

# **Close, But No Cigar: Lost Savings From Unsuccessful Performance Contracts**

*Julia K. Larkin, Kema-Xenergy Inc., Oakland, CA*  
*Pierre Landry, Southern California Edison Co., San Francisco, CA*  
*Michael Rufo, Quantum Consulting, Berkeley, CA*

## **Background**

For a variety of reasons, some projects that are approved for the California Statewide Nonresidential Standard Performance Contract (SPC) Program "drop out", i.e. they are never completed, or there is no application for the incentive payment. This analysis explores why they drop out, how much energy savings are "lost" to the program, and what can be done to improve the program's project completion rate.

## **Approach**

This study analyzes the reasons for unsuccessful projects in the Nonresidential SPC Program for Program Year 2002, and it estimates "savings lost," by measure and end use. An analysis of tracking data available for all of the unsuccessful projects was conducted. In addition, short, in-depth interviews were conducted with 20 of the 77 customers that submitted applications to the program but had subsequently dropped out by March 2003. We also interviewed utility program staff and third-party application sponsors, as appropriate. We explored why the projects dropped out and developed recommendations for improving the NR SPC Program's completion rate.

Reasons for dropping out of the program were categorized as:

- Participant decided to drop out due strictly to non-program factors;
- Participant decided drop out due completely to program factors; or
- Participant decided drop out due to a combination of both internal and program factors.

## **Issues**

A major issue impacting the analysis was that the funds for the PY2002 NR SPC program were subscribed very quickly and many project sponsors were put on waiting lists. Another issue is that the three utilities have slightly different administrative procedures in place that can affect unsuccessful project rates. For example, utilities differ on the extent to which they pursue a project sponsor regarding an incomplete application.

## **Results**

Overall 22 percent of the applications were classified as "dropouts," or unsuccessful. The findings from the analysis of the tracking data show that customers were twice as likely to withdraw applications as utility staff were to reject applications. There were a variety of reasons why customers withdrew applications. One common reason was that they were wait-listed and were able to obtain funding from another program, such as the Innovative Peak Load Reduction Program offered through the California Energy Commission. Other reasons included budget constraints, inappropriateness of the

project for the program, and installing the equipment before approval. When utility staff did reject an application, it was usually due to the ineligibility of the measure(s) included in the application.