Energy Smart Industrial

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Monitoring, Targeting and Reporting (MT&R) Reference Guide

Prepared by: ESI Energy Performance Tracking (EPT) Team

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About the EPT Team

The Energy Performance Tracking (EPT) team is responsible for defining and documenting the Monitoring, Targeting, and Reporting (MT&R) methodologies employed in the Energy Smart Industrial's (ESI) Strategic Energy Management (SEM) project implementation and maintaining the contents of this document. The EPT team is chaired by the Bonneville Power Administration (BPA) Energy Management Engineer and includes participants from BPA's Energy Efficiency team and implementation Program Partner(s).

Introduction

The Energy Smart Industrial (ESI) program uses a Monitoring, Targeting, and Reporting (MT&R) methodology—in conjunction with a process to track specific activities—to estimate energy savings for Strategic Energy Management (SEM) projects. This document outlines recommended methodologies to 1) establish baseline energy models at a whole-facility or subsystem level, and 2) quantify energy savings associated with the implementation of multiple energy efficiency measures (EEMs) over a defined reporting period.

In the context of ESI whole-facility or subsystem energy management, the default approach is a top-down, forecasting-based regression model as described by the International Performance Measurement and Verification Protocol (IPMVP).[1] Unless otherwise noted, the ESI MT&R Guidelines are intended to align with the best practices outlined by IPMVP for "Option C" models.

Developing a linear regression model to monitor and report energy savings for industrial SEM projects while maintaining consistency with IPMVP is an iterative process. This process requires the practitioner to work with large data sets, to understand the major energy drivers in a facility, and to have a working knowledge of statistics. The predictive ability of the model depends largely upon the practitioner's ability to navigate this iterative process in a sequential manner.

Sections 1–3 of this document focus on the model development process. Sections 4–6 of this document focus on the quantification of energy savings attributable to SEM. Specific focus is given to addressing the separation of operations and maintenance savings from concurrent capital projects and adjusting the baseline energy model for non-routine events within the SEM measurement boundary.

[1] *International Performance Measurement and Verification Protocol.* Efficiency Evaluation Organization. 10000-1:2016. www.evo-world.org.

1. Characterizing the Facility or Process

1.1 Identify Measurement Boundary

- For whole-facility energy models, the measurement boundary consists of all the systems and processes served by one or more utility meters. While energy sources may include natural gas, steam, or compressed air, the examples in this document assume electrical energy as the targeted response variable.
- Care must be taken to ensure that:
    - All electrical energy crossing the measurement boundary has been documented and accounted for. Documentation may include one-line electrical drawings, energy maps, and system schematics which identify equipment and processes within the measurement boundary.
    - Significant electrical energy-consuming equipment within the measurement boundary that inconsistently supplies other areas of the plant is documented and accounted for. An example is an air compressor within the measurement boundary that supplies variable amounts of compressed air to equipment both within the measurement boundary and other areas of the plant. In such cases, effective sub-metering strategies need to be deployed to measure the energy usage crossing the measurement boundary for reporting purposes.
    - If other energy sources are used to offset electrical energy use within the measurement boundary, then effective sub-metering strategies must be deployed to measure the changing energy sources for reporting purposes. One such example is a drying process that can use a fan, a steam heater, or a combination of both.

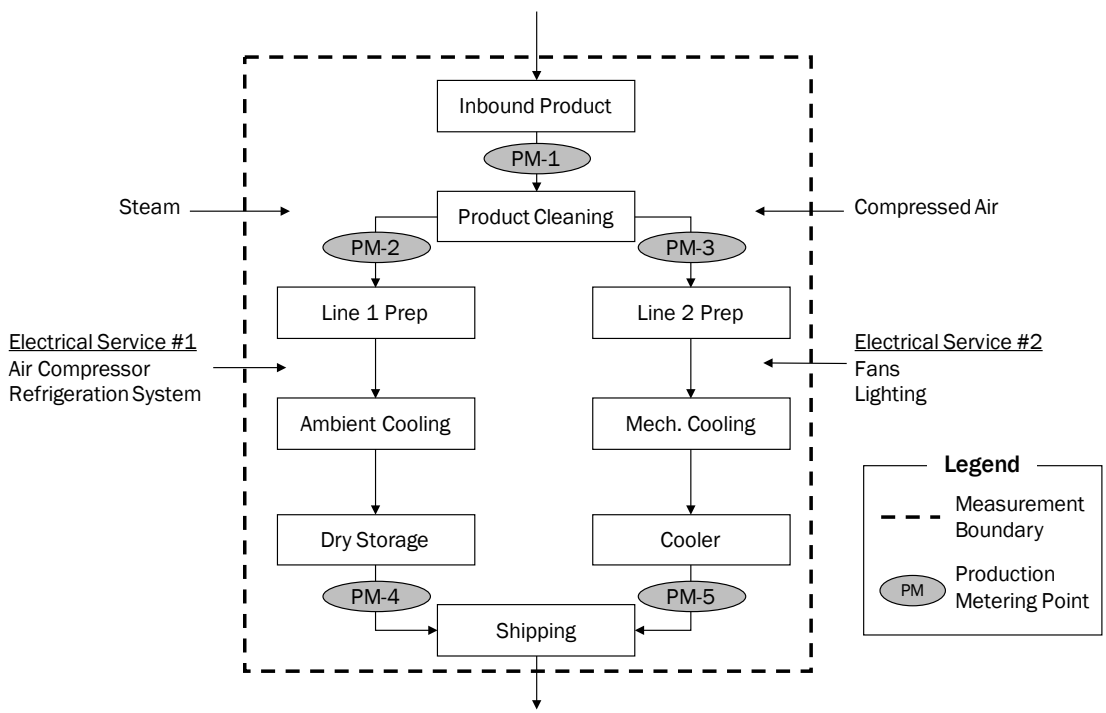

Figure 1. Illustration of measurement boundary, including where product, energy, steam, and compressed air cross the measurement boundary.

1.2 Identify Production Energy Drivers

- The primary energy driver is typically production. It is important to quantify how many product types are manufactured in the facility and understand whether there is likely to be a difference in energy intensity based on lead time, process flow, batch size, etc. Raw material, work in progress, and finished product metrics each have merits and demerits for selection as primary energy driver variables. An informed decision will consider factors such as lead time, the desire to account for yield effects, and the prevalence of inventory fluctuations in-process or at the finished product stage.
- The source of production data must be understood to assess how it physically relates to the energy intensive processes. If a significant offset exists between the energy-intensive process step and the production measurement gate, a compensating time-series shift that corresponds to the magnitude of the time offset may be applied (see Section 2.3).
- Process flow diagrams, piping and instrumentation diagrams, and value stream maps can be helpful at this stage.

Table 1. Consideration for Selection of Production Variable

MEASUREMENT GATE	MERIT	DEMERIT
Raw material input	Provides a mechanism to capture the effects of different raw material types.	Will not produce a signal for energy impact of yield or productivity improvements.
Work in progress	Allows selection of production variable at energy-intensive process step, thereby minimizing time series shift.	Availability of data may be limited. Does not provide mechanism for incentivizing energy impact of yield/productivity improvement downstream from point of measurement.
End of line metric	Provides mechanism for incentivizing energy impact of yield/productivity improvements.	May induce a time-series shift for long lead-time processes.
Finished product shipped	Reliable data is typically available from business systems.	May not correspond with production if finished product inventory fluctuates.

1.3 Identify Other Energy Drivers – Hypothesis Stage

- Based on the system inventory and process characteristics, form a hypothesis of other energy drivers. The most common examples are ambient conditions (dry-bulb and wet-bulb temperatures) but can include variables such as raw material properties, operational modes (weekend/day), occupancy, etc.
- Energy drivers must be tested for statistical significance (see Section 3.1). A suitable explanation must be provided if an energy driver that is not statistically significant is nevertheless used in the model.
- Ambient temperature must be tested for statistical significance. If temperature is omitted from the model, the rationale must be documented.
- In the process of variable selection, the model developer will face competing objectives: capture the full subset of statistically significant variables and provide the customer with a model that is simple and easy to maintain. No single selection criteria will provide the perfect solution, so the modeler must rely on his or her experience and engineering judgment.
- Including process variables in the energy model may add to the explanatory power of the model but can limit the ability to measure savings. If a process variable is included in the model and a key EEM has a direct impact on this variable, then the energy savings measured using this model are likely to

be inaccurate. While sometimes necessary for model fitness, including process variables is not a preferred option.

- See Figure 2 for example. Blast freezers generally operate at less than full capacity, and runtime may trend with energy consumption. An energy efficiency measure exists to reduce freezer run time. However, if the number of run hours is included as a model variable, the savings from this opportunity would not be estimated. Pounds of product frozen would be a more appropriate variable to include.

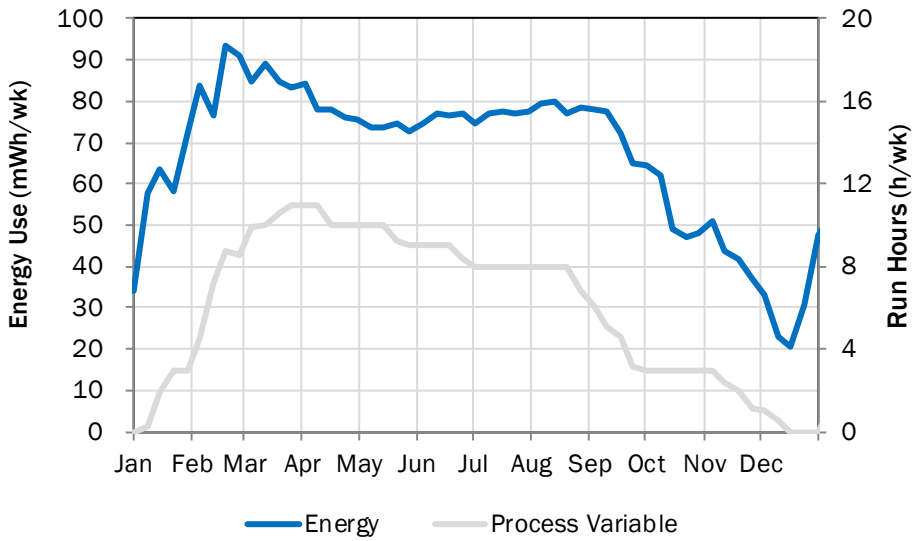

Figure 2. Example of energy use and process variable tracking. Like energy use, the process variable can be influenced by energy efficiency measures.

1.3.1 Weather Data

Acceptable sources of weather data include the National Climate Data Center (NCDC) and Weather Underground. Use of weather data from Energy Management and Information Systems (EMIS) that agree with these sources is also acceptable. A change in the weather data source during the reporting period should trigger an update to the original model, followed by EPT team review.

1.4 Identify Utility Meters or Submeters

- Document which processes are served by specific meters. This step will be important in determining whether to create a single model for a facility or to create discrete models for functional units that collectively represent the entire facility's energy use.
- Meter serial numbers, utility account numbers, or other unique identifiers must be recorded in the baseline report.
- If an end user-owned submeter will be used in place of the utility meter, the submeter data should be appropriately aggregated and compared to a utility bill. If the submetered measurement boundary does not align with a utility meter, then meter calibration should be confirmed by a certified electrician. The electrician shall strive to use no less than third order, NIST-traceable calibration equipment, as recommended by ASHRAE Guideline 14-2014, Section 6.4.2.[2]

[2] *ASHRAE Guideline 14–Measurement of Energy, Demand, and Water Savings.* American Society of Heating, Refrigerating and Air Conditioning Engineers. 2014.

2. Establishing a Baseline Data Set

2.1 Determine the Baseline Period

- The baseline period should encompass the cycles and ranges of the hypothesized primary and secondary energy drivers and extend as close to the start of the reporting period as possible. Ideally, the baseline period captures two or more cycles of operation.
- If re-baselining is required for participants re-enrolling in SEM, the last reporting period of the previous engagement is typically used for the new baseline period.
- The guideline for the minimum number of baseline data points is: 6 × number of coefficients in the model. If the data set falls below this guideline, the model will likely be "over-fitted", and the model's comparative performance will likely deteriorate during the reporting period. Since the number of coefficients is not known at this point, it can be assumed that there will be one coefficient for each hypothesized variable, plus the intercept.
- Energy use that exhibits seasonal dependence should use complete years (e.g. 12, 24, or 36 months) of continuous data during the baseline period to ensure balanced representation of all operating modes. Models that use other ranges of baseline data can create statistical bias by under- or over-representing normal modes of operation.[3]
- Data with daily or weekly time resolutions typically provide better insights about processes, and thus result in more accurate models when compared to data of longer durations such as monthly data. Process lead time should be considered when selecting the modeling interval, both for determining the modeling interval and applying time-series offsets with the corresponding energy data.
- The NW Strategic Energy Management Collaborative white paper, "Common Considerations in Defining Baselines for Industrial Strategic Energy Management Projects," provides additional guidance and case studies on the selection of an appropriate baseline period and the treatment of non-production periods in a daily model.[4]

2.1.1 Temporary and Permanent Baseline Events – Addressing Non-Routine Events, Incentivized or Non-Incentivized Energy Projects

Utility records should be reviewed to confirm whether incentivized energy projects occurred within the measurement boundary during the proposed baseline period. If so, project records should be obtained to accurately capture implementation dates and magnitude of incentivized savings.

To determine the effective date for an incentivized EEM, apply the earlier of the project installation or measurement and verification (M&V) start date, or the date that an inflection is observed in the energy data (see Appendix A).

Interviews with the end user and serving utility should be conducted to determine if other non-incentivized energy projects occurred during the proposed baseline period. If either case is identified, one of the options in Appendix A can be applied to ensure savings are not double counted.

[3] *International Performance Measurement and Verification Protocol.* Efficiency Evaluation Organization. 10000-1:2012. Section 4.8.4.

[4] *Common Considerations in Defining Baselines for Industrial Strategic Energy Management Projects.* NW Industrial Strategic Energy Management (SEM) Collaborative. 2014.

2.2 Collect and Review Data

- When collecting data for energy or energy drivers, ensure that accurate records are maintained regarding the data source (e.g., end user database, production gate, weather station).
- Perform an initial review for outliers by plotting each variable independently in a time series format. Identify and flag erroneous entries. Control limits of three standard deviations, ±3 sigma (σ), from the mean are often useful for identifying outliers in normally distributed data.

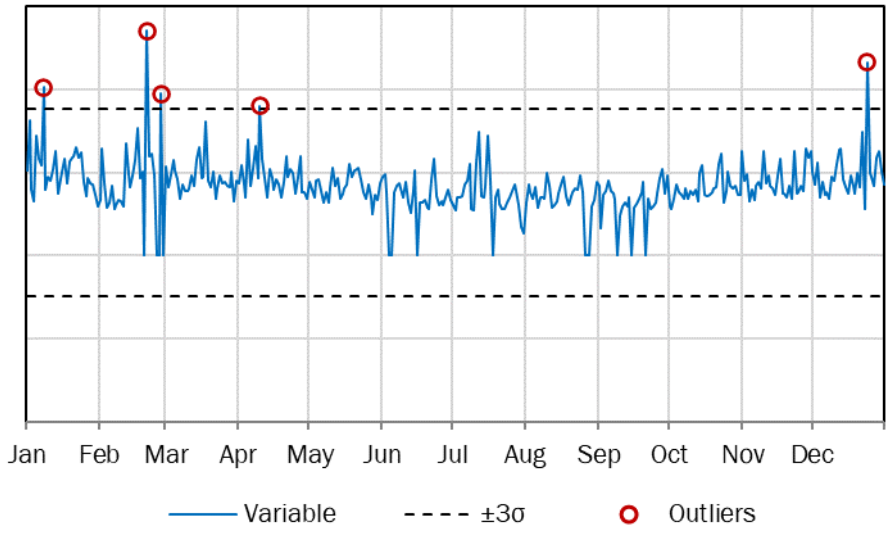

Figure 3. Example of graphical method to identify anomalies.

- Missing data points or data entry errors should be investigated and corrected by the facility, if possible.
- Any outliers that are ultimately removed from the baseline data set should be annotated with assignable cause. Understanding assignable cause will likely require communication with the end user's Energy or Data Champion.
- Generally, avoid replacing missing or outlier data with estimated values. Exceptions are permissible when data is provided at a much finer interval than the model (e.g., if time interval of data is 15 minutes or hourly). For energy data, best practice is that values in aggregate match a known reference such as utility billing history.
- Examine data obtained from industrial control systems with a higher level of scrutiny. This data is often hourly or sub-hourly and frequently includes the following types of "bad data":
    - Erroneous values: a value such as "Control System Error"
    - Null values: no data for the given variable and observation
    - Anomalous operations: values that appear out of range of normal operations. This may include values that remain constant when equipment is off.
- Observations that appear anomalous should be reviewed with plant personnel to better understand the operation of the system.
- If any data point within the observation is deemed erroneous, null, or anomalous, the observation should be removed and documented in the Energy Model Report. If the number of observations per time period vary due to removal of invalid data, a weighted regression can be considered as outlined in Appendix E.

- Graphing data can be an effective way to detect erroneous and anomalous data. For example, in Figure 4, power within the dashed box is considerably lower than power above the dashed box for similar machine speeds. This suggests that the operation of this machine should be investigated prior to performing calculations.

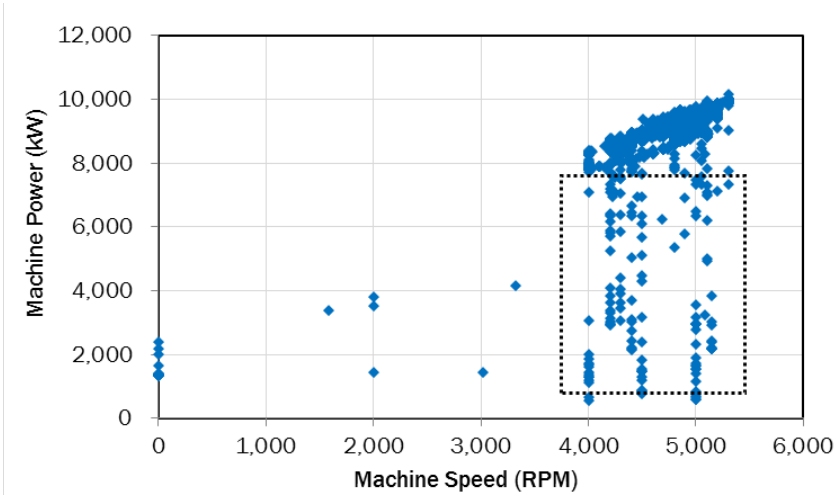

Figure 4. Illustration of control system data showing machine power vs. machine speed.

2.3 Adjust for Time-Series Offsets

- Use time-series plots to identify consistent offsets between energy use and independent variables. For example, if the energy-intensive process is two days' lead time from the production measurement point, a two-day time series adjustment may need to be applied to the production variable. However, this approach may be unnecessary if a longer model interval is selected (e.g., weekly versus daily model).

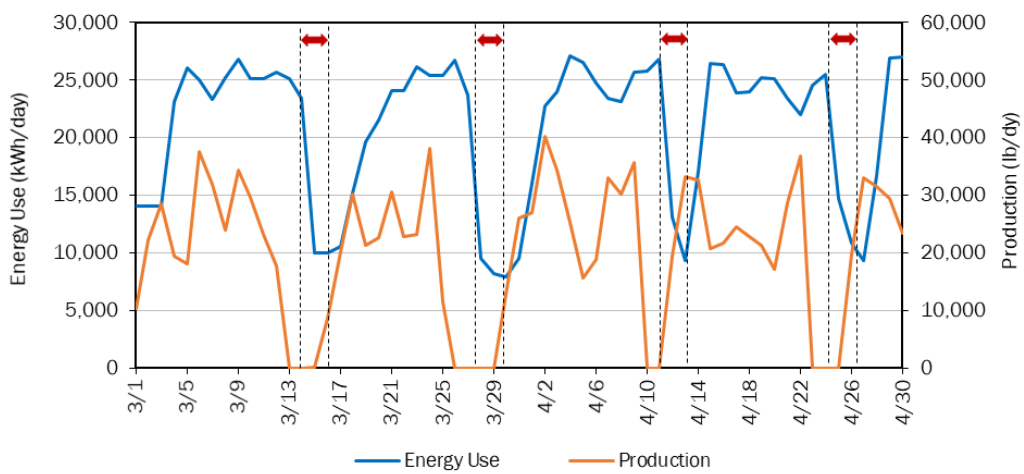

Figure 5. Example of a time-series off-set (energy and production vs. time).

- If necessary, apply the time-series offset to the relevant independent variable(s), maintaining the original source data in a separate file.
- At this point, the baseline data set is ready for the regression modeling process.

2.4 Form a Hypothesis Model

- The hypothesis model should be driven by an informed understanding of the physical characteristics of the process.
- Non-linear and interactive terms should be evaluated when suggested by the data.
- Use scatter diagrams to understand the relationship between energy use and energy drivers. For example, a plant's energy intensity often becomes progressively more efficient at higher production volumes. This implies a non-linear relationship between energy use and production and is illustrated in Figure 6.

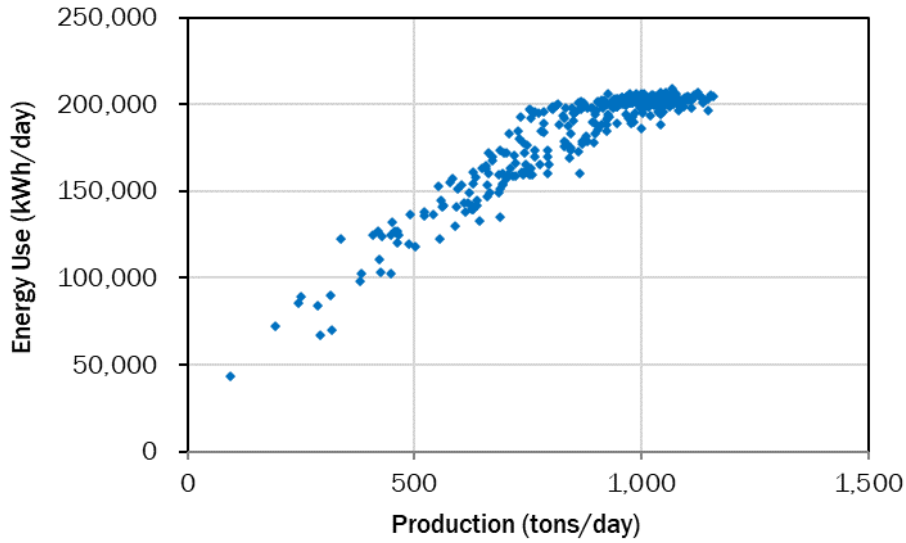

Figure 6. Example of a scatter plot (energy vs. production).

- The energy profiles of facilities with large space conditioning and refrigeration loads often exhibit a "change-point" characteristic. Modeling a facility that exhibits a change-point with a single linear model would introduce unnecessary error. Instead, this system should be modeled with a change-point model. The presence of a change-point can be identified by plotting energy use versus ambient temperature, as illustrated in Figure 7.
- For models with daily time resolution, there is no loss in information when using a change-point model over a degree-day model. For longer time periods, the differences between the two approaches are generally slight, except in mild climates with many temperatures near the balance-point.[5] Therefore, consider a degree-day approach when energy use is driven by temperature and the facility is in a mild climate.
- When two or more independent variables exhibit correlation, multicollinearity is present within the model. The presence of collinear variables can affect the precision of individual coefficients and can understate the statistical significance of individual predicator variables.

[5] *Discussion Regarding the Use of Average Temperature or Degree-Days in Energy Regressions.* SBW Consulting. November 28, 2015.

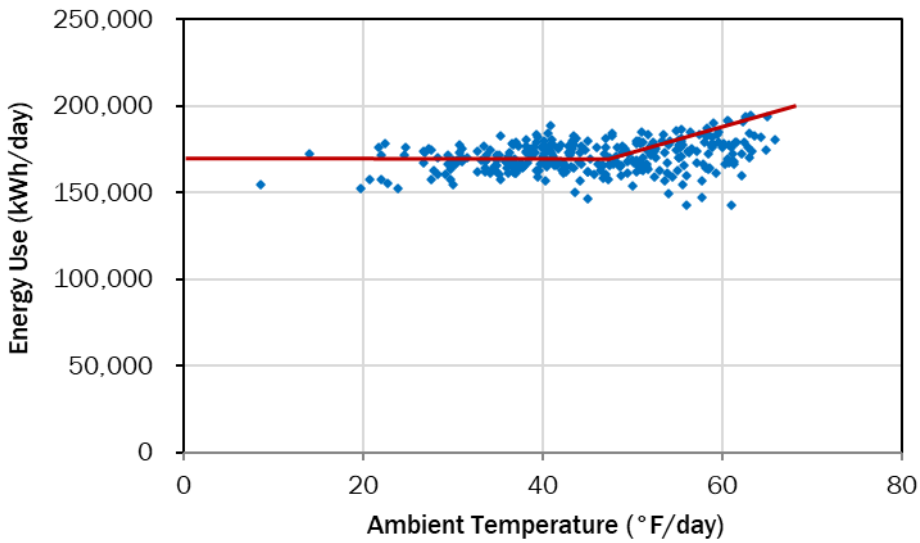

Figure 7. Example of a 3-parameter cooling change-point model.

- An R^2 that exceeds 0.7 between any two independent variables generally indicates the need to address multicollinearity.[6] A correlation matrix is useful in identifying multi-collinearity.
- Some ways to address multicollinearity include:
    - If submeters are available, split the facility into two or more measurement boundaries and split variables by measurement boundary as appropriate.
    - Re-specify the model. Consider excluding the variable that provides the least improvement to the model.
- When multicollinearity is present, the modeler should clearly explain the rationale for both the inclusion and exclusion of variables in the energy model.
- The modeler should exercise caution when excluding variables that might be significant energy drivers as this can bias the model. Further work has been done to address the effects of multicollinearity in baseline regression models by the NW Industrial Strategic Energy Management (SEM) Collaborative.[7]

2.4.1 Selection of One or Multiple Models

Some industrial facilities have distinct processes and operating modes that vary throughout the year. These may be high and low production periods such as maintenance shutdowns and seasonal production or multiple production processes that independently influence energy consumption. The resultant variation in energy use is often difficult to capture with energy drivers and indicator variables alone in a single regression model.

When the facility has one dominant mode of operation, and the energy use and expected savings during other times are small, a model that includes only the dominant mode is the preferred option. If a model is required for both modes of operation, separate models for each mode are recommended to reduce model bias.

6 *Tools and Methods for Addressing Multicollinearity in Energy Modeling.* NW Industrial Strategic Energy Management (SEM) Collaborative. 2013.

7 *Ibid.*

Utility and end-user feedback should be solicited in the process. Judgment is required to balance accuracy versus simplicity.

Table 2. Consideration for Selection of One or Multiple Models

MODEL SELECTION	MERIT	DEMERIT
Single Model – all operational modes	• Simple to explain and use for tracking purposes. • Uses all data in the baseline period, increasing the number of observations. • Includes full range of each variable.	• Models often tend to over predict during low or no production. • R^2 values may be inflated due to extended range. • Collinear variables cannot be separated to their appropriate energy meter contribution.
Single Model – one operational mode	• Model provides better prediction during production. • Eliminates the complexity of maintaining multiple models.	• Unable to estimate savings for mode(s) not modeled. • Model may not include full range of each variable.
Multiple Models	• Each model provides better prediction for all modes of operation. • Estimates savings for each mode modeled. • When applicable, separates collinear variables based on engineering Judgment of system.	• Increases complexity of the tracking and measuring of energy savings. • Reduces the number of data points for each model respectively.

3. Developing a Baseline Energy Model

3.1 Assess Statistical Significance of Independent Variables

- Screening variables for statistical significance is a critical step in the model review process, as the inclusion of erroneous variables will introduce error in the model. Likewise, the omission of critical energy driver variables will negatively affect the ability of the model to accurately characterize variation in energy use. The following guidelines can be used to test for the significance of each independent variable:
    - t-statistic > 2.0 for each variable (IPMVP 2012)[8]
    - At least one variable with a p-value < 0.10 (SEP 2019)[9]
    - Each variable should have a p-value < 0.20 (SEP 2019)
- For ESI SEM projects, the IPMVP will serve as the official guideline.
- Appendix C shows where these values can be obtained from typical regression output tables.
- Independent variables that do not pass the above tests should not be included. Exceptions may be permissible in cases where a variable shows moderate statistical significance and is generally understood to impact energy use for the target system. The rationale for such exceptions must be documented.

[8] Efficiency Evaluation Organization, Appendix B. p. 97.
[9] *Guidance for the SEP 50001™ Program Measurement & Verification Protocol*: 2019, section 6.4.1, page 25.

3.2 Statistical Criteria for Model Fitness

- While model quality cannot be judged solely on a single statistic, the fitness of the overall model can be judged against several guidelines for forecast regression models. For example:
    - R^2: > 0.5 (SEP 2019)[10]
    - Net Determination Bias (NDB): < 0.005% (ASHRAE Guideline 14-2014)[11]
- For ESI SEM projects, the IPMVP will serve as the official guideline. However, the following parameters shall be documented for the overall model: R^2, adjusted R^2, coefficient of variation, NDB, autocorrelation coefficient.
- Adjusted R^2 can help determine when the addition of a variable improves the model. If adjusted R^2 decreases as variables are added, the model is likely to be over-fit.
- Appendix C shows where the basic regression parameters can be obtained from typical regression output tables.
- Plot the actual versus predicted energy use on a scatter diagram. Check that the point pattern is narrowly clustered and uniformly distributed along the diagonal as illustrated in Figure 8.

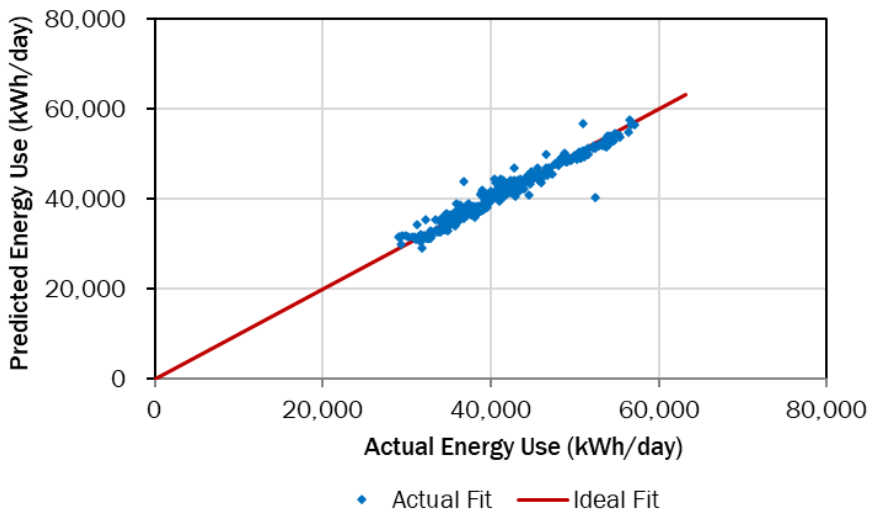

Figure 8. Example of predicted vs. actual scatter plot.

- Typically, regression-based energy models exhibit positive autocorrelation. Positive autocorrelation occurs when the sign change of the residuals is infrequent. Conversely, frequent sign changes in the residual values results in negative autocorrelation.
- There is not a defined threshold for the autocorrelation coefficient in the model development phase. However, a review of literature finds references to "light autocorrelation" for levels in the 0.3 range.[12] This becomes a factor in the uncertainty analysis, discussed in Section 4.5.1. An example of autocorrelation in a time series graph is shown in Figure 9.

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10 *Ibid.*
11 ASHRAE, p. 16. Table 4.2.
12 *Guidelines for Verifying Existing Building Commissioning Project Savings – Using Interval Data Energy Models: IPMVP Options B and C.* California Commissioning Collaborative. November 12, 2008. Appendix B, Page 70.

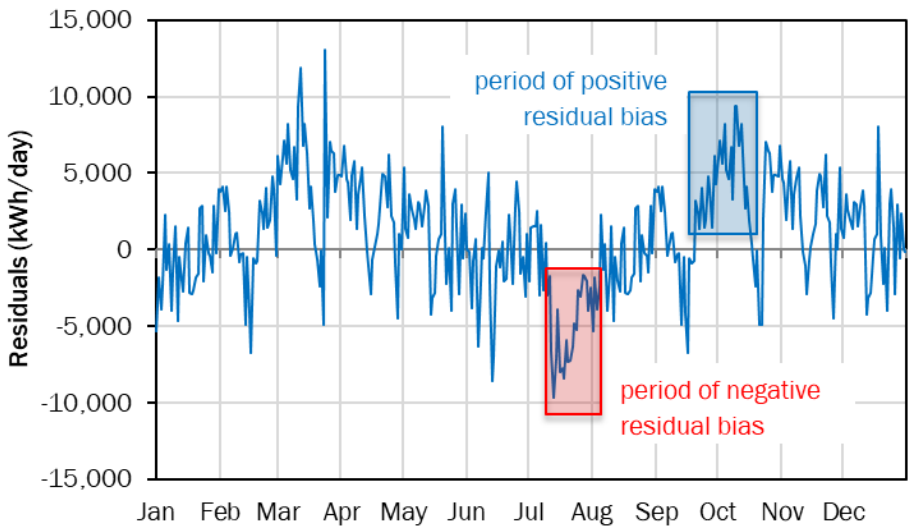

Figure 9. Example of autocorrelation in a time series graph.

- Calculate the autocorrelation coefficient (see Appendix D) and plot the model residuals over the baseline period. If autocorrelation is detected, the number of independent data points is effectively reduced. The typical remedy involves increasing the sample size, or selecting a different data interval.
- High autocorrelation may indicate the omission of a key variable, or the occurrence of an event that changed energy consumption characteristics during the baseline.
- The Durbin-Watson test can be used to determine if autocorrelation is statistically significant. The Durbin-Watson test statistic, *d*, ranges from 0-4, where:
    - $d = 2$, residuals are not correlated
    - $d \ll 2$, residuals are positively autocorrelated
    - $d \gg 2$, residuals are negatively autocorrelated
- The lower and upper bounds for the Durbin-Watson test statistic are a function of sample size, number of predictor variables, and the desired confidence level.
- The Northwest Industrial SEM Collaborative has provided a paper pertaining to autocorrelation in regression-based energy models for industrial facilities.[13]
- Residual plots that may be of value include:
    - Residuals versus time (e.g., Figure 9)
    - Residuals versus the independent variables (confirmation of homoscedastic or heteroscedastic residuals)
    - Histogram of residuals (supports Net Determination Bias)

3.3 Modifying the Hypothesis

- If the statistical tests outlined in 3.1 and 3.2 indicate insufficient fitness of the model, modify the model hypothesis. This process might include modifications to the assumed energy drivers, time intervals, change points, or the order of relationships (second order, square root, etc.).

[13] *Tools and Methods for Addressing Autocorrelation in Energy Modeling*. NW Industrial Strategic Energy Management (SEM) Collaborative. 2013.

- If the measurement boundary is supplied by multiple meters, disaggregating the meters may result in better model resolution.
- In forming an alternative hypothesis, confirm that the characteristics of the equation remains aligned with the mechanics of the process, and that the baseline data set meets the standards outlined in Section 2.1. This information should be documented in a competing model summary. An example of a competing model summary is provided in Appendix F.

3.4 Screening for Residual Outliers

- Outliers from the residual analysis should be flagged for review. One approach for reviewing outliers is applying a common rule of thumb for identifying data that lie outside the range of ±3σ, as illustrated in Figure 10.[14] For normally distributed residuals, the probability that a residual will exceed ±3σ due to random chance is only 99.73%, or about 1 in 370.

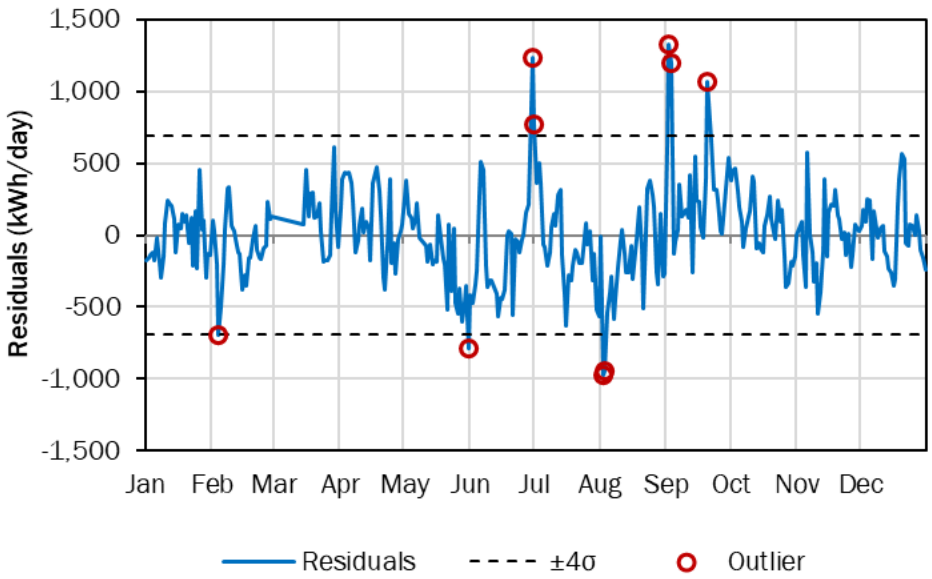

Figure 10. Inspection of residual outliers.

- Before removing outliers, the modeler should review any residuals outside the control limits with the Energy Champion to understand the cause of the anomaly.
- The modeler must provide a supporting explanation when removing statistical outliers.

3.5 Alternatives to Regression-based Forecasting

The adoption of a methodology that does not use a standard regression-based forecasting energy model may be necessary under certain conditions.

3.5.1 Backcast Approach

For the backcast approach, the regression energy model is developed from the data obtained during the reporting period. This method is applicable in instances where the resolution of the

[14] Montgomery. 2005. *Design and Analysis of Experiments, Sixth Edition*. John Wiley & Sons, Inc. p. 77.

energy data for the original baseline was relatively poor (e.g., monthly) and the resolution of the energy data during the reporting period has significantly improved.

For more details, see the Superior Energy Performance Measurement and Verification Protocol (SEP Protocol).[15]

3.5.2 Mean Model

The mean model represents the simplest form of forecasting, and may be necessary when:

- There is insufficient variation in the independent energy drivers (e.g., production is constant) such that it cannot account for the variation in energy use.
- There is insufficient correlation between suspected energy drivers and energy.

For an 80% confidence interval, a *p*-value less than 0.1 is required to reject the null hypothesis for a coefficient. If no independent variable produces a coefficient that meets that criteria, a mean model should be used. A mean model may also be preferred when the only statistically significant coefficients contradict known system behavior (e.g., a negative coefficient for production).

For the mean model approach, the estimate of baseline energy use is the average energy use:

Baseline energy per interval = Average annual energy consumption for baseline period

This approach requires that baseline operating conditions be thoroughly documented so that changes in energy intensity observed during the reporting period can be properly assigned to EEMs directed at energy efficiency versus other changes in plant operation.

This approach is valid provided the relevant operational parameters remain within a defined range. An acceptable guideline for this tolerance is ± 3σ of values recorded in the baseline period. For more details, see the SEP Protocol.[16]

3.5.3 Pre-Post

For this method, a regression model is constructed using data from both the baseline and reporting period. Generally, a single indicator variable is used to estimate the difference in energy use between the two time periods, though interactive effects between energy drivers can be modeled. For more details, see the Industrial Strategic Energy Management (SEM) Impact Evaluation Report.[17]

3.6 Energy Model Report and EPT Review

The model and supporting statistics and graphics should be documented in the Energy Model Report. The EPT team will provide final approval after a review by the utility and end user.

4. Calculating Energy Savings During the Reporting Period

4.1 Maintaining Records of Events and Changes

- The savings calculated in Sections 4.3 and 4.4 represent the total (gross) energy savings for the site. In order to establish attribution, it is critical that the Energy Champion maintain accurate records of key operations and maintenance (O&M) actions or behavior-based improvements. Records of facility

[15] *Guidance for the SEP 50001™ Program Measurement & Verification Protocol*: 2019, section 6.2.2, page 30.
[16] *Ibid.*, section 6.4.2.1, page 52.
[17] *Industrial Strategic Energy Management (SEM) Impact Evaluation Report.* SBW Consulting, Inc. and The Cadmus Group. 2017. Appendix B., p. 61.

operations that influence energy use, including key process variables, should also be maintained. The Energy Champion should attempt to correlate inflections in the cumulative sum of differences (CUSUM) graph to these actions or changes.

- Any effects from fuel switching must be accounted for and excluded from the gross energy savings. If fuel switching is a possibility, it is advisable to maintain records of alternate fuel sources crossing the measurement boundary beginning with the baseline period. These records can be used to document that fuel switching did not occur during the reporting period.

4.2 Adjusting for Concurrent Incentivized Projects

- If the end user is participating in other ESI program offerings, gross energy savings adjustments will likely be needed to net out savings from EEMs incentivized by other ESI components. The typical approach is an adjustment to the gross savings by the utility-approved M&V savings value associated with the project, prorated from the M&V start date to the end of the reporting period.
- Appendix B outlines the options for determining the value of the adjustment and identifying a suitable date of application.

4.3 Calculation of Savings Using Regression Model

- As data is collected during the reporting period, it should be methodically reviewed to detect anomalous values and to ensure that the independent variables fall within the ranges specified for the model. For variables with normally distributed data, the generally acceptable values for each variable will be the maximum of ±3σ or the range used in the model, as outlined in the SEP Protocol.[18] For variables that are not normally distributed (e.g, variables that include multiple modes of operation), ±10% of the actual range is generally a more appropriate method.
- Reviewing data to ensure it falls within the valid range of the model should be performed at the same interval used in the baseline regression. However, all variables should also be tracked and reviewed for completeness and quality at the interval of the raw data. For weekly or monthly models, daily data can be used to identify data errors or anomalous performance. It may also prove useful if it becomes necessary to apply chaining or backcasting.
- In some cases, it may be helpful to track variables not included in the baseline energy model and ensure that they fall within an acceptable range. This could mean either 1) tracking individual parts of a whole (e.g., tracking production from individual lines even though the model only uses total production), or 2) tracking variables not included in the baseline energy model (e.g., tracking production for a mean model).
- Energy savings can be calculated by applying the following equation:

$$Energy\ Savings = Predicted\ Energy\ Use - Actual\ Energy\ Use \pm Non\text{–}Routine\ Event\ Adj.$$

- For periods with infrequent occurrences of out-of-range variables, the magnitude of energy savings should be reviewed. Generally, no further adjustments are needed if energy savings are similar to the other observations within the ranges specified by the model.
- When variables exceed the valid range of the model, capping production variables may be necessary to avoid overestimating energy savings. If capping is applied, all values must be capped consistently.
- If an acceptable capping limit cannot be determined, an expected value of energy savings may be provided. If an expected value cannot be determined, then energy savings for these occurrences should be excluded.

[18] *Guidance for the SEP 50001™ Program Measurement & Verification Protocol*: 2019, section 6.4.2.1, page 52.

- Occurrences of abnormal energy savings, i.e., exceeding ± 4σ, should be reviewed. Plant operations can be reviewed with the Energy Champion if further questions persist upon reviewing the data. The expected or average value of savings can be used for these anomalous observations.
- The CUSUM calculation is an effective means of quantifying the total energy savings benefit. In graphical form, the CUSUM provides a powerful illustration of the total savings measured and verified during a specified reporting period. However, the CUSUM graph should be used in conjunction with a time series plot of energy and the independent variables. Together, these graphs help establish an informed understanding of energy intensity inflections. An example of a CUSUM graph is shown in Figure 11.
- It may be advantageous to track baseline energy models with intervals longer than one day (e.g., monthly) at a daily interval. This is acceptable so long as the following items are considered:
    - Reporting periods must begin and end on billing period start and end dates, respectively, to avoid biasing the energy savings.
    - Daily residuals should be interpreted with caution as they are calculated against a multi-day average of actual energy usage.
    - Special calculations may be required to average variables for each billing period. This is especially the case when a change-point has been applied to a term. In such cases, a degree-day variable or similar term may avoid this difficulty.
    - Valid ranges of model data must still be evaluated based on average values at the same intervals used for the baseline regression.

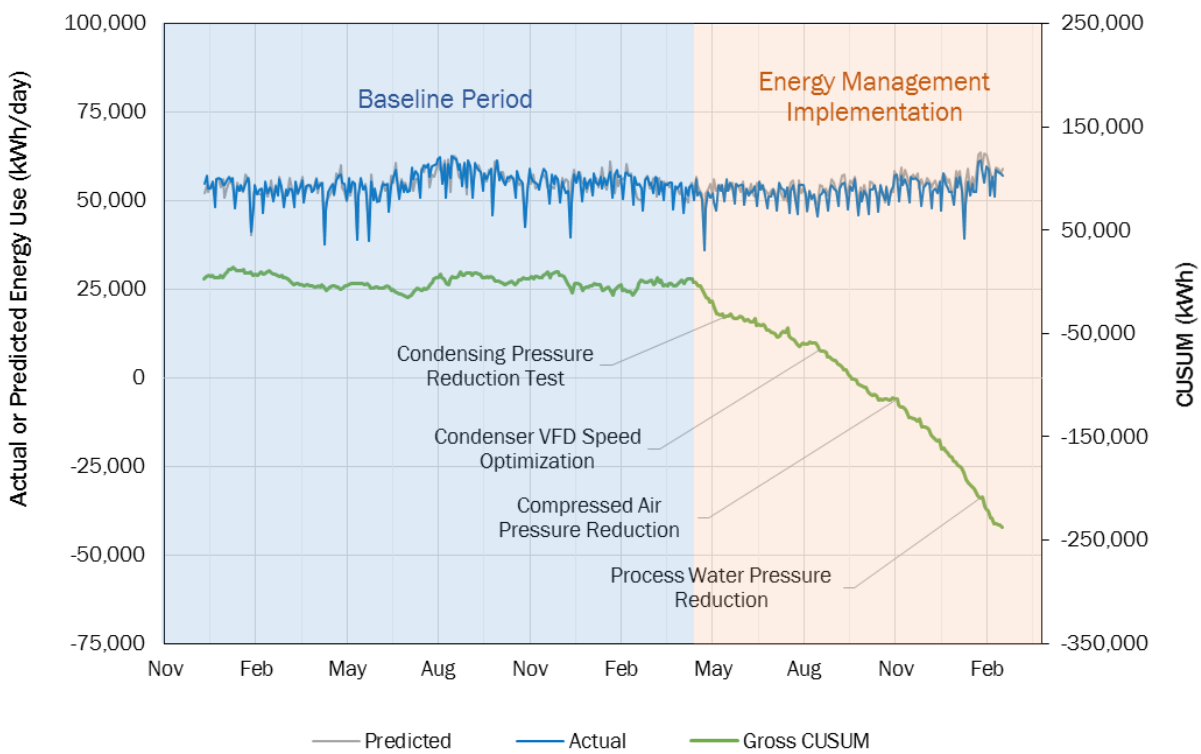

Figure 11. CUSUM graph example.

4.4 Calculation of Savings Using Alternative Approaches

4.4.1 Savings Calculation by Backcast Approach

When using the backcast approach, separate energy models are created for each reporting period. Each respective model estimates energy use during the baseline period using the weather and production observed during the baseline period. A timeline for the back-casting procedure is illustrated in Figure 12.

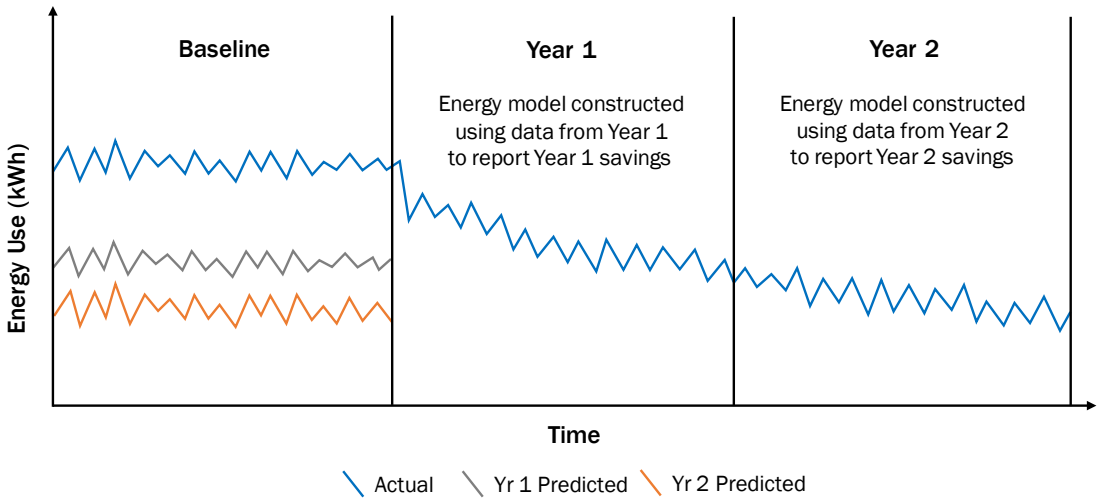

Figure 12. Backcast approach.

To calculate energy savings for Year 1, first an energy model is created using actual energy, weather, and production data from Year 1. This model is then used to predict energy use during the baseline period based on weather and production data reported during that same baseline period. Finally, savings are calculated using the actual energy use during the baseline period and the energy use predicted for the baseline period using the Year 1 model.

Thus, energy savings for the Year 1 reporting period are calculated as:

$$\begin{aligned} Energy\ Savings_{Year\ 1} \\ &= (Actual\ Energy\ Use)_{Baseline} \\ &- (Predicted\ Energy\ Use, Year\ 1\ Model)_{Baseline} \\ &\pm\ Non\text{-}Routine\ Event\ Adjustments \end{aligned}$$

Likewise, the energy savings for the Year 2 reporting period are based on the model created using energy use, weather, and production data from Year 2 and the energy use, weather, and production reported during the baseline. Energy savings for the Year 2 reporting period are calculated as:

$$\begin{aligned} Energy\ Savings_{Year\ 2} \\ &= (Actual\ Energy\ Use)_{Baseline} \\ &- (Predicted\ Energy\ Use, Year\ 2\ Model)_{Baseline} \\ &\pm\ Non\text{-}Routine\ Event\ Adjustments \end{aligned}$$

4.4.2 Savings Calculation by Mean Model

For a mean model, baseline energy is calculated as the mean or average energy use during the baseline period. For a given time interval, energy savings are then calculated as the difference between the mean value from the baseline period and the actual energy use for that time interval, plus or minus any adjustments.

$$Energy\ Savings = Mean\ (Actual\ Energy\ Use)_{Baseline} - (Actual\ Energy\ Use)_{Reporting} \pm Non\text{–}Routine\ Event\ Adjustments$$

4.4.3 Savings Calculation by Pre-Post Approach

For models with a single indicator variable, the savings estimate per time interval is the estimated coefficient of the indicator variable. The Industrial Strategic Energy Management (SEM) Impact Evaluation Report provides more details for calculating energy savings when the indicator variable (for the reporting period) is included as an interaction term with other model variables.[19]

4.4.4 Savings Calculation by Bottom-up Approach

Quantification of energy savings using a bottom-up approach consists of engineering calculations supported by short-term data logging. The application of this approach is limited to specific cases when top-down, whole-facility energy modeling efforts are unsuccessful. This approach may also be used for comparison purposes. Further information regarding the application of engineering calculations including determination of the baseline, calculations of energy savings, and required project documentation is provided in BPA's Engineering Calculations with Verification (ECwV) Protocol.[20]

4.5 Options for Establishing Statistical Confidence of Savings Value

4.5.1 Uncertainty in the Forecasting Estimate

In certain instances, it may be necessary to specify a range of energy savings for a defined statistical confidence level.

ASHRAE provides a detailed description of uncertainty analysis.[21] The following methodology provides an approach for calculating uncertainty derived from model error. This method is a simplified version of the uncertainty analysis provided in the Industrial Strategic Energy Management (SEM) Impact Evaluation Report.[22] It should be noted that this approach does not capture error associated with measurement hardware. In most cases, the measurement error component should be small relative to the regression model error.

The fractional savings uncertainty (FSU) for the majority of ESI MT&R models can be estimated by the following equation:

$$FSU = 1.26t \times \frac{CV\left[\left(\frac{n}{n'}\right)\left(1+\frac{2}{n'}\right)\left(\frac{1}{m}\right)\right]^{\frac{1}{2}}}{F}$$

[19] SBW Consulting, Inc. and The Cadmus Group, Appendix B, p. 73.
[20] *Engineering Calculations with Verification Protocol,* Version 2.0. Bonneville Power Administration. 2018. www.bpa.gov/EE/Policy/IManual/Documents/6_BPA_MV_ECwV_Protocol.pdf
[21] ASHRAE, Annex B.
[22] SBW Consulting, Inc. and The Cadmus Group, Appendix B, p. 75.

Where:

t = t-statistic for desired confidence level
CV = coefficient of variation
n = number of observations in the baseline period
m = number of observations in the reporting period
F = fractional savings

The effective number of observations in the baseline period, n', after accounting for autocorrelation is:

$$n' = n\frac{(1-\rho)}{(1+\rho)}$$

Where:

ρ = autocorrelation coefficient

There are several things to note about this equation. First, note that the coefficient of 1.26 in the FSU equation may underpredict FSU for baseline periods longer than twelve months.[23]

Second, note that if ρ is negative, n' would be greater than n, resulting in a lower FSU. In such cases, the negative value should be reported for ρ, but it is recommended to use the absolute value of ρ to calculate a conservative estimate of FSU.

Third, when calculating FSU for a monthly model, ASHRAE permits the assumption $\rho = 0$, so that n' is equal to n.[24] This is because process dwell time is much shorter than the model interval, so that any correlation between the residuals of consecutive months for a well-specified model would likely be coincidental. However, this assumption may not be valid if a key variable has been omitted.

While the methodology described in this section is generally applied to analyze savings uncertainty in an ex-post analysis, the same analysis can be used to inform the model development, particularly when the model developer is faced with multiple options related to time interval or variable selection.

4.5.2 Statistical Confidence for Backcast Method

The FSU equation can also be used to estimate savings uncertainty for the backcast method. When using the FSU equation, the model statistics and "baseline" observations (*n*) occur during the reporting period of the project. Likewise, the number of observations during the "reporting" period (*m*) occur during the baseline period of the project.

4.5.3 Statistical Confidence for Mean Model

When applying the mean model approach, two-sided t-tests are performed on energy use and assumed energy drivers prior to reporting energy savings. The t-test should demonstrate that the energy use of the reporting period is less than the baseline period. It must be shown that assumed energy drivers did not influence energy savings. T-tests or other methods may be used to

[23] *Uncertainty Approaches and Analyses for Regression Models and ECAM*. SBW Consulting Inc. August 11, 2017.
[24] ASHRAE, 4.2.11

demonstrate this. All t-tests should be performed at the 80% level of confidence using methods for equal or unequal variances as appropriate for the samples under study.

4.5.4 Statistical Confidence for Pre-Post

When using the pre-post method, the indicator variable's standard error is used to determine the uncertainty of the savings estimate. For a desired level of confidence, the t-stat or p-value can be used to determine the confidence in the savings estimates.

4.6 EPT Review and Approval

The SEM Completion Report will document annual energy savings results and the supporting calculation methodology. The EPT team will provide final sign-off, but BPA's Energy Management Engineering Contracting Officer's Technical Representative (E-COTR) will provide final authorization of the savings and SEM participation payment.

5. Making Adjustments for Non-Routine Events[25]

5.1 Scenarios for Model Reassessment

- The model is considered valid for the range of the independent variables observed during the baseline period, provided the general operation and qualitative factors of the facility or system remain consistent with baseline operation throughout the reporting periods. The SEP Protocol provides an additional provision that validates the model if the independent variable is within ±3σ from the mean of the baseline data set.[26]
- Non-programmatic effects may occur during the reporting period. Such scenarios would trigger a reassessment of the energy model. These scenarios can be characterized into three different categories of increasing complexity:

5.1.1 Static Change Assessment

A static change is a change in electric load within a well-defined boundary and with minimal interactive effects. Examples of a static change are:

- Addition of a new exhaust fan for safety/environmental purposes
- Added section of the facility in which the energy flows can be easily isolated

5.1.2 Minor Process Change Assessment

A minor process change is a distinct change in operations that does not fundamentally change the process itself. These changes generally impact one or just a few production or process variables. Examples of a minor process change are:

- Change in business operations that requires a new independent variable (e.g., new product type)
- Change in the operating pressure of a sub-system within the plant

[25] For a fuller treatment of non-routine events and adjustments, see *IPMVP Application Guide on Non-routine Events & Adjustments*. IPMVP. October 2020.
[26] *Guidance for the SEP 50001™ Program Measurement & Verification Protocol*: 2019, section 6.4.2.1, page 52.

5.1.3 Major Process Change Assessment

A major process change affects the fundamental energy consumption characteristics of the facility, rendering the original model specification invalid. These changes may impact many systems within the plant. Examples of a major process change are:

- A sustained increase or decrease in the observed level of an independent variable outside the range for which the baseline energy model was established.
- A change in plant operations from batch-type to continuous

5.2 Options for Baseline Adjustment

Baseline adjustments should reflect the scenario encountered.

5.2.1 Static Change Adjustment

The change in electrical load should be accounted for based on sub-metered data and accompanying analysis.

- For constant loads, annual energy use can often be extrapolated using short-term (e.g. two weeks') data logging. If necessary, empirical models can be developed to correlate energy use from these loads to weather, production, and/or process variables.
- For variable loads, long-term or permanent submetering is preferred. Where long-term submetering is not feasible or variation is predictable, empirical models can be developed to correlate energy use from these loads to weather, production, and/or process variables.
- For relatively small static changes, engineering calculations supported with motor nameplate information may be acceptable.

5.2.2 Minor Process Change Adjustment

To account for a minor process change, a regression approach is generally preferred. The model must include sufficient data before and after the change to accurately estimate the impact of the change. Production or process data is required to document when the change occurred.

- When the change is an added product, a regression model, including the added product, can be used to estimate the change in energy use for this product. Generally, the other variables are the same variables used in the energy model. The estimated coefficient of the new variable can then be added to the energy model.
- When a change in sub-system operation occurs, a regression model with an indicator variable can be evaluated. Again, the other variables are the same variables used in the energy model and the indicator variable is set to one when the change occurs. The estimated coefficient of the indicator variable can then be added to the energy model.
- When the regression model is not a suitable approach, estimates of the change may be made based on engineering calculations or published data.

5.2.3 Major Process Change Adjustment

Like minor process changes, a regression approach is preferred for major process changes.

- When the process itself has fundamentally changed, creating a new regression model or re-baselining may be necessary. Consideration of the implementation dates of the EEMs need to be considered when changing the time period of the model.

- When independent variables are frequently outside the acceptable limits of the model, a new regression model may be required. The SEP Protocol provides a "chaining adjustment" methodology to model these situations.[27]
- Other options for dealing with a major process change include a pre-post or bottom-up approach.

5.3 Guidelines for Modification of Regression Model

When a process change adjustment to the baseline energy model is necessary, the revised baseline period must adequately capture the new range of operating conditions, including seasonal cycles (if applicable). For major process change adjustments, SEM participation payments are typically put on hold until a new model can be established. Any energy savings that preceded the process change would be considered based on the previous energy model or other BPA-approved M&V method such as engineering calculations with verification.

Baseline energy models may continue to be used for multiple performance periods so long as the criteria listed in Section 5.1 are met. Re-enrollment in an SEM engagement does not necessarily trigger a revision of the baseline energy model. However, the following items may provide a sufficient basis for re-evaluating the model:

- Utilities or end users may request re-evaluation of the model at set intervals (e.g., every four years).
- Re-enrollees from legacy pilot programs require re-modelling due to the extended measure life of the final year of the performance period for those programs.
- The accumulation of changes and non-routine event adjustments may warrant a model revision.
- Though not strictly required, the model may need to be revised when a long period of time intervenes between performance periods. Factors such as utility preference, the range of data, and process changes should be considered. Changes between these periods should be evaluated in accordance with the adjustments described in Section 5.2.
- A revised model could simplify or improve the performance tracking process.

If a baseline energy model is revised, the new model may be considered for the "chaining adjustment" referenced in Section 5.3.2. In this case the revised model would be chained to the previous model in order to continue estimating savings relative to energy intensity in the original baseline period.

5.4 EPT Approval

When a baseline energy model must be adjusted, the proposed adjustment should be reviewed and approved by the EPT team in advance of any modeling work.

6. Projecting Energy Savings

The following section outlines four methods to project energy savings if less than a year of data is available during the reporting period. Under the current SEM program, this method would seldom be necessary. However, in the case of meter failure or other unforeseen circumstances, these methods, which were developed and tested for Track and Tune projects commencing prior to October 1, 2015, may be applicable to predict energy consumption for a "projection period" when data is unavailable.

[27] *Guidance for the SEP 50001™ Program Measurement & Verification Protocol*: 2019, section 6.2.4, page 35.

For each of these methods, it is essential that the following factors are considered:

- The number of valid observations from the reporting period available to-date.
- The number of valid observations expected during the projection period.
- Differences in the distribution of energy drivers between the available reporting period data and the data expected during the projection period.
- Engineering and program judgment on the likelihood of savings to persist.

6.1 Direct Percentage Basis

When the distribution of available data in the reporting period is expected to persist into the projection period, energy savings can be extrapolated based on percent energy savings.

6.2 Percentage Basis with Forecast of Energy Drivers

When the distribution of available data is expected change in the projection period, the distribution of energy drivers must be considered. For example, if reporting period energy savings were only obtained when production was low, then it would be incorrect to project savings when production is expected to be high. However, the percentage basis could still be used for periods when production is expected to be low.

6.3 Normalized Annual Consumption

- This method can be used in lieu of the "Percentage Basis with Forecast of Energy Drivers" method described above (Section 6.2). This method requires the development of a second regression model for the reporting period. A projected distribution of energy drivers is then applied as an input to both the baseline model and the model based on available reporting period data. TMY3 weather data is typically used for weather dependent energy drivers, and the best estimate of future production is used for production energy drivers. Projected savings are calculated as the difference between the predictions of the two regression models.
- This approach disaggregates energy savings by energy drivers, which may provide insight into how energy savings were achieved.
- One weakness of this approach is that it requires additional calculation steps.
- This method is similar to the Standard Condition Adjustment Model defined by SEP.[28]

6.4 Pre-Post

- This method can be used in lieu of the "Direct Percentage Basis" method described in Section 6.1. This method was used by Cadmus for the 2012 and 2017 Energy Management Impact Evaluations and follows a methodology described by Luneski (2011).[29] This method entails developing a new regression model using an indicator variable to differentiate the baseline and reporting period data. The value of the indicator variable represents the energy savings.
- When only an indicator is used to estimate savings, this modeling approach does not normalize the savings value for annual weather or production and thus it should not be used when the distribution of the energy drivers is expected to be significantly different for the remainder of Year 1.

[28] *Guidance for the SEP 50001™ Program Measurement & Verification Protocol*: 2019, section 6.2.3, page 34.

[29] Luneski, R.D. 2011. *A Generalized Method for Estimation of Industrial Energy Savings from Capital and Behavior Programs.* Industrial Energy Analysis.

- The model may normalize for the effects of weather/production by including cross terms of the indicator with energy drivers. If coefficient for a cross term is not statistically significant, it suggests that the original relationship between energy and that energy driver remains unaffected.

Appendix A – Treatment of EEMs During the Baseline Period

Symbols:

β	Coefficient
i	Index subscript
IV	Binary indicator variable (= 1 or 0) for EEM and non-incentivized EEM adjustment
$M\&V$	EEM measured and verified savings per period
n	number of terms in baseline (excluding EEM and non-incentivized EEM terms)
x	Independent Variable
y	Predicted energy (kWh/period)

DESCRIPTION (IN ORDER OF PREFERENCE)	GUIDELINES	MERITS	DEMERITS
Standard Approach Select a baseline period without capital projects and immediately prior to the reporting period. $y = \beta_0 + \sum_{i=1}^{n} \beta_i x_i$	• Verify absence of incentivized EEMs by interviewing facility and speaking to serving utility. • Confirm energy intensity profile is consistent over the selected period.	• Incorporates the full data set in the baseline energy model. • Requires no manipulation of data. • Requires no adjustments during reporting period.	• No obvious demerits, provided energy intensity profile is consistent throughout baseline period.
Year-End MT&R Adjustment Choose a baseline period immediately prior to the first capital project. Subtract M&V savings from year-end gross savings. $y = \beta_0 + \sum_{i=1}^{n} \beta_i x_i + (IV)(M\&V)$	• Maximum exclusion period = 12 months. • Exclusion period must have a consistent energy profile, aside from the EEM(s).	• Provides direct reconciliation with EEM M&V value. • Requires no adjustment of baseline data set.	• Data immediately preceding reporting period is excluded. • M&V adjustment must be performed throughout reporting period.
Pre-EEM Baseline Normalization by M&V Value Adjust the pre-EEM baseline values by the EEM M&V value. $y = \beta_0 + \sum_{i=1}^{n} \beta_i x_i$	• EEM completion report must be reviewed and included as attachment. • Interactive effects described in project report must be factored into the baseline adjustment.	• Provides direct reconciliation with M&V value. • Enables use of the entire baseline data set. • CUSUM for reporting period starts at zero.	• Requires adjustment to baseline data set (IPMVP does not prohibit). • Accurately incorporating interactive effects is challenging and labor intensive.
Baseline Normalization by Factored Indicator Variable Apply an indicator variable in the baseline data set, representing the implementation of an EEM. The indicator variable may or may not be factored with one or more primary independent variables to account for interactive effects. $y = \beta_0 + \sum_{i=1}^{n} \beta_i x_i + \beta_{n+1}(IV) + \sum_{i=1}^{n} \beta_{i+n+1}(IV) x_i$	• Factored indicator variable will add to the number of points required in the baseline data set ($n \times 6$).	• Allows regression model to solve for interactive effects of EEM with other energy drivers. • Yields the highest R^2.	• No reconciliation with EEM's M&V value. • If backsliding occurred on the EEM, program component would pick up any recapturing of the original savings.

DESCRIPTION (IN ORDER OF PREFERENCE)	GUIDELINES	MERITS	DEMERITS
Indicator Variable Representation of Non-Incentivized EEM To prevent incentivizing a previously implemented, non-incentivized EEM by program component, apply an indicator variable representing implementation of the EEM. Then solve for the coefficient. $$y = \beta_0 + \sum_{i=1}^{n} \beta_i x_i + \beta_{n+1}(IV) + \sum_{i=1}^{n} \beta_{i+n+1}(IV) x_i$$ **Describes an independent scenario*	• Non-incentivized EEMs implemented during baseline period should be accurately reflected in baseline energy model.	• Prevents "free-rider" EEMs from inflating the savings associated with program component. • Allows use of the entire baseline data set.	• The quantification of the savings associated with the EEM is limited to the precision of the model.

Appendix B – Treatment of Incentivized EEMs Installed During the Reporting Period

PROJECT INSTALLED	SAVINGS OBSERVED IN CUSUM?	M&V STATUS	PRORATING METHOD	
			START DATE	SAVINGS VALUE
No or **Incomplete**	n/a	n/a	n/a	n/a
Yes	No	Not started	n/a	n/a
		In progress	Use the actual project M&V start date.	Wait for M&V to be completed (if an early estimate is needed, solve for value in CUSUM).
		Completed	Use the actual project M&V start date.	Use site savings M&V value.
	Yes	Not started	Based on CUSUM inflection and ideally supported by email from ESIP (e.g., equipment was commissioned on xx/xx date).	Option A. Solve for savings value using indicator variable during reporting period. Option B. Use estimated site savings from custom project proposal. Option C. If the savings value from A and B differ significantly, confer with EPT team.
		In progress	Option A. Based on CUSUM inflection, and ideally supported by email from ESIP. Option B. At the latest, use Actual Project M&V Start Date.	Wait for M&V to complete (if an early estimate is needed, solve for value).
		Completed	Option A. Based on CUSUM inflection and ideally supported by email from ESIP. Option B. At the latest, use Actual Project M&V Start Date.	Use site savings M&V value.

Appendix C – Overview of Regression Output

```
Baseline relationship for Production Days Only

m(formula = Total_KWH ~ IND_early + IND_late + IND_missingkWh +
    Prod_carrots + Prod_Corn + Prod_Peas + WetBulb_KHRI, data =
Dataset)

Residuals:
   Min      1Q Median      3Q     Max
-38223  -7100    358    8095   32761

Coefficients:
                 Estimate Std. Error t value Pr(>|t|)
(Intercept)     2.038e+04  9.919e+03   2.054   0.0416 *
IND_early      -5.203e+04  3.998e+03 -13.012  < 2e-16 ***
IND_late        4.889e+04  3.998e+03  12.229  < 2e-16 ***
IND_missingkWh -2.515e+04  6.204e+03  -4.054 7.97e-05 ***
Prod_carrots    9.017e-02  7.928e-03  11.373  < 2e-16 ***
Prod_Corn       8.252e-02  5.217e-03  15.819  < 2e-16 ***
Prod_Peas       6.696e-02  5.122e-03  13.075  < 2e-16 ***
WetBulb_KHRI    6.573e+02  1.596e+02   4.120 6.18e-05 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 13170 on 154 degrees of freedom
Multiple R-squared: 0.8452, Adjusted R-squared: 0.8381
F-statistic: 120.1 on 7 and 154 DF,  p-value: < 2.2e-16
```

Figure C-1. Regression output from "R" open source statistical software.

Regression Statistics	
Multiple R	0.965375
R Square	0.931949
Adjusted R Square	0.916827
Standard Error	590.4573
Observations	12

CV = 0.03

Note: CV must be calculated separately.

ANOVA

	df	SS	MS	F	ignificance F
Regression	2	42971374	21485687	61.627181	5.59E-06
Residual	9	3137758	348639.8		
Total	11	46109132			

	Coefficients	andard Erro	t Stat	P-value	Lower 95%	Upper 95%	ower 95.0%	pper 95.0%
Intercept	24373.82	5738.171	4.247664	0.0021499	11393.18	37354.46	11393.18	37354.46
Ave Temp	-428.045	208.7444	-2.05057	0.0705487	-900.258	44.1677	-900.258	44.1677
Ave Temp^2	5.392718	1.845353	2.922323	0.0169676	1.218239	9.567196	1.218239	9.567196

Figure C-2. Regression output from Microsoft Excel.

Appendix D – Glossary of Terms

The definitions below address terms used within the body of this document, presented in the context of ESI's MT&R procedure. For a more comprehensive overview of statistical terms related to measurement and verification, please refer to BPA's Glossary for M&V: Reference Guide.[30]

1. Adjusted R^2: A measure of the total variation accounted for in the model that penalizes for the number of parameters used in the model.

2. Autocorrelation Coefficient: A measure of the correlation of a time series with its past and future values (also referred to as serial correlation). In a time series plot of residuals, autocorrelation is characterized by a tendency for the bias in data point n to be a predictor of a similar bias in data point $n + 1$.

   Autocorrelation can be calculated from the residuals, e, from the following equation:

$$\rho = \frac{\sum_{i=2}^{n} e_i \; e_{i-1}}{\sum_{i=1}^{n} e_i^2}$$

3. Baseline: Generally refers to the period of time selected to characterize energy consumption prior to an SEM engagement. "Baseline" is sometimes used as shorthand for the energy model or the energy use predicted by the baseline energy model.

4. Change-Point Model: A model in which the relationship of a dependent variable is discontinuous with respect to an independent variable. The change-point is the value of the independent variable at which this discontinuity occurs. In the context of industrial energy efficiency, a common scenario arises when the energy intensity of a building or system changes at a specific ambient temperature, at which the HVAC system switches from heating mode to cooling mode.

5. Coefficient of Determination (R^2): Statistically, the proportion of the total variation in the dependent variable that is explained by the regression equation. Mathematically, defined as

$$R^2 = \frac{\sum(\hat{y}_i - \overline{y})^2}{\sum(y_i - \overline{y})^2}$$

   where,
   - $\hat{y}_i$ = the predicted energy value for a particular data point using the measured value of the independent variable.
   - $\overline{y}$ = mean of the n measured energy values, $\overline{y} = \frac{1}{n}\sum y_i$.
   - y_i = actual observed value of the dependent variable.

6. Coefficient of Variation (CV RMSE): The CV is calculated as the ratio of the root mean squared error (RMSE) to the mean of the dependent variable (energy). CV is a dimensionless value, and the ratio is typically multiplied by 100 and given as a percentage. CV aims to describe the model fit in terms of the relative sizes of the squared residuals. CV evaluates the relative closeness of the predictions of the actual values

[30] *Bonneville Power Administration's Glossary for M&V: Reference Guide, Version 1.1.* Bonneville Power Administration. May 2012.

(the uncertainty of the model), while R^2 evaluates how much of the variability in the actual values is explained by the model.

$$CV\ (RMSE) = \frac{1}{\bar{y}}\sqrt{\frac{\sum(\hat{y}_i - y_i)^2}{n-p}} \times 100$$

7. Cooling Degree Days (CDD): A measure of how many degrees the outside air temperature (T_{oa}) is above the balance point (T_{bal}) over the course of a day. The units CDD are °F-days. When using average values of T_{oa}, CDD can be calculated as:

$$\mathrm{CDD}(T_{bal}) = 1\ \mathrm{day} \times \sum_{i=1}^{n\ \mathrm{days}} \left(T_{oa,i} - T_{bal}\right)$$ [31]

Note that different time intervals can lead to different values for degree-days. A source for degree days is: www.degreedays.net.

8. Data Champion: This person, assigned by the end user, is the point of contact for data review and collection. This person may be the Energy Champion or report to the Energy Champion.

9. Energy Champion: This person, assigned by the end user, determines potential energy efficiency projects and tracking techniques.

10. Energy Efficiency Measure (EEM): Equipment and/or actions taken to reduce electrical energy use.

11. Fractional Savings Uncertainty (FSU): The calculated uncertainty in the total savings over *m* time periods divided by the total savings over the same time period, where uncertainty is measured as the quantity of savings from the upper confidence limit to the lower confidence limit surrounding a savings estimate.

12. Heteroscedasticity: In contrast to homoscedasticity, this occurs when error (or residual) variance is not constant throughout the observations (e.g., when the residual variance is shown to increase or decrease with the value of an independent variable).

13. Heating Degree Days (HDD): A measure of how many degrees the outside air temperature (T_{oa}) is below the balance point (T_{bal}) over the course of a day. The units HDD are °F-days. When using average values of T_{oa}, HDD can be calculated as:

$$\mathrm{HDD}(T_{bal}) = 1\ \mathrm{day} \times \sum_{i=1}^{n\ \mathrm{days}} \left(T_{bal} - T_{oa,i}\right)$$ [32]

Note that different time intervals can lead to different values for degree-days. A source for degree days is: www.degreedays.net.

14. Homoscedasticity: Homoscedasticity generally means that all data in a model have similar variance over the modeling period. Within linear regression, this means that the variance around the regression line is similar for all values of the dependent variables.

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[31] Kreider, Curtiss, Rabl. 2002. *Heating and Cooling of Buildings, Second Edition.* McGraw Hill. p. 381.
[32] ibid, p. 379.

15. Indicator Variable: (Also referred to a categorical variable.) A variable used to account for discrete levels of a qualitative variable. Generally, indicator variables are assigned a value of 0 or 1 to account for different modes of operations, and a qualitative variable with r levels can be modeled with $r - 1$ indicator variables.

16. International Measurement and Verification Protocol (IPMVP): The IPMVP provides an overview of current best practice techniques for verifying results of energy efficiency, water efficiency, and renewable energy projects in commercial and industrial facilities. It may also be used by facility operators to assess and improve facility performance. The IPMVP is the leading international standard in Measurement and Verification protocols.[33]

17. Measurement and Verification (M&V): The process of planning, measuring, collecting and analyzing data for the purpose of verifying and reporting savings within an individual facility resulting from the implementation of EEMs.[34]

18. Measurement Boundary: A notional boundary drawn around equipment and/or systems to segregate those which are relevant to savings determination from those which are not. All energy uses of equipment or systems within the measurement boundary must be measured or estimated, whether the energy uses are within the boundary or not.

19. Mean Model: (Also referred to as a single parameter model.) A model that estimates the mean of the dependent variable.

20. Monitoring, Tracking, and Reporting (MT&R): MT&R refers to the measurement systems, statistical tools, and business practices associated with measuring energy intensity, establishing targets for improvement, and reporting results and impacts. MT&R has many similarities to the Plan-Do-Check-Act (PDCA) methodology that is central to several widely adopted business performance standards.

21. Multicollinearity: A phenomenon in which two or more independent variables in a multiple regression model are correlated.

22. Net Determination Bias Error (NDB or NBE): A statistical metric that quantifies the tendency of a model to underestimate or overestimate savings. Typically represented as a percentage. Note that if regression is performed properly, net determination bias should be zero. A positive value indicates a tendency of the model to overestimate savings. NDB is calculated as:

$$NDB = \frac{\sum(y_i - y_i)}{\sum y_i} \times 100$$

23. Non-programmatic Effects: Factors that did not occur during the baseline period and are outside the influence of the program.

24. Performance Period: Two-year enrollment period during which SEM participants working to acquire SEM energy savings. Participants may re-enroll in additional two-year performance periods.

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[33] Efficiency Evaluation Organization.
[34] *Ibid.*

25. Regression Model: A mathematical model based on statistical analysis where the dependent variable is regressed on the independent variables which are said to determine its value. In so doing, the relationship between the variables is estimated statistically from the source data.

26. Reporting Period: Year-long time period during which SEM energy savings are quantified. There are two reporting periods per performance period with results summarized in annual completion reports.

27. Strategic Energy Management (SEM): The application of the business principles of continuous improvement to drive systematic, long-term reductions in the energy intensity of a system, facility, or organization.

28. Tune-up: A major on-site technical effort, led by a tune-up engineer, which may result in immediate operational changes and a prioritized list of low-cost/no-cost action items.

Appendix E – Models with Irregular Time Intervals

When developing an energy model based on data of varying intervals, time intervals must be accounted for in the regression analysis or the model will be biased. This is accomplished by first converting the data for each observation of the independent and response variables to average values. Then all dependent and independent variables need to be weighted by the number of intervals in the billing period. This can be accomplished by using weighted regression analysis or duplicating each observation by the number of time intervals in the billing period.

Energy models with irregular time intervals occur most often when developing energy models with monthly utility bills. Consider, for example, the case when the billing period for each utility bill is different. When developing the energy model, the model must account for this irregular time interval to minimize bias from the varying time periods. Table E-1. shows the data per billing period and the daily average values for this data. Note that because T_{db} was already provided as an average value, this value is the same for both the billing period and the daily average.

Table E-1. Example data set for weighted regression

Billing Period					Daily Average		
Billing Period	**Days/Billing Period**	**Electricity Use (kWh/Billing Period)**	**Avg. Tdb (°F/Billing Period)**	**Production (lbs/Billing Period)**	**Electricity Use (kWh/dy)**	**Avg. Tdb (°F/dy)**	**Avg. Production (lbs/dy)**
Jan	27	227,772	39.0	2,649	8,436	39.0	98.1
Feb	29	246,471	39.7	2,448	8,499	39.7	84.4
Mar	28	142,072	42.1	2,335	5,074	42.1	83.4
Apr	29	172,318	48.2	1,891	5,942	48.2	65.2
May	28	123,368	52.5	1,229	4,406	52.5	43.9
Jun	39	126,945	61.3	1,685	3,255	61.3	43.2
Jul	29	101,529	66.8	1,595	3,501	66.8	55.0
Aug	29	133,429	67.4	2,042	4,601	67.4	70.4
Sep	33	150,975	63.5	2,290	4,575	63.5	69.4
Oct	30	144,720	52.7	2,112	4,824	52.7	70.4
Nov	24	140,880	47.5	1,596	5,870	47.5	66.5
Dec	38	221,502	37.4	1,661	5,829	37.4	43.7
Total/Avg.	**363**	**1,931,981**	**51.5**	**1,961**	**5,401**	**51.5**	**66.1**

After the average values per interval are obtained, in this case daily average values, the analysis can be performed by using weighted regression or duplicating each observation by the corresponding number of time intervals for each observation. When using weighted regression, the weights, W, correspond to the number of time intervals per observation. For this example, the diagonal matrix W_{ii} would be:

$$W_{ii} = [27, 29, 28, 29, 28, 39, 29, 29, 33, 30, 24, 38]$$

When duplicating observations, each observation of average values is duplicated by the number of time intervals for the observation. In this example, the observations for January would be duplicated 27 times; the observations for February would be duplicated 29 times, and so forth. A spreadsheet can be used to facilitate duplicating observations.

A weighted regression set is developed to demonstrate how weighted regression is performed by duplicating observations as described above. Then both the weighted regression set and the daily average, or ordinary least squares regression set, is fit to a three-parameter, multivariable heating model as:

$$Energy\ Use\ \left(\frac{kWh}{dy}\right) = \beta_o + \beta_1(\beta_2 - Avg.Daily\ Temp)^+ + \beta_2(Avg.Daily\ Saw\ Dust)$$

Table E-2 shows that the regression coefficients calculated using weighted regression are different from the ordinary least squares method.

Table E-2. Coefficient results from weighted and ordinary regression analysis

	Weighted (Observations = 363)	Ordinary (Observations = 12)
Bo	1,477.6960	1,518.1765
B1	124.4626	125.1822
B2	58.5320	58.5860
B3	42.1438	41.4257

Table E-3 shows that the sum of the residuals for ordinary regression analysis differs from zero. This difference is caused by bias in the model coefficients. The sum of the residuals for weighted regression is nearly zero. This difference of -1 is the result of numerical errors in transferring coefficient values from the modeling program to the calculation spreadsheet and underscores the necessity of reporting and using coefficients with adequate precision.

Table E-3. Comparison of residuals between weighted and ordinary regression analysis

Actual		Weighted		Ordinary	
Billing Period	**Electricity Use (kWh/Billing Period)**	**Predicted Electricity Use (kWh/Billing Period)**	**Residual (kWh/Billing Period)**	**Predicted Electricity Use (kWh/Billing Period)**	**Residual (kWh/Billing Period)**
Jan	227,772	217,161	10,611	216,914	10,858
Feb	246,471	213,977	32,494	213,982	32,489
Mar	142,072	197,054	-54,982	197,031	-54,959
Apr	172,318	159,831	12,487	160,059	12,259
May	123,368	114,200	9,168	114,761	8,607
Jun	126,945	128,634	-1,689	129,003	-2,058
Jul	101,529	110,073	-8,544	110,101	-8,572
Aug	133,429	128,894	4,535	128,602	4,827
Sep	150,975	145,282	5,693	144,973	6,002
Oct	144,720	155,115	-10,395	155,141	-10,421
Nov	140,880	135,680	5,200	135,858	5,022
Dec	221,502	226,082	-4,580	227,262	-5,760
Total	1,931,981	1,931,982	**-1**	1,933,688	**-1,707**

Table E-4 shows that ordinary regression analysis results in a net determination bias (NDB) of more than the acceptable cut-off criterion of 0.005% given in ASHRAE Guideline 14.[35] The weighted regression provides a NDB that meets this criterion and could be improved by using more precise estimates of the coefficients.

Table E-4. Comparison of NDB between weighted and ordinary regression analysis

Method	NDB
Weighted	-5.8E-07
Ordinary	-8.8E-04

While duplication of observations is a simple method for performing weighted regression, it should be noted that it produces artificially high R^2 values and *t*-statistics for independent variables. In these cases, ordinary regression should be applied for the screening of competing models and the selection of independent variables, with weighted regression applied as a final step to dial in the coefficient values on the selected model (for the purpose of minimizing NDB). However, a true weighted least-squares regression analysis (i.e., one that doesn't depend on an *ordinary* least-squares regression of duplicated data) should properly account for the diagonal matrix, W_{ii}, in its R^2 and *t*-statistic calculations. In such cases, it is better to screen competing models using the weighted regression analysis and statistics.

[35] ASHRAE, Annex B.

Appendix F – Summary of Competing Models

An example summary of competing models is shown below.

Table F-1. Example of competing model summary

No.	Freq.	Period	Days in Baseline Period	R^2	Adj. R^2	CV-RMSE (%)	Auto-corr. Coeff.	FSU (5.0% savings, 80% CL)	Net Det. Bias	Variables	Coefficients	T-value	Comments
1	Daily	9/1/2014 to 8/31/2016	365	0.871	0.865	5.6%	0.280	19.5%	1.08E-14	Constant	37,340	10.3	Linear model with both production variables and temperature.
										Temp	560	7.5	
										Variable 1	1,103	3.7	
										Variable 2	1,200	7.6	
2	Daily	9/1/2014 to 8/31/2016	365	0.882	0.876	5.4%	0.270	18.6%	-1.01E-14	Constant	33,288	9.6	Change point model with boh production variables.
										Temp	1,997	9.9	
										Change-point	53		
										Variable 1	1,003	1.2	
										Variable 2	1,178	8.5	
3	Daily	9/1/2014 to 8/31/2016	365	0.912	0.901	5.1%	0.250	17.5%	3.98E-14	Constant	27,643	6.7	This model includes both a change-point and an interaction term for the two production variables. This model provided the best fit and accounts for the effects of the production lines on each other. **Final Model.**
										Temp	1,875	7.9	
										Change-point	53	2.4	
										Variable 1	978	2.0	
										Variable 2	1,009	7.3	
										Variable 1 x Variable 2	0.045	2.9	

Appendix G

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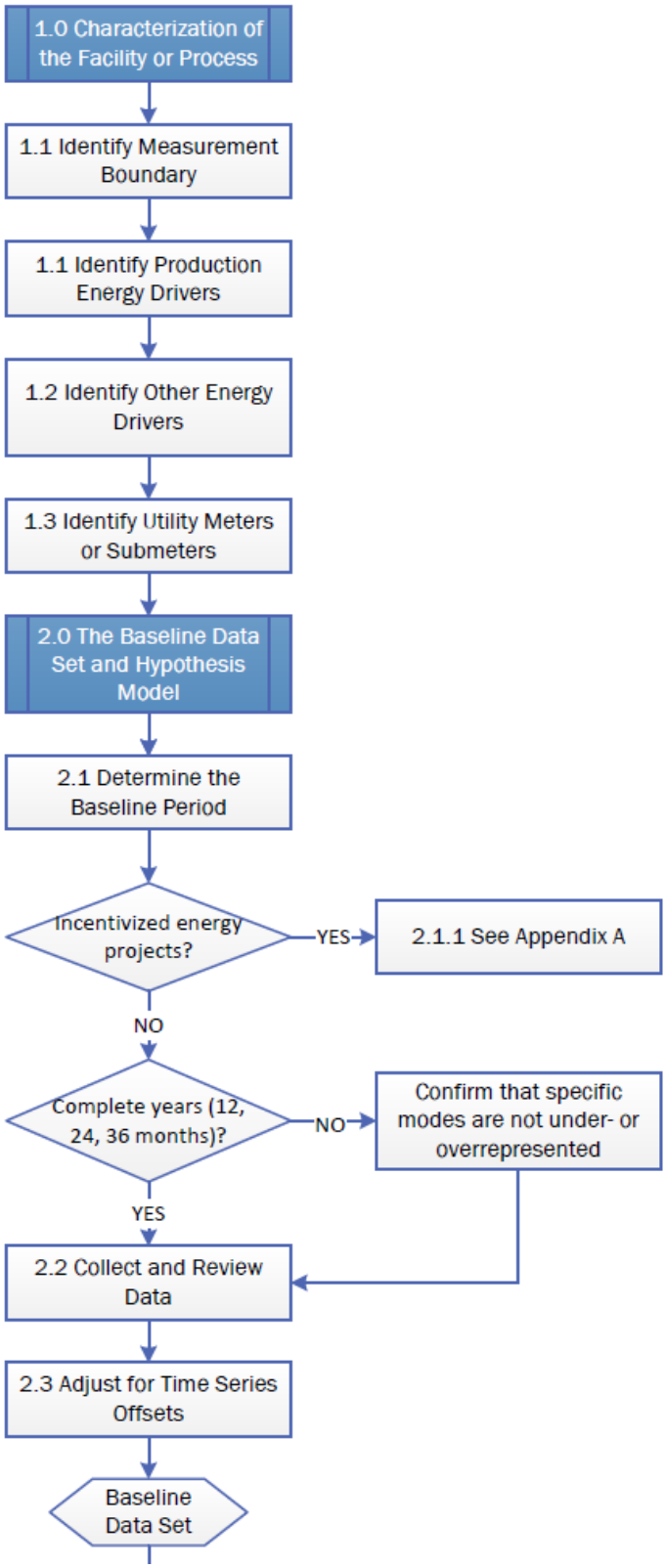
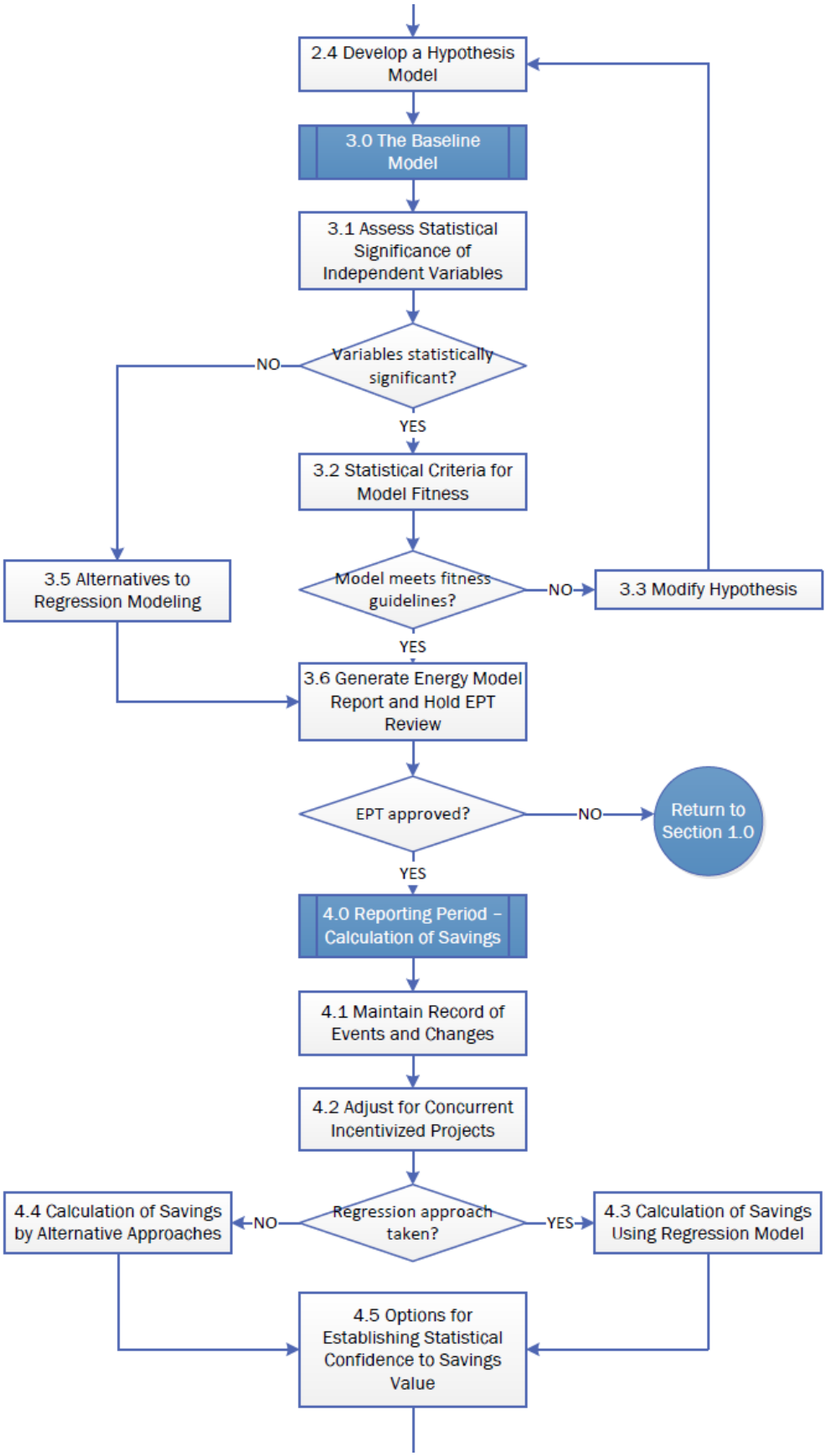
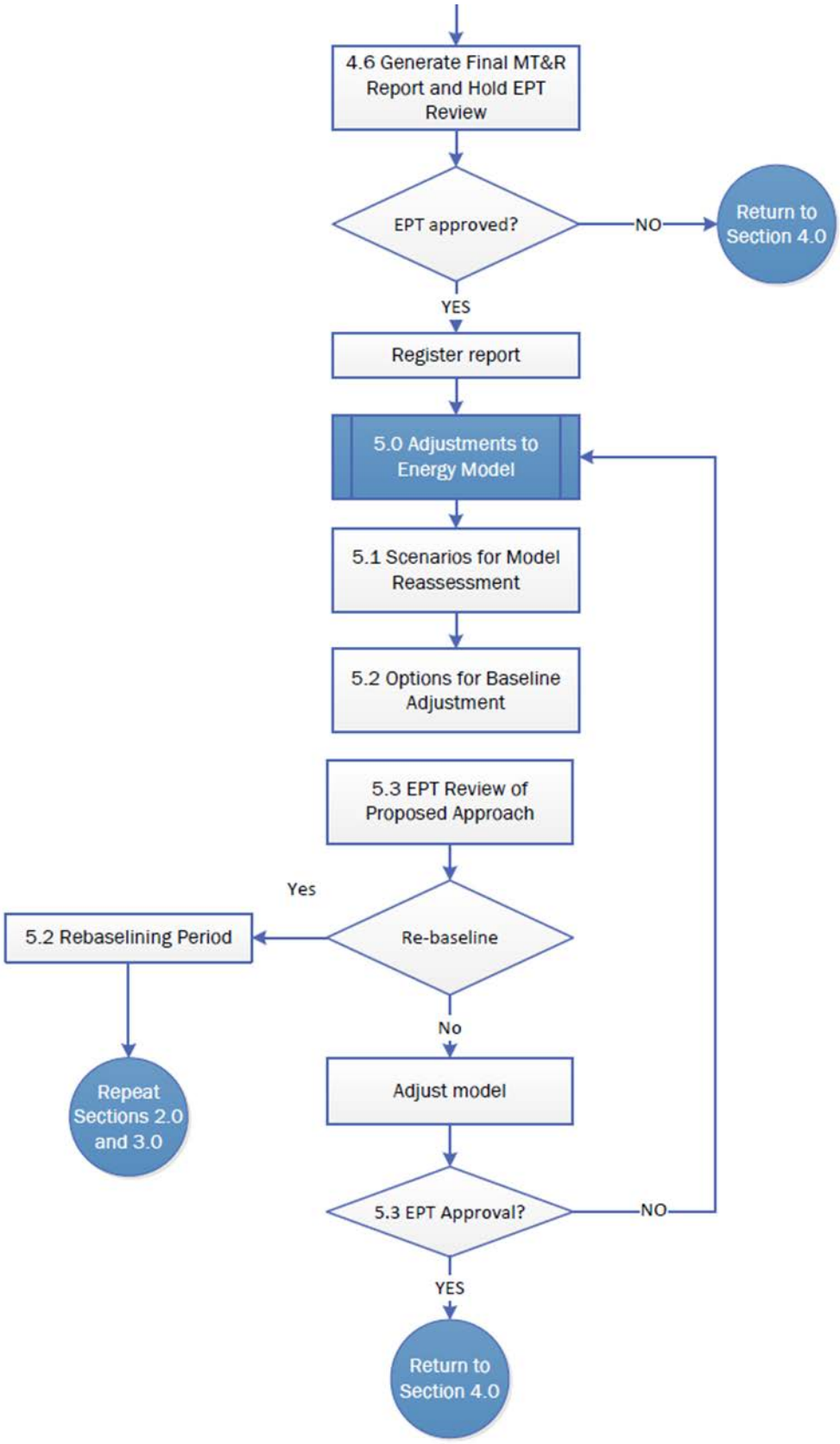
Appendix H – MT&R Decision Tree




2.4 Develop a Hypothesis Model
3.0 The Baseline Model
3.1 Assess Statistical Significance of Independent Variables
Variables statistically significant?
NO
YES
3.2 Statistical Criteria for Model Fitness
3.5 Alternatives to Regression Modeling
Model meets fitness guidelines?
NO
3.3 Modify Hypothesis
YES
3.6 Generate Energy Model Report and Hold EPT Review
EPT approved?
NO
Return to Section 1.0
YES
4.0 Reporting Period – Calculation of Savings
4.1 Maintain Record of Events and Changes
4.2 Adjust for Concurrent Incentivized Projects
4.4 Calculation of Savings by Alternative Approaches
NO
Regression approach taken?
YES
4.3 Calculation of Savings Using Regression Model
4.5 Options for Establishing Statistical Confidence to Savings Value


4.6 Generate Final MT&R Report and Hold EPT Review
EPT approved?
NO
Return to Section 4.0
YES
Register report
5.0 Adjustments to Energy Model
5.1 Scenarios for Model Reassessment
5.2 Options for Baseline Adjustment
5.3 EPT Review of Proposed Approach
Yes
5.2 Rebaselining Period
Re-baseline
No
Repeat Sections 2.0 and 3.0
Adjust model
5.3 EPT Approval?
NO
YES
Return to Section 4.0

Appendix I – M&V Methodologies for Compressed Air O&M Measures

Introduction

Since 2011, Bonneville Power Administration's (BPA's) Energy Smart Industrial (ESI) program, with support from local utilities, has sponsored five strategic energy management (SEM) engagements specifically focused on tuning up large compressed air systems. The potential energy savings from operations and maintenance (O&M) measures of each of these systems exceeds one million kWh. However, achieving the full energy savings potential and measuring those savings is an ongoing challenge. This paper summarizes the major challenges to measurement and verification (M&V) of compressed air O&M savings, presents three M&V modeling methodologies for measuring those savings, and recommends best practices to maximize the cost-effectiveness and usefulness of performance tracking systems (PTS).

Challenges to Compressed Air M&V

Metering, data handling, and analysis all present unique challenges to M&V of compressed air O&M savings. The following is a summary of the major challenges ESI has encountered in their five compressed air SEM engagements.

Weak Correlation

While compressed air demand might be expected to follow production, correlation between the two is often weak. Consequently, many production-based energy models can only account for a small amount of the total variation in energy use. It is common for models to have a coefficient of variation (R^2) of less than 0.10.

Metering Requirements

Compressed air system monitoring generally requires an extensive number of metering devices. Furthermore, compressors are often located throughout the facility, with little existing infrastructure to record and store data. The need to measure, record, and store data from numerous devices throughout the facility becomes costly, especially when used solely for monitoring.

Data Acquisition

Acquiring meter, sensor, and production data often requires obtaining data from a variety of sources. A process that depends on site, utility, and/or program personnel to acquire data and report results can be time prohibitive.

Data Quality

Data acquired from meters and sensors often requires significant preprocessing. A single non-reporting meter can invalidate the data set for that time. Addressing data errors and meter malfunctions increases analysis time and may adversely impact the program's ability to claim savings.

Energy Calculations

Energy use of the system is often calculated from compressor current. This also increases the number of calculations. Additional calculations are required when the method requires flow measurements.

Estimating Dead Load

While not necessary, measuring reductions in dead load may be combined with supply/demand calculations to estimate savings for repaired leaks and some other demand reductions. However, this is difficult for several reasons. First, shutdowns of large plants are infrequent or may not occur at all. Second, even when the production line is shut down, other maintenance activities may occur during the shutdown. Air flow measured during this time may include not only leaks but also air used for maintenance activities and other uses. Moreover,

air demanded by these various uses may differ significantly from shutdown to shutdown. As a result, it is very difficult to produce a reliable estimate of savings based on dead load measurements.

M&V Methodologies

This paper discusses the following three methodologies for top-down M&V of compressed air systems. ESI has had five compressed air O&M projects to-date. Together, they have used all three of these methodologies in some form. These are described greater detail in the following pages and summarized in Summary

Table I-6 at the end of this document.

1. Linear Regression Models, which may use production, temperature, or other key energy driver data to predict energy consumption.
2. Mean Models, which assume nearly constant air flow and energy consumption regardless of production and other independent variables.
3. Supply/Demand calculations, which use metered data such as air flow and local power draw to calculate energy savings from air flow reductions and system efficiency improvements.

Linear Regression Models

If a reasonable correlation between production and compressed air demand exists, this is the preferred M&V methodology for a compressed air SEM engagement. The model requires high-quality energy, production, and possibly weather data. Predicted energy is then based on a linear regression of any number *n* of production variables and would typically take the from shown below.

$$Predicted\ Energy\ \left(\frac{kWh}{day}\right) = \beta_0 + \beta_1 \times Prod_1 + \cdots + \beta_n \times Prod_n$$

Benefits of Linear Regression Models

This method is preferred because it accounts for the influence of production on compressed air use. Since the model variables are not dependent of compressed air flow, the model captures energy savings from both supply- and demand-side measures. Since this method does not rely on air flow measurements, the amount of data required is modest.

A regression model provides the SEM participant with timely feedback on their performance as often as they are able to provide production and energy data. The more frequently the model can be updated, the more useful the model will be in helping the site identify and act on changes in their performance.

Disadvantages of Linear Regression Models

While a linear regression can be a robust M&V tool, its ability to identify opportunities is limited. It may be beneficial to pair such a model with other data monitoring (such as flow) to understand where opportunities exist, and which measures are responsible for savings.

Linear regressions may also be time consuming to develop and maintain. They require frequent updates from the participant, and this data is not always easily accessed. Once data production data is received, it must also be merged with at least energy data, and this step may also take time.

Unfortunately, many production-based models fail to account for the variation of compressed air system energy use, as indicated by their low R^2. When a reasonable correlation cannot be established, an alternative method should be used.

Mean Models

A mean model may be appropriate if compressed air energy use is nearly constant and does not correlate with production. For a mean model, predicted energy is equal to the average, or mean, energy used during the baseline period:

$$Predicted\ Energy\ \left(\frac{kWh}{day}\right) = \beta_0 = Avg.Baseline\ Energy\ \left(\frac{kWh}{day}\right)$$

Benefits of Mean Models

This method is the simplest of the three presented in this paper. It requires the least amount of data, and even monthly energy data may suffice. As a result, this is also the least calculation-intensive M&V methodology.

Like a regression model, it can also provide timely feedback on changes in performance, and this is simplified somewhat since only energy data is required. However, since mean models do not account for variation in energy, changes to performance may appear erratic, and performance is best judged by long-term trends.

Disadvantages of Mean Models

One drawback of this approach is the assumption that compressed air system energy use would remain constant if no changes were implemented; there is no mechanism to account for changing air demand at the site. Mean models also provide little to no usefulness in identifying opportunities.

Supply/Demand Calculations

The Supply/Demand methodology may be used to estimate the fractions of savings attributed to specific energy efficiency measures. Calculations are based on discrete (usually hourly) power and air flow data. However, it is similar to a mean model in that it is not based on any independent energy drivers like production. In fact, Supply/Demand results are mathematically identical to mean model results, but the analysis provides additional insight into how system performance and air flow change during the engagement.

The insights provided by presenting data in terms of a flow-to-power ratio (FPR) can help influence and improve energy efficiency measure implementation. Sites installing control systems or with human-machine interfaces should integrate the supply/demand calculations into their system. However, due to the complexity and cost associated with the Supply/Demand method, Linear Regression and Mean Model methods are more appropriate for SEM M&V.

The following discussion illustrates and explains the supply/demand method more thoroughly.

Supply/Demand Methodology Illustrated

Randomized compressed air data were created to demonstrate how savings may be calculated using this methodology. The example data are shown in Figure I-1 with annotated reference states. The break-out of savings between supply and demand savings is path dependent. Generally, it is best to improve supply-side efficiency first, because reducing demand will result in little savings if the supply-side efficiency remains poor. Consequently, supply-side efficiency is calculated first in this example.

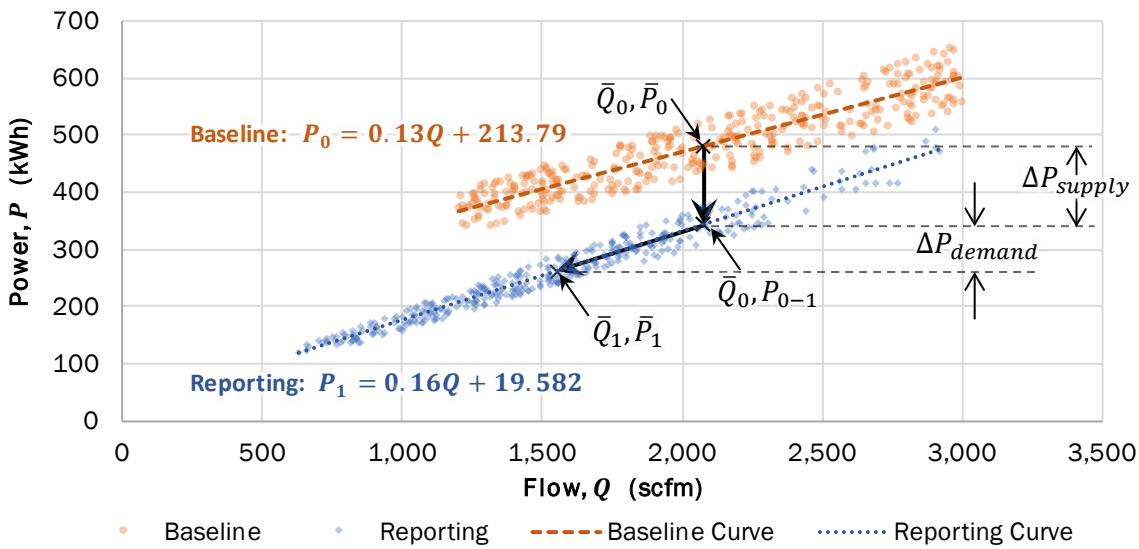


Figure I-1. Compressed Air Example

The Supply/Demand methodology can require numerous calculations, and these must be performed carefully. Breaking out supply- and demand-side savings requires, at a minimum, a simple linear regression that relates power, P, to flow, Q, in the reporting period (subscript 1). If the FPR is not used, a similar regression of the baseline period (subscript 0) data is also necessary.

Calculating FPR_{0-1} requires that P_{0-1} be known, and this in turn requires a flow-to-power linear regression of the reporting period data. Calculating demand savings also requires the slope from this same regression equation. Regression coefficients may also be used directly instead of using FPRs. Both approaches produce identical results. Table I-3 lists all values used in the calculations, and the calculations for both approaches are shown in Table I-4.

Table I-3. Point Estimates and Regression Coefficients

Symbol	Value	Description	Units
$\bar{Q}_0$	2,078	Avg. baseline flow	scfm
$\bar{Q}_1$	1,554	Avg. reporting flow	scfm
$\bar{P}_0$	482	Avg. baseline power	kW
P_{0-1}	343	Power at avg. baseline flow, reporting period efficiency	kW
$\bar{P}_1$	262	Avg. reporting power	kW
m_0	0.13	Baseline slope	kW/scfm
b_0	213.79	Baseline intercept	kW
m_1	0.16	Reporting slope	kW/scfm
b_1	19.58	Reporting intercept	kW
FPR_0	4.31	Baseline flow-to-power ratio	scfm/kW
FPR_{0-1}	6.05	System FPR at avg. baseline flow, using reporting period efficiency	scfm/kW
FPR_1	5.94	Reporting flow-to-power ratio	scfm/kW

Table I-4. Calculations and Results for Supply/Demand Methodology

	Flow-to-Power Ratios with Regression	Regression Equations Only
Supply	$\Delta\bar{P}_{supply} = \bar{Q}_0 \times \left(\frac{1}{FPR_0} - \frac{1}{FPR_{0-1}}\right)$ = 138 kW where: $FPR_0 = \frac{\bar{Q}_0}{\bar{P}_0}$ and $FPR_{0-1} = \frac{\bar{Q}_0}{\bar{P}_{0-1}}$ (Note, FPR_1 is not used, and $FPR_1 \neq FPR_{0-1}$)	$\Delta\bar{P}_{supply} = \bar{Q}_0 \times (m_0 - m_1) + (b_0 - b_1)$ = 138 kW where m and b are the slope and intercept (respectively) of the baseline (0) and reporting (1) periods.
Demand	$\Delta\bar{P}_{demand} = m_1 \times (\bar{Q}_0 - \bar{Q}_1)$ = 82 kW	$\Delta\bar{P}_{demand} = m_1 \times (\bar{Q}_0 - \bar{Q}_1)$ = 82 kW
Total	$\Delta\bar{P}_{supply} + \Delta\bar{P}_{demand}$ = **220 kW**	$\Delta\bar{P}_{supply} + \Delta\bar{P}_{demand}$ = **220 kW**

Application of the mean model provides the same results, as shown in Table I-5.

Table I-5. Application of Mean Model

$\bar{P}_0 =$	482 kW
$\bar{P}_1 =$	262 kW
$\Delta\bar{P}_{total} = \bar{P}_0 - \bar{P}_1 =$	**220 kW**

Benefits of Supply/Demand Calculations

Because Supply/Demand calculations emphasize the use of discrete flow and power data, this methodology can provide more insight into changes in system performance than mean models. Air flow data is instructive in identifying leaks and evaluating the impact of their repair. This methodology is also able to incorporate the concept of a flow-to-power ratio, which is intuitive and meaningful for operators.

Disadvantages of Supply/Demand Calculations

While Supply/Demand calculations can provide insight into the cause of energy savings, overall results are nevertheless identical to those of a mean model. This method is also the most data- and calculation-intensive. Simple regression analysis is required for at least the reporting period data, and either FPR values or linear regression (or both) are required for baseline period data as well. All these calculations may involve thousands of data points. As a result, analysis time may be longer and have a higher risk of error. Finally, obtaining reliable flow data can be challenging, as discussed in the following sections.

Enhancing the Usefulness of the PTS

The PTS needs to collect the right data to strike a balance between measuring savings, monitoring system performance, and identifying opportunities. The following time series plots can help employ the data toward those ends:

- Total compressor energy use
- Total compressor air flow
- Air use by key production lines/equipment
- Actual FPR (scfm/kW) relative to the baseline and target system efficiency indices (both constant values).
- System pressure

Reducing PTS Costs

A useful M&V strategy for compressed air systems may require large amounts of data, and deploying the monitoring systems to obtain that data can be costly. Leveraging existing monitoring points helps minimize PTS costs. Before installing new measurement devices, the availability and accessibility of existing data should be assessed.

The data needed to efficiently control compressed air systems generally contains most of the data needed to measure O&M energy savings. Control systems often monitor compressor current and air flows. When planning a control system upgrade, permanent monitoring and energy efficiency dashboards should be evaluated. The incremental cost of these upgrades is often less than the cost to upgrade after the new control system is in place.

Summary

Table I-6. Summary of Compressed Air O&M M&V Methodologies

Model Type	Benefits	Disadvantages	Requirements
Regression $E \sim \beta_0 + \beta_1 \times Prod.$	• Accounts for the influence of production on air flow use • Production variables not impacted by engagement • Modest amount of data required	• Often accounts for little variation in energy (low R^2) • Modeling can be time consuming • Requires production data from end-user • Difficult to merge control systems (energy data) and business systems (production data) • Limited usefulness in identifying opportunities	• Energy data • Production data
Mean $E \sim E_{avg}$	• Simplest computation • Least amount of data	• Assumes baseline energy use would remain constant • Limited usefulness in identifying opportunities	• Near-constant energy use.
Supply/Demand Calculations • Flow-to-Power Ratio (scfm/kW) • Linear regression of flow to power	• FPR is intuitive and meaningful for operators. • Air flow data can be instructive for finding leaks. • Change in system performance is apparent, when compared to a mean model.	• Same result as a mean model, but requires more calculations. • Difficult to measure air flow reduction • Requires more data—both flow and energy data. • Requires model of $E \sim m \times Flow + b$ to break out supply and demand savings.	• Granular (at least hourly) measurement of air flow and energy.

Appendix J – Revision History

VER.	RELEASE DATE	SECTION	CHANGES
1.0	Apr 2010		• New Document
2.0	May 2010		• Addressed feedback from BPA Planning and CADMUS Group (Document Dated April 15, 2010).
3.0	Mar 2012	General	• Incorporated Document Objective, clearly stating ownership by ESI EPT team. • Added various appendixes and illustrations, including Glossary of Terms. • Added revision history.
		Section 1	• Added a requirement that the effect of ambient temperature should always be tested for statistical significance. • Clarified requirement for calibration of in-house submeters that don't match revenue meter boundary.
		Section 2	• Clarified strong preference for including even intervals of annual cycles in baseline period. • Included specific guidelines for adjusting for incentivized or non-incentivized EEMs that were installed during the baseline period. • Added additional guidance and illustration for outlier removal, and time-series adjustments. • Included discussion of change-point models. • Added a discussion of multicollinearity.
		Section 3	• Added a requirement to assess autocorrelation of the residuals. • Added a requirement to calculate Net Determination Bias of the residuals. • Added a requirement to calculate adjusted R^2. • Included specific options for "Alternatives to Regression Modeling."
		Section 4	• Added guidance on adjustments for concurrent incentivized projects during the "reporting period." • Added discussion of model uncertainty.
		Section 5	• Added a section that outlines specific options for baseline adjustment.
4.0	Sep 2013	Section 2.2	• Changed data screening criteria from three standard deviations to four standard deviations. • Changed reference for data screening. • Eliminated graph in Figure 1.
		Section 2.4	• Adding clarifying language for multicollinearity. • Added reference for multicollinearity.
		Section 3.2	• Replaced Figure 6 with new figure. • Removed recommendation that R^2 be > 0.75 • Updated reference recommending that R^2 be > 0.5 • Added Durbin-Watson test statistic.
		Section 3.4	• Added section.
		Section 3.5.1	• Added section.
		Section 3.5.2	• Terminology change from mean-shift to mean model.
		Section 4.3	• New figure for Figure 8.
		Section 4.5.2	• Added section.
		Section 4.5.3	• Added section.
		Section 6.0	• Added section.

VER.	RELEASE DATE	SECTION	CHANGES
5.0	Feb 2015	Section 1.1	• Added content regarding the measurement boundary and accounting for all energy and mass flows crossing the boundary. • Added content about the inclusion of process parameters within the energy mode. • Added content regarding the handling of data from control systems. Included Figure 4 and referenced weighted regression.
		Section 1.2	• Added section.
		Section 2.2	• Added section.
		Section 4.4.3	• Added section: Savings Calculation by Bottom-Up Approach.
		Section 4.4.4	• Added section: Savings Calculation by KPI Based Classification.
		Appendix E	• Added clarifying language about using weighted regression to determine coefficient values.
		Appendix F	• Added Appendix F: KPI Bin Model.
		Appendix G	• Added Appendix G: Summary of Competing Models.
6.0	June 2017	Section 1.2	• Eliminated reference to dialoguing with key contractors.
		Section 1.3	• Require more rigorous documentation when temperature is omitted from model. • Revised Figure 2. • Replaced Washington State University Agricultural Weather Network weather source with Weather Underground.
		Section 2.1	• Added bullet for baseline period for re-enrollment. • Clarification of weather dependent models.
		Section 2.2	• Emphasized collecting and screening of data. • Revised Figure 3.
		Section 2.4	• Replaced figure 6 with a more representative data set. • Added reference to degree day models. • Added reference to exploring non-linear and interactive effects.
		Section 3.4	• Revised Figure 10.
		Section 3.5.1	• Revised application of back-cast method.
		Section 4.3	• Modified default method for establishing valid range to ±3σ. • Added clarification of how to calculate savings when data is out of range and savings are high.
		Section 4.4.1	• Revised savings calculations for back-cast method.
		Section 4.4.3	• Added section.
		Section 4.4.4	• Revised the use of the bottom-up approach.
		Section 4.5.3	• Revised t-test.
		Section 5.1.1	• Added section.
		Section 5.1.2	• Added section.
		Section 5.1.3	• Added section.
		Section 5.2.1	• Added section.
		Section 5.2.2	• Added section.
		Section 5.2.3	• Added section.
		Section 6.4	• Added section.

VER.	RELEASE DATE	SECTION	CHANGES
		Appendix H	• Revised Flow Diagram
7.0	Oct 2018	Introduction	• Added introduction. Six major section titles changed in document to reflect those listed in the introduction.
		Section 1.1	• Revised Figure 1.
		Section 1.3	• Revised Figure 2.
		Section 1.4	• ASHRAE reference updated.
		Section 2.1	• Minimum number of baseline data points is a guideline.
		Section 2.2	• Data screening changed from 4σ to 3σ. • Added permissibility of interpolating or replacing missing data.
		Section 2.4	• Added key factors for considering a degree-day approach. • Added ways to identify and address multi-collinearity.
		Section 2.4.1	• Added section, including Table 2.
		Section 3.2	• Replaced ASHRAE reference for R^2 with SEP reference.
		Section 3.4	• Added clarifying language for applying ±4σ control limits to screening of residuals.
		Section 4.2	• Changed "in-service" date to M&V start date when adjusting for concurrent incentivized projects.
		Section 4.3	• Added clarifying comments as when to use 3σ and 10% of range for valid limits of the model. • Added option to use expected value of savings when an acceptable capping limit cannot be applied.
		Section 4.4.5	• Savings Calculation by Key Performance Indicator (KPI) Bin Model has been removed.
		Section 4.5.3	• Revised application of t-test from one-sided to two-sided test.
		Section 6.0	• Section generalized for SEM projects. • Added fourth bullet point.
		Appendix B	• Changed project M&V end date to M&V start date when adjusting for incentivized projects in the reporting period.
		Appendix D	• Added heating and cooling degree-days.
		Appendix H	• Appendix added.
		KPI Bin Method	• Removed appendix for KPI Bin Method (Formerly Appendix F).
8.0	Nov 2019	Whole Document	• Updated language throughout to better align with the 2019 Implementation: Manual by: o Clarifying the distinction between "performance period" and "reporting period" o Avoiding confusion with words like "verified", "achieved", and "cumulative" o Replacing "incentive" with "participation payment" o Replacing "non-routine *adjustment* (NRA)" with "non-routine *event* (NRE)"
		Section 2.1.1	• Clarified that project installation date may also be used as the effective date for an incentivized EEM.
		Section 2.4.1	• Revised language to clarify preference for single-mode models.
		Section 3.5.2	• Added statistical criteria to indicate when a mean model *must* be used (no coefficient with *p*-value < 0.1) while leaving room for modeler discretion above that threshold.

VER.	RELEASE DATE	SECTION	CHANGES
		Section 4.3	• Added recommendation to track and review variables at a daily resolution even for models with a longer time interval. • Added recommendation to track and review key variables that were not included in the baseline model. • Added list of considerations for tracking weekly or monthly models at daily intervals.
		Section 5	• Changed Section from "Making Non-routine Adjustments" to "Making Adjustments for Non-routine Events."
		Section 5.2.1	• Clarified use of "constant loads" and "variable loads." • Added sentence to acknowledge that empirical models may be used to correlate constant loads to weather, production, and/or process variables."
		Section 5.3	• Clarified language surrounding process change adjustments and participation payments. • Noted that models may be used for multiple performance periods and listed potential reasons for model re-evaluation.
		Section 6	• Deleted "from a Condensed Performance Period" from the section title. • Deleted a sentence that pertained only to the "90-day performance period" used in legacy Track & Tune projects. • Replaced "Year 1" with "the year."
		Section 6.1	• Revised language for clarification.
		Section 6.2	• Revised language for clarification.
		Section 6.3	• Revised language for clarification.
		Section 6.4	• Added a paragraph to note the possibility of normalizing for weather/production in pre-post models.
		Appendix D	• Added terms to glossary: "Baseline", "Performance Period", and "Reporting Period".
		Appendix I	• Added appendix: "M&V Methodologies for Compressed Air O&M Measures"
9.0	Nov 2020	Whole Document	• Updated ESI logo. • Updated references to SEP M&V Protocol to the latest version of that document
		Section 3.2	• Removed outdated guideline that R^2 should be >0.75
		Section 3.4	• Reverted to using ±3σ as threshold for identifying outliers
		Section 4.3	• Clarified that ±3σ should generally be used for variables that are normally distributed, and that ±10% of the range may be used for other types of data (e.g., with multiple modes of operation). • Added clarifying language concerning the interval to be used for specifying and reviewing the valid range of model data.
		Section 4.5.1	• Added note that 1.26 coefficient in FSU equation may underestimate FSU for baselines exceeding 12 months. • Added clarifying language for calculating FSU when autocorrelation is negative. • Added note that ASHRAE permits autocorrelation to be set to zero for monthly models when calculating FSU.
		Section 5	• Added footnote referencing *IPMVP Application Guide on Non-routine Events & Adjustments* for more information on NREs/NRAs.
		Section 5.1	• Added clarifying language about the conditions under which a model may be considered valid.
		Appendix A	• Reformatted equations and added list of symbols for clarity.

VER.	RELEASE DATE	SECTION	CHANGES
		Appendix D	• Removed language from definition for 'Autocorrelation Coefficient' which described a method for calculating autocorrelation that would not properly specify whether autocorrelation was positive or negative.
		Appendix G	• Removed content from this appendix as it was no longer relevant, since ±3σ will be used as threshold for identifying all outliers.