- » PY_x = Retroactive NTG
- » In PY_{x+1} they are not “new” so by the framework they are eligible for deemed NTG. PY_x NTG is not available at the start of the program year. Can it be deemed for PY_{x+1} ?
- » **EM&V position:**
 - › When PY_x program operations were sufficiently advanced (program ramping up) so that EM&V team believes PY_x NTG is a valid indication of the future, then PY_x NTG should be deemed for PY_{x+1} .
 - › Otherwise PY_{x+1} NTG researched and applied retroactively.

New Evaluation Methods – Refrigerator Recycling

- » Refrigerator Recycling is eligible for deemed NTG.
- » TRM: Include induced replacement factor in NTG.
- » IRF was not in PY4 evaluation.
- » ICC Staff Position: NTG should be calculated in EPY5/GPY2 including induced replacement and applied retroactively.
- » Pros: TRM compliant
- » Cons: Induced replacement likely will have a minor effect.
- » Decision?

New Evaluation Methods – Other New Methods

- » What if the evaluation team comes up with a new and improved method for calculating NTG? Should the NTG be applied retroactively even when earlier evaluation results could have been deemed?
- » NTG Framework goal is to give relative certainty to program managers for a given program year. Implication: do not apply retroactively.
- » Alternatively: If we come to believe the NTG is wrong, it should be corrected. That increases uncertainty.

Can a Utility Pick and Choose?

- » Can a utility choose to face retroactive application of the NTG factor, even if a deemed number is available?
- » Pros: If the utility believes the NTG value is wrong, it allows them to hope for a more accurate result.
- » Cons: Utility will only choose this route when it believes the deemed NTG is too low.
- » Decision?

Joint Gas-Electric Programs

- » When Joint Gas-Electric Programs face deemed and not-deemed in a given year:
- » Can the framework be applied separately – retrospective for one fuel and prospectively for the other?
- » **EM&V position:** EPY4/GPY1 EM&V reports did apply the framework separately.

Does the Framework need updating? Alternatives

- » Alternative 1: Only prospective application of NTG ratios
- » Alternative 2: Eliminate “significant market change” as rationale for retrospective application of NTG.
- » Pros:
 - › Minimize risk
 - › Provide certainty
 - › Focus research on NTG, not on program and market changes
- » Cons:
 - › Net savings in a given year may be less accurate

Does the Framework need updating?

Reporting Guidelines

- » Should EM&V reports show kWh and/or Therm savings from new NTG Values when the program is eligible for deemed NTG for compliance?
 - › Is there money in the EM&V budgets for this?
 - › Will this lead to cherry picking NTG Values based on outcomes rather than principles?

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