

**Clarification from Proposers' Conference:** During the Proposers Conference LIPA stated that the term of the contract was for three (3) years with an option to extend for two (2) more years. This was incorrect; the contract term will be for five (5) years.

**Questions and Answers:**

Q1. Who will develop the M&V plans?

A1. LIPA expects that the EESP will develop the M&V plan and LIPA's M&V Contractor will approve them.

Q2. Can we see an example of the Tools LIPA uses to calculate incentives?

A2. Below is an example project showing the necessary inputs and resulting outputs;

The inputs required for the use of LIPA's cost-effectiveness screening tool are described within the context of a generalized project. Let us consider a hypothetical comprehensive project<sup>1</sup> at an existing facility, in this case a grocery store, consisting of the following three (3) distinct efficiency improvements:

- **Measure 1)** Retrofit of existing T-12 lighting fixtures with High Performance T-8 systems, and
- **Measure 2)** Retrofit of several vintage rooftop air conditioning units with high efficiency CEE Tier II qualified units, and
- **Measure 3)** Retrofit of existing refrigerated case evaporator shaded-pole fan motors with electronically commutated motors (ECM).

The following is a list of inputs required by the screening tool and, where necessary, brief explanations of how these factors apply to our hypothetical project:

- **Building Type:** This is selected from a list and is referenced to select the suggested load shapes and coincident factors as described below. In this case, the building type is "Grocery."
- **Customer Rate Code:** This input determines the customer electric rates used in the calculation of customer economics.
- **Measure Name:** This is selected from a list and is referenced to select the suggested load shapes and coincident factors as described below.
- **Comprehensive, Custom, or Retrofit:** Depending on the selection, different criteria are used to calculate the maximum incentive cap for a given efficiency measure. Since the measures screened are part of a comprehensive project, this input is "Comprehensive" for all measures.

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<sup>1</sup> While hypothetical, the inputs used in this example cost-effectiveness screening are based on real projects and represent reasonable values.

- **Base Case Total Cost:** For market-driven measures, this is the total installed cost for baseline equipment. For retrofit measures, this would typically be zero because we assume that the customer would do nothing in the absence of program intervention.
- **Proposed Case Total Cost:** This input is the total installed cost for the efficiency measure including the costs of material, labor, and any additional necessary site work.
- **kWh Savings:** This input captures the annual kWh savings attributable to the efficiency measure.
- **kW load reduction:** This input captures the total connected load reduction attributable to the efficiency measure. This value is multiplied by the coincident factors to determine demand reduction coincident with system peak.
- **Distribution of Energy Savings (% of Annual kWh Savings):** These inputs indicate how the energy savings fall into the various energy periods. They impact the avoided energy costs attributable to the measure kWh savings. For most measures, the tool provides suggested values for these inputs based on the selection of “Measure Name” and “Building Type.” For highly case specific measures (e.g. variable speed drives) these inputs must be manually calculated.
- **Coincidence with LIPA peak (% of kW Load Savings):** These inputs determine what portion of the connected kW load reduction attributable to a given measure is coincident with the system peak.
- **Existing Equipment Life (early-retirement retrofit only):** This is the estimated life of the existing equipment being replaced. For Measure 1 in the hypothetical project, we assume that the existing T-12 lighting has a measure life of 20 years. For Measure 2, an existing HVAC equipment life of 15 years is used. For Measure 3, we assume that the existing shaded pole motors also have a life of 20 years.
- **Existing Equipment Age (early-retirement retrofit only):** This is the age of the existing equipment. For the existing lighting, we assume an age of 15 years, for the HVAC equipment, 10 years, and for the motors, 10 years.
- **New Baseline Installed Cost (early-retirement retrofit only):** This is the cost of the equipment that the customer would have purchased upon failure of the existing equipment in the absence of the efficiency program.

The inputs used in the screening are presented in the following three (3) tables:

| General Inputs |               |                    |                   |                                    |                      | First Year Savings       |             |                   |
|----------------|---------------|--------------------|-------------------|------------------------------------|----------------------|--------------------------|-------------|-------------------|
|                | Building Type | Customer Rate Code | Measure Name      | Comprehensive, Custom, or Retrofit | Base Case Total Cost | Proposed Case Total Cost | kWh Savings | kW load reduction |
| Measure 1      | Grocery       | 285                | Lighting Fixtures | Comprehensive                      | \$ -                 | \$ 70,000                | 120,000     | 25.0              |
| Measure 2      | Grocery       | 285                | Unitary HVAC      | Comprehensive                      | \$ -                 | \$ 73,600                | 27,000      | 24.0              |
| Measure 3      | Grocery       | 285                | Motors            | Comprehensive                      | \$ -                 | \$ 17,250                | 44,000      | 3.6               |

| Load Profile Data Inputs |                                |                        |                            |                        |                            | Coincidence with LIPA peak |        |
|--------------------------|--------------------------------|------------------------|----------------------------|------------------------|----------------------------|----------------------------|--------|
|                          | Distribution of Energy Savings |                        |                            |                        |                            | Summer                     | Winter |
|                          | Summer On-Peak Energy          | Summer Off-Peak Energy | Summer Intermediate Energy | Winter Off-Peak Energy | Winter Intermediate Energy |                            |        |
| Measure 1                | 18%                            | 6%                     | 10%                        | 12%                    | 54%                        | 75%                        | 75%    |
| Measure 2                | 44%                            | 16%                    | 24%                        | 1%                     | 15%                        | 72%                        | 0%     |
| Measure 3                | 14%                            | 10%                    | 9%                         | 19%                    | 48%                        | 80%                        | 80%    |

| Retrofit Inputs |                         |                        |                             |
|-----------------|-------------------------|------------------------|-----------------------------|
|                 | Existing Equipment Life | Existing Equipment Age | New Baseline Installed Cost |
| Measure 1       | 20                      | 15                     | \$ 65,000                   |
| Measure 2       | 15                      | 10                     | \$ 64,000                   |
| Measure 3       | 20                      | 10                     | \$ 17,000                   |

For simplicity, the impact of fossil fuel savings, component replacement and maintenance costs, non-energy benefits, and future adjustments to savings for early-retirement retrofit measures have been neglected in the presentation, but the tool can accommodate these inputs and they should be used when appropriate.

The outputs of the cost-effectiveness screening tool are presented in the table below:

|           | Societal Test                 |      | Total Resource Cost Test | Annual Utility Savings |             |             | Annual Customer Savings |      |
|-----------|-------------------------------|------|--------------------------|------------------------|-------------|-------------|-------------------------|------|
|           | Present Value of Net Benefits | BCR  | Total Electric Benefits  | kWh                    | kW (Summer) | kW (Winter) | kWh                     | kW   |
|           |                               |      |                          |                        |             |             |                         |      |
| Measure 1 | 42,106                        | 1.60 | 50,914                   | 122,318                | 19.6        | 19.6        | 120,000                 | 25.0 |
| Measure 2 | 19,629                        | 1.27 | 47,468                   | 27,521                 | 18.1        | 0.0         | 27,000                  | 24.0 |
| Measure 3 | 35,699                        | 3.07 | 31,981                   | 44,850                 | 3.0         | 3.0         | 44,000                  | 3.6  |

The LIPA tool includes provisions for calculating recommended incentives based on several decision criteria including internal rate of return, return on investment, net positive cash flow, interest rate buy down, percent incremental cost, and simple payback. For this example, we assume that the customer requested a financial incentive that would result in a *three (3) year simple payback*. Based on the economics of this project, this would result in a minimum incentive of \$63,677. While LIPA could potentially offer additional funding toward incentives, this value meets the hypothetical customer criteria.

Q3. Given that incentives for the EESP are awarded based on metered savings what is the policy on base period adjustment? Also how will operational changes in the retrofit period be handled? i.e. Will savings be credited to the SP in cases of scope of use changes or a facility no longer in business?

A3. As stated in footnote 19 on page 43 in the RFP, the base line is a rolling three year average. Operational savings cannot be claimed towards the EESP's goal, however process improvements, ushered by the EESP, which result in energy savings can. If a customer goes out of business we will not deduct the claimed savings from the EESP.

Q4. What is LIPA's perspective on the balance between implementing cost-effective, quick measures reaching a greater portion of the market versus more comprehensive (in-depth measures, whole building analysis) auditing reaching a smaller portion of the market, but more meaningful savings?

A4. LIPA prefers comprehensive projects and has structured the RFP and Contract to provide for MW, MWh, and Depth of Savings. How that is achieved is up to the EESP.

Q5. Is the SP expected to calculate, determine or otherwise quantify the environmental benefits (i.e. Carbon reduction) from any of these programs or projects?

A5. The EESP may be asked by customers to assist them in quantifying these numbers and the EESP may choose to do so in their attempt to "close" a project. However LIPA does not expect the EESP to do so in every case and the Screening Tool can assist in performing some of these calculations.

Q6. The RFP states on page 9, that "To achieve these goals, LIPA estimates that a total of 1,500 new construction and "custom" projects at existing facilities need to be completed by the end of 2014". With the current, and potentially continued, downturn in the new construction market, are these targets still expected to be achievable? Or would this situation simply increase the percentage of "custom" projects?

A6. 1,500 projects is an estimate. What matters most to LIPA is the energy and demand savings goals listed in the RFP.

Q7. How will the EESP coordinate with other LIPA programs and offerings? Will all the participants from other programs (audit, peak load, commercial construction) be made available to EESP? Who will get the credit for the savings from participants coming in from other programs?

A7. LIPA's other program offerings will be separate and apart from the EESP, and since there is no overlap there will be no issue surrounding credit for the savings of LIPA's other programs. The EESP will have access to previous audit reports and technical assistance studies where available.

Q8. When do savings get credited? After the application submission or after the installation and M&V? This will especially impact the later year's goal since new construction projects can take several years to complete.

A8. Savings are credited when M&V is completed and approved

Q9. Is the goal absolute in each year or can surplus savings from one year offset deficient savings from other years?

A9. Where applicable surplus savings can offset deficiencies from other years, please refer to the Performance Incentive Mechanism for specifics.

Q10. Are the “incremental services” referred to on page 11 to be included in the not-to-exceed budget?

A10. Yes

Q11. Are there any limitations on length of the proposal or individual section?

A11. Although there is no specific limitation on the size of proposals submitted in response to the RFP, LIPA encourages Proposers to provide all information requested in the RFP while minimizing content that is not necessarily germane to demonstrating the Proposer’s qualifications.

Q12. What is the period of coincident peak and how is it measured in terms of program goals?

A12. Coincident hours are between 4pm and 5pm. The MW goals are based on coincident demand.

Q13. Who and how are “free riders” and “spillover” determined? (Page 42)

A13. All inputs and factors are determined using standard utility practices and they will be shared with the selected EESP proposer upon execution of the contract. If in the course of evaluation it is determined that these factors need to be adjusted, they will be done so prospectively and not applied to previously claimed savings.