

REVISED DRAFT REPORT

**CUSTOMER CREDIT PROGRAM
IMPLEMENTATION ASSESSMENT**

MAY 23, 2002



**PREPARED BY
GDS ASSOCIATES, INC.**

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Introduction

As part of the Vermont Public Service Board's September 30, 1999 order approving the creation of a statewide energy efficiency utility, the Board approved a Customer Credit Program (CCP). To date, one large customer has met the eligibility requirements and taken advantage of the funding available under this program as set forth in the Memorandum Of Understanding (MOU) approved in the Board's order. Through December 31, 2001, this customer has implemented and completed a total of 3 qualified CCP energy efficiency projects within its facilities, representing over 1,100 annual MWh savings from the installation of numerous energy efficient lighting, controls, and variable frequency drive measures.

Efficiency Vermont, in one of its roles as the statewide energy efficiency utility, is responsible for: reviewing all CCP project requests; verifying customer eligibility; screening for project-specific eligibility; determining the amount of CCP-qualified expenses; verifying installation completion; and issuing customer rebate payments. Through the end of 2001, nearly \$500,000 in total program costs had been expended by EVT on CCP activities, including approximately \$420,00 in incentive payments to the one program participant.

GDS Associates, Inc., as part of its ongoing evaluation contract with the Vermont Department of Public Service (DPS), was recently asked to conduct a third party independent assessment of the Customer Credit Program implementation and its impact on energy efficiency investments for the participating customer. Specifically, the purpose of this evaluation was to:

- Review EVT's coordination / administrative functions with respect to implementing the Customer Credit Program; and
- Assess the impact of the program on customer cost effective energy efficiency investments.

This report describes the methodologies employed and summarizes results from GDS' implementation assessment of the Customer Credit Program (CCP).

Overview of Methodology

To fulfill the stated purposes for this assessment, three key tasks were performed. Each task is summarized briefly below:

- Review critical CCP documents. The following documents were reviewed:
 - Section "i" of the VT PSB Order, dated 9/30/99, in Docket No. 5980 regarding Phase II of the PSB' investigation into the DPS' proposed Energy Efficiency Plan;
 - IBM Bilateral Agreement and Attachment A to that Agreement;
 - CCP Section 4.2 of Efficiency Vermont's 2001 Annual Report; and
 - EVT Customer Credit Program administrative and customer project-specific files.

- Prepare initial summary description of program implementation and process flow (information gathered from the previous task was used to develop an initial summary of the Customer Credit Program – a preliminary implementation process flow chart was also developed); and
- Develop a simple survey instrument and conduct surveys with key staff from EVT and IBM to verify process flow and assess impacts of the program on customer's energy efficiency investments. Two interviews were conducted, one each with EVT's CCP project manager and the participating customer's project manager (responsible, among other things, for the day-to-day management of their involvement with CCP). When conducting these interviews, GDS attempted to assess the nature of the energy efficiency projects being undertaken and the criteria that the customer used for internal justification of each project. Any differences in justification criteria for new construction vs. retrofit projects were to be noted. Results were then analyzed to help determine whether the CCP program is changing customer practices and helping them to do things they would not have done otherwise.

A final description of the Customer Credit Program and a chart showing the CCP implementation and process flow is included as Appendix A to this report. Appendix B provides a summary table of key information regarding the nature and scope of each energy efficiency project completed to date by the one CCP-eligible customer. Appendix C is a copy of the survey instrument used by GDS when performing the staff interviews. Following is a summary of key findings.

Summary of Findings

EVT coordination / administrative functions with respect to implementing the CCP

Based on a review of project files and feedback from telephone interviews, EVT appears to show a good understanding of all CCP qualification and implementation requirements. For each of the three projects implemented by the program's single eligible customer, EVT consistently performed its coordination /administrative functions in an effective manner and well within the time requirements specified in the CCP MOU. In the few cases where technical issues required discussion between customer and EVT, such interactions were professional and resolved objectively and defensibly to the satisfaction of both parties. Dispute resolution assistance from the EEU Contract Administrator, although included as an option in the MOU, has not been requested or required to date.

The customer's overall satisfaction regarding EVT's coordination and administration was a 1.0 on a scale of 1 to 3 where 1 = excellent / extremely satisfied and 3 = room for significant improvement. As an independent third-party evaluator, GDS concurs that EVT's coordination and administration of the Customer Credit Program is both efficient and effective. Their records (as confirmed through our telephone interviews) show a level of responsiveness and attention to technical detail fully appropriate and consistent with the expectations and EVT responsibilities identified in the MOU. Further, EVT's commitment to conservatism when evaluating eligibility and determining qualified expenses associated with individual CCP project proposals is noteworthy.

One area where we noted some room for improvement relates to program files and record keeping. Through our review of program files provided by EVT, we were able to generally piece together overarching CCP administrative and customer-specific project correspondence and activities. However, when checking numbers from the files to compare energy savings and customer incentive payment totals with values published in EVT's 2001 Annual Report, we were able to come close but could not exactly replicate EVT's values (*i.e.*, 1,144 annual MWh savings to date from file records vs. 1,341 MWh in 2001 Report, and \$418,915 of customer incentive payments from file data vs. \$424,989 in 2001 Report).

Impact of program on customer cost effective energy efficiency investments

The three projects completed under CCP were all verified by EVT to be cost-effective from a societal basis using the statewide screening tool and avoided costs. According to our interview with customer staff, the availability of program funding was a critical determinant in the Company's decision to make these energy efficient investments. "IBM has always been an environmentally responsive company but CCP has modified our practices and allowed us to take a more detailed look at paybacks to better understand financial implications and make more energy efficient investment decisions."

Is the CCP program changing customer practices and helping them to do things they would not have done otherwise?

As noted above, the Customer Credit Program is helping to change internal practices toward more energy efficient decision making. Results from our interviews confirm that, absent the "use-or-lose" element of CCP's energy efficient funding, other important corporate priorities (many with quicker paybacks) might overshadow the firm's continued ability and interest in identifying and investing in future energy efficiency projects.

The one participating CCP customer has a department that is responsible for electrical distribution and energy activities for all buildings and processes within their Vermont facilities. The staff member interviewed within this department has responsibilities which include: overseeing energy issues (electricity use, heating); public discussions on load response; keeping company employees energy efficiency conscious; and maintaining contacts with purchasing and manufacturing areas to help identify energy efficiency projects to reduce future consumption of energy and shepherding such solutions through to successful installation and operation.

All the CCP projects done to date have been for "market driven" (new construction, failed equipment replacement, major renovation) efforts vs. "retrofit" opportunities. One of these "market driven" projects came under Vermont's Act 250 energy guidelines. In this case, the availability of CCP funds was instrumental in the customer's decision to go beyond Act 250 ASHRAE-based 2001 Act 250 energy guidelines to install state-of-the-art lighting control systems.

Regardless of the nature of the projects (*i.e.*, "market-driven" or "retrofit"), as noted during our interview: "It gets back to cash. The pool of money for capital investments is limited – it's a competitive process, and without the funding, the money could be used elsewhere on other priorities.... Availability of CCP funding helps to make the projects a go."

Detailed Telephone Survey Results

Two informal telephone surveys were conducted (one each at EVT and IBM) using the interview guide included as Appendix C. Each survey lasted approximately 1 hour. During these interviews, to ensure that information was collected in a way that would help fulfill the objectives of this evaluation, the following key researchable areas were identified and addressed:

- Accuracy of initial description of the Customer Credit Program implementation and process flow summary;
- Efficiency and effectiveness of EVT's coordination / administration functions with respect to implementing the CCP;
- Nature of the energy efficiency projects and criteria that the customer uses for internal justification (identifying and recognizing any differences between new construction vs. retrofit); and
- Changes in customer practices (helping them to do things they would not have done otherwise).

Summary Description of Program Implementation and Process Flow

At the beginning of each interview, the interviewer read a description summarizing eight major areas¹ of the Customer Credit Program and prompted the interviewee for either agreement or revisions. While there were a few clarifications required (noted briefly below), the interviewees essentially defined the CCP implementation and process flow consistently to what was described in the MOU and approved by the Board. In all cases, full concurrence with the program description and individual implementation elements was obtained. Appendix A includes the final summary description of the Customer Credit Program and its implementation and process flow.

It was pointed out, in one case, that commissioning costs are included as "Qualified Expenses". Additionally, given the fact that EPA's ClimateWise program has been subsumed into the US EPA/DOE's ENERGY STAR® group of programs, for IBM, the parties have agreed that proof of ENERGY STAR® involvement is a reasonable replacement for the previous ClimateWise Partner requirement for CCP eligibility.² IBM's February 2002 eligibility letter to EVT provided

¹ The Customer Credit Program was summarized using the following categories: 1) Program Purpose; 2) Eligible Customers; 3) Qualified Expenses; 4) Available Funds/Maximum Rebate Amounts, 5) Program Implementation – Customer Eligibility, 6) Program Implementation – Project Eligibility and Qualified Expenses; 7) Program Implementation – Installation Verification and Rebate Payment; and 8) Program Implementation – Dispute Resolution.

² For a new CCP participant, verification of Energy Star involvement might also be appropriate. However, as suggested by our EVT interviewee, such determination should be done on a case-by-case basis since

verification that IBM was a partner in the EPA's ENERGY STAR® -Labeled Computers program. Although asked, our CCP customer interviewee was unable to identify if they were partners in other ENERGY STAR® programs or if they were participants in any ENERGY STAR® product procurement efforts (participation in, or involvement with these programs would have to be verified through the customer's Corporate Offices).

EVT's Coordination / Administration of CCP Implementation

During the interviews, EVT and CCP-eligible customer staff were asked a series of questions to assess the effectiveness and efficiency of EVT's coordination and administration of the Customer Credit Program within each of 4 key program implementation areas³: customer eligibility determination, project eligibility and qualified expense assessment; installation verification and rebate payment; and dispute resolution. From these discussions, GDS concludes that EVT is doing a fine job coordinating and administering the Customer Credit Program.

A summary of the customer's ranking and any interviewee's comments regarding each of the 4 program implementation / administration areas is presented below:

Customer Eligibility – No customer ranking was provided for this implementation element since sufficient documentation was provided so that there were no EVT actions needed other than to advise the EEU Contract Administrator that the letters had been received.

Review of EVT's files showed two letters received, one in February 2001 and another in February 2002. Interviewees verified that a letter was also sent in February 2000 (this letter was sent directly to the Vermont Public Service Board). Also, productive discussions were held between EVT and IBM prior to the customer's February 2002 letter leading to agreement to use ENERGY STAR® as a replacement for the ClimateWise CCP program eligibility requirement.

Project Eligibility and Qualified Expenses – On a scale of 1 to 3, where 1 = excellent and 3 = room for significant improvement, the customer gave EVT a ranking of 1 for their coordination and administration of tasks undertaken to support project-specific eligibility and qualified expense determinations.

Our customer interviewee noted that EVT's questions were excellent and reasonable. Turnaround times and responsiveness were good, and EVT understood answers to all questions. From EVT's perspective, communications were typically technical in nature and focused on understanding the savings calculations and eligibility of the measures. It was apparent that both parties want to do the right things.

Installation verification and rebate processing – The customer gave EVT a ranking of 1 for their coordination and administration of the tasks undertaken while performing their installation verification and rebate processing activities.

involvement in other governmental or non-governmental initiatives could provide better evidence of that customers commitment to energy efficiency and green house gas reductions.

³ See categories (5) through (8) from the previous footnote.

According to EVT, sites were visited to verify (through visual inspection) the physical installation and functionality of approved measures. Given the nature of the CCP program – i.e., customer cares enough about energy efficiency that they want to make sure that the measures work - and the fact that the customer has its own commissioning requirements on their drives, EVT feels that the burden is more on the customer for testing and tracking installations for proper operation. GDS concurs with this opinion and, in fact, when we asked the customer what they were doing to monitor measure performance and verify actual savings, we got the following opinion-supporting reply: Although no formal reporting or tracking is done, “ In addition to tracking projects through installation completion, on a project management basis, we track site consumptions and monitor power consumption by building and compare results to previous year’s consumption to see if we are recognizing the benefits we anticipated.”

Dispute Resolution – No customer ranking was provided for this implementation element since the need for this implementation element never arose. According to both parties interviewed, there were no real issues - just normal back and forth on measures, etc. – and all were effectively resolved internally.

Overall Satisfaction and Implementation Examples – When asked to rate their overall satisfaction with the Customer Credit Program concept, the measures installed through CCP, and EVT’s administration and implementation of the CCP, one eligible/participating customer provided a ranking of 1 (excellent), on our 1 to 3 scale.

When asked for examples of items or actions that EVT is doing well, our customer interviewee cited: ease of communications, effectiveness of review and processing of applications, and quick and complete answers to occasional questions. EVT added that their recent meeting with IBM to go over planning for upcoming projects provides a good indication of the collaborative approach that the parties are taking.

Interviewees were also asked to make suggestions or identify any areas where implementation or administration could be improved. Although no suggestions were made by our customer interviewee (*i.e.*, if it ain’t broke, don’t fix it), EVT did note some difficulties, in the past, reconciling available funds with customer account records from Green Mountain Power Company (the servicing distribution utility through which CCP funds are being collected). This has been due mainly to difficulty getting complete data (*i.e.*, for all of IBM’s accounts). EVT has been working recently with GMP and improvements are anticipated.

Nature of Energy Efficiency Projects and Customer Internal Justification Criteria

Prior to conducting the telephone surveys, relevant EVT files were reviewed and a preliminary table was prepared to summarize key information regarding the nature and scope of each energy efficiency project proposed and completed to date by the one eligible CCP customer. During the interviews, each program summary was discussed and the interviewees were asked to provide clarifications so that revisions could be made to better reflect project-specific realities.

In summary, three projects have been completed to date (and we understand a fourth project is currently in process). All of these three completed projects were “market driven” (*i.e.*, part of larger efforts required to expand manufacturing space, to upgrade systems to meet continued manufacturing requirements, or to accommodate additional office space requirements). Projects entailed the installation of energy efficient lighting fixtures, exit signs, controls and/or VFDs either throughout various customer buildings or within a single building. One project was implemented under the Act 250 guidelines and resulted in the disqualification of T8 fixtures as an eligible measure (since T8’s are already part of ASHRAE 1999-based Act 250 Guidelines). Appendix B provides a summary of the nature and scope for each CCP project after incorporation of all clarifications and suggested revisions.

Concerning customer internal justification criteria, our customer interviewee pointed out that their criteria vary and are controlled by their financial group at corporate headquarters located outside of Vermont. No differentiations between justification criteria for new construction vs. retrofit were identified. Depending on “what’s going on in the world”, payback criteria in one year could be 24 months, 12 months in another year or even 6 months. However, “it gets back to cash” – payback is less of an issue. Projects (new capital investments, O&M investments, energy and non-energy-related investments, etc.) compete head-to-head for the same available pool of money.

Changes in Customer Practices

When asked if involvement with CCP was changing the customer’s practices with respect to energy efficiency projects, and if their involvement has helped the company to do things that they otherwise would not have done, our customer interviewee answered: “yes”. Although IBM has always been an environmentally responsive company and “does good things”, according to our customer interviewee, the Customer Credit Program has modified their practices and allowed them to take a more detailed look at paybacks to better understand financial implications and make energy efficient decisions. In addition, the availability of CCP funding has helped them to overcome financial limitations that, given annual corporate budget constraints and other high priority cash demands, may have prevented these projects from getting implemented.

EVT understandably is not able to assess changes in customer practices. However, our EVT interviewee observed that IBM seems to be more interested in having a dedicated energy person looking at efficiency options. She noted that: “the fact that IBM is developing a list of projects recently completed and under consideration, might be different from the way they used to track.”

Conclusions

Based on results from our interviews and document / file review, GDS concludes that EVT is doing a fine job coordinating and administering their implementation functions relative to the Customer Credit Program. One area where we noted some room for improvement relates to program files and record keeping. Through our review of program files provided by EVT, we were able to generally piece together overarching CCP administrative and customer-specific

project correspondence and activities. However, when checking numbers from the files to compare energy savings and customer incentive payment totals with values published in EVT's 2001 Annual Report, we were able to come close but could not exactly replicate EVT's values (*i.e.*, 1,144 annual MWh savings to date from file records vs. 1,341 MWh in 2001 Report, and \$418,915 of customer incentive payments from file data vs. \$424,989 in 2001 Report).

Concerning impacts on customer energy efficiency practices, it appears that the one currently eligible and participating CCP customer is recognizing benefits from their involvement in the program and that the program is helping them to implement energy efficiency projects that they would not have done otherwise.

Appendix A

CUSTOMER CREDIT PROGRAM - SUMMARY & EVT IMPLEMENTATION FLOW CHART-

Program Purpose: The C&I Customer Credit Program recognizes that certain C&I customers already may be committed to, and possess considerable expertise regarding energy efficiency. CCP provides these customers with the choice to: remain eligible for participation in the Statewide Core Programs, or forego that eligibility to pursue electric energy efficiency measures on their own.

Eligible Customers: (1) Customer has never accepted financial incentives from a Vermont-sponsored DSM program; (2) Customer has demonstrated a commitment to pursuing cost effective energy efficiency on its own by (a) being certified under ISO standard 14001 and (b) becoming a partner in the US EPA Climate Wise Program. If ISO standard or Climate Wise program changes, revised eligibility criteria may be negotiated. Once electing to participate in CCP, customer will no longer be eligible to participate in the Statewide Core Programs.

Qualified Expenses: Costs can include: the customer's internal design and engineering labor, outside design, engineering and installation labor and equipment costs. Qualified Expenses will vary depending on whether customer is proposing a Market Driven or Retrofit project.

Market Driven Projects: 100% of the incremental costs associated with identifying, investigating, analyzing, designing, implementing, and/or installing societally cost effective electric efficiency projects at facilities owned, operated or controlled by the customer. Qualified Expenses for Market Driven Project costs other than incremental installation labor and equipment costs shall only be eligible for refund up to either 25% of the total incremental installation labor and equipment costs, or actual non-installation-labor and non-equipment incremental costs, whichever is less.

Retrofit Projects: A portion of the total costs (the amount necessary to allow the customer to realize an estimated 18 month simple payback on the customer's portion of the project investment) associated with identifying, investigating, analyzing, designing, implementing and/or installing societally cost effective electric efficiency retrofit projects at facilities owned, operated or controlled by the customer. Payback calculated based on anticipated energy and non-energy benefits, including, but not limited to, reductions in operating and maintenance costs, fossil fuel savings, electricity savings, environmental compliance cost savings, labor savings, and savings from avoidance of future equipment replacements. Qualified Expenses for Retrofit Project costs other than installation labor and equipment costs shall be eligible only for refund up to either 15% of the total incremental installation labor and equipment costs, or actual non-installation-labor and non-equipment incremental costs, whichever is less.

Available Funds/Maximum Rebate Amounts: Available funds = 70% of the funds the customer has paid, or is projected to pay, to its distribution utility for EEU funding, for either the immediately preceding calendar year and the current calendar year, or the current calendar year and the

immediately following calendar year, less any disbursements already obtained by the customer drawn on the same years' funds. For the purposes of the Program, it is assumed that a customer's future year kWh consumption will be equal to the latest full calendar year kWh consumption unless the customer and the EEU mutually agree on a different projection. This is use-or-lose (i.e., balance of prior year "available funds" not used by the end of the current year will not remain available to the customer under this program).

Maximum Rebate Amount for Qualified Expenses (for either Market Driven or Retrofit projects) is capped at the total net present value of the project's electric avoided cost benefits based on the statewide avoided costs of electricity). Determination of whether the project represents a "market driven" or "retrofit" project; the electric avoided cost benefits, the design & construction standard practice, and the amount needed to result in an 18 month payback on retrofit projects, shall be made by the EEU, in consultation with the customer (with dispute resolution through the Contract Administrator, or the PSB, if no resolution within 30 days).

Program Implementation – Customer Eligibility: Customer must notify EEU, in writing, no later than February 28th (or 29th in leap year) of each calendar year, that it intends to participate in the Program in that calendar year. Failure to make such notification will preclude customer from receiving funds in that calendar year. Notification must include demonstration of compliance with eligibility criteria.

Program Implementation – Project Eligibility & Qualified Expenses: At any time following proper notification, customer may submit a description of a cost effective EE project to the EEU along with: a statement of whether the project is market-driven or retrofit; a list of Qualified Expenses associated with the project along with supporting documentation; an estimate of energy and non-energy savings associated with the project and the project's expected lifetime; and a description of the "baseline" if a market-driven project.

EEU will review customer's submission, screen it for societal cost-effectiveness using the statewide screening tool and avoided costs, and notify the customer in writing within 30 days if: the project meets the cost-effectiveness screening criteria; the EEU needs additional data to screen or review the project; the EEU agrees with all the customer assumptions or estimates; and/or the EEU needs additional time to review the submission.

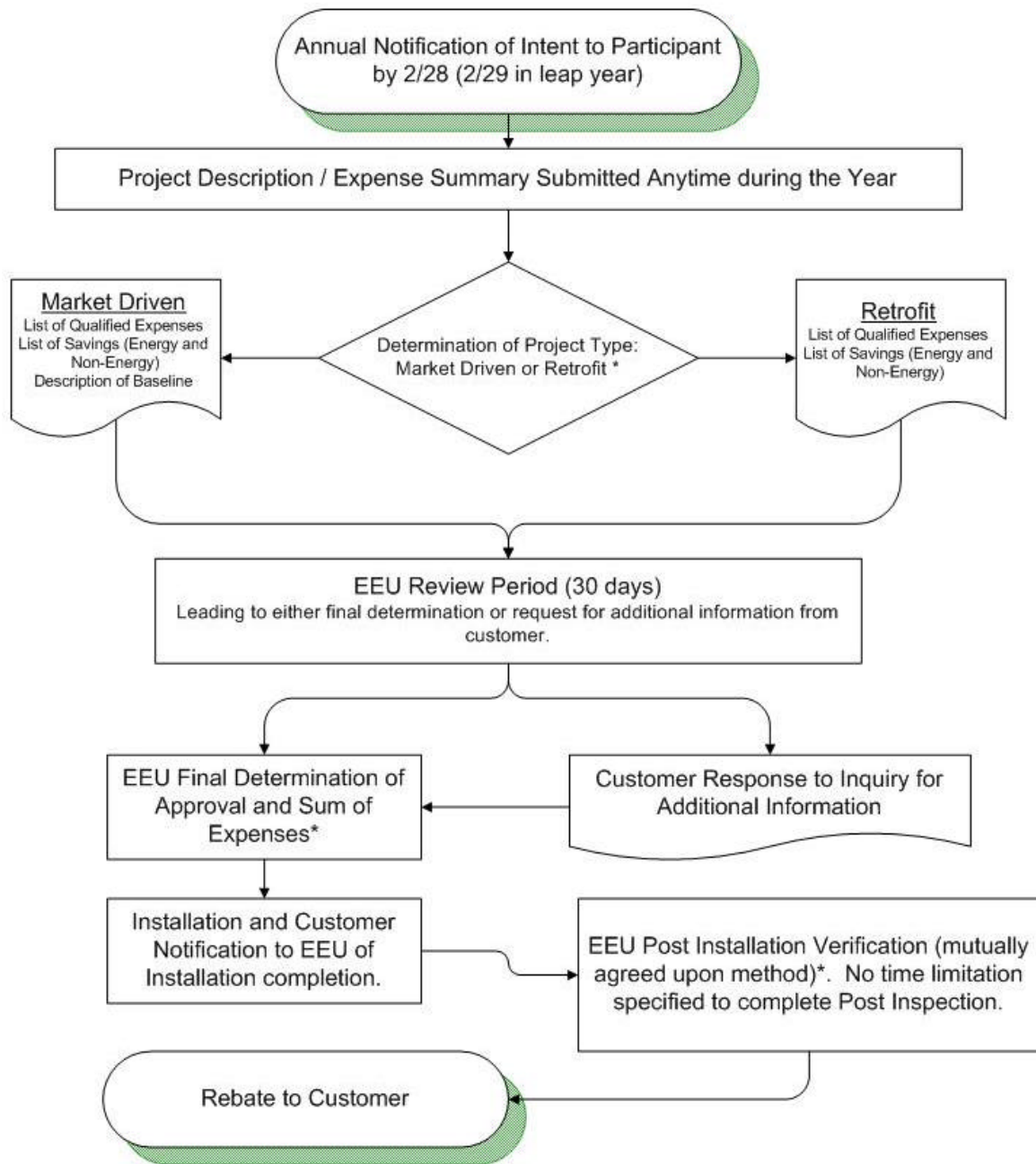
Customer will provide all necessary data to allow EEU to review its assumptions and estimates including, but not limited to, workpapers, drawings, contractor estimates, operating data and equipment specifications. EEU will make final determination of project eligibility, and the amount of Qualifying Expenses.

Program Implementation – Installation Verification & Rebate Payment: Once EEU approves project, and the installation is complete and verified by the EEU, based on a verification method mutually agreed to between the EEU and customer, the EEU will issue a rebate payment to the customer.

Program Implementation – Dispute Resolution: Customer can proceed with project prior to EEU approval, but does so at its own risk. In the event that any disagreements arise between EEU and

customer, both parties will work in good faith to resolve them. If the customer disputes any EEU determination, the customer may make a complaint to the Contract Administrator, who shall seek to resolve the complaint through negotiation. If no such resolutions occur within thirty days, the Contract Administrator shall refer the complaint to the PSB for review of the EEU decision.

CCP EVT / Customer Implementation Process Flow



* In the event of disagreements between the customer and EEU, both parties will work in good faith to resolve them. If the customer disputes any EEU determination, they may file a complaint w/ Contract Administrator (CA) who shall seek to resolve the complaint through negotiation. If no resolution occurs within 30 days, CA shall refer the complaint to the PSB for review of EEU's decision.

Appendix B

SUMMARY TABLE SHOWING NATURE AND SCOPE OF CCP PROJECTS

Project Element	Project #1	Project #2	Project #3
1) Location	Building 994	Various Buildings	Building B972
2) Time Period	Nov – Dec 2000	8/01 – 10/01	8/01 – 10/01
3) Measures Installed	Lighting Fixtures & Exit Signs, and 5 VFD on process distilled water, hot water supply (not necessarily in building 994)	VFDs	Lighting
4) Market Driven or Retrofit	Market Driven	Market-Driven	Market Driven
5) Total Incentives Paid & Rationale for Qualified Expense Amount	\$166,565 and rationale (paid for incremental cost for more efficient equipment above baseline – rebate based only on 100% of the installation and equipment costs - just for 10K sq feet of break area)	\$236,600 and rationale (just 100% of installation and equipment costs, no soft costs.)	\$15,750 and rationale (just 100% of installation and equipment costs, no soft costs.) Done under Act 250, so T8 lighting was not eligible
6) Part of Larger Effort (if so, please describe how CCP project fits within larger context)	Needed more manufacturing area took over old break space. Building to add new break area and expand manufacturing area contiguous with existing manufacturing area.	Part of effort to upgrade systems to meet continued manufacturing requirements – additional capacity, process cooling water systems, VFDs for pumps & cooling towers.	Required building addition for more office space - including control system adjacent to building 972. To better control lights during off hours to computer control lights remotely. Over-ridable but then reverts to controlled schedule.

Appendix C

TELEPHONE INTERVIEW GUIDE

Customer Credit Program EVT Coordination / Administration and Eligible Customer Staff Interviews

Purpose of Interviews and Overview

To verify process flow and assess impact of the CCP program on customer's energy efficiency investments, the following key researchable areas will be addressed in these informal EVT and eligible CCP customer staff interviews:

- Accuracy of initial description of the Customer Credit Program implementation and process flow summary;
- Efficiency and effectiveness of EVT's coordination / administration functions with respect to implementing the CCP;
- Nature of the energy efficiency projects and criteria that the customer uses for internal justification (identifying and recognizing any differences between new construction vs. retrofit); and
- Changes in customer practices (helping them to do things they would not have done otherwise).

During each interview GDS will look at the nature of the energy efficiency projects and the criteria that the customer uses for internal justification of those projects. Any differences in justification criteria for new construction vs. retrofit projects will be noted. Results will then be analyzed to help determine whether the CCP program is changing customer practices and helping them to do things they would not have done otherwise.

In total, at least two interviews will be scheduled for administration, as follows:

EVT Staff: Jennifer Chiodo, Eveline Killian, Tom Anderson, and/or Donna Leban

Eligible Customer Staff: Robert Lang, Rajesh Gandhi, and/or John Aldrich

The following Interview Guide is a tool to guide these informal interviews. Each interview is intended to last approximately 45 minutes. The guide helps to ensure that the interviews include questions to gather information concerning the most important issues being investigated in this study. Probing questions to follow-up on areas of particular knowledge of individual staff are a normal part of these types of interviews. Therefore, there will be sets of questions that will be more fully explored with some individuals rather than others. The depth of the exploration with any particular interviewee will be guided by the role that individual played in the program's design, and operation, i.e., where they have significant experiences for meaningful responses.

Customer Credit Program
EVT Coordination / Administration
and Eligible Customer Staff Interviews

Date: Interviewer initials:

Name of Interviewee:

Company:

Category of Interviewee: EVT Staff CCP Customer Staff

Telephone number: Length of interview:

Introduction and assurance of confidentiality of individual comments: Only a summary of the responses will be included in the formal Evaluation Report to the Vermont Department of Public Service (DPS).

General Information:

1. Please describe for me, briefly, your responsibilities with regards to the Customer Credit Program. In which CCP energy efficiency projects were you directly involved? Is there any other Company staff involved in the administration, planning or implementation of the CCP? If yes, can you please identify them?
2. How long have you been involved with the Customer Credit Program? Since last fall

Program Description, Implementation and Process Flow

3. I'm going to read a brief description of the Customer Credit Program - based on my interpretation of the Memorandum Of Understanding and other CCP-related documents that I have recently reviewed. For ease of review, I broke the CCP into eight major areas: (1) Program Purpose; (2) Eligible Customers; (3) Qualified Expenses; (4) Available Funds/Maximum Rebate Amounts; (5) Implementation – Customer Eligibility; (6) Implementation – Project Eligibility & Qualified Expenses; (7) Implementation – Installation Verification & Rebate Payment; and (8) Dispute Resolution. As I going through each area, please feel free to interrupt and clarify any misrepresentations.
 - 3.a. Program Purpose: The C&I Customer Credit Program recognizes that certain C&I customers already may be committed to, and possess considerable expertise regarding energy efficiency. CCP provides these customers with the choice to:

remain eligible for participation in the Statewide Core Programs, or forego that eligibility to pursue electric energy efficiency measures on their own.

(1) Is this a reasonable description? Yes No

(2) What, if any, clarifications or corrections do you feel should be made?

List

them:

- 3.b. Eligible Customers: To be eligible for CCP customers must verify that (1) they have never accepted financial incentives from a Vermont-sponsored DSM program; and demonstrate a commitment to pursuing cost effective energy efficiency on their own by (a) being certified under ISO standard 14001 and (b) becoming a partner in the US EPA Climate Wise Program. If ISO standard or Climate Wise program changes, revised eligibility criteria may be negotiated. Once electing to participate in CCP, customer will no longer be eligible to participate in the Statewide Core Programs.

(1) Is this consistent with your understanding? Yes No

(2) What, if any, clarifications or corrections do you feel should be made?

List

them:

(3) Given the fact that the EPA's Climate Wise program has been subsumed into the US EPA/DOE's Energy Star program, how has this impacted the Eligibility criteria for CCP?

- 3.c. Qualified Expenses: Costs can include: the customer's internal design and engineering labor, outside design, engineering and installation labor and equipment costs. Qualified Expenses will vary depending on whether customers are proposing a Market Driven or Retrofit project.

(1) Is this consistent with your understanding? Yes No

(2) What, if any, clarifications or corrections do you feel should be made?

List

them:

For Market Driven Projects: 100% of the incremental costs associated with identifying, investigating, analyzing, designing, implementing, and/or installing societally cost effective electric efficiency projects at facilities owned, operated or controlled by the customer are deemed to be Qualified Expenses. Costs, however, other than the incremental installation labor and equipment costs, are only eligible for refunds up to either 25% of the total incremental installation labor and equipment costs, or the actual non-installation-labor and non-equipment incremental costs, whichever is less.

(1) Is this consistent with your understanding? Yes No

- (2) What, if any, clarifications or corrections do you feel should be made?
List *them:*
-

For Retrofit Projects: Only a portion of the total costs associated with identifying, investigating, analyzing, designing, implementing and/or installing societally cost effective electric efficiency retrofit projects at facilities owned, operated or controlled by the customer would be deemed a Qualified Expense. This portion is the amount necessary to allow the customer to realize an estimated 18 month simple payback on their portion of the project investment. When estimating payback, anticipated energy and non-energy benefits are considered. Non-energy benefits can include, but are not limited to reductions in operating and maintenance costs, fossil fuel savings, electricity savings, environmental compliance cost savings, labor savings, and savings from avoidance of future equipment replacements. Similar to Market Driven Projects, refund amounts for costs other than installation labor and equipment costs are capped. For Retrofit Projects, these non installation labor and equipment costs are eligible for refund up to either 15% of the total project costs, or actual non-installation-labor and non-equipment incremental costs, whichever is less.

- (1) Is this consistent with your understanding? Yes No
(2) What, if any, clarifications or corrections do you feel should be made?
List *them:*
-

- 3.d. Available Funds/Maximum Rebate Amounts: 70% of the funds the customer has paid, or is projected to pay, to its distribution utility for funding Vermont's Energy Efficiency Utility, for either the immediately preceding calendar year and the current calendar year, or the current calendar year and the immediately following calendar year, Are deemed to be available for CCP projects - less any disbursements already obtained by the customer drawn on the same years' funds. For the purposes of the Customer Credit Program, it is assumed that a customer's future year kWh consumption will be equal to the latest full calendar year kWh consumption unless the customer and the EEU mutually agree on a different projection. Funds are "use-or-lose" (that is: the balance of any prior year "available funds" not used by the end of the current year will not remain available to the customer under this program).

- (1) Is this consistent with your understanding? Yes No
(2) What, if any, clarifications or corrections do you feel should be made?
List *them:*
-

In addition to the caps discussed above for Market Driven and Retrofit Projects, the maximum rebate amount for Qualified Expenses (for either a Market Driven

or Retrofit project) is capped at the total net present value of the project's electric avoided cost benefits based on the statewide avoided costs of electricity.

- (1) Is this consistent with your understanding? Yes No
(2) What, if any, clarifications or corrections do you feel should be made?
List *them:*
-

3.e. Program Implementation – Customer Eligibility: Customers must notify Vermont's Energy Efficiency Utility, in writing, no later than February 28th (or 29th in leap year) of each calendar year, that they intend to participate in the Program in that calendar year. Failure to make such notification will preclude customer from receiving funds in that calendar year. Notification must include demonstration of compliance with eligibility criteria.

- (1) Is this consistent with your understanding? Yes No
(2) What, if any, clarifications or corrections do you feel should be made?
List *them:*
-

3.f. Program Implementation – Project Eligibility & Qualified Expenses: At any time following proper notification, Eligible Customers may submit a description of a cost effective energy efficiency project to the EEU along with: a statement of whether the project is market-driven or retrofit; a list of Qualified Expenses associated with the project along with supporting documentation; an estimate of energy and non-energy savings associated with the project and the project's expected lifetime; and a description of the "baseline" if a market-driven project.

- (1) Is this consistent with your understanding? Yes No
(2) What, if any, clarifications or corrections do you feel should be made?
List *them:*
-

Ultimate determination of whether the project represents a "market driven" or "retrofit" project; the electric avoided cost benefits, the design & construction standard practice, and the amount needed to result in an 18 month payback on retrofit projects, is made by Vermont's Energy Efficiency Utility (EVT), in consultation with the customer (with dispute resolution through the Contract Administrator, or the Public Service Board). To make these determinations Efficiency Vermont reviews customer submissions, screens them for societal cost-effectiveness using the statewide screening tool and avoided costs, and must notify the customer in writing within 30 days if: the project meets the cost-effectiveness screening criteria; additional data is needed to screen or review the project; EVT agrees with all the customer assumptions or estimates; and/or EVT needs additional time to review the submission.

Customers must provide all necessary data to allow EVT to review their assumptions and estimates including, but not limited to, workpapers, drawings, contractor estimates, operating data and equipment specifications. EVT will make final determination of project eligibility, and the amount of Qualifying Expenses.

- (1) Is this consistent with your understanding? Yes No
(2) What, if any, clarifications or corrections do you feel should be made?
List them:
-

3.g. Program Implementation – Installation Verification & Rebate Payment: Once EVT approves a project, and the installation is complete, EVT will verify the installation based on a method mutually agreed to between EVT and the customer. Following successful installation verification, EVT will issue a rebate payment to the customer.

- (1) Is this consistent with your understanding? Yes No
(2) What, if any, clarifications or corrections do you feel should be made?
List them:
-

3.h. Program Implementation – Dispute Resolution: Customers can proceed with projects prior to receiving EVT approval, but they do so at their own risk. In the event that any disagreements arise between EVT and a CCP customer, both parties will work in good faith to resolve them. If a customer disputes any EVT determination, the customer may make a complaint to the Contract Administrator, who shall seek to resolve the complaint through negotiation. If no such resolutions occur within thirty days, the Contract Administrator shall refer the complaint to the Public Service Board for review of EVT's decision.

- (1) Is this consistent with your understanding? Yes No
(2) What, if any, clarifications or corrections do you feel should be made?
List them:
-

1. Are there any other items or clarifications you would like to add regarding these CCP implementation and process flow descriptions? *If so, List them:*
-

Nature of Energy Efficiency Projects and Customer Internal Justification Criteria

2. For each of the CCP projects that you are familiar with, please help to verify the accuracy of, or fill in the blanks for, the information in the following table:

Project Element	Project #1	Project #2	Project #3	Other Projects
1) Location	Building 994	Various Buildings	Building B972	
2) Time Period	Nov – Dec 2000	8/01 – 10/01	8/01 – 10/01	
3) Measures Installed				
4) Market Driven or Retrofit				
5) Total Incentives Paid & Rationale for Qualified Expense Amount				
6) Part of Larger Effort (if so, please describe how CCP project fits within larger context)				

Are there any other examples or occasions where you have worked with EVT [IBM] on energy efficiency-related items? Please elaborate.

1. What internal justification criteria does the company typically use to when determining whether or not to invest in capital construction and O&M projects (simple payback criteria, internal rates of return, etc.)? How does this vary by type of project - new construction vs. process improvement retrofit?
2. Does the availability of CCP funding contribute toward the company’s decision to evaluate and include cost-effective energy efficiency elements within its capital construction and O&M projects. Yes No
 If Yes please explain how – using project-specific examples: _____

EVT’s Coordination / Administration of CCP Implementation

These next few questions are being asked to assess the effectiveness and efficiency of EVT’s coordination and administration of the Customer Credit Program within each of 4 key program implementation areas: customer eligibility determination, project eligibility and qualified expense assessment; installation verification and rebate payment; and dispute resolution.

Customer Eligibility

3. A review of relevant project files identified two Customer Eligibility letters (one dated 2/26/01 and the other dated 2/19/02) notifying EVT of IBM’s intent to participate in CCP during that calendar year and presenting evidence of eligibility. Please describe any issues addressed or actions taken in response to either of these letters.

How would you rate, on a scale of 1 to 3, the effectiveness and efficiency of EVT’s coordination and administration of this CCP implementation element (where 1 is “Excellent”, 2 is “Adequate”, and 3 is “Room for Significant Improvement”)? *[this question to be asked of IBM staff only]*

- 1 – Excellent
- 2 – Adequate
- 3 – Room for Significant Improvement
- N/A or Don't Know

Please elaborate:

Project Eligibility and Qualified Expenses

4. A review of relevant project files identified three (and potentially 4) CCP energy efficiency projects. The 1st project appears to have been for lighting fixtures and exit sign installations in IBM's building #994 during late 2000 (\$166,565 incentive paid). The second project was for installation of VFD's in various buildings during 2001 (\$236,600 incentive paid). A third project was for lighting installations in building #B972 also in 2001 (\$15,750 incentive paid). Evidence of a potentially 4th project was identified in a 12/14/00 EVT post installation inspection form of IBM's Building #617 for 8 15 HP HVAC fans, 6 25 HP cooling towers, and 14 VFDs for Pizzagalli. Please confirm that these were the only 3 (or 4) projects authorized for installation and payment by EVT under CCP.

Confirmed: Yes No

Comments/Clarifications:

5. Within each of these projects, there appears to have been some communications between EVT and IBM regarding needs for additional information leading to EVT's ultimate determinations regarding eligibility and qualified expenses. On a scale of 1 to 3 (where 1 is "Excellent", 2 is "Adequate", and 3 is "Room for Significant Improvement"), how would you rate EVT's coordination and administration of the tasks undertaken to support its project eligibility and qualified expense determinations? *[IBM Staff asked both parts, EVT asked only to provide project-specific examples of project eligibility and qualified expense determination activities]*

- 1 – Excellent
- 2 – Adequate
- 3 – Room for Significant Improvement
- N/A or Don't Know

Please elaborate (citing project-specific examples to support your rating):

Installation verification and rebate processing

6. Following IBM's completion of each project, EVT was required to verify the installation based on a mutually agreed methodology. After which, EVT would then issue a rebate payment to the customer. On a scale of 1 to 3 (where 1 is "Excellent", 2 is "Adequate", and 3 is "Room for Significant Improvement"), how would you rate EVT's coordination and administration of the tasks undertaken while performing its installation verification and rebate processing activities? *[IBM Staff asked both parts, EVT asked only to provide*

project-specific examples of installation verification methods, actions and rebate processing activities]

- 1 – Excellent
- 2 – Adequate
- 3 – Room for Significant Improvement
- N/A or Don't Know

Please elaborate (citing project-specific examples to support your rating):

Dispute Resolution

7. On a scale of 1 to 3 (where 1 is “Excellent”, 2 is “Adequate”, and 3 is “Room for Significant Improvement”), how would you rate EVT’s coordination and administration of any dispute resolution activities? *[IBM Staff asked both parts, EVT asked only to provide project-specific examples of disputes and how they were resolved]*

- 1 – Excellent
- 2 – Adequate
- 3 – Room for Significant Improvement
- N/A or Don't Know

Please elaborate (citing project-specific examples to support your rating):

Overarching Implementation Items:

8. Please provide one or more examples of CCP implementation coordination / administration items or actions that are going well:

Please suggest or identify any areas where implementation or administration could be improved:

9. On a scale of 1 to 3, with 1 being Excellent and 3 showing room for significant improvement, please rate your overall satisfaction with the measures, EVT and program concept.

Changes in Customer Practices

10. Is your involvement with the Customer Credit Program changing the practices of your company with respect to energy efficiency projects. Yes No

If Yes, what company practices are changing and how are they changing?

11. Has your involvement in CCP helped your company to do things that they otherwise would not have done? Yes No

If Yes, please provide specific examples of how it has helped:

12. If there have been no changed practices or help to spur new actions, please explain why not. What do you think would help to improve this?

13. Is IBM an Energy Star Partner, if so which ones?
14. Is IBM Involved in any Energy Star Procurement Practices?
15. What is IBM doing to monitor measure performance and verify actual savings?
16. Finally, do you have any other comments, observations or suggestions about the Customer Credit Program?

Thank you very much for taking the time in assisting us with this evaluation. Your contribution is a very important part of the process.