



## Energy Efficiency Post-2011 Phase 2

### Workgroup 4 Meeting 1

July 20, 2010

1:00pm – 4:00pm

Bonneville Power Administration Rates Hearing Room  
911 NE 11th Avenue  
Portland, OR

#### Meeting Overview

*WG4 Goal: Provide a recommendation to BPA of what the two products (Standard vs. Pay for Performance (PFP) Agreements) will look like in post-2011. Determine the distinctions between the two, and the framework to distinguish between them. In addition, it was suggested that the group determine if there are elements of nonstandard agreements that can be incorporated into the standard product.*

- Reviewed current differences between standard/nonstandard agreements with a discussion/Q&A with SCL on their particular agreement
  - Variations mainly in reporting, reimbursement amt, and preapproval for custom projects
  - Discussion included: ability to use own calculators, clarifications around cost effectiveness screening, level of technical services available, challenges with reporting
- Reviewed and gathered comments on issues list, top items of discussion included:
  - Range of technical assistance available and distinguishing between consulting with BPA engineers on a project and having formal review/approval by BPA engineers
  - Combined questions around making changes more routine, standardizing/providing transparency, and incorporating 3<sup>rd</sup> party programs by suggesting the PFP framework could be a chapter in the Implementation Manual
  - Admin/Performance payments—how does this differ under PFP? Smaller utilities need this to help cover costs of programs, not currently available under nonstandard agreements
  - When to declare participation and ability to switch? Want to stay flexible but it was suggested there should be a minimum amount of time to avoid additional costs and system challenges
  - Challenge of determining the factors that affect the different costs to a utility/Bonneville with the standard vs PFP to clarify the reimbursement calculations
  - Insure we don't preclude pooling with whatever we come up with

#### Decision/Action Items

- Before next meeting, combine and categorize issues list
- Review draft generic PFP agreement

- Expand on putting PFP chapter in Implementation Manual—straw proposal?
- Critical to have from current nonstandards what they currently have that needs to carry forward into PFP

## Meeting Notes<sup>1</sup>

### *Facilitators:*

Melissa Podeszwa (BPA)  
Larry Blaufus (Clark PUD)

### *BPA Participants:*

Josh Warner (BPA)  
Matt Tidwell (BPA)  
Rasa Keanini (BPA)  
Abigail Howard (BPA)

- 1) Review of agenda
- 2) Workgroup goals
- 3) LB: are there some things in the non-standard that could be moved into more standard agreements so they don't have to be contracted for?
- 4) JW: we want a recommendation to BPA of what the two products will look like, what the distinctions will be at the end of the day; how to set up the framework to distinguish between the two
- 5) Meeting logistics:
  - a) Meeting date of August 3<sup>rd</sup> may be moved to August 5<sup>th</sup> in the afternoon at 1pm. [Note: Meeting has been scheduled for Monday, August 2<sup>nd</sup> from 1pm to 4pm]
  - b) There is an email address for the workgroup: [workgroupfour@bpa.gov](mailto:workgroupfour@bpa.gov). Comments will be aggregated to be sent out for review by participants.
  - c) There's an EE Central meeting on the 5<sup>th</sup>, so there's a conflict on the 5<sup>th</sup>.
  - d) Larry has a conflict with a NEEA portfolio meeting. Meeting date for the first week of August is still in flux. [Note: Meeting has been scheduled for Monday, August 2<sup>nd</sup> from 1pm to 4pm]
- 6) Word Review:
  - a) MP: some of the words that came to mind for customers when asked what they thought of non-standards: risk, flexibility, special, custom, clandestine, uneven, empowering
  - b) There is some variation and differences in perspectives regarding non-standards
  - c) All these words fit today's agreements.
- 7) Review of Issues list
  - a) LB: we want to know whether we should talk about each one; should we categorize them; should we just work our way down
  - b) BPA could categorize them and then the group could address the categories
  - c) Just how many have non-standards and who are they?

---

<sup>1</sup> \*\*Due to privacy concerns, only BPA staff and workgroup co-chairs are listed in these meeting notes.

- i) MP: five utilities, EWEB, Snohomish, Springfield, SCL, Tacoma
- d) There are several that might fit well together in a category
  - i) MP: the first question is a background question, any others as background?
  - ii) LB: we could start at the top and work our way down; hard to categorize whenever we're not all in the same room
- 8) First question
  - a) Background provided
  - b) Two key pieces, with the benefits there are fewer touch points and utilities are able to manage customer projects more efficiently; one of the drawbacks is the reimbursement levels as compared to the standard reimbursement, appears to be less than under the standard agreement; another drawback of the non-standard is the amount of work that is required eliminates some of the smaller utilities from being able to take advantage of them.
  - c) SCL has a non-standard, and have had one in place for about 10 years. We are participating in the CAA and CRC. Annual budget is about 2.5 budget for CRC, and the ECA budget is 5 million, but we don't rely on BPA funding to underwrite our programs or to fully support our programs. Currently operating under amendment number six of the agreement in order to participate under the smart industrial and smart grocer. 2010 adopted budget was around 40million dollars and the goal was just over 10aMW.
    - i) Three areas where non-standards differ from standards
      - (1) No pre-approval for custom projects
        - (a) We do between 400 and 600 projects/year and BPA would need one BPA staffer to keep up with their efforts
        - (b) They take the risk of a project not being reportable to BPA; they had one project that was unreportable
        - (c) Some of their projects don't get through the cost-effectiveness screen
      - (2) The reimbursement rate is different and less
        - (a) 18 cents/kwh or things like CFLs are a fixed amount; this amount includes admin; they don't receive any admin support from BPA
        - (b) If you flip through the PTR, you can see the measures that are the same, but for less reimbursement [correction: only SCL can view]
      - (3) The reporting might be different
        - (a) It's a painful effort to determine the savings and reimbursement for each and every project, 40-60 hours is required to take raw data to get into a form to get it uploaded
    - ii) In sum, it provides some flexibility, etc. A non-standard requires both parties to stay on top of the agreement details. It takes time and energy to negotiate and administer, about 10-15% of his time is required for this.
      - (1) Have to keep a list of reference numbers up to date, always have to reference implementation manual to see if there are new measures
    - iii) LB: so what's the logic behind getting paid less for doing more; what's the logic behind the agreement?
  - d) Occasionally during negotiations BPA locks down and doesn't budge and this is what happened for us, which explains the different rate
  - e) Are there some non-deemed measures, or are they all deemed measures

- f) We do the standard non-deemed measures on the residential side; the savings have been coming from CFLs and custom projects that they do with commercial accounts. They use their own lighting calculators.
- g) When you say you use your own calculators, has BPA signed off on those?
  - (1) Yes, I believe so.
- h) LB: can you talk more about the aspect of being able to approve your own projects
  - i) They don't seek pre-approval from BPA, it's not involved at all
  - ii) LB: so it's not until after the fact and BPA will then look at it?
  - iii) Correct
  - iv) JW: there's a mutual understanding between SCL and BPA that SCL is going to go through a certain process before approving a project, with the risk that a project may not meet the criteria and cost-effectiveness criteria of BPA.
  - v) Correct, we lose about 5% of savings because they get screened out by BPA. SCL's cost-effectiveness is different than BPAs
  - vi) LB: how do you calculate on cost-effectiveness?
  - vii) Each project has to be a 1.0 or better; one of the dilemmas is that we don't have good incremental cost information. We had one large project a few years ago and all they had for costs was the total costs of the entire building; didn't have the break-out, so they couldn't report, but it was a couple million kwh.
  - viii) LB: with I-937, we might all be better off with that philosophy
  - ix) Each lighting project has to reach a ratio of 1, but not your whole program?
  - x) That's correct
  - xi) It seems that one of the issues is that non-standards have different requirements than the standards
  - xii) We can now put in custom projects and lighting projects that have a C/E ratio less than one; we look at bundled projects to make sure they all together are above 1.0. measure level, project level, sector level (three checks).
    - (1) I do have the opportunity to remove measures in order for a project to get above 1.0
    - (2) LB: what about new construction, are there any benefits under non-standards
    - (3) Incremental costs are hard to come by
    - (4) JW: is it fair to say that the non-standards deal with custom projects, is that the case for SCL? Does your non-standard make deemed any different?
    - (5) No, everything is the same, save for the reduced reimbursement. Payment rate on deemed is different, but that's about all.
    - (6) MP: only SCL can see the reference numbers in the PTR
    - (7) JW: the mystery behind the non-standards makes it important to have the PFP be more standardized and less "clandestine"
    - (8) It would be beneficial to have the non-standards look as similar as possible, just from an understanding perspective; I don't know if our agreement is a good deal or not
    - (9) I would hope that we keep in mind that the non-standard will be a thing of the past and the PFP will be something different; don't want to see us

- prevent BPA and a utility from entering a deal that would prevent both sides benefiting from the agreement
- 9) we have a concern that if we have a very large project....
    - a) Completely reasonable request. We may not do a project under I-937 if the state auditor won't approve it.
    - b) LB: you shouldn't have to get everything approved; that's our number one customer complaint is how long approval takes
    - c) MP: this is also a workload benefit for BPA, having the utility take on the risk and the review process internally; BPA engineers could be "consulted" on a project but not provide the full review, saving workload for our staff.
    - d) JW: today there's either A or B, but what LB mentioned earlier is that, could there be a third track? Maybe there is. But when you make that option available, it's difficult for BPA to plan budgeting for technicians with this third avenue.
    - e) So all utilities pay into infrastructure, which includes engineering services, so what do you see engineering services providing?
    - f) JW: a really good point; we don't have staff that is 100% dedicated to reviewing custom projects. There are lots of things that go into the 18 cents/kwh for SCL's agreement. It is not BPA's intent that if a utility has a PFP that it would have NO access to BPA's technical staff. We need to talk in this workgroup, how to get there. We can't just say that a PFP agreement is 2 cents/kwh less than a standard agreement.
  - 10) Are the reimbursement levels adjusted based on load, off-peak vs on-peak?
  - 11) JW: today the answer is no, we don't currently pay more for a kwh on peak vs non-peak.
  - 12) Utilities are moving more into a summer peaking scenario; a measure that saves a kwh during the middle of the night should not be reimbursed the same as one saved during an august summer day.
  - 13) JW: might be critical going forward to think about the things that you most value about your agreement to make sure we pull that forward for the PFP.
  - 14) Not requiring pre-approval is at the top of the list
  - 15) Comparison of Non-standard and Standard Agreements (MP: review of table comparison handout)
    - a) LB: going through this, question for X about ESI
    - b) Cascade Engineering works for BPA, SCL doesn't have an agreement with them like they do for PECCI; we're still trying to figure out how to do work under the ESI; we haven't seen a project come to fruition under ESI.
    - c) LB: does Tacoma have anything to add given their new contract?
    - d) MP: all the utilities are able to access the services of Cascade
    - e) LB: we noticed an improvement with custom programs through ESI
    - f) MP: it speaks to how important it is we understand how 3<sup>rd</sup> party programs can be integrated going forward
    - g) If a utility in Washington uses PECCI or Cascade, which is funded by BPA, it's unclear whether the utility could get credit under I-937.
    - h) JW: This question is related to right now and we need to pay attention to that now and we should talk about this offline now because many utilities are affected and

BPA wants to make sure the utilities get credit for the savings regardless of who pays for it.

- i) Are we going to look at draft generic pay for performance?
- j) MP: want to work through the issues list first.

Break

- 1) Issues List discussion continuation
- 2) Second bullet [of Issues List]
  - a) Technical assistance/structure
  - b) Might be better to come up with the answers and then put in categories, since we don't know what the categories are
  - c) MP: currently, technical service is generally not available to non-standards
  - d) In order to make PFP more widely available, some form of technical assistance should be available, but this is hard because part of the benefit for BPA is being able to free up those resources.
  - e) A couple years ago, maybe under the industrial arena, utilities could get something like 10 cents/kwh and get assistance for 15 cent/kwh without getting assistance
  - f) JW: not an expert on that, one of the biggest issues is that engineers can't say no; e.g. take 12 cents vs 15 cents, there were occasions when a 15 cent customer would call an engineer and the engineer couldn't say no when the project would bring in savings
  - g) LB: it made it easier when the engineers lived in your service territories (Clark had two)
  - h) There's a real benefit in having the engineer staff available to utilities
    - i) The engineers were available to Cowlitz PUD, now we have our own engineer so we rely on BPA engineers less
    - ii) Trying to distinguish between when you use BPA engineers to go through the BPA approval process vs. using them for general assistance
    - iii) MP: it's tough to look at these questions and keep in mind that we need to think about going forward not really about the past; we should try to think about if we could have a range of technical assistance, how much could be made available? We don't want to get caught up too much in history.
    - iv) You could look at it on a retainer basis with assistance based on conservation budgets. I don't want to discourage a utility from calling for help for fear of paying more and same goes for engineers.
    - v) JW: we talked about this a lot during Phase 1; we can't have BPA as a consulting firm, many legal obstacles with such a framework, e.g. competing against the private sector. We would have to see a lot of value out of it to start treating individual utilities differently; we probably don't want to go down the retainer avenue with having to keep track of time helping customers.
- 3) Third bullet
  - a) "How can making changes be more routine"
  - b) JW: for the sake of discussion, one idea is linking this more closely to the implementation manual, having a chapter that deals with PFP agreements, so that the implementation chapter is updated, much like the manual is updated today.

This makes it more uniform so you don't have to do individual negotiations; it makes it more transparent.

- c) LB: I like the idea, we should look at it. When you look at the five agreements, how different are they really? Maybe they could be combined. We looked at our special contracts and realized we go through all this trouble and the contracts were very similar.
  - d) JW: at a high level, the non-standards are similar, but each one at the detail level is unique.
  - e) MP: SCL's agreement has been in place for 10 years, but since then the standardization of them is something BPA has tried to do recently. E.g. standardizing PTR reference numbers. There is uniqueness in why utilities originally approached BPA about wanting a non-standard.
  - f) We noticed that there always seems to be a learning curve, i.e. something that was an issue a couple of years ago for one utility pops up again in the present for another utility and the whole issue is gone over again. Putting it in the manual would probably help with this.
- 4) Fourth bullet
- a) MP: maybe this question fits with the previous one
  - b) We've noticed that some national chains fish for a premium, and you don't want them playing that game.
    - i) extra work has been created for utilities when they try to play the game of getting a premium
- 5) Fifth bullet
- a) "how can third party programs be easily incorporated into the PFP mechanism"
  - b) MP: you have local needs to get large amounts of work get done, but you also have an interest in having a consistency with regional programs.
  - c) My answer today varies from what it would have been two years ago; if you don't have the ability to customize the regional program on the local basis, it just won't work. Any program across the NW needs to be able to provide customization.
  - d) RK: what type of customization are you talking about?
  - e) A couple of things: basic marketing has to be done. Incentives is an interesting one, the reality is that the market price varies tremendously, so it would be nice to have incentives fluctuate, but I realize that's loaded and probably not feasible; measures is also important because utilities have expertise in different areas, e.g. SCL does really well in one area so it's important to bring certain measures to bear given this.
  - f) JW: what's intended by this question is how it actually makes it easier to make the changes to a PFP contract when we implement a new program. The idea of a chapter helps this. The question may roll up into the bullet above.
- 6) Sixth bullet
- a) M&V protocols
  - b) LB: on M&V protocols, there should be a minimum. Isn't there a national standard for these protocols?
  - c) JW: we don't need to dwell on this too much in this group as there are lots of other groups that are looking at this. We want a minimum standard, either a national standard or a protocol developed by the RTF. This question was put in

there to talk about it, but my hope is that it will take care of itself. We all know there will be a minimum, but we don't want to have specific requirements in the contracts.

- d) MP: one utility wanted clear and specific M&V; if a utility wants to do more, it should be able to do more. Take a look at Exhibit C of the generic draft agreement.
  - e) Being in the middle of this right now, laying out a minimum of M&V requirements generic to every PFP is probably a good idea, with the idea that if you want less risk you can amend it with more specific protocols that a utility provides for less risk.
- 7) Seventh bullet
- a) Does anyone feel that a PFP would dampen incentive to pursue a diverse set of measures. (various Nos)
  - b) MP: opportunity to have a flexible agreement has not dampened incentives to pursue a diverse set of measures
  - c) RK: what about new technologies, cause they are different from "diverse set of measures"
  - d) We need to remember that with the tier two world, nobody is going to be dampening need to go get conservation. Going back to the M&V issue, utilities aren't going to want to have savings just on paper.
- 8) Eighth bullet
- a) BPA administration and performance payments
  - b) JW: this question is getting at some utilities not getting admin costs whereas other smaller utilities do get the admin costs up to 20%.
  - c) Small utilities are only going to be able to pay for programs by being able to receive admin payments.
  - d) JW: the question is "how" would the payments look different between the two mechanisms, e.g., would we just not have one for PFPs, or would they be identical
  - e) This will also be discussed in the SRR group
  - f) JW: we need to be clear about which pieces of the different questions are being addressed by the different workgroups
  - g) LB: we all get audited on the admin part
- 9) Ninth bullet
- a) When does a utility need to declare
  - b) MP: the choice to participate in one or the other, it's important to think about if in Oct you decide to go with PFP, but then nine months into it you decide you don't want the PFP, need to be mindful on making the switch. ML mentioned the number of different amendments that were made and having to keep track of the programs that went into effect under certain amendments.
  - c) MP: how flexible might this want to be?
  - d) It's flexible now, so I don't know why going forward it wouldn't be. It seems like a utility has certain projects under a PFP and then decides at any point to switch over, some of those projects may still be in progress under the PFP, so they'll still have to be treated under the PFP. My sense is that if the reimbursement levels are still the same, then it doesn't matter in terms of what you're getting or not getting.

Hopefully with the new EE Central, managing the various projects will be a lot easier than managing through the PTR.

- e) JW: it is flexible today and we don't have the intention to change this. But we do need to make sure there are processes in place for a custom project vs. standard project because there are consequences to BPA and utilities of having too much flexibility of being able to move in and out of these mechanisms, but we don't know what these are going to look like, but we need to be aware of the costs and systems that are needed in order to allow for that flexibility.
  - f) I would suggest that if a utility opts it, it has to be out for awhile, it shouldn't be able to go back and forth.
  - g) RK: from the EE central tracking standpoint, I can envision the difficulties of keeping track.
  - h) What about doing this on a project basis? Can this even be considered?
  - i) JW: I don't want to say no, but one implementation mechanism is going to work for one utility and the other implementation will work for another, so there's probably going to be more black and white than a grey area for customers. For a lot of customers, it will be clear that the standard works for them and there will be others that think the PFP works better for them and then a few in the middle.
- 10) Tenth bullet
- a) "will BPA adjust its reimbursement calcs"
  - b) JW: to try and clarify this question, this goes to how do we determine the difference between a standard and PFP and not on a measure by measure basis.
  - c) LB: there should be a difference, but getting to that number would be difficult.
  - d) I need to look at the technical side. Does a utility that goes to a standard, are they at a disadvantage to get their dollars back vs a utility under a PFP. Need to make a conscious decision about inequities.
    - i) Without the technical analysis, it's hard to determine the 'way it should be'
    - ii) JW: what are the factors that are different between these two mechanisms, e.g. what are the different costs to the utility and to Bonneville.
- 11) Eleventh bullet
- a) "how often can utilities report for reimbursement"
  - b) JW: monthly, don't really need to go further with this
- 12) Twelfth bullet
- a) "flat reimbursement rate per kwh"
  - b) Should investigate load shapes. We should get away from flat.
  - c) JW: RTF is looking at this. It's very complicated. Some day we'll probably go there.
  - d) The RTF does figure all this in. the question is, is BPA going to change its willingness to pay accordingly.
  - e) The question is should BPA change its reimbursement according to the data that is there.
- 13) 13<sup>th</sup> bullet
- a) Can you define utility pooling
  - b) JW: whatever we decide on these mechanisms, we don't want to preclude "pooling."

- 14) MP: we can see which issues fall out and then prioritize the issues. Would encourage people to make comments to the email address regarding the issues by next Monday and then we'll aggregate them and get them back to the group to keep the discussion moving forward before the next meeting.
- a) We want to come out with something that will provide recommendations, so bringing these issues together and categorizing them would help us provide recommendations. This speaks to the workgroup plan.
  - b) We might need to think about which issues could be broken out into a subgroup.
  - c) Larry wants feedback on the best way to move through these issues.
  - d) JW: it's critically important for this process to be successful to have as much input from customers as possible. The programs we develop out of this will be only as good as the input we get. What are the key drivers for customers? This is an important time to improve our programs.
- 15) We're getting a lot of echo (on the phone line). Would be nice to address this (before next call).