**Energy Efficiency Post-2011 Review**

**Workgroup 1 Meeting Minutes**

**Wednesday, April 9, 2014**

**9:00 – 3:00 pm**

**PNGC Board Room**

**Overview/Summary**

* Discussion on self-management of utility incentives was the key driver. Tim Johnson (BPA Counsel) and Peter Stiffer (BPA Rates) joined the meeting in the morning.
* The group also reviewed the recommendations on issues the group was considering as resolved (for the most part).

**Decision/Action Items**

* Issue #2: Linda Esparza will work with a small group to craft some proposed criteria associated with the rollover. The criteria will be developed to identify the particular actions dependent upon the outcome of the third party financing.
* Issue #3: Recommendation changed to “BPA does not exercise its ‘redirect funds’ during the FY2014-2015 rate period. For subsequent rate period there should be some context to develop a threshold that gives BPA the discretion to redirect a utility’s EEI funds, especially if targets are at risk.
* Issue #6: Mary Smith and Eugene Rosolie will add language to the recommendations report that addresses innovative program savings as a customer concern.

**Welcome, Roll Call and Review of Action Items**

**Attendees:**

**Co-Chairs:**

Doug Brawley, PNGC

Margaret Lewis, BPA (absent)

**In Person**

Margaret Ryan, PNGC

Alex Walker, PPC

Wendy Gerlitz, NWEC

Eugene Rosolie, Cowlitz

Jed Morrel, Monmouth

Mary Smith, Snohomish

Pam Sporborg, NRU

**On the phone:**

Duffel Gray, Coos Curry

Mike Little, SCL

Dan Morehouse, EWEB

Keith Lockhart, Springfield Utility Board

Eric Miller, Benton REA

Linda Esparza, Franklin PUD

Sandi Edgemon, City of Richland

Matthias Jarvegren, Clallam PUD

Ryan Neal, WAPAG

Nick Brod, PECI

Tom Schumacher, Benton PUD

Wade Carey, Central Lincoln

Brian Fawcett, Clatskanie

Elizabeth Osborn, NWPCC

Tim Lammers, Columbia River

**BPA Participants**

Josh Warner

Matt Tidwell

Brent Barclay

Mark Ralston, P

Dave Moody, P

Melissa Podeszwa, P

Gary Smith, P

Kim Thompson, P

Mark Johnson, P

Tim Johnson

Peter Stiffler

**Notes1**

* **Guests: Tim Johnson (attorney with BPA) and Peter Stiffler (BPA rates)**
	+ **Doug:** we have some issues to consider: the Residential Exchange Program settlement; whether flexibility may require amendments to the tiered rates methodology; 6c policy.
	+ **Tim:** explanation of the REP settlement.
	+ **Person 4:** how would some utilities 100% self-funding impact the settlement?
	+ **Peter:** it’s all about the amount BPA “acquires” as used in the Act.
	+ **Person 4:** is it about MWhs or dollars?
	+ **Peter:** both are considered.
	+ **Person 3:** the 25% is not counted as acquired? Is the 75/25 legal?
	+ **Tim:** It’s the administrator’s decision. It’s all risk based. At some point there may be a tipping point.
	+ **Person 1:** Could we talk about how a 70/30 split would work?
	+ **Peter**: We would have to model that.
	+ **Person 4:** how do state mandates impact the need to acquire?
	+ **Tim:** the state mandates doesn’t change BPA’s obligation with respect to conservation.
	+ **Person 14:** so if a utility self-manages, then BPA doesn’t claim those savings as a resource.
	+ **Peter:** as BPA acquires less, public power utilities are better off and residential and small farm rate payers of IOUs would be worse off.
	+ **Peter:** in 2028, we are going to be looking for another settlement since 7b2 is the most litigated part of the Power Act.
	+ **Doug:** so more self-funding leads to more REP benefits to preference customers, but IOUs would litigate over the loss of any REP benefits.
	+ **Brent:** what really is BPA’s obligation to acquire?
	+ **Person 22:** in section 6h of the Act, it says a utility can get a billing credit if “independent conservation” is undertaken and load wouldn’t be put on BPA. So if utilities want to do it on their own, they could come through a 6h billing credit. But under RD, utilities didn’t want 6h because that would dilute the tier 1 system cost and customers agreed to waive the right to request 6h billing credits.
	+ **Person 4:** has any analysis been done on the alternatives being considered. One on end, you have BPA not acquiring any conservation and then on the other end, you have all customers acquiring through BPA and then you have the middle ground.
	+ **Peter:** in BP-12, we ran multiple scenarios and we do have estimates of the impacts. BPA Rates will likely be asked to model the impact of any recommendation that comes out of the workgroup.
	+ **Doug:** is it also a concern that if we move to more 100% self-management, it is possible that it could impact the existing settlement?
	+ **Person 22:** I don’t think so. We’re talking about the post-settlement world.
	+ **Person 3:** what is the actual acceptable amount for BPA acquisition? Is the 75/25 actually legal?
	+ **Person 22:** it’s the administrator’s discretion. That doesn’t mean it wasn’t without legal risk. At some point, there may be a tipping point at some point.
	+ **Person 1:** how long would it take for the administrator to decide on this?
	+ **Person 22:** not sure. I think it depends. The Act was a grand bargain and it only was passed because the IOUs benefited so we have to keep in mind the big implications of making changes that negatively impact the IOUs, which would cause them to attack the Act.
	+ **Doug:** so the issue is, as more and more self-management happens, acquisition shifts from BPA and as you get to the post-2028 world, you get to a very different place for a settlement.
	+ **Person 6:** can’t a legal solution be found to where 100% self-funded utilities could deliver the savings to BPA and that count as “acquired”? Could the interpretation of acquire be changed.
	+ **Person 22:** if we move to world where utilities do it on their own, where is BPA going to see the benefit of that customer doing the conservation? BPA needs to see the benefit of reducing the obligation to serve. There has to be a quid pro quo.
	+ **Person 16:** if we go down the path of 100% self-funding for some utilities, are setting up a fight between publics in post-2028?
	+ **Person 22:** under 7g, the costs of conservation will be “equitably allocated” across power rates. So, if BPA says okay utilities can self-manage, you slice out 7g costs so that could open up the threat of utilities trying to slice out other 7g costs, such as fish mitigation.
	+ **Person 4:** we have no idea how much flexibility we have around the 75/25.
	+ **Doug:** let’s talk about changes to the TRM.
	+ **Peter:** the TRM aligns well with the Power Act. The rate adder is a new rate and isn’t included in the TRM and this is a concern.
	+ **Person 22:** we don’t know for sure, but it’s likely there would need to be a change to the TRM. It takes 75% (by count) of utilities to approve a modification.
* **Issue Resolutions**
	+ **Issue #8 –** draft principles for regional program administration will be discussed at the April 23rd meeting.
* **Issue #1 -** WG likes status quo allocation of EEI based on TOCA without consideration of potential
	+ **Issue #2 roll-over**
		- Doug: the roll over would need some criteria. The intention was to not let a utility just roll over unused budget, that it would be tied to a project or program. It needs to be tied to some activity. We aren’t trying to narrow it only to custom projects; we want it to cover specific program activities. The details of the criteria need to be worked out.
		- Person 6: add language about it being consistent with the IM.
		- Linda Esparza will work with a small group to craft some proposed criteria.
		- Under 3rd party financing, rollover to next rate period would be allowed for specific projects or programs
		- Doug – only two years worth of collection but draw down over three years.
		- Person 12 – why rollover for projects and programs?
		- Matt – as I recall that was to put some bounds on the rollover.
		- Person 1 - that there would be already approved custom projects that weren’t going to finish in that timeframe
		- Brent – third party programs would account for this already but custom would not.
		- Person 1 – we need this criteria developed. The idea is that there is a particular action that you rollover for and not just accumulate.
		- Doug – We aren’t trying to make it so narrow that it only means one thing.
		- “Criteria will be developed to identify the particular actions dependent upon the outcome of the third party financing. “ participants were interested in BPA providing a draft of criteria, but Josh thought that this level of detail was fine since third party wouldn’t be implemented until 2016.
		- Person 7 – why not let utilities rollover if it’s a small amount, which it usually is less than 1%?
		- Melissa – bilateral is a lot of work to organize, if rollover was not available.
		- Person 12 – I think there needs to be a time limit on how long we can rollover.
		- Person 9 – we lost a few thousand dollars because PECI didn’t follow through exactly. I don’t know if this excess would also rollover the mechanism for that.
		- Person 1 – close of rate period stress is not going to go away. We had some really large projects and I think that’s what the original intent is. To get down to exact dollars, would be scary.
		- Linda will work on this; see if anyone else wants to work on it with her.
* **Issue 3 redirect:**
	+ - BPA does not exercise its “redirect funds” during the FY2014-2025 rate period and subsequent rates periods. *Changed to “****BPA does not exercise its “redirect funds” during the FY 2014-2015 rate period. For subsequent rate periods*** *there needs to be some context to develop a threshold that gives BPA the discretion to redirect a utility’s EEI funds, especially if targets are at risk.”*
		- Person 7 – this is similar to the backstop role, we are tying to solve a problem that we aren’t even sure exists.
	+ **Issue #4 BPA’s backstop role**
		- Person 3**:** if there is an opt out we really need to make sure that there is a backstop (Eugene and Pam agree) the Coalition can’t support the recommendation as is, but we’re willing to let it stand assuming we don’t adopt increased self-management. If we move down that path, we would need to nail down more on the backstop.
		- Person 1 – when we use this term “target” which target we are talking about one year, two year or the plan target.
		- Person 4 - we need to be specific about which target, the five year target.
		- Person 1 – “target” is also in issue 3.
		- Person 4 – what does coalition want?
		- Person 3 – there needs to be commitment that BPA will…. Because we believe the savings are out there.
		- Person 9 – which target are you talking about? The funded one?
		- Person 3 – we believe the Sixth Plan target is fairly conservative. And conservation is the same no matter who funds it.
		- Person 9 – if you are missing the target and you give us more money we are probably just going to shift the savings from self-funded.
		- Person 4 – sometimes throwing money at it won’t solve the problem. We need to have a discussion about it.
		- Person 18 – money is not the issue. It’s contacting our customers and letting them to do more and they have to want to do more.
		- Person 2 – the landscape for conservation call always be changing.
		- Josh – I thought we were ok with this recommendation pending the outcome of Issue 1.
		- Phone – This assumes that the targets are correct/achievable.
	+ **Issue #7- performance payments**
		- Recommendation: Status quo
	+ **Issue #6 – limitations of the post-2011 framework**
		- No recommendation, we wanted to combine this with regional programs where savings are currently being captured.
		- Matt – this is really two different things: 1) *the design of the Post-2011 framework may be constraining public power’s pursuit of all cost-effective conservation consistent with the NW Power Act, which was a core principle of the initial Post-2011 public process.*
		- Person 3 – let’s take that first party. If you take 504 and through piece mealing and budgets we might not get all of the cost effective conservation. I could get behind BPA having regional programs. The other option is budget and we don’t talk about that around this table.
		- Matt – let’s tear that off and lump it into issue 8. All – OK
		- Second part: *Additionally, the framework is based on BPA paying for energy savings on a “widget-by-widget” basis, which may not afford the opportunity for public power to capture savings via new, innovative programmatic approaches.*
		- Person 4 – the behavioral work could be easier for us to do. For example, it could be provisionally deemed.
		- Brent – once we have more of these custom programs under our belt we might be able to say next time, use this M&V plan.
		- Doug - *The design of the Post-2011 framework may be constraining public power’s pursuit of all cost-effective conservation consistent with the NW Power Act, which was a core principle of the initial Post-2011 public process.* Can be moved to our discussion next time on regional programs. The rest of this could perhaps be moved someplace else, not sure where that would be.
		- Person 6 – There are varying degrees of understanding of what USB is supposed to do for members and for BPA staff.
		- We will have Mary and Eugene add something to the recommendation report that gets at the problem that Mary and Eugene are trying to get at regarding innovative programs savings that is not a recommendation so that this gets included as a customer concern.
	+ **Issue 5 – self-funding**
		- Doug – Views on this have to be shared by a lot of public power or it probably won’t be considered by BPA.
		- Person 7 – in the limited time that we have left, it doesn’t seem like we can come up with specific answers to those questions. It sounds like there would be challenges to implement them. I want to think about what would happen in 2028, but I don’t’ think we should make assumptions. A lot could happen between now and then. We should not allow a hypothetical to derail us.
		- Person 4 – I go back to where we started this process and the ask to look long-term and not just short term. We have an interest in getting away from capital and moving towards expense. Next rate period we face a significant rate increase but I’d like to look beyond that and moving to expense later on.
		- Person 7 – I think this is a good proposal, I think we should test it and see if there is 75% that think it’s worth moving forward. I think that there could be significant momentum behind this.
		- Matt presents his rate adder excel sheet
		- What does “front go” mean? Matt – instead of a backstop, BPA is a mechanism to capture savings towards the target like when BPA got hammered this winter. What if we were able to direct the investment to EE investments that would help out with capacity during cold snaps? Or non-wires solutions, where you can make investments that benefit the entire region even though the investments are made in Larry’s service territory.
		- Person 6 – it’s getting at your willingness to pay
		- Josh – could we concentrate on EE measures that would help with this problem?
		- Person 5 – that could really benefit us but that conservation potential would have to be identified.
		- Person 1 – is there something else behind this, like a DR program?
		- A: No.
		- Brent – part of what you proposed is really outside of Post-2011 Review. Are you looking for a tie into this? Like backstop? We do this up front and then if we come up short we just decide to accept it.
		- Person 10 – we do need to think about this and a kWh is not a kWh. We are trying to move that way.
		- Person 6 – This is an issue that everyone is thinking about now. And I think a system for using willingness to pay to drive what we need to do as a region makes sense.
		- Person 7 – I agree but I think this is a problem with the plan and we need to get back to the Council that we can change our willingness to pay but we can’t change the power plan.
		- Josh – I agree and you need to get those comments back to the Council.
		- Person 4 – not all kWh are evaluated the same.
		- Josh – we use load shape data from about 1980.
		- Person 6 – Does this issue impact load following versus slice customers the same?
		- All – yes, it should.
		- Brent – you are right; this would have to be considered.
		- Person 6 – slicers might be paying BPA to do it and also be paying for it on their own.
		- Person 7 – the only question I have about nonwires is the cost and if we alleviate pressure on transmission rates and not power rate.
		- Matt – what about a new notion of bundling? They are going to have to do a feeder in a few years. There could be a non-wires solution. You go to those utilities and target them with a bundle.
		- Doug – we will take up issue number 8 and rate adder and the mechanics behind it.
		- Melissa – come to the WG 4 meeting tomorrow.
		- Person 7 – for future agenda item, I think the backstop for utilities that opt out is really important. One of our premises that NRU has is that utilities that stay with current program will not be materially impacted. What happens to the utilities that want everything to stay the same? Are there are any new reporting burdens for us? If a utility takes budget as allocated today then that’s it. They would continue to do what that they are today and there wouldn’t be an individual target.
		- Person 6 – to assume that a regional program is necessarily more cost-effective is not true.
		- Phone – idea that there is a self-fund group and a non-self fund group, there will be some who achieve it and some that don’t and they should not have to shoulder the burden of their group.
		- Person 7 – what is goal of April 23?
		- Doug – we will focus on rate adder and go as far as we can to identifying support for it and issues outstanding that we may not be able to solve and try to formulate that in to a recommendation for that alternative. Rate credit took a long time. We are sending something for BPA to consider.
		- Person 2 – there is a member’s forum at PPC meeting on May 1. Eugene – workgroup could do something there.
		- Doug – I think it’s responsibility of PPC staff to report to the executive committee.
		- Person 2 – who makes the determination of whether this requires a change to the TRM?
		- Doug – If we want to send this proposal to BPA, the staff will then analyze whether this trigger a change to the TRM.
		- Person 4 – and whether we would have 75 percent support—it’s a high hurdle.
	+ Next meeting is April 23