Bonneville Power Administration
Regional Energy Efficiency Post-2011

February 11, 2009
Pasco, WA
8:30am-12:30pm

Meeting Summary

Meeting Purpose

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. Regional stakeholders are being invited to discuss how the region can most effectively meet growing regional targets for energy efficiency. The information gathered in the public process will allow BPA to develop an updated plan that defines the agency's role to ensure the goal of meeting public power's share of the Northwest Power and Conservation Council's (Council) Power Plan conservation target is achieved. This goal was established through the Long-Term Regional Dialogue Final Policy.

This regional meeting is a continuation of the discussion with stakeholders on January 27th in Portland. BPA is conducting four smaller meetings around the region in Seattle, Idaho Falls, Spokane, and Pasco to discuss energy efficiency for the Post-2011 period. This meeting provided background information and an overview of the public process, as well as solicited stakeholder feedback on key elements for BPA's role in regional energy efficiency in the post-2011 timeframe. Meeting participants included utility general managers, conservation managers, and other stakeholders. A complete list of meeting attendees is included at the end of this summary.

Agenda Overview

The agenda for this meeting began with an overview of the BPA public process, followed by a review of the key elements and questions that BPA has identified to guide discussions around a successful regional energy efficiency effort: regional infrastructure; implementation assistance; incentives; oversight, metering, and verification; and BPA's backstop role. Participants received an overview of the themes that emerged from the discussion of the key elements at the January 27 kick-off meeting and considered guiding principles for the Post-2011 process. The group spent a majority of the meeting sharing their specific comments on the development of each the five key element areas.

Public Process for BPA's Post-2011 Energy Efficiency Role

Mike Weedall, BPA, Vice President of Energy Efficiency
Karen Meadows, BPA, Energy Efficiency Planning and Evaluation Manager
Josh Warner, BPA, Energy Efficiency Policy Development Specialist

Mike Weedall, Karen Meadows, and Josh Warner addressed BPA's overall goal for this public process as an effort to bring stakeholders together in a collaborative manner to reach the goal outlined in the Long-Term Regional Dialogue Final Policy:

> *BPA will work collaboratively with its public utility customers to pursue conservation equivalent to all cost-effective conservation in the service territories of customers at the lowest cost to BPA*.

BPA and its customers are at a unique point and have a significant opportunity to shape the structure of future energy efficiency activities in the region post-2011. There are many new drivers that will influence energy efficiency and conservation and this process, including a tiered rate structure, future environmental legislation, and a new administration that is focused on reliability. The Regional Dialogue process established a policy that conservation will be included in Tier 1 rates. This post-2011 process is focused on identifying the best way to evolve the region's current energy efficiency structure to meet these future challenges.

This public process is being conducted in two distinct phases. The January 27 kick-off meeting in Portland and the four regional meetings are part of the first phase of the process to address key policy issues and strategic determinations for the regional energy efficiency program post-2011. The second phase of this public process will begin to focus on the specifics of policy and implementation. BPA's primary role in this first phase is to listen to stakeholder feedback. In addition to discussion at this and other "Phase 1" meetings, a formal comment period will be open through March 2, 2009. Comments received from the regional meetings and through written comment will be used to identify specific needs and themes that will enable BPA to be responsive to its customers.

At the request of participants at the January 27 kick-off meeting in Portland, three additional in-person working meetings have been added to this public process. These all-day collaborative meetings will be held on March 9, 10, and 16 at BPA in Portland. The series of working meetings are intended to provide an opportunity for interested customers and other stakeholders to assist BPA in considering the feedback received to-date and begin to develop a post-2011 BPA program structure for energy efficiency. These working sessions will build upon one-another over the course of the three days; to the extent possible, those interested in participating are encouraged to attend all three days. The results of the collaborative working sessions in March and BPA's development of a draft product will initiate an additional opportunity to conduct review and provide written comments.

With the addition of the collaborative working meetings, it is now anticipated that Phase 1 of the public process will conclude by the end of May or early June. Phase 2 will likely kick-off in June to begin to address specific policy and implementation issues. This second phase will last approximately three to five months with the intent of concluding Phases 1 and 2 by the end of the calendar year.

Key Elements of a Successful Regional Energy Efficiency Effort

Karen Meadows, BPA, Energy Efficiency Planning and Evaluation Manager

Ms. Meadows provided a brief overview of the five key elements of a successful regional energy efficiency effort first introduced at the January 27 kick-off meeting in Portland: regional infrastructure; implementation assistance; incentives; oversight, metering, and verification; and BPA's backstop role. She explained that these elements are meant to provide a framework for the discussion of several areas that will be critical for the development of a program structure that will allow BPA and its customers achieve public power's share of the Council's conservation target. Each of the elements has a series of associated questions that will be important to address through this process. The focused questions within each of the five elements are as follows:

- Regional Infrastructure Activities
    - What type of regional infrastructure activities and costs should be supported by BPA?

        - Planning, Tracking & Reporting (PTR), Regional Technical Forum (RTF), NEEA, data collection & evaluation, emerging-technology work, regional marketing, etc.
        - State and tribal low-income weatherization (LiWx)

- Implementation Assistance Activities
    - What implementation assistance/support activities and costs, if any, should be supported by BPA?
        - Third-party programs (Green Motors Initiative, EnergySmart Grocer)
        - Technical assistance
        - Community-based implementation
        - Programs with customizable design and marketing

- Incentive Activities
    - How should incentives to end users be funded?
        - Rate credit type program
        - Bilateral contracts
        - Opt-in to BPA program/activities at a Tier 2 rate
        - Customer choice opt-out options to utilities — allow utilities to avoid a specific Tier 1 cost if the utility does not use incentives; in exchange, the utility agrees to report a specified level of savings to BPA.

- Oversight and Measurement & Verification Role
    - To accomplish BPA's goal, what amount of BPA oversight and measurement and verification is needed, given the following considerations:
        - How rigorous should oversight and M&V be to ensure energy-efficiency savings are real and reduce load?
        - How will state law reporting requirements and other potential drivers affect utilities?
        - RTF relies on the Council's estimates of "avoided cost"; can the RTF estimate the value of energy-efficiency savings using various avoided-cost estimates?
        - Is a single regional deemed database still feasible with multiple avoided costs?
        - How do we create sufficient flexibility in BPA M&V and oversight for utilities while ensuring savings are real and administrative costs are reasonable?

- Backstop Role
    - What should BPA's backstop role be to ensure public power meets the regional energy efficiency target?
        - No role is necessary because BPA programs are robust.
        - If BPA is not providing incentives and/or implementation assistance, include funding in the Tier 1 cost pool to acquire savings if utilities are not meeting targets.
        - Charge individual utilities a surcharge for not meeting a predetermined target and allow BPA to work directly in the utility's service territory to acquire missed savings.

Post-2011 Energy Efficiency Guiding Principles

At the January 27 kick-off meeting in Portland, participants suggested that BPA work with stakeholders to identify a set of overarching principles for BPA's Post-2011 program structure. To frame this discussion, BPA presented the five principles that were developed to guide decisions during the Post-2006 energy efficiency public process, covering the current 2007-2009 period. These Post-2006 principles are as follows:

- BPA will use the Council's plan to identify the regional cost-effective conservation targets upon which the agency's share of cost-effective conservation is based.
- The bulk of the conservation to be achieved is best pursued and achieved at the local level. There are some initiatives that are best served by regional approaches (for example, market transformation through the Northwest Energy Efficiency Alliance). However, the knowledge local utilities have of their consumers and their needs reinforce many of the successful energy efficiency programs being delivered today.
- BPA will seek to meet its conservation goals at the lowest possible cost to BPA. While it is a given that only cost-effective measures and programs should be pursued, the region can also benefit by working together to jointly drive down the cost of acquiring those resources.
- BPA will continue to provide an appropriate level of funding for local administrative support to plan and implement conservation programs.
- BPA will continue to provide an appropriate level of funding for education, outreach, and low-income weatherization such that these important initiatives complement a complete and effective conservation portfolio.

Participants in the Pasco meeting suggested principles that should be used to guide BPA's Post-2011 program structure. Specific suggestions included the following:

- 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.

Review and Discussion of Results from January 27 Kick-off Meeting in Portland

Participants received a brief summary of themes that emerged from the discussion at the Post-2011 Public Process Kick-off meeting on January 27 in Portland. These observations included the following:

With respect to *regional infrastructure*, we heard from the group that BPA should continue to play a role in this area.

- The group acknowledged that BPA's utility customers have a diverse set of needs and that BPA's role should focus on those things that utilities cannot do on their own.
- Participants discussed the emerging role for BPA in new technologies such as Smart Grid and Demand Response Management.

Within the topic of *implementation assistance*, participants at the Portland meeting focused on the differences between the utility customers that BPA serves.

- Larger utility customers tend to have more resources to carry-out energy efficiency programs on their own.

- There are differences in the customer base that utilities are serving in terms of the mix of residential, commercial, and industrial uses that are not always reflected in the program offerings.
- Implementation mechanisms need to be sensitive to the attributes of each service territory and that utilities want the flexibility and choice around implementation that will allow them more tailored approaches to achieve the greatest energy savings at least cost.

The discussion around *incentives* addressed some of the perceived inefficiencies within the current Conservation Rate Credit and Conservation Acquisition Agreement structures.

- Several utilities commented they would rather focus on "tracking true energy savings" versus "spending dollars" and questioned the current practice of paying money into a pool and then applying for reimbursement.
- The theme of options and choice were woven through the conversations around Regional Infrastructure, Implementation Assistance, and Incentives. Many participants were interested in an opt-in/opt-out menu approach that would allow utilities to receive BPA support and pay for the assistance that they need.
- Participants discussed the idea that to the extent there are programs or support that all utilities need, these services might be included in Tier 1 rates.
- For those items where just some utilities have a need, such as smaller utilities with fewer technical resources, these services might be included in Tier 2 rates.

In discussing *oversight and metering and verification*, participants were interested in a coordinated regional effort that would ensure their energy efficiency efforts were being accounted for.

- Several comments echoed the idea that utilities operate in a range of conditions and that measurement baselines and targets should better reflect this diversity of operations around the region.
- There was general support for the role that the Regional Technical Forum (RTF) has played and for a continued RTF role in M&V, but it was also acknowledged that RTF needs more resources.
- There was also some discussion of the separate requirements of state regulations such as I-937 and a desire to be coordinated and not duplicative in efforts to account for public power's share of the regional energy efficiency target.

Lastly, the group in Portland did not come to many conclusive points about *BPA's backstop role***.**

- The group generally felt that there needs to be a backstop in the post-2011 structure and that BPA will play a role to be determined as more details are developed relative to the topics of regional infrastructure, implementation assistance, and incentives.

Discussion of Key Element Development

Participants discussed their perspectives on each of the five key elements identified by BPA for a successful post-2011 energy efficiency effort. Specific comments and questions discussed by the group include the following:

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

There was mixed opinion about BPA's role within metering and verification activities.

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 that 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 funded, 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 released 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 are 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 kilowatt hours.

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 top 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.

Wrap-up and Next Steps

Summaries from each of the four regional meetings will be compiled to the BPA website (http://www.bpa.gov/Energy/N/post-2011/).

A formal written comment period for the post-2011 public process is currently open through March 2. Participants were encouraged to submit written comments, instructions for which are also available through the BPA website.

Participants are also encouraged to attend the March 9, 10, and 16 collaborative working sessions in Portland. It was emphasized that these meetings will build upon one-another over the course of the three days and should be attended in whole, to the extent possible. A phone bridge will be made available for those unable to attend in-person. Agendas and other materials for these working meetings will be posted to the BPA website in the near future.

Meeting Participants

Bruce Etzel, Benton REA
Chris Johnson, Benton PUD
Dan Peterson, Pend Oreille PUD
Darroll Clark, Franklin PUD
Dave Stadelman, Citizen, Ephrata
Debi Watson, Umatilla Electric
Ed Brost, Franklin PUD
Eric Miller, Benton REA
Frank Majer, Grant County PUD
Greg Sullivan, Efficiency Solutions
Hank Kosmata, City of Richland
Jennifer Reilly, Grant Conservation District, Ephrata
Jim Frank, Grant County PUD
Kathy Moore, Umatilla Electric
Ken Mey, City of Richland
Linda Bettencourt, BPA Walla Walla
Linda Boomer, Franklin PUD
Melinda Eden, NWPCC
Mike Murray, City of Richland
Pat Didion, Milton-Freewater City Light and Power
Randall Krekel, US DOE Richland
Randall T Whitaker, Harney Electric
Ray Seiler, City of Richland
Roger McCary, Professional Ag Services
Scott Peters, Columbia REA
Todd Smuel, Pacific Northwest National Lab
Tom Osborn, BPA Walla Walla
Vic Hubbard, Franklin PUD