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# *MEMO*

**Date:** February 13, 2008
**To:** Board of Directors
**From:** Philipp Degens, Evaluation Manager
Elaine Prause, Sr. Industrial Sector Manager
**Subject:** Staff Response to the 2003-2005 Production Efficiency Impact Evaluation

The impact evaluation of the Production Efficiency (PE) program covered the first three years of the program. These three years covered the ramp up period through 2005, when the program was forced to reduce its activities due to availability of funds, ushering in the reservation system. Through this time the number of projects and savings grew significantly every year while the satisfaction level with the program and its implementation contractors has remained quite high.

The evaluation shows that program is doing a good job at delivering the predicted savings with a 93% realization rate. The program is also getting industry to increase its efficiency level as compared to standard practice with only 18% of the non-megaproject savings associated with free-riders. This free-rider rate is at a similar level to that of Energy Trust's Existing Buildings program.

One issue identified by the evaluation is the high variation in actual to predicted savings. Much of the variance was due to baseline assumptions and not measure performance. Energy Trust is working with the Program Delivery Consultants (PDCs) to develop standards for documenting and analyzing projects. For some projects that have fairly predictable savings Energy Trust is considering developing prescriptive savings. Energy Trust is currently doing research on the small compressed air market to identify such measures.

Improving communication with the customers is also seen as a priority. Clearly informing them that participation may require site visits for verification and evaluation as part of Energy Trust's QA/QC and due diligence on the part of investing ratepayer dollars will help with evaluation. Also letting customers know that they can consult us on other renewable and efficiency projects and about the availability of funding for projects outside of the Energy Trust such as BETC or federal tax credits may increase participants' investment into efficiency and renewables. As of 2008 Energy Trust staff is more involved in the daily implementation of the program and anticipates the program to have more direct communications with and develop long-term relationships with industrial participants.

The depth of analysis for both developing a project as well as evaluating a project were also an issue with Megaprojects. Evaluation is now planning to treat Megaprojects more like a program unto themselves. Evaluation will:

- Review Megaproject proposals to ensure that appropriate baseline conditions have been estimated, savings methods are valid, and that an appropriate monitoring and verification (M&V) plan has been proposed
- Review Megaprojects as they are implemented to ensure that the M&V plan is being implemented
- Estimation of the project impacts one year after implementation and possibly periodically after this first year.