**Energy Efficiency Post-2011 Review**

**Workgroup 4 Meeting 3**

**Thursday, April 10, 2014**

**1:00pm to 3:00pm**

**By telephone**

**Co-chairs:**

Ray Grinberg, Peninsula Light/Lakeview L&P

Melissa Podeszwa, BPA

**BPA Participants:**

Matt Tidwell, Summer Goodwin, Melissa Podeszwa

**Other Attendees:**

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| Van Ashton, Idaho Falls | Kevin Howerton, Grays Harbor PUD |
| Greg Kelleher, EWEB | Don Newton, Flathead Electric |
| Pam Sporborg, NRU | Jessica Mitchell, Snohomish PUD |
| Brian Fawcett, Clatskanie | Vic Hubbard, Franklin PUD |
| Tim Lammers, Columbia River PUD | John Wolkowiak, Tacoma |
| Irion Sanger, ICNU | Larry Blaufus, Clark County PUD |
| Brad Mullins, ICNU | Mary Smith, Snohomish County PUD |
| Margaret Ryan, PNGC | Wendy Gerlitz, NWEC |
| Doug Swier, Cowlitz |  |

**Overview/Summary**

The workgroup finalized the recommendation on Unassigned Account Allocation Methodology, solidifying consensus for a weighted allocation by the method that is in place for EEI distribution (currently TOCA) as well as a recommendation to implement immediately. The remainder of the meeting was focused on the current large project fund and overarching topic of funding large projects. Although no consensus was reached, there was a good amount of feedback suggesting that the large project fund in its current state should not continue. At the same time, there was interest in continuing discussion regarding funding large projects and a suggestion that the topic may extend beyond the time and reach of the current Post-2011 Workgroup #4.

**Decision/Action Items**

* **Workgroup recommendation (CONSENSUS):** Effective immediately, Unassigned Account Allocations should be distributed via a weighted EEI budget allocation in line with the current distribution model (TOCA).
* **Workgroup recommendation (UNDER DISCUSSION):** LPF in its current state is discontinued, with the expectation that BPA continues to work with all interested stakeholders to find a method to capture large projects. This would involve re-convening the workgroup or others following the outcome of WG #1 recommendations regarding funding alternatives and/or continuing further discussion outside of Post-2011 process.
* **April 24 meeting (Tentative):** Discuss principles, criteria, considerations for BPA and participants in support of continued discussion regarding the topic of funding large projects.

**Meeting Notes[[1]](#footnote-1)**

* **Welcome and review of agenda.**
* **Review of recommendation on Unassigned Account Methodology**
  + **Ray:** if the EEI is allocated a certain way, e.g., TOCA, then the funds in the Unassigned Allocated would be allocated similarly. If it’s changed to something else, e.g., total retail load
  + **Person 6:** we’d like to see the changes take place as soon as possible. [other utilities chimed in with support of making the changes soon for the FY14-15 rate period]
* **Large Project Fund**
* **Melissa:** review of existing LPF requirements
* **Melissa:** review of what’s been heard about the LPF and its limitations that have caused it to not be used as much as expected.
* **Melissa:** given the limitations, should we just get rid of it or modify it?
* **Person 8:** termination seems to be the only thing that’s in alignment with distributing all funds that are available on a TOCA-basis.
* **Person 11:** I have the opposite recommendation. We support a revised Large Project Fund to support projects that utilities can’t fund on their own. We have continually asked for a fund that works for large projects. We don’t think the money needs to be repaid.
* **Person 5:** we should have equitably allocated efficiency funds, but under the current construct with repayment, it doesn’t raise the same equity concerns.
* **Person 15:** I would support the elimination of the existing LPF and create a new mechanism.
* **Ray:** I’m hearing that most are opposed to continuing the LPF as it is.
* **Person 11:** it doesn’t matter how we do, we just want the same end result of having a mechanism to fund large projects.
* **Ray:** if we are going down the path of a fund that directs funds to a specific utility territory, how do we make that work to where other utilities also benefit.
* **Person 8:** if you take away the repayment aspect, then you run into flying in the face of TOCA.
* **Person 10:** we have a biennium target and we don’t go over the budget, but we look elsewhere within the utility to fund the project, so we don’t increase our capital budget, we just use the available capital.
* **Person 10:** it’s hard to create a pool of funds ahead of time because these projects don’t come up all the time. It takes time to put projects in place.
* **Person 17:** there are regional programs where the end-user goes directly to those programs. Is it possible for a regional program to support end-users that have projects with incentives that surpass a certain percentage of its utility budget.
* **Ray:** without repayment, that’s likely to run against the TOCA equity model.
* **Person 16:** I want to add that one of our roles is to fix some of the holes because we’ve gone to the TOCA model and large projects is one of those areas and the fix isn’t going to work if you adopt a utility-in utility-out mentality.
* **Person 14:** transferring revenue from one utility to another is not the answer.
* **Person 11:** there are low cost projects won’t get funded, that’s the reality.
* **Person 14:** but the utility can decide how it funds the project. We penalize the utilities that are doing the conservation and benefit the utilities that don’t take on the policy to do the right thing.
* **Person 17:** we self-fund a lot but there are still some projects that are way too much for us to fund.
* **Person 14:** conservation is just like any other resource, we acquire it when we need it. So investments should be in proportion to revenues the utility earns.
* **Person 16:** could we agree that at a minimum we need a longer payback period.
* **Person 14:** I agree with that. The alternative proposed in WG1 allows for a longer payback period so it wouldn’t be taking from your future rate period TOCA.
* **Ray:** there was a suggestion awhile back that there be a set aside akin to the funds allocated to regional programs.
* **Person 10:** we don’t think that’s a good idea. It’s our ratepayers paying for outside activities.
* **Person 16:** in WG1, there was the notion that projects could be coded by system benefits above just energy savings. Could we marry that idea to have it be more palatable to utilities? Is that a potential for a set aside fund?
* **Ray:** hold that thought. Let’s move to a discussion about how the flexible budgets model being considering in WG1 might allow large projects to get funded.
* **Person 17:** it’s a step in the right direction. Would a utility to be able to borrow at anytime?
* **Person 16:** it doesn’t seem like we would have the flexibility to do that. You would need to ask for it prior to the beginning of a rate period.
* **Person 4:** the LPF is administratively burdensome now. I don’t see how the flexible budgets approach addresses that concern and that it alleviates that burden.
* **Ray:** how about a set aside fund under the status quo model?
* **Person 15:** how about a hybrid model? The utility commits to a certain amount and then the remainder is covered by the set aside fund? So utilities self-fund a portion and then the “value” helps determine where it can get funded by the regional set aside.
* **Ray:** the theory is that BPA would see savings that would be passed on to all utilities.
* **Person 17:** I think we’re opening up a can of worms if throw in other criteria. It creates potential gamesmanship for trying to establish value beyond the criteria for normal projects.
* **Person 15:** there really are benefits and you can use data to determine the value, e.g., during the recent winter cold snap, if BPA’s total load was down, everyone’s peak would have been better off.
* **Person 14:** the issue about value is actually more in the context of residential measures and not necessarily “large projects” since it’s usually the residential sector that is on peak rather than industrial.
* **Person 14:** another idea concerns pooling of EEI funds. Many of the smaller utilities could pool their funds to capture these large projects since they don’t come up very often.
* **Ray:** at the moment, nobody likes the existing the LPF, but we can’t get past the TOCA allocation to come up with anything different.
* **Person 4:** our board members want efficiency recipients to be in our territory and they want the personal touch.
* **Person 15:** the recommendation would be that the discussion needs to be continued since we can’t make any traction on an alternative to the LPF.
* **Ray:** we would recommend getting rid of the LPF and recommend that BPA take up the conversation at a higher level with some more time since we’ve been rushing through this.
* **Ray:** do we want to continue this on the 24th?
* **Person 15:** I recommend that we disband the LPF and recommend continuing further discussion outside the Post-2011 process and be done with no meeting on the 24th.
* **Person 12:** I think it’s a good recommendation. As we work with an existing large project, perhaps we’ll be able to share later.
* **Person 4:** I like the recommendation, but I would suggest the right people, such as BPA finance be involved in further discussions.
* **Person 10:** I’m worried we don’t have any quantification on the number of large projects that aren’t getting captured. What is wrong with the current LPF if the demand isn’t there?
* **Person 16:** we may not have quantification but we know of several projects.
* **Person 10:** we don’t have any documentation. Why is this any different from self-funding? Why are we looking at BPA as the bank? I don’t like the idea of kicking the can down the road and seeing if somebody else can come up with a bright idea.
* **Person 14:** can ICNU come up with a list of projects so we can get an idea of magnitude and then couple that with the amount the specific utilities are willing to pay for those projects?
* **Ray:** I understand what’s been said, but we haven’t much time to consider this and don’t have much information, so I would favor giving another group more time to consider a different outcome.
* **Person 11:** We aren’t going to come up with any alternatives the force the question of whether some funding will be made available for large projects that don’t need to be repaid.
* **Person 14:** we’re really just arguing about who pays.
* **Melissa:** I don’t think it would hurt to have the next meeting in April.
* **Ray:** but I don’t want to spend the next meeting just hashing through everything we discussed today.

1. Out of respect for privacy, only attribution to comments from BPA staff and workgroup co-chairs is included in these meeting notes. [↑](#footnote-ref-1)