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TO: Therese Harris, Public Utility Commission of Texas (PUCT) and Texas Electric Utilities
FROM: Lark Lee, Evaluation, Monitoring & Verification (EM&V) project manager
SUBJECT: EM&V Cost Allocations
DATE: June 22, 2023

The PUCT selected an independent, third-party EM&V contractor for the PY2020-PY2023 programs through the Request for Proposals 473-20-0002, Project No. 51021. The selected EM&V team is led by Tetra Tech and includes Texas Energy Engineering Services, Inc. (TEESI) and Energy Bees. The RFP was for Program Years (PY) 2020 through PY2023, which span calendar years 2021 through 2024. This memo discusses the EM&V cost allocation for PY2023.

Introduction

This section describes the methodology recommended by the EM&V team and agreed to by PUC Staff to allocate EM&V costs to individual utility programs. This methodology applies to cost allocations for energy efficiency cost recovery factors (EECRFs) as well as the EM&V team's cost-effectiveness testing. This is the same methodology that was used to allocate PY2016 – PY2022 EM&V costs.

Over the current four-year contract period, the EM&V budget for each program year is allocated to the calendar year budget in which the program year EM&V is completed. For example, the 2024 calendar year budget is allocated to PY2023 EM&V that is completed in 2024.

Background

The evaluation budget for all utilities has been around 1.8 million annually in calendar years 2021 through 2024 (or PY2020 through PY2023). Each utility pays a portion of the total EM&V cost as agreed to between the Electric Utility Marketing Managers of Texas (EUMMOT) and the PUCT. These costs are recoverable by the utilities within their EECRFs, but a finer level of detail is needed to accurately distribute and recover the costs.

Both the EM&V team's cost-effectiveness and the EECRFs need to assess annual program costs. Therefore each utility's total program year EM&V costs must be further allocated to individual programs. Because of the shared costs in the EM&V infrastructure, it is not feasible to track costs for individual utility programs. Therefore, the evaluation team developed the methodology detailed below to allocate costs at the utility program level based on a combination of program savings and the level of effort as indicated by the evaluation prioritization of high, medium or low each year.

Approach

The costs associated with evaluating a program are approximately mirrored by the size and complexity of the program. For the cost allocation to reflect the EM&V level of effort, the EM&V team developed a methodology to allocate costs based on a combination of energy savings and the assigned evaluation priority. Allocating costs only based on energy savings would not recognize that lower-saving programs may receive a higher level of evaluation effort. Conversely, allocating costs based solely on evaluation priority would not recognize differences in the size of programs, which also increases the evaluation level of effort with increased sample sizes, technical assistance needs, complexities of projects, etc. The details of the calculations are discussed next.

Calculations

The EM&V team used the following steps to allocate costs:

- calculated the energy savings of each program as a percent of the overall portfolio based on planning estimates in each utility's energy efficiency plan and report (EEPR)
- assigned priority 'points' using a five-point scale:
 - high priority programs receive five points
 - medium priority programs receive three points, and
 - low priority programs receive one point
- calculated a priority weight based on a program's percent contribution to the total priority points for the utility's portfolio.
- averaged the savings percentage and the priority weight to arrive at the percent of portfolio EM&V costs attributed to that program.

An example is shown in below. Separate excel spreadsheets are available upon request that detail the calculations and allocation for each utility. For budgeting purposes, this is the best estimate of the EM&V expenses.

Table. Example of Cost Allocation Methodology

Program	MWh	% of Portfolio kWh	Priority	Priority Points	% of Portfolio Points (Priority weight)	Average of kWh % and Priority %	Cost Allocation
Commercial SOP	3,500	30.3%	High	5	23.8%	27.0%	\$67,611
Load Management	4	0.0%	Low	1	4.8%	2.4%	\$5,996
Residential New Homes	780	6.7%	Medium	3	14.3%	10.5%	\$26,292
Residential SOP	5,000	43.3%	High	5	23.8%	33.5%	\$83,832
Energy Wise MTP	125	1.1%	Low	1	4.8%	2.9%	\$7,304
Hard-to-Reach MTP	1,400	12.1%	Medium	3	14.3%	13.2%	\$32,997
Low Income MTP	750	6.5%	Medium	3	14.3%	10.4%	\$25,968
Total	11,559	100%		21	100%	100%	\$250,000