

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners:

Thomas E. Wright, Chairman

Michael C. Moffet

Joseph F. Harkins

STATE CORPORATION COMMISSION

SEP 01 2009

In the Matter of a General Investigation)
Regarding Development of an RFP for a Third-)
Party Provider or Providers of Energy)
Efficiency Program Evaluation, Measurement,)
& Verification Services)


Docket No. 10-GIMX-013-GIV

NOTICE OF FILING STAFF'S STRAW MAN PROPOSAL

COMES NOW the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission" respectively), and for its filing regarding a straw man proposal and recommendations addressing the technical aspects of a request for proposals for selecting a third-party provider or providers of evaluation, measurement, and verification of energy efficiency programs, submits the following:

Straw Man Request for Proposal

1. The Commission's July 8, 2009, Order in this proceeding, directed Staff to develop a straw man proposal addressing the technical aspects of a request for proposals (RFP) for selecting a third-party provider or providers of evaluation, measurement, and verification (EM&V) of energy efficiency programs. Attached is a proposed RFP for interested parties to review and provide comment on. The straw man proposal will be incorporated into the Kansas Department of Administration RFP template at Section 4. The template can be found at: <http://www.da.ks.gov/purch/Forms.htm> . The template contains optional language for consideration. Parties should also comment on which optional information should be included in the RFP.

2. In developing the straw man RFP, Staff has incorporated the relevant Commission decisions from Docket No. 08-GIMX-442-GIV. The straw man RFP indicates that all EM&V will be performed by a single provider contracting directly with the Commission. It also indicates that EM&V should focus on impact evaluations with the scope of future EM&V evaluations to be determined by the Commission upon review of the first two year evaluation result. The straw man proposal indicates that education programs will not be subject to impact evaluations, but should initially undergo process evaluations to determine whether the program is being implemented in an efficient manner. Other specific requirements detailed by the Commission are also incorporated into the RFP.

3. Conflict of interest is addressed in the straw man proposal. As the Commission ordered, any RFP response from an entity which has assisted in developing a utility's energy efficiency programs will be disqualified from consideration. In addition, Staff suggests that to ensure confidence in the results provided by the third-party evaluator, it is essential that the provider be independent from the utility or its affiliates or holding company and that a response from an entity which has conducted EM&V work for the utility or its affiliates or holding company within the last two years will also be disqualified from consideration.

Additional Issues Related to Request for Proposals

4. Staff recommends that the Commission address how and when future RFPs for EM&V will be issued. Based on experience of EM&V in other jurisdictions, the Staff recommends that the Commission reissue a RFP every three years. This will provide sufficient time for the Commission to gain knowledge with the EM&V process that may lead to modification of elements of the RFP in response to this experience.

Staff suggests that the Commission open a new proceeding at that time and request comments from interested parties on any changes they believe necessary for the RFP. For instance, if the number of energy efficiency programs increases and it becomes apparent that the use of a single provider is inadequate, the Commission could address this in future RFPs by segmenting the programs to be reviewed based on customer class, program type, fuel type, and seeking a third-party provider for each market segment.

5. Staff recommends that the Commission determine how payment of the EM&V provider will occur within this proceeding. Staff suggests the following:

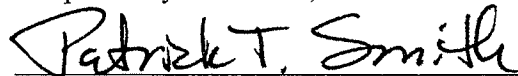
- a. A separate docket should be opened for the evaluation of each program. All direct expenses billed by the EM&V provider for the evaluation of a utility's program will be assessed to the utility along with other expenses incurred in the EM&V such as Staff time associated with the docket.
- b. In instances where an evaluation comprises a single program operated by several utilities, a docket could be opened for each utility and expenses directly related to the utility's portion of the EMV billed through that docket or all utilities operating the same program could be made parties to one docket and expenses billed by the EM&V provider could be assessed based on relative total budget of each utility's Kansas portion of the program.
- c. In the event that it is necessary to provide retainer fees in order to secure an EM&V provider, the Commission could open a docket for the purpose of assessing retainer fees or other contractual expenses independent of EM&V evaluation work. All jurisdictional gas and electric companies with energy efficiency programs approved by the Commission would be

made parties to the proceeding and assessed in a prorated manner consistent with the Commission's policy governing general investigation dockets.

6. Staff recommends that the EM&V provider's evaluation data be used to construct a Kansas-specific database of energy efficiency of inputs for use in future benefit-cost analysis. Such database would be publicly available and updated periodically as new evaluations are performed. Given the number of current number of energy efficiency programs and anticipated number of evaluations, Staff believes it is capable of compiling the data gathered by the third party evaluator. However, when reissuing the RFP, the Commission may determine it is appropriate to expand the third-party evaluator's roll to include updating the Kansas-specific database. Staff could provide oversight of evaluator's activities in such a situation.

WHEREFORE, Staff files its straw man proposal and recommendations addressing the technical aspects of a request for proposals for selecting a third-party provider or providers of evaluation, measurement, and verification of energy efficiency programs for the consideration of the Commission and the parties to this docket.

Respectfully submitted,



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Section 4 SPECIFICATIONS

The State of Kansas is issuing this Request for Proposal to obtain competitive responses from vendors to provide Evaluation, Measurement & Verification Services, per the attached specifications, for the Kansas Corporation Commission (Commission), Topeka, KS.

1. **Term of Contract:** The term of this contract is for a three (3) year period from the date of award with NO additional one (1) year renewal(s) by written agreement of the parties.
2. **Background:** The Commission recently established a regulatory framework to encourage energy efficiency as a viable option to meet future energy needs in Kansas. Specifically, the Commission feels that the use of energy efficiency as a utility resource to meet future energy needs can moderate electric and natural gas rate increases caused by the building of new generation and transmission infrastructure. In response to the Commission's goals, six (6) of the nineteen (19) jurisdictional electric and natural gas utilities have begun to or soon will implement various energy efficiency programs.

Independent evaluation, measurement and verification (EM&V) serve as a quality control mechanism for energy efficiency programs, ensuring that ratepayers actually receive the efficiency benefits promised by the programs. The Commission has determined that EM&V should be planned and implemented to meet the following objectives laid out below, while balancing precision and accuracy with the cost of EM&V.

- Verification of a utility's annual savings and total resource benefit claims made in association with individual energy efficiency programs.
 - Measurement and verification of key technologies and services within energy efficiency programs for the purpose of developing accurate estimates of energy impacts.
3. **Scope of Work:** The Commission is seeking a consultant to work with its Utility Division staff to design and implement EM&V of all jurisdictional utility's energy efficiency programs on a reoccurring basis. While the exact number of programs subject to this contract cannot be known in advance, it is estimated that approximately twenty-four (24) to thirty (30) program evaluations will be needed over the three (3) year term of contract, or approximately eight (8) to ten (10) evaluations per year.

Evaluations will be divided into two (2) categories as follows:

- A. Impact evaluations of demand reduction and energy efficiency programs – at a minimum these evaluations shall analyze a program's energy savings (including avoided line losses) and costs, and in the case of demand reduction programs, demand savings. If permitted by an individual program's budget, and determined to be warranted by the Commission, these evaluations may also extend to include an analysis of the program's free ridership and spillover effects.
- B. Process evaluations of educational programs – The Commission has determined that educational programs will not be subject to impact evaluations, but should initially undergo process evaluations used to determine whether the program is being implemented in an efficient manner. Process evaluations shall at a minimum evaluate:
 - Program Administration
 - Program Implementation and Delivery, including:
 - Effectiveness of program promotion
 - Market Feedback, including:

- Assessment of participation and barriers to program participation
- Level of customer satisfaction

4. **Services to Be Provided:** The scope of work will require the following specific services to be provided by the bidder. If the bidder contracts the service out, the Subcontractor must be disclosed and approved by the Commission prior to providing any service.

EM&V Planning – Draft EM&V work plans and facilitate a collaborative work session with Utilities Division staff at the beginning of each individual program review process. Collaborative work sessions will be used to ensure that there is a common understanding of the individual project's needs and the proposed work efforts. Prior to these meetings, the bidder should familiarize themselves with the operation of the program and prior evaluation results. Bidder will be responsible for providing the Commission with a finalized EM&V work plan described later within a reasonable amount of time following each collaborative work session.

Program Evaluation – Bidder will be responsible for performing Impact and Process evaluations, as described above, and potentially other EM&V related analysis at the direction of the Commission. The bidder may be asked, at the Commission's discretion, to provide the Utilities Division staff with progress reports including, but not limited to, a summary of activities performed, data collected or obtained, and methodologies being used. Bidder will be responsible for providing the Utilities Division staff with such progress reports within a reasonable amount of time of each request.

Measurement and Verification – Bidder may be responsible for survey and interview data collection, and potentially on-site data collection, at the direction of the Commission.

Analysis of Interim Reports – Bidder will provide feed back on jurisdictional utility's data tracking programs, provided in semi-annual interim program reports.

Detailed bids must reflect the cost for each of these components, including the hourly rate charged and the time allocated to each component (EM&V Planning, Program Evaluation, Measurement and Verification, Analysis of Interim Reports). While actual hours by component cannot be known with precision in advance, a best estimate for different types of evaluations should be given.

5. **Evaluation Standards:** In general, evaluations should be conducted in a manner consistent with the guidelines in the International Performance Measurement and Verification Protocol (IPMVP). Evaluations may deviate from the IPMVP if consistent with best practices and deemed appropriate by Utilities Division staff.

A. Evaluation Guidelines

1. Use of Deemed Savings – Evaluations shall use actual data where available. When actual data is not available, thus requiring bidder to use deemed saving values, the bidder shall fully document assumptions used with appropriate citations and/or methodology used to establish the validity of such assumptions.
2. Baseline – Evaluations of programs which do not have an inherent baseline of energy consumption shall utilize the initial benefit-cost analysis performed by the relevant utility when submitting the program for Commission approval as a baseline of energy consumption.
3. Attribution – A reasonable effort shall be made to account for all significant determinants of gross energy savings. This may potentially include making

necessary adjustment to a program's baseline to account for changes in 'environmental' factors (e.g. weather adjustments, changes in median incomes, etc.), as well accounting for the effects of other energy efficiency programs. The purpose is to get as accurate an estimate of energy savings as possible. When it is too expensive or difficult to quantify the effects of a significant exogenous factor, the factor should be qualitatively assessed.

4. Sampling – Sampling procedures used should be fully documented and adhere to accepted statistical methods published in textbooks used at accredited universities or articles in peer-reviewed journals. Sampling should be designed to achieve accuracy levels of no less than 10% within the 90% confidence interval, i.e. 90/10 precision levels, with a sample size comprising at least 300 participant sites with six months' pre- and post-program energy consumption data.
 5. Use of Primary Data – Evaluation of programs whose primary focus is to reduce peak demand shall use primary data from program participants, such as continuous meter data or spot measurements of peak consumption, to estimate gross or net demand savings.
6. **Deliverables:** The scope of work will require the following items to be delivered by the bidder. All delivered items are considered the sole property of the Commission.

EM&V Work Plan – Develop a formal evaluation work plan at the beginning of each individual program review process. The EM&V Work Plan will detail the following, where relevant:

- Methodologies employed
- Parameters to be analyzed
- Timeline of activities
- Description of any data which will be gathered
- Detailed budget of planned expenses

Evaluation Report – At the end of each individual program review process, the bidder will provide the Commission with a finalized evaluation report describing evaluation findings. Finalized evaluation reports will adhere to the following standards:

- Statistical Parameters – Evaluation reports shall include a description of the population from which the sample was drawn from, the resulting sample size, and in the case of survey data, response rate and a discussion of any suspected non-response bias and any efforts undertaken to address it. Additionally, all final impact estimates should be accompanied with statistical P-values (probability that the value is different from zero or some other null hypothesis), distributions, and 90% confidence interval.
- Benefit-Cost Analysis – Evaluation reports shall contain benefit-cost analyses utilizing the formulas outlined in, *California Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects*, July 2002. For values not obtained or estimated by primary data within the evaluation, stipulated values from the benefit-cost tests performed when submitting the program for Commission approval can be substituted.
- Recommendations – Evaluation reports shall contain any pertinent recommendations for future evaluations and data tracking activities to provide a more comprehensive review in subsequent years.

- **Confidentiality** – Bidder shall make evaluation reports free of any confidential information, including, but not limited to, information pertaining to individually identifiable utility customers and confidential utility contractual and avoided cost information. Unless it is determined by the bidder that the confidential information is material to an evaluation, and that omission of such information would misrepresent the findings of an evaluation. In such cases, the bidder shall submit to the Commission both redacted and confidential versions of the report clearly marked on the cover sheet.

Evaluation Data and Working Papers – All on-site data, survey and interview data, and working papers (including but not limited any statistical regression software output), collected or used within each individual program evaluation shall be provided to the Commission to support additional analysis by the Utilities Division staff and to support future evaluations. On-site data and survey and interview data will be entered into an electronic database(s) with necessary data entry procedures to ensure data quality and consistent entry of all fields. Evaluation Data and Working Papers shall be submitted to the Utilities Division staff in mutually acceptable, commonly usable electronic format(s), along with necessary documentation describing contents.

7. **Disclosure:** Bidder is required to disclose all potential conflict of interests between the bidder and any Commission jurisdictional utility, its affiliates, or holding company within the proposal. This may include, but is not limited to, disclosure of any individuals employed by the bidder having performed work for a jurisdictional utility, its affiliates, or holding company in the past.
8. **Conflict of Interest:** Bidding entity must not have been directly involved in developing any of the jurisdictional utility's energy efficiency program. Bidding entity must also have not been employed in any fashion to EM&V work for any jurisdictional utility, its affiliates, or holding company within two (2) years prior to the date of award. Additionally, bidder must agree not to undertake employment to perform EM&V work for a jurisdictional utility, its affiliates, or holding company in any jurisdiction within Kansas or other states in which the utility, its affiliates, or holding company may operate through the term of this contract and two years after termination.
9. **Travel:** Pre-approved travel expenses to Topeka will be reimbursed at the current established state rate which can be found in the State Travel Handbook, sections 3100 & 4200 <http://da.state.ks.us/ar/employee/travel/travbk.htm#Paragraph3001>.

CERTIFICATE OF SERVICE

10-GIMX-013-GIV

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing Staffs Straw Man Proposal was placed in the United States mail, postage prepaid, or hand-delivered this 1st day of September, 2009, to the following:

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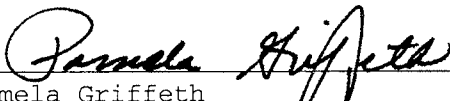
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