

Members of the Family? On Bringing the Evaluation Team in to the Table Early

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Panel Members: Carol Stemrich, Public Service Commission of Wisconsin

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Discussant: Ben Bronfman, Quantec LLC

In the fall of 2004, We Energies launched an aggressive effort to reduce the Company's peak demand by 55 MW by the end of 2008, to help meet projected annual growth in demand of more than 2.5 percent. In contrast to the approach taken with most DSM programs across the country, We Energies did not wait until its Energy Efficiency Procurement program was up and running—or completed—before bringing in an evaluation team. Instead, the company selected the program evaluators even before hiring its implementation contractors.

The Company's decision was affected in part by the context in which the program was required to operate. First and foremost, the Public Service Commission of Wisconsin authorized the We Energies program as part of a package that includes the construction of three coal-fired plants, but requires that energy efficiency take priority insofar as possible. Second, the We Energies effort is intended both to complement and to supplement the statewide public benefits programs administered by the Wisconsin Department of Administration, under the rubric of Wisconsin Focus on Energy. Third, given development and success of the statewide program, We Energies has not administered its own broadscale energy efficiency programs for several years and is currently mandated to leave the field after 2008.

This panel will discuss the reasons for the approach taken by We Energies within this context, concerns with the model adopted, some early results, and lessons learned thus far. The panel brings a variety of perspectives, in that it includes the utility manager charged with achieving the 55 MW reductions in demand (Mathewson), the lead staff member of the Public Service Commission of Wisconsin who is overseeing the program (Stemrich), and the manager of the evaluation team (Holmes). In addition, the panel features a discussant (Bronfman) who has considerable experience in dealing with programs that are intended to adapt to evaluation findings and changes in the market on an ongoing basis.

Rationale for the Decision

We Energies brought the evaluation team to the table early to achieve several objectives:

- Ensure that the component programs were well-designed and incorporated lessons learned in other programs
- Increase the likelihood of obtaining real-time feedback so that adjustments could be made quickly, given the limited time that programs would be active
- Minimize conflicts between evaluators and implementers by establishing assumptions (e.g., deemed savings levels) and evaluation processes from the outset
- Ensure that program design and implementation planning were informed by the data needs of the evaluation team

Staff members of the Commission recognized that We Energies lacked recent experience with comprehensive energy efficiency programs and agreed with the decision to bring the evaluators in early. They believed that the insights of an experienced evaluation team would be useful in overall program design and would be particularly helpful in avoiding free ridership where possible. In addition, everyone saw value in establishing upfront procedures that would maximize the likelihood that the Commission would have confidence in the validity of the evaluation results.

Concerns with the Decision

At the same time, the parties to the decision to engage the evaluation team early recognized potential concerns. Most important, Commission staff members believed that engaging the evaluators in program design had some potential for compromising the independence of the team. This concern reflected not only the timing, but also the contractual structure of the program, in which the evaluation team is hired and managed by We Energies. To address this concern, the overall process includes working groups that bring other parties to the table (e.g., representatives of Focus on Energy administrators and evaluators), as well as ongoing oversight and close operational relationships between Commission staff and We Energies.

A second concern stems from the Wisconsin context, rather from the timing decision *per se*. Given the achievements and expected longevity of the statewide Focus on Energy, it is important that the We Energies efforts not compete directly with those offerings, confuse customers, or create unrealistic expectations regarding future programs. In turn, these requirements set additional tasks for the We Energies design effort and for questions to be addressed by the evaluation team. Moreover, they create a situation in which the evaluation teams for We Energies and for Focus on Energy must review their data gathering and analytic techniques to avoid inconsistencies and undue burdens on program allies and participants. Dealing with this concern has motivated considerable effort at both the working group level as well as at a purely technical level.

Some Early Results

A few early fruits of engaging the evaluation team at the outset can be cited. These include the development of a white paper and a prescreening tool designed to help implementers recognize potential free riders, a change in the definition of peak period for air conditioning measures, a thorough review of deemed savings values and algorithms, and an independent assessment of

proposed nonresidential new construction baselines. These activities have helped program implementers train their field staff and prepare marketing materials for programs with confidence that their results will be acceptable to We Energies and, ultimately, by the Commission. In addition, the evaluation team provided input to the developers of We Energies comprehensive project tracking system, to ensure that needed data would be collected and organized from the outset of the program. Finally, the evaluation team has contributed to the Company's rejection of certain proposed programs and to modifying the tactical approach of another. On the downside, the need for coordination with Focus on Energy has extended the time required to complete evaluation plans and engage fully in fieldwork.

Lessons Learned Thus Far

Based on the We Energies program experience thus far, the parties agree that the decision to bring evaluators to the table as programs are designed and implemented is appropriate, but that its value can be increased. Most notable, perhaps, is the result of consultation requirements implicit in the decision: In order to direct the evaluation team effectively, We Energies and the Commission consulted closely on the specific information needed for regulatory review and the appropriate processes and algorithms for developing that information. That collaborative effort and subsequent discussions of the working group have led to an overall confidence in the evaluation process and the anticipated evaluation results, albeit at recognizable costs in time and budget. (Of course, it is hoped that these initial investments will pay considerable dividends as the program matures). In addition, these processes have helped ensure that the evaluators have thus far avoided any semblance of taking "ownership" of program designs and tactics, thus relieving earlier fears that their involvement might compromise their independence and objectivity.

Looking to the future, the We Energies experience suggests that other utilities and market transformation organizations should consider several factors when deciding whether to bring evaluators in during the program design stage. These factors include the sponsor's recent experience with energy efficiency programs, the length of time the program(s) will run, and the risks associated with the program(s) proposed. When fielding well-tested programs that must get into the field quickly, there is little reason to worry about the evaluation team early on. As the complexity of the undertaking, attendant uncertainties, and the program time scale increase, so may the value of considering evaluation issues at the outset.