**Energy Efficiency Post-2011 Review**

**Workgroup 1 Meeting Minutes**

**May 16, 2014**

**PNGC Board Room**

**Overview/Summary**

* The Workgroup continued preparation for the final recommendations document. We revisited the Regional Program Administration issue and spent the afternoon focused on the self-management of utility incentives recommendation.

**Decision/Action Items**

* Margaret and Doug will prepare the final draft recommendation. A small group of workgroup participants volunteered to assist with the editing. We agreed to complete the process NLT Monday, to distribute to the Workgroup well in advance of the May 28 meeting.

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

**Attendees:**

**Co-Chairs:**

Doug Brawley, PNGC

Margaret Lewis, BPA

**In Person**

Wendy Gerlitz, NWEC

Mary Smith, Snohomish

Bo Downen, PPC

Pam Sporborg, NRU

Eugene Rosolie, Cowlitz

Ryan Neal, WAPAG

Margaret Ryan, PNGC

**On the phone**

Eric Miller, Benton REA

Brian Fawcett, Clatskanie

Elizabeth Osborn, NWPCC

Jim Russell, Tacoma

Larry Blaufus, Clark Public Utilities

Linda Esparza, Franklin PUD

Sandi Edgmeon, City of Richland

Rob Currier, EPUD

Van Ashton, Idaho Falls

Jess Kincaid, ODOE

Jed Morrell, Monmouth

Dan Morehouse, EWEB

Josh Weber, ICNU

Jeff Kallstrom

Kathy Moore, Umatilla/Hermiston

**BPA Participants**

Matt Tidwell

Summer Goodwin

Scott Wilson

Kyna Alders

Josh Warner

Kim Thompson

Mark Ralston

**Notes1**

General comments on the overall process/final recommendations…

* Person 3 – I’m still not sure what is on the table and I want to be able to take something back to general managers and run it by them.
* The Workgroup agreed on a revised strategy for preparing the final recommendation on the self-management discussion to allow an opportunity for further review.

**Regional Program Administration**

* Person 1 –I thought we talked about the importance of certain measures on the system and classifying the measures according to different benefits
* Person 2 – the capacity value of any given measure should be included anyway, so it may already be done
* Person 6 – the RTF has that.
* Person 2 – I think that BPA or the council should be able to do that pretty easily.
* Matt – I don’t think we need a recommendation on that.
* Person 2 – how about doing a brownbag webinar on this topic.
* Doug – you would need to explain what is valuable at the local level and what is valuable at the system level. Neither is right or wrong, just different and I would hope that BPA would consider this.
* Scott – when you are looking to buy power on the market it makes a difference when you need it, it can be more valuable or less valuable.
* Person 6 – this project is going to have a lot of potholes.
* Person 5 – Is there a way to incorporate some of these into what the Council is doing to redo their methodology?
* Person 2 and Person 6 – these are two separate issues.

**Self-management of incentives options**

* Matt – five options are here
* Person 2 – why is prepay still here? I thought we agreed that that didn’t have any support.
* Doug –This is a comprehensive list of all of the options.
* Person 2 – I really don’t like having pre-pay on here because it’s an option that we didn’t really have any interest in as a group.
* Person 2 – let’s put billing credits first.
* Person 1 – let’s put a red x next to prepay and a green x next to the one that we find.
* Matt – we will insert new slide 4 that only has the options that they are really considering
* Scott – it sounds like something we did before and it looks the same too. Billing credits is something that is in the act. Customers take some independent action and we don’t pay anymore than we would have if we were in the standard model: this avoids round tripping dollars; allows customers to take actions on their own. The policy would be different than what our current billing credit policy is that was distributed.
* Person 7 – what about the targets?
* Scott – what happens now? You look at what the measures offered and you try to figure out how we will get to the same place.
* Kyna – the goal here is to make the revenue requirement equal to what they get out.
* Person 8– this would reduce how much we borrow.
* Kyna – the tricky part is figuring out what the bill credit should be.
* Doug – But the calculation shouldn’t be any different than for the rate adder.
* Person 4 – can utilities flip back and forth each rate period?
* Scott – if our computers can handle it.
* Person 4 – is BPA buying something through this contract?
* Scott – kind of, if customers take “independent action” BPA is kind of buying that resource.
* Person 1 – are we absolutely sure if third party financing won’t cost us more?
* Kyna – we figured that a minimum threshold for third party financing is $20 million. I am not really concerned that so many are going to want to participate that we are going to be below that.
* Person 4 – are we only going to do third party financing just for EE?
* Kyna – just for this
* Margaret – how would this impact the TRM?
* Scott – you only waived billing credits for other stuff but not for EE. So no, it should not affect it.
* Matt – we didn’t’ use exact numbers but it is sound.
* Person 2 – the picture in the presentation] is a little distorted because it isn’t real numbers.
* Kyna – it could be clarified
* Doug – where does billing credits go?
* Scott – There would be a billing credit contract for the independent actions.
* Person 12 – I don’t’ think that you can hold the billing credit customer to a higher standard.
* Person 2 – you have to show that you are spending your money on cost-effective measures.
* Person 3 – What about the utility that accepts this and spends only half as much but acquired the same amount of energy savings at a lower cost?
* Scott – I think that is as far as you need to go.
* Person 3 – so the contract would include language that includes dollars?
* Scott – I think so.
* Matt – but we haven’t worked that out internally yet.
* Person 2 – I don’t’ think that there is a risk.
* Person 12 – You could always reduce the billing credit.
* Scott – you will have to make sure that if the actions are not taken the billing credits are reduced.
* Person 1 – it seems like a utility that elects to do this is cutting off some of the flexibility mechanism for itself. So bilateral transfers would not longer be an option?
* Scott – yes that’s true. [Note: this has not been confirmed.]
* Person 1 – have you thought about the timing for the contract and then the EEI distribution for two years? Does the timing work out for a contract?
* Scott – yes, it can but it doesn’t exist yet.
* Person 2 – as far as contract issues, the contract has to be very clear that they are not liable for the interest on the debt in 2028.
* Doug – Right.
* Scott – there are a lot of issues after 2028 and we need to figure out how that would work but not until after we figure out if we are going to do this.
* Person 4 – fi I am load following not subject I937, what incentive do I have to do this? Besides I can do it more cheaply on my own but if you are going to require me to spend it all anyhow, why would I want this?
* Scott – if you want your rates to be cheaper in the future, there isn’t one.
* Matt – do you think there is an opportunity for it to be more efficient?
* Person 4 – I hear that folks want to do it on their own because they think it can be done more efficiently. Some folks are in Snohomish’s shoes but others are going to say, so what?
* Matt – BPA has not refused a kilowatt target.
* Person 14 – does this require a change to the TRM?
* Doug – no
* Person 3 – in my utopia this puts us on a pathway for utilities to exhibit their ability to acquire more efficiently. Load-following customers over the long term this is good because it could get at the KWHs rather than the dollars spent and that is a good long-term view.
* Person 1 – My observation is that some people in this room are advocating for individual utility savings targets but right now utilities have been very strong about the TOCA-based distribution but if we look at savings targets that would change everyone and you would have to look at CPAs, etc. Right now there is a 75/25 split but could they do it for less than there full amount?
* Matt – No, that wouldn’t work.
* Scott – you are either in or out. I don’t’ see the benefit to just take some. There might be more administrative burden to be in both worlds.
* Doug – BPA would still establish budgets based on TOCA right now. If they want to do billing credits it’s for their amount of TOCA not more and not less.
* Person 6 – what would we be reporting then? The money we spent or BPA’s reimbursement rate? Maybe it is set up so that the reporting you are giving is a little bit more realistic sense of what is going on.
* Person 3 – maybe others have discussed a kWh target, I am not suggesting that. Incentive structures have changed and hopefully the reporting structure will change in the next few years. Given all of these things, with better data we no longer have to rely on the general feelings that people have.
* Person 5 – NRU are fundamentally and unanimously does not support to an opt-out approach. We believe that as soon as an opt-out occurs there may be some attempt to reduce program support. Principally from a public power perspective we would like to see all public power sticking together. In general we think it sets a bad precedent.
* Person 2 – you use the word “opt out” and I feel that it’s not an accurate term because this is only about the EEI part and not the other 30% which supports programs.
* Person 6 – do your members recognize that we also rely on that program support?
* Person 5 – I think that Cowlitz is a unique perspective because you recognize the value of that program support but others who may want to opt out do not respect that.
* Person 1 – we don’t have an official position on this yet but we share some of those concerns. One of the challenges that we have seen is that some utilities are not looking at this from a system perspective. And some utilities have been looking out for their own interests only. The other concern that I want to bring up is the accountability and also the contractual terms. How much information will advocacy orgs be able to see because we might loose some visibility? That system needs to be able to be reviewed by public interest groups.
* Person 2 – Snohomish in particular is opposed to the subsidies that it has been continually providing and we are also opposed to the capitalization which increases the cost. There is some major inequity in the system between ratepayers in Snohomish territory and some others including industrial customers.
* Person 6 – there is access to information through public records requests. This is frustrating that some people are so averse to change
* Doug – This is a path for just those that are interested. Right?
* BPA staff – yes
* Person 2 – do the public utilities feel that there is value to reducing BPA’s need to borrow? This would send a message to BPA that we don’t want BPA to borrow and borrow and borrow.
* Person 3 – I think the benefit of this is that not only would it reduces the interest and so would expensing, but it effectively keeps utilities from having to roundtrip their dollars.
* Person 6 – I want to be clear that this is not an opt out. NO one is opting out.
* Person 1 – on my point about visibility. I understand that the reporting would all be available and still be able to see that. Would we be able to review and look at the contract that they are committing to and what penalties and look at the details?
* Scott – it would probably be a standard form contract and it would have a place where you could decide which way you want to go and have that amount.
* Margaret – it could be included in the recommendation that we continue to look at it.
* Person 4 – I would like to find out more about what billing credit looks like so that I can take it to my group.
* Person 1 – I would need to see the language on penalties and enforcement.
* Person 2 – There isn’t currently any penalties.
* Person 6 – you could put in there that they would have to pay it back if they didn’t perform.
* Person 5 – my members are opposed to some utilities doing one thing and others doing something else.
* Person 6 – we are doing the same thing.
* Person 7 – I want to make sure that we all understand. I don’t’ see this as an opt-in or opt-out. I see it as a mechanism for folks not to have to continue to carry debt. This gives some options to say we don’t want to carry that debt and we want to expense it. There is no opting out. If you use that language I can see why they wouldn’t like it. I would think that the NRU folks would not want to incur additional debt. We would support us all moving to expense.
* Scott – this doesn’t let anyone out.
* Kim – I hear the interest in having BPA not capitalize the EE but if the ultimate goal is to move to expense billing credits seems like an inefficient solution.
* Doug – PNGC is interested including moving EEI to expense in the recommendation, if this is a part of that, we would want to include it.
* Kim – billing credits makes sense to us if it is a minority of customers who want to do it.
* Person 2 – I wanted to add that Snohomish’s original position a few years ago, when it was characterized as “let my people go” or “opt-out,” was a lot broader. Right now this is really just solving the expense issue. But it also opens the door about flexibility. How we are going to adopt future measures because we all know that the marginal cost is changing and we have some very big hurdles to get future savings.
* Person 2 – measures are changing, in some cases local utilities can do it on their own. Maybe there is a different role for BPA in the future.
* Person 5 – that makes me even more nervous. I recognize that things are changing but it is a different approach. When there is one BPA program we have to make it work for us and my members get nervous that the programs that benefit them are not going to be around.
* Doug – if you look at the breakdown of BPA’s cost, we know what is capitalized and what is expensed and I am sure that we could get more information about the breakdown.
* Kim – look for the IPR report on June 18 for the expense information.
* Doug – I think you need to make a distinction. PNGC wants more flexibility into using the things that are good for the utility but they want to flexibly select what is good for their territory. How do we decide what is the best mechanism for deciding where each organization is the most effective at the least cost.
* Person 1 – are there some things that could demonstrate a value to NRU at some point?
* Person 2 – yes, I think so but….
* Person 6 – We view this in a lot of different pieces and they are separate and they are not. You have to have some give and take. Sometimes we have to step aside and BPA is going to meet the targets. IN terms of having separate programs, we do already.
* Person 5 – I just want to note for the record that NRU is not going to support but I don’t want to derail it.
* Doug – the recommendation can show that there are different ways to solve it and that one of them, billing credits, folks have questions about and there are different points of view.
* Matt - there is some irony here. If we go toe expense Snohomish is happy and NRU is supportive but there is a timing issue with it so we are really talking about a bridge to that expense period.
* Person 2 – our new byline is “one size does not fit all”

After lunch break

**Regarding Expensing EE**

* Matt – There are really three options still on the table it sounds like: Status quo, Billing credit and some sort of expense rate credit because some are interested in moving back to expense. There is possibly a way to mitigate for the rate impact: sequencing 30% fist and then 70% or… But we are working on that outside of Post-2011 Review.
* Doug – previously we had the CRC but it was under a really different model before the TRM
* Matt - we would want to take into account a bunch of different things that would be different in an Expense world.
* Doug – don’t consider it the same as the previous rate credit.
* Person 4 – there is a debt management part of the IPR meeting and it would fit in there.
* Person 5 – there could be a preratecase workshop on this topic.
* Drafting of the recommendation
* Person 5 – the more opportunities public power has to approach issues different in public power the more opportunity there is for infighting
* Doug – that does not mesh up with the PNGC’s interest in flexibility
* Person 5 – expensing would not satisfy SNOPUD entirely.
* Person 2 – right but it would go a long way.
* Person 15 – we don’t’ have staffing to support this.
* Person 2 – I don’t’ understand why you would need more staffing.
* Person 15 – I misunderstood that it would require more
* Person 2 – no you wouldn’t
* Person 15 – what would the threshold for moving to expense be?
* Matt - if you mean how many utilities it would take to ask for billing credits so we would choose to go to expense sooner, I don’t know.
* Doug – we are trying to capture three notions: status quo is fine, status quo is not fine and we would like to move back to expense, there are others that just moving to expense does not address the issue that they want to manage all of their incentives. Billing credits would be a way for a limited number of utilities to self-manage but if all were interested we would just end up back at expensing.
* Person 2 – some people might be thinking that billing credits are an inefficient way to expense but it’s the only way that we could do it for the time being.
* Person 5 – if we could get everyone to expense, would you still be looking for a way to self mange?
* Doug – yes, Snohomish and PNGC.
* Kyna – how is self-management different from rate credit?
* Person 2 – it avoids round tripping.
* Kyna – either expense or bill credit is fine with us.
* Person 5 – billing credit still doesn’t get you all the way there.
* Person 2 – we like some of the services that BPA provides and in the future we hope that they may choose to offer some different services for the same 30% of the capital budget.
* Person 5 – my thought is that if we are expensing and Snohomish had a side agreement…..
* Doug – can you get with Peter Stiffler and see how billing credits run through RAM as opposed to expense? I think that it probably doesn’t make any difference.
* Person 12 – I think that the PF rate would go up.
* Person 5 – I think the distinction is that under billing credits you would end up with different rates at the end of the term.
* Person 12 – Under billing credit everyone is paying the same TOCA rate. From cash flow perspective, it’s very different. You are giving the utility an option.

Discussion continued on how best to deliver the draft recommendation to the group to share with executives and constituents. One possible outcome was to put the document on Conduit. The other alternative would be to simply email the document to the group.