BPA Energy Efficiency Post-2011
Regional Meeting Principles and Elements Discussion Summary

Introduction

The Bonneville Power Administration (BPA) is initiating a two-phase public process to help determine the agency's role in the development and use of energy efficiency for the Post-2011 period under the new Regional Dialogue power sales contracts. BPA conducted four meetings around the region in Seattle, Idaho Falls, Spokane, and Pasco to discuss energy efficiency for the Post-2011 period. This document provides a summary of comments made relative to discussions regarding process guiding principles and key elements. Complete summaries of each meeting can be found on BPA's website (http://www.bpa.gov/Energy/N/post-2011/).

Seattle

Principles

- Acquire all cost-effective conservation consistent with the Power Act.
- Be consistent with the tiered rate structure established in the Regional Dialogue process.
- Focus on the capture of lost opportunities.
- Pursue economy of scale opportunities to enhance conservation.
- Help utilities do what they cannot do themselves.
- Avoid unnecessary duplication and maximize leveraging.
- Be responsive to the diversity of needs in the region.

Regional Infrastructure

- The Regional Technical Forum needs to be strengthened, enhanced, and supported.
- In Washington State, I-937 will begin monitoring utilities and the distribution of conservation; this is a potential overlap in effort.
- The technical expertise needed to fill the mission for the region needs to be defined. For example, will RTF be characterizing measures, evaluating deemed savings, determining the value of new and existing technologies, and/or determining cost-effectiveness at the individual utility or regional levels? The NEET process has also echoed this need for definition.
- Ensure technical efficiency and quality control, timeliness, and sound technology.
- A definition of regional infrastructure is needed: systems, tools, and knowledge.
- Items that are generally regionally acceptable, those with broad benefit and cross-market potential, should be included as regional infrastructure.
- BPA needs to work through its account representatives and determine what segments of its customers need what services to achieve their goals.
- BPA's current infrastructure took a long time to build-up; we do not want to see BPA's capabilities lost.
- There is a question of duplication in emerging technologies and who will take the lead on this. The Alliance Business Plan had carved-out some emerging technology areas. There may be some gaps and role for BPA, in coordination with others. BPA also contributes to NEEA and EPRI for this area.

Specific items that should be included as regional infrastructure:

- Data collection

- Coordination/clearinghouse activities
- RTF
- NEET
- Networking
- Emerging technologies (in coordination with others) M&V metering equipment.

Specific items that should be excluded from regional infrastructure:

- Conservation potential assessments. These require specialized consultants, customer surveys, and end-use forecasting. Standards for conducting CPA's might make sense to be included as Tier 1 costs.
- Research and development; should be applied to transmission, but not for conservation.

Implementation Assistance

- We are jumping to the conclusion that a regional solution to some of these implementation needs is the most cost-effective. There may be a number of utilities or firms that can offer the lowest-cost solution.
- What role will utilities have in defining programs? Who is deciding which are the right ones to offer? BPA's role in regional coordination is in developing program plans, vetting program ideas, and determining the interest and value of services to utilities to come to agreement about incentive levels for specific measures.
- Programs that are offered today aren't working well for all utilities. Utilities will want to make sure this opportunity is used to address these issues.
- PPC wants to work on defining the process for developing program options over the 20-year timeframe.
- There is a breaking-point between Tier 2 implementation assistance and Tier 1 regional infrastructure. For example, market research and best practices might be considered infrastructure if they are contributing positively to the ability of BPA to offer implementation assistance.
- Custom projects for small utilities may be difficult.

Items that should be included as Tier 1 costs:

- Development of turnkey programs for smaller to medium utilities.
- Technical assistance
- LIWx
- Tribal support

Incentives

- Incentives should be a bi-lateral arrangement between BPA and utilities.
- Support for opt-in/opt-out model. Similar to load shaping on the transmission side. Fee for service.
- One of the benefits that BPA provides is their ability to reduce costs by spreading benefits and costs around the region. BPA has a regional experience that can generate economies of scale.
- There is a need to determine the threshold for inclusion in Tier 1 rates- what is on the "menu"?. For example, is 30 out of 130 customers using a program enough to be worthy of BPA support? Product cost per unit is one way of looking at this.
- How much definition will there be between programs? Are these costs appropriately segregated so that only those utilities accessing these services are paying for them? "Opting-out" does not

help utilities that want to provide their own programs if they are not truly opting out of everything.

- The ability of utilities to pool is an important concept and needs to be accommodated. We have PNGC now and may soon have NRU, bringing the ability to study conservation over several service utility areas.
- Choice and options for utilities should not mean all or nothing. However, if you opt-in, then you are on the hook for achieving conservation. If you opt-out, you have to show that there is resource to achieve conservation, and there should also be consequences for not meeting the target.

Oversight, Metering & Verification

- The Council's current system does not accurately calculate a utility's potential energy savings. Improvements may need to be made.
- The Council's calculator is the tool we have available now, so a new study and sound methodology for measurement of savings will need to be proposed.
- Ultimately, we are interested in an aggregate conservation outcome and do not care what individual utilities achieve. We want the most cost-effective energy efficiency possible and we want customers to reap the benefits of cost savings. How these break-down is a challenge, but there is an important role for common metrics within the verification system.
- If you sign-up to say you're going to achieve specific savings, there needs to be an accompanying plan that outlines how a utility will achieve these savings.
- BPA may have a role in reviewing M&V plans, but also on a more comprehensive basis in helping to define customer protocols.
- Third-party programs and M&V need support at the regional level.
- The reevaluation of targets cannot just be applied to individual utilities.
- Once concept is to set targets for those utilities who don't "opt-in" to BPA implementation assistance.
- Consistency in reporting between Washington (I-937), BPA, and the Council is valuable to utilities. But flexibility is also desirable- utility IRP projections may not be the same as what's wanted by BPA and the states.
- Those that opt-in will want to make sure that BPA achieves its share of conservation for them; there could be some sort of benchmark established for the region.
- M&V standards could be developed for the region and individual utilities could also do their own M&V plans for approval that follow these standards.
- It is assumed that there will continue to be deemed measures, with more flexibility to adjust for specific conditions in the various service territories.
- What is the role of RTF and the granularity that they will be looking at measures? There needs to be alignment between I-937 and resource planning, which are not always the same.

BPA's Backstop Role

- The term "backstop" could refer to two distinct areas and needs clarification. There is the idea that BPA would step-in to ensure that targets are being achieved, as well as a backstop role to those utilities that have opted-into contracts and assistance with delivering programs.
- There is an issue related to how soon BPA exercises its backstop role with utilities.
- There is a difference in opinion as to whether BPA's backstop role should be evaluated on an individual utility basis or collective regional basis. BPA may have a role in both.

- Whether you “opt-in” or “opt-out” of implementation assistance, each utility’s conservation acquisition should still count and be evaluated against the Council’s overall target.
- If there is a utility that is overachieving, is there a relationship to utilities that may be underperforming? Perhaps there is a BPA role in portfolio balancing.
- BPA has an obligation to assert their role relative to the regional target and develop a backstop as a surcharge or some other mechanism.
- When backstop savings are not being met, it makes sense to locate the best cost-effective conservation being conducted by utilities in the region and reinvest there to offset shortages.
- There is some concern that the downturn in the economy will continue to prevent utilities from seeing savings in the industrial sector. If utilities are allowed to opt-out and the savings continue to be unavailable, what does this mean for BPA’s backstop role?

Idaho Falls

Principles

- Reflect diversity of customers to allow for customization of programs.
- Assess the conservation goal from the bottom-up.
- Facilitate strategy/planning across the region.
- Focus on retrofit rather than new construction.
- Consider multiple fuels; operate in a “fuel blind” manner with respect to conservation.

Regional Infrastructure

- BPA engineers are preferred to private engineers- they are not marketing services and products.
- Technical assistance is needed for smaller utilities to do their fair share of conservation, so this should be included as a Tier 1 cost.
- Both BPA and third-party technical assistance is needed.
- Technical assistance should be provided at the local level. Current BPA staffing is at capacity and more staff are needed to avert delays at utilities.
- On the ground staff should be funded through a fee-for-service model.
- It is expected that BPA will continue to provided research and development in cost-effective areas. This is a clear benefit on a regional basis. Super Good Sense and Ductless Heat Pump have been good programs.
- BPA’s support for infrastructure is needed. There may be some areas where elements can be owned by utilities and pressure taken off rates by offering incentives directly. Fine-tuning of the overall structure is needed to make it more efficient.

Specific items that should be included as regional infrastructure:

- Market transformation
- RTF
- PTR
- Research & development
- Marketing (mixed support)
- Conservation potential assessments (mixed support)
- M&V
- Technical assistance

Implementation Assistance

- Businesses in the area want to do innovative things with respect to conservation. If utilities are not able to support this initiative, these businesses have nowhere to turn. There may be opportunities for BPA to support these situations. One idea is for a grant-type program that falls outside of the utility offerings.
- If programs are offered on a region-wide basis, utilities in the eastern portion of the region may be at a competitive disadvantage.
- The ductless heat pump program lacks the technical assistance needed.
- LIWx is an issue that is not being completely addressed in this area- there are many inefficient living conditions that cannot be cost-effectively retrofitted.
- A portion of implementation may need to be included in Tier 1- things like program development- with the actual implementation of the program paid as fee-for-service to ensure that some level of support is maintained for long-term program viability.
- Third party programs are important for smaller utilities to deliver savings.
- There has been a roller-coaster effect in the past with BPA programs- ramping-up to collect savings and then pulling programs such as windows and CFLs. It is difficult to plan for CRC quotas with these peaks and valleys.
- Programs take longer and may cost more to implement in rural areas.

Items that should be included as Tier 1 costs:

- LIWx (mixed support- funding is provided through other sectors and paid independently).
- Tribal assistance
- Third-party turnkey programs
- Trade ally network and training
- Green grocer

Incentives

- Support for the idea that if you are a free rider and do nothing to achieve conservation, that you should be penalized. This is essentially the opposite of the current CRC model where you pay in advance and are reimbursed for activities.
- BPA has the ability to surcharge utilities, but there is concern that the targets set for utilities will be unachievable.
- Utilities believe strongly in conservation and energy efficiency, but want to keep resources local, rather than pooling into the CRC model program.
- Utilities that want to participate in the opt-out option should be required to plan for concepts that will work in their service territories. Reporting mechanisms will be necessary.
- Smaller utilities may not be able to accomplish the opt-out option. A CRC-type option should be available for those unable to implement their own programs.
- “Opt-in/opt-out” is a poor term. “Equivalency program” is a better term.
- A shared rate plan concept may be attractive to smaller utilities who want the credit. However, this may create an element of confusion as to what falls into is Tier 1 versus Tier 2.

Oversight, Metering & Verification

- Conservation potential assessments should be conducted for each of the utilities. The “low-hanging fruit” have already been achieved in some service territories and savings will be more

difficult for some utilities to achieve. CPAs will require more funding for RTF assistance. This may include a validation process, rendering equivalency, and development and submittal of plans.
- Climate zones have been a limitation to accurate measurement of savings in areas with more extreme weather.
- Cost-effectiveness criteria can work against savings. Sometimes what members want are not the measures that create the highest savings. Savings should be the focus and flexibility to work with customers' interests would be helpful.

BPA's Backstop Role
- The pooled group provides an advantage because all conservation resources get used. If one utility cannot use the available resources, they can be passed to another.
- If a utility is working as hard as it can to achieve conservation, it should not be subject to penalties.
- BPA is a backstop to the Council's target, but should be approached from a point of assistance at the local level, rather than in a rigid, penalizing manner.
- The "low-hanging fruit" for conservation is becoming less and less. Goals need to be carefully looked at if penalties will be levied against those who don't meet the targets.

Spokane

Principles
- Money collected from utility members should benefit those members.
- Maximize the flexibility of programs and incentives that are going to work for local service territories.
- Utilities need to have flexibility and choice in programs beyond their regional base contribution.
- Deemed measures and programs need to be simplified.

Regional Infrastructure
- Something like the RTF needs to be available, but needs to be streamlined and more representative of utilities. Half of RTF's membership is consultants. Smaller rural utilities need support in order to participate in RTF, in terms of travel funds, bi-monthly rather than monthly meetings, and meetings that last two days, rather than one day.
- NEEA does market transformation, but markets in rural areas east of the Cascades need more transformation than those west of the Cascades.
- Anything that makes sense to implement at a regional level needs to be included in Tier 1.
- Costs need to be proportional; IOUs should play a role in contributing to infrastructure.
- While utilities may not use all of the programs offered by BPA, they will use some of them and all should fund research and development activities.
- If services are being paid for in Tier 1 rates, we need to ensure these services are being spread around the region.
- Finding BPA staff is not that different than funding NEEA- there is a regional benefit and should be funded in Tier 1.

Specific items that should be included as regional infrastructure:
- Research and development activities to support program design and measurement.
- RTF
- NEEA

Implementation Assistance

- There may be additional options beyond the programs that BPA provides. Private or contracted utilities may be able to do the work for small utilities and provide greater flexibility.
- Acquisition programs should be opt-in so utilities can offer services that make sense for their areas. These costs should be paid by only those that want to participate.
- As the Council is planning its targets for conservation, it needs to consider the reality of utilities in having to work with, convince, and incent its customers.
- Demand response programs need to provide utilities with full control; otherwise customers will find a way around the technology.
- Small utilities are encountering difficulty in implementation. Builder self-certification within the local building codes is not working. Utilities are spending money weatherizing houses that weren't built to code; retrofitting is always a more expensive way to get at energy efficiency.
- Refrigeration standards and consistent building codes may be something that could be placed in Tier 1. If programs are specific to a utility, they need to go into Tier 2.
- New programs need to be agreed-upon; otherwise, existing programs should be offered as products under Tier 2.
- Least cost resources are in industrial and commercial sectors, but many smaller utilities lack expertise in these areas.
- One utility did a recent project through the local Job Corps program that BPA helped to pay for. They are interested in ways to contract with BPA to complete future projects.
- Some utilities have been more aggressive on conservation and therefore it will cost some more money than others- future savings depends on how much you've already done.

Incentives

- CRC programs probably fall into Tier 2.
- We need to ensure that savings are real and transparent so that members will adopt and implement these concepts.
- Utilities want as much flexibility as the process can bear; they are accustomed to dealing with the PTR that has a lot of choices.
- Melding costs into base rates is part of this business, so there should be a way to meld-in infrastructure and
- regional services costs to Tier 1 rates.
- Tier 2 could be a BPA product or a private resource. BPA products could be bundled.
- In Montana there is a universal system benefit charge that pools between 26 co-ops. There are some utilities that have to meet 50% of their target of they pay a penalty, or are even expelled from the pool. Things are being done for utility systems that create conservation and would incent utilities if they were paid for these activities, including line work or system upgrades.

Oversight, Metering & Verification

- Deemed measures need to be streamlined and more easily understood. There are many utilities doing energy efficiency measures that are not being counted.
- There is a need to move away from activity and measures-based systems to make sure we are confident in energy savings over the long-term.
- Deemed measures need to be defined. The PTR system is where we have been measuring savings, but system upgrades are not being conducted in a timely, user-friendly manner.

- BPA should focus on an oversight role and rely on partnerships with knowledgeable contractors- look at fewer homes for verification.
- Some utilities will not experience growth in their service territories. These utilities do not want to be penalized if they are not facing the Tier 2 price signal. Conservation goals need to account for growth and be achievable.
- The Council's targets need to account for a utility's history, the housing stock of its service territory, etc. when setting targets. Conservation potential assessments may get at this.

BPA's Backstop Role

- Utilities do not want to carry others who are not doing their part to capture savings.
- Each utility does not have the same opportunity to create savings- utilities may need to balance each other out in order to reach the regional target.
- Longer periods of time or averaging of performance over time may need to be considered to accommodate variability in energy efficiency savings from year-to-year.
- There will be some non-performers amongst BPA's customers. The "green tags" model may serve as an example- at some point non-performers will need to pay conservation credits. There needs to be a "stick."
- Penalties are appropriate and have worked will in other situations. The current CRC program is essentially a penalty.

Pasco

Principles

- Flexibility and choice in programs and incentives are important for all utilities to best meet their needs.
- Maximize local control and the local benefits of energy efficiency programs and incentives.
- Simplify the administration, measurement, and verification of energy efficiency efforts.
- Achieve energy efficiency at the lowest cost possible to BPA.
- Create a system of accountability amongst public utility customers to ensure the regional energy efficiency goal is met.
- Ensure an equitable system for all utilities.
- BPA should focus on being a resource, not an enforcer.

Regional Infrastructure

- BPA should reduce its role and utilities should take the lead responsibility to acquire conservation.
- Administrative, oversight, and tracking functions can be controlled at the local level and BPA's role in these areas can be simplified.
- A smaller footprint for BPA was a principle for the Regional Dialogue process. BPA is doing augmentation for Tier 1 and as much augmentation as needed for customers in Tier 2, so there may not be a materially smaller footprint in the energy efficiency program.
- Programs should meet a rigid threshold to be included in Tier 1. Energy efficiency should generally be considered a Tier 2 resource.
- Networking and education programs such as brownbag presentations, the Utility Sounding Board, and the energy efficiency summit are a good general resource for the region.
- BPA has the ability to create economies of scale in its program offerings, R&D, and market transformation. There is an opportunity for utilities to share the risk and cost.

- The PTR adds credibility for an individual utility to the state auditing process for verifying savings for I-937 utilities.
- BPA does things that the private sector will not, including R&D, pilot studies, and third-party evaluation.
- Education for architects and those enforcing code may boost energy efficiency. BPA can play a role in providing information on specific measures and implementation.
- M&V calculations can take place at the regional level, but programs should be implemented and incentivized locally.

Specific items that should be included as regional infrastructure:

- RTF, PTR
- NEEA (market transformation)
- Emerging technology
- Technical assistance
- Demand management
- Pilot projects

Areas where there was mixed opinion about BPA's role include:

- M&V

Implementation Assistance

- Utilities should have the opportunity and are best informed to develop programs that work well for their specific service territories.
- Deemed programs are easy to work with and easy to sell to customers.
- The utility specific option has provided for more local control for some utilities. Working directly with customers provides utilities access to business leaders, which is yielding good results.
- Many utilities rely on technical assistance provided by BPA. Some utilities have opted-out of this assistance and are able to provide these services in-house. However, for custom projects these utilities generally submit information to BPA for review.
- Many utilities commented that they could use a fee-for-service model to access BPA technical services.
- It may be helpful for BPA to organize a pool of technical assistance through third parties. This would also allow utilities to choose the level and type of assistance for their specific projects. These third-party resources could include verification/oversight role.
- There is a demand on BPA to have a broad technical experience, depending on its members' loads. In some cases it makes sense for utilities to develop their own technical capabilities to meet these diverse needs.
- BPA's federal partners operate under a separate program that is self funding, so BPA is reimbursed directly for its support in these areas.
- Incentives and implementation of programs should be directed by utility boards and members.
- Depending on the availability of BPA program offerings, some utilities have difficulty in capturing savings in their load profiles.
- Rural utilities need programs that can be performed by the homeowner or rancher and are simple to administer.
- It will be more difficult for some utilities if BPA programs go away and utilities need to develop their own plans. It would be helpful to at least have some suggested pathways for identifying what is most appropriate for their service territories.

- The SIS irrigation program has been very successful for many utilities with this sector as a portion of their load.
- Programs that focus on lost opportunities should be a priority. Energy efficiency for new construction should be targeted over home retrofits.
- Timing is important for utilities in delivering incentives to customers. A lengthy verification process can drive members away from the program offerings towards less efficient options.
- There is an assistance gap for those utilities that are not small enough to be considered a small utility and not large enough to develop programs in-house.
- The Grocer program was rushed and the local infrastructure was not able to deal with it.
- Buy down for CFLs does not work in some of the smaller utility service territories, but may work in larger metro areas.
- Utilities need to have the opt-out option for program implementation, as well as a guarantee that BPA or another vendor will not offer services to capture savings in a utility's area.
- There have been good results for some utilities with the "Savings With a Twist" program.
- The green motors program has not worked yet for some utilities.

Incentives

- Customers expect to see direct benefit for the rates they pay. The CRC works because it is directly related to rates.
- Costs can creep on program offerings. BPA needs to have an internal mechanism for budget overages and utilities should have an opt-out choice if costs get out of hand.
- Without the CRC structure, some utilities foresee a difficulty in getting funding from their boards to locally-implement conservation programs.

Oversight, Metering & Verification

- Utilities should access the CRC program database to support their efforts in tracking and reporting their energy efficiency efforts for both regional and statewide reporting requirements. BPA has invested in this system and makes sense to provide to the region, even if sponsored efforts are not going into a public pool. It does not make sense for individual utilities to develop their own databases; perhaps the CRC structure could be made available to utilities that "opt-out" on a subscription basis.
- A tracking and reporting system would need to be flexible enough to work with I-937 requirements, which adopt the PTR system.
- Any metering and verification system should build off of existing work; do not reinvent the wheel.
- A load-based conservation target does not make sense. Currently a utility's target is calculated based on its percentage of the regional load. I-937 has adopted the Council's projections for conservation, but we need the flexibility to adapt as we proceed.
- The PTR system should be used for tracking and reporting, but not for oversight.
- There is better saturation and penetration into utility service areas to capture savings using deemed measures. These measures do not need to be studied extensively. If a measure gets installed, there should be a set kwh savings and credit.
- Creating deemed measures is a regional role that needs to coordinate both technical and marketing perspectives. Measures need to be simple enough to present to utility members.
- There may be a role for BPA as a clearinghouse for information, as well as to help coordinate what is brought to RTF for consideration as a deemed measure.
- BPA does not need to be in this role for I-937 utilities.

- BPA should move away from the willingness to pay model to a standard heat loss methodology (SHLM).
- The current measurement and verification system is not cost-effective. Utilities have to report twice.
- Calculations that are provided in engineering estimates could be used as the basis for a simplified M&V system. On a global basis, there will be average savings, so additional measurement and sub-metering is unnecessary.
- Utilities should use their Conservation Plan submittals to BPA to outline their metering and verification program if they choose to "opt-out" of BPA's system. I-937 and possible legislation in Oregon will make metering and verification mandatory for utilities, and may result in several different systems being used. There could be a template that utilities work from, hiring consultants to assist, if necessary.
- PNGC will probably set a target for their entire pool; PPC will probably also do something similar.
- It would be helpful if there were a template for utilities to look at to understand what is needed to determine potential conservation in their service territory and hints at how to get this. Larger utilities will likely already have performed conservation potential assessments. This may be a Tier 1 or Tier 2 offering for smaller utilities.
- There is a lot of historical data at utilities that could be used to determine actual conservation versus potential conservation.
- Conservation potential assessments can help utilities get credit for savings they've accomplished ahead of the market drivers, such as irrigation.
- Baselines for deemed measures need to be reevaluated. Assumptions made for windows and heat pumps, especially, do not always account for the actual savings.
- Differences in conditions across the region should be recognized and reflected in the benefits assigned to various measures.
- A one size fits all approach through cost-effectiveness has affected the ability of utilities to record and achieve kwh.

BPA was asked to address the extent to which a metering and verification system accounts for potential future carbon legislation. Karen Meadows responded that carbon accounting functionality will be added to the current system calculators. Future PTR requirements are currently being assessed, so this is a good time to make suggestions. BPA will provide information on these efforts with their Energy Efficiency Representatives to share with its customers.

BPA's Backstop Role

- A regional cost test should be used to determine whether or not a backstop is necessary. There could be criteria related to size that would keep BPA from having to serve as a backstop to these utilities.

BPA was asked to clarify the relationship of its energy efficiency programs with respect to statutory and Council direction. Mike Weedall responded that the Power Act directs BPA to consider energy efficiency and conservation as its first choice resource. The Regional Dialogue process also determined that there was a role for BPA to play in regional energy efficiency and BPA has accepted the responsibility for ensuring public power's share of the regional conservation targets. This position is also a business decision as the resource mix, limited federal resources, and the influence of other drivers such as the tiered rate structure and future environmental legislation will have on conservation as a lowest-cost

resource. This post-2011 process is focused on determining the most appropriate contributions for BPA to make to a structure to meet these future challenges. This doesn't necessarily mean that BPA will fund these efforts, but can play a role in facilitating their success through things like market transformation, regional approaches, and on-the-ground technical assistance.

BPA was also asked about the availability of the Conservation Resource Credit in the next rate period (2010 – 2011). Mike Weedall responded that this result will depend on the currently pending rate case. Without this outcome being known, it is assumed that the CRC will continue for the 2010-2011.