



Energy Efficiency Post-2011 Phase 2

Workgroup 5 Meeting 2

August 5, 2010
9:00am to 12:00pm
Conference Call Only

Overview

In executive-level detail, the meeting accomplished the following:

- The prior meeting's summary document was pointed out, feedback on any errors or omissions were called for, and no errors were noted.
- The workgroup was provided a presentation on BPA's "Willingness to Pay."
- The remaining questions on Regional Programs (Issue 1.c. – 1.f. on the issues list dated 7/30/10) were discussed.
- Details regarding the next meeting were confirmed.

Decisions

A more detailed summary of the key input and decisions reached are listed below:

- Regional program collaborative identification options were noted (1.c.):
 - Utility-specific pilot programs (utility initiated)
 - Solicitations of some kind (BPA directed using E3T approach as a model)
 - Look to other in-region program offerings (IOUs, ETO, etc)
 - Look to what works well in other regions of the US and Canada
 - Coordinate with NEEA, CEE, and others with upstream buy-downs or other market transformation efforts
 - Consider a BPA-commissioned "Best Practices" study on regional programs based on lessons learned from other utilities, E-Source, ACEEE, etc
- Ideas to balance acquisition costs and 'deeper' (more expensive) savings (1.d.):
 - Leverage greater savings through packaging end-user's favorite measures with ones that will generate 'deeper' savings
 - Send a price signal through this kind of packaging (done together the measures earn a greater incentive than they would if all were done separately)
 - The dilemma of this kind of balancing was noted – Incentives tend to be the real driver in program costs, but they're also the real driver in activity (and savings)
 - To ensure all program delivery costs are accounted for, include utility-specific costs (in addition to BPA's cost) in regional program analysis and decisions
 - The RTF, BPA and others could collaborate to obtain better measure cost data (equipment, labor, etc) and adjust incentives accordingly
 - Utilities already have flexibility in setting their own incentives on deemed measures. Many may not know that so remind them of what they have now and keep that same kind of flexibility in the future
- Ideas for obtaining effective corporate-focused program savings (1.e.):

- Restated the idea of creating a database of key corporate facilities/energy contacts that was raised in the first meeting for BPA/utilities to use
- Some utilities already have good contacts and working relationships with some of those corporations (that needs to be factored in too)
- Create corporate-focused case studies (coordinate with NEEA and others)
- Need to be flexible to corporate priorities (specific measures, incentives, etc)
- Should collaborate with professional organizations (e.g., Washington Association of Maintenance and Operations Administrators) and trade associations (e.g., National Grocers Assn) too
- Could establish prizes for the best corporate energy management plans and/or performance
- Tie services/incentives provided to corporations with high level commitments to energy efficiency
- Could establish regional technical resources and/or process facilitators for each major corporation (or other organization)
- Or, could encourage each corporation to create a position (like an REM) to be their own technical resource/process facilitator
- Work through E3T, NEEA, and others to impact corporate-level policies and product specifications.
- It was noted that Energy Smart Grocer got about 75% of their total savings from two staff devoted to corporate-level program participation.
- Bottom line: Make it easy for them
- How to develop clear performance metrics for both regional and local programs (1.f.):
 - Need consistency in the analyses so that utility-run and third-party run programs are compared appropriately (with respect to program oversight, etc)
 - Have heard that local utilities have been held responsible for the poor performance of third party projects in their area that they weren't even involved with. That seems unfair and should not be handled that way in the future.
 - It was reiterated that BPA wants to hear how our utility customers want to be involved. Key responses included:
 - “Everyone” needs to be aware that the discussion is going on prior to any decision. Need pre-decisional forums for initial ideas/input.
 - Involve EERs (they are a critical BPA-Utility communication conduit)
 - Need more timely postings of USB meeting minutes in order for that information to be of much value to others
 - We can't really count on the USB members to act as a true “representative” for their sister utilities
 - Share initial concepts (such as new program ideas) broadly for the widest input. Then ask “who wants to be informed” and narrow subsequent information sharing to those that are actively interested (as the concept develops into a more detailed proposal)
 - Utilize Brown Bag calls
 - Create more focused issue groups (by sector, technology, etc)
 - Post concepts, decisions, and other info on BPA's website (consider e-mail notices for new postings)

- Consider using SurveyMonkey or other on-line questionnaires to get feedback from utility customers
- Don't create new communication channels; just get more effective at using what we have (USB, EERs, Brown Bags, website, and more)
- Set "best practices" for communication (information sharing and feedback)
- How can BPA's program decision-making process be more transparent (1.f.i.):
 - Be more clear about administrative time (costs) for each program
 - Include utility partner time required for their collaboration
 - Solicit and track utility-specific admin expenses on specific programs (regional and otherwise)

Action Items

The following task was noted as a future "To Do" item for this workgroup:

- Confirm how utility savings reports are handled when third-party projects "fail" an oversight review [or whatever we call that process]
- Provide work group with information on how measure costs are determined for deemed measure purposes. Do those costs reflect variations across the region?

Meeting Notes¹

Facilitators:

Curt Nichols (BPA)

Wade Carey (Central Lincoln PUD)

BPA Participants:

Josh Warner

Matt Tidwell

Danielle Gidding

Brent Barclay

1. CN: Previous meeting recap. Introduction to this meeting.
2. DG: I was asked to put together a presentation on willingness to pay and the difference between cost-effectiveness.
3. DG: slide 2: The council sets all the cost-effectiveness for all of BPA. Council has built the Pro-Cost model; they officially run the model and give us the numbers. The definitions in the slides come from California Manual>>>.
4. Slide 2: note that the TRC has includes multiple tests; Council is indifferent to what the incentive level is going to be.
5. Slide 3: present value of the energy savings based on the avoided costs set by the Council and this is set to the load shape. Incentives are not included, but tax credits are included as a cost reduction. This is the Council methodology

¹ Due to privacy concerns, only BPA staff and workgroup co-chairs are listed in these meeting notes.

6. Slide 4: The TRC ratio is a little different for custom projects. A higher TRC does not necessarily mean we are going to pay more. Our WTP is based on a flat cents/kwh.
7. Slide 5: 4 metrics:
 - a. Cents/kwh: 20 cents/kwh plus incremental cost. We don't pay more than the cost of the measure.
 - b. Try to keep portfolio below \$2.2. million/aMW
 - c. LEqualized cost: less than \$62/MWh
8. Slide 5: planning works with programs at BPA to determine best WTP.
 - a. Sandra H: all of this is based on measures as opposed to "programs"?
 - b. DG: we also often get measures in a bundle. E.g. kitchen bundle. For groupings like kitchen we roll them up to the bundle level to what makes sense. We can balance up to a certain level. We'll get a whole ProCost runs for a set of measures and can roll it up from an individual measure level.
9. Slide 6: we try to get a total impact assessment on the whole portfolio. This is a pretty simple template to show how all the metrics are satisfied.
10. Slide 7: with the individual measures, we roll it up to the program and sector levels. If commercial comes and wants 25 cents/kwh for some measure, we have to assess how this would affect the entire portfolio.
11. Slide 8: questions.
12. There are a couple of different ways to explain this (the metrics). Can you give example of measures you pay \$62/MWh?
13. DG: we very rarely get up to \$62. This is only for limited savings and high incremental cost. Usually the cost doesn't go about 30 or 40.
14. JW: This is only one of the four criteria, not just looking at it in one way.
15. DG: the \$60 measures are also usually a shorter life.
16. Steve W: I've been pushing for changing these things. How open is BPA to making changes. In particular, I'm concerned about 20 cents/kwh flat. BPA has problems with peaking, transmission problems. Should be paying more based on when the savings are coming. Should be willing to pay for savings during the summer more than off-peak periods. Might not change the overall cost, but would give utilities a price signal to get the savings where the system really needs it.
17. JW: sure, we're open, especially when we face more capacity problems. This probably doesn't need to be changed through the Phase 2 process. It's very technical. In the TRC process, the demand component is assessed and affects whether or not it's determined to cost-effective.
18. DG: right now the TRC rolls a measure up to a signal number and it's difficult to parse out the benefit from the energy. We would need to update the load shapes as well.
19. Whether a measure is C/E is one test. TRC test does include all sort of stuff, e.g. capacity value, losses, etc. Let's say a measure makes it through the screen, then the question is what are you willing to pay. It passes the TRC and then goes to BPA. This is the price signal being given to customers. Customers would do measures that you'd be willing to pay more for.

20. JW: in the past, capacity hasn't been an issue, but it is increasingly becoming one. With tiered rates and a demand charge...
21. You already do it for how much customers pay for the energy, you should do it also for the measures. This process could come up with a recommendation to have a process to solve the issue. It shouldn't be left out. The Council is talking about summer peak issues right now. And transmission is also being built.
22. Wouldn't have to build so much transmission. We should make it clear to BPA from this workgroup that we would like to address this issue. This is a crazy policy.
23. We could work together with BPA and come up with a table and see how much difference it would make. If you looked at a few different load shapes...then BPA could make a decision whether or not it would be worth it to address. A number of other factors comes up: paying the same amount for the life of the measure, e.g. seven years vs. twenty years receive same flat rate. The suggestion might be: looking at table that takes 3 or 4 generic load shapes and 3 or 4 life categories and see the difference. Rather than paying same flat rate on compressed air vs. cfl, might want...
24. I'm nervous about the whole complexity of this. I look at it from an economic background. We've narrowed this down to a technical issue, but WTP is somebody putting a value on something. We could go through and decide why particular values have more value to the region, utility, etc. There are all these different metrics; it's a bigger policy question than this workgroup could handle. You could go thorough and say BPA should pay more for this particular measure, but thinking about SRR utilities, maybe BPA should pay more for kwhs in those communities because there's a certain element of equity, but this isn't something we can solve in this workgroup. We need much greater discussion.
25. What I heard from you and Mary, adding another layer: what's the cap that BPA is going to allocate among the utilities. If it's 20 or 25 cents per measure, the money is allocated to the utilities and we burn through the money pretty quickly, so maybe this is a bigger issue for utilities that don't spend all the BPA money allocated to them.
26. CN: it seems like our issues are based on regional and infrastrure relationships. There is another group working on incentive levels. Under our revised issues list, this issue is there, so we'll have the chance to discuss when we get to 2.D.
27. CN: 1.c.
28. I appreciate BPA's willingness to collaborate on this. If you look across the NW, there are lots of ideas out there, e.g. packaging together programs. I think there are a lot of things that need to be home-grown here. There ought to be some sort of forum where BPA can purposively try to put these ideas on the table and try to prioritize those ideas with the utilities. Probably more ideas than capacity. If we could get the ideas on the table, there would be a good opportunity to collaborate.
29. CN: to summarize: 1) looking at what works in other areas of the country; 2) specific pilot programs at the utility level; 3) the solicitation of some kind, a process of some kind. Are there other ways?
30. Are we talking about how to identify the programs or how those programs ultimately come to fruition.

31. Some of the IOUs have a commercial program where they pay a certain amount for rooftop measures, but I can't find this, so we could also look at IOUs programs.
32. This is a good variation on "what are the other utilities in NW doing." Another variation, BPA has commissioned a best practices as some point...what is going on at ACEEE, E-Source. There are other groups out there and BPA could get this information and bring it to the table.
33. CN: we're trying to make sure utilities aren't left in the dark and how BPA can be attuned to good ideas. Are we missing some other ways to identify programs?
34. Looking at emerging technologies throughout the region.
35. Mary: another way is to coordinate with technologies review group to come up with what might be a good program.
36. CN: that gives us 5 different approaches.
37. CN: 1.d.
38. CN: we'll bundle things everyone wants with some things people don't want, so the interest in one technology is leveraged to get them to do something that has deeper and longer term benefit but doesn't have as much market acceptance.
39. This question has a number of dimensions. The incentive levels have to be appropriate to make sure there is motivation, but delivery methods and how much staff time and contractors...the biggest driver is always the incentives, but this question is hard to answer. It seems like there is some acceptance for the notion that a regional program might be more cost-effective, but I'm not really sure that is true. This is not always the case, so how do we look at it on a case-by-case basis, e.g. the grocer program, but this would be hard. BPA is in the same position, accelerate and maximize the savings, but do so with a wide range of interest on the program design. The collaborative approach would help build in some of the flexibility to build in sub-regional needs. The notion of having this discussion up front on each program idea would build a better effort regionally that works to keep the costs low. This question is difficult to directly answer with a specific suggestion. Depends on if we're talking about CFLs, a grocer program, etc.
40. Are we just focusing on regional programs or is this a broader view.
41. We might want to have a discussion of a "regional program." How we design the regional program.
42. CN: review of last meeting's discussion on the group's definition of a regional program. We've identified collectively that we want input on program design, and we want stuff that is customizable and have the option of buying in or not.
43. Maybe one thing that would help make cost more manageable would be having good data about what the costs are. E.g., at what point in the program do you modify the incentive levels because the cost of the measure are coming down or because it's becoming more available. Getting back to the WTP discussion, one of the ways to think about this is: BPA's WTP....
44. CN: the price BPA puts out is often different than what the utilities provide, e.g. 100 from BPA, but 120 from the utility, or in other cases utilities offer it at only 95. This is the flexibility.
45. What about the deeper aspect of this question, not just the low cost element.

46. Brent B: the model is essentially, for deemed measures, BPA's WTP is at the wholesale level and the utility determines the end-user incentive. Utility can put together measures in a bundling fashion today.
47. BB: another level of complexity is added, as opposed to just passing on BPA's wholesale incentives.
48. CN: we can leave this issue for the moment.
49. CN: 1.e.
50. We need to do something on this issue. I think there needs to be some collaborative discussion with utilities that are already working on this issue. Putting together case studies is an idea of something BPA could do to work with utilities. BPA could help facilitate the case studies.
51. Could this be more effectively at the NEEA level to have them spearhead this.
52. A good point.
53. Consider a collaborative effort; it would be good to work with other organizations rather than duplicating efforts.
54. I was thinking of collaborating with the chains and franchises as well and how we set the incentives may not be in line with their interests. We might have to create bundle of measures that are unique to a specific chain.
55. CN: another way of looking at collaboration is being a participant in groups like the National Grocers Association. Maybe it's even above the level of each corporation.
56. A challenge put together for the corporation that comes up with the most innovative plan for installing measures.
57. BB: BPA would end up regionalizing the costs. There's a really wide continuum of complexity of what we bring to bear on that market, from gathering best practices to have one offer that all utilities participate in; corporate entities are saying they don't want to go to 12 different utilities, so we have to be realistic about what we're willing to take on.
58. We have to think through what makes it easiest for them to participate, e.g. maybe the standard offer, but in return we would need some level of commitment, e.g. a certain number of stores.
59. BB: I was thinking of commitment on the utility side, the more opt-outs there are, the more the program breaks down.
60. We had an experience with the grocer program: there was a liaison for Safeway who coordinated everything within our regional offering. The utility still needs to have the ability to opt-in or out of a program.
61. CN: having somebody bridge the differences in a program would help.
62. We made the decision to opt-in to the program and Safeway was one of the corporate level participants; that liaison person coordinated with the safeways in the different areas. We're weren't involved in the discussion directly with the corporate level or the specific stores.
63. For us, it was different: we had been working with them and then a 3rd party came in and offered something different, so people were picking and choosing.
64. We agree with that.
65. We need the flexibility, but also keeps in mind these different dynamics.

66. CN: could we deputize the collaborator who has worked for the utility and has a good relationship with a certain company to work on behalf of the regional program.
67. By working at the corporate level, I'm talking about getting a certain commitment from the corporate entity.
68. WC: what if the liaison was not there to pitch offers, but to offer more technical assistance. It would take the burden off the corporate entity to work with each of the utilities.
69. They are going to have to work with all the utilities anyway to get the funding. But often when we go into a store is not dictated by what is the best optimized measured based on what we're going to give them, but rather based more on their corporate policy, so there is something about adoption something at the policy level.
70. WC: thinking of a really high level corporate account person.
71. Maybe we could learn from the RCN concept; maybe the person would be a corporate entity. Using the expertise of the people in the region rather than BPA designing without having people involved in the up-front design.
72. BB: developing some sort of infrastructure that all the corporate entities could access.
73. The question on the table is what is the role of BPA and what is the role of the utilities. There has to be some process that BPA could outline the parameters.
74. JW: what works most successfully for customers. There are times when we think we're fully engaged with customers, then we roll something out, and then hear that we weren't engaged enough. We can come up with ideas, and we do, but it's important to have customers propose those ideas and there's more buy-in.
75. Energy Smart Grocer had a person: there were two individuals coordinating and this led to 75% of the savings!
76. CN: this is what we want to take advantage of.
77. BB: this a hybrid. Combining two concepts into one mechanism.
78. Regarding the use of 3rd parties: the relationship with the customer. We want the customer to come back to us when they have more energy efficiency questions rather than going back to the 3rd party. So I would caution us to look at the impact of the utility/end-user relationship.
79. We hold in very high regard our relationship with our customer and we've gone reluctantly into these 3rd party program because of a fear about the impact on our relationships.
80. How do we keep lower costs...it appears that a 3rd party can bring lower costs, but we need to talk about the parameters of the 3rd parties we work with.
81. JW: we have such a diversity of customers. Some have the technical ability to help and others don't.
82. We want to be sensitive to in the model as we push for cost efficiencies we want to make sure the value of the relationship is not lost or diminished.
83. JW: you're saying the lowest cost dollarwise isn't always the most important?
84. It doesn't always make it more expensive.
85. JW: from a regional perspective, it makes more sense to say this is going to be the program rather than each individual utility has options A, B, or C.

86. I don't think we've seen the data to support that. We want to make sure we have some input into the design of a regional program.
87. There have been programs that provide us the flexibility to determine how we work with our customers.
88. CN: some love the turnkey approach while others like the flexibility.

Break

1. CN: 1.f.
2. Different oversights between the utility and 3rd party oversight....
3. JW: please clarify your concern. Is this an existing problem?
4. Yes, but I can't give specific examples right now. We don't want a different level of standards between utilities and 3rd parties.
5. We just had our COTR looking at jobs and it seemed like we're held responsible for what PEI did under direct acquisition. If the contract is with BPA and then the utility has to take the COTR out to a site we've never been to, that can be difficult.
6. JW: 1.f.i. it's imperative that customers and other stakeholders come up with what works best for them on providing input. Where the fine line is between involving enough people and having an efficient/effective process.
7. Sometimes not everyone is aware that BPA is considering a new program offering or a 3rd party approach to an existing program until after it's already concluded and there are some of us that would have liked to be involved. Put out through the EERs to the utilities notifications about getting involved. Some of the 3rd party programs we've opted out because we felt they weren't good for us and we didn't have input into the design. One example: some of the early CFL programs that we tried and it didn't work, so it took us a long time to get back into reconsidering BPA's regional programs.
8. CN: we've set the baseline that we want the input from customers on program design.
9. How much value does BPA see from the USB? I ask because it could serve a number of functions. I appreciate the need of BPA to have a targeted group of experts on program design, but the reality is that it's hard to get some of that information out of the USB. The EER seems to be a critical factor to make sure we get that information.
10. JW: my perception is that we put a lot of stake into the USB. Some would argue that we put too much stake into the group sharing the information from the group. We have the group, but it isn't representative of all the voices. We are open to other ideas.
11. Maybe it's time to take a look at the charter of the USB.
12. BB: this has come up before at the USB. We understand the value of the USB in terms of two-way communication, but it is not the end-all-be-all.
13. JW: we do take summary notes and make them available on our website. Maybe we should send out a notice about the notes or for specific types of things maybe there's a more specific group.
14. As one utility that tried to participate in as many forums as possible, we appreciate those efforts, but part of those forums take place after the decisions

have already been made, e.g. program design. I was suggesting having that discussion and asking for input before the decisions are made. Have a broader audience for input would be helpful.

15. JW: what is the best way?
16. We have a number of channels, rather than creating another, maybe we could get more efficient at the ways we have. Again, the USB is one option. We could slice up the information and findings. If it's broadly sent out then it would be up to the utility to either contact their EER or their representative on the USB. We do have a number of mechanisms and maybe we could tweak those rather than coming up with another one.
17. JW: as you were speaking I went to the USB site and looked at the notes. We should minimize the number of places where BPA says a certain piece of information is or is not important to a certain utility. Maybe we could set up an email, a subscription so to speak to receive the USB meeting notes.
18. Maybe the email would include the key topics that were discussed (and the agenda).
19. The postings are not very timely. The latest one is from April. If there was some sort of notification or through the EERs to be able to view the information. I have not found the site to be valuable because it's so out of date.
20. JW: this is important to include in the recommendations.
21. I also agree that at some point it's up to the utility to be engaged.
22. JW: if we did bring issues to the USB in a timely matter and the minutes were posted in a timely matter, do you think this would mitigate the problem?
23. I think it would help a lot.
24. My perception is that it's a sounding board and there might be a slight inclination to make it a representative body.
25. Let's leave it as a sounding board and have a better way of getting out the information.
26. It's a sounding board, not a policy making board.
27. CN: maybe something like SurveyMonkey could be used to send out to folks to get input.
28. I like the idea, this would give BPA an indication of what's a priority to utilities.
29. From the transparency standpoint, there have been pilot programs that seek our input but then we never hear from them again.
30. Can the EERs be more effective? Maybe there needs to be some accountability worked in.
31. CN: we could come up with some information-sharing best practices.
32. We should inquire about whether utilities want to stay informed rather than just sending another email.
33. CN: what about the metrics to assess performance?
34. I've been thinking about the cost of administration. E.g. where is the cost for this Phase 2? It seems like sometimes we spend a lot of admin time on particular situations that drive the costs way up compared to the kwh saved and do we just mesh this with the rest to get a regional figure. E.g. Boyd has to travel to Eugene for a meeting. I don't know if we look at this on a conscientious basis.

35. Going back to keeping the costs down; there are costs associated with collaboration, so how do we balance that?
36. I'm wondering if we're actually capturing all of the costs. It should be a part of the metrics. I'm not just talking about BPA's cost, but all the costs and whether all the resource costs are included. Dishwashers: the admin is higher than I think we're calculating.
37. JW: I think this is a good point, but this is probably best directed at the Council, but I would guess that there's a piece of admin cost in the TRC calculation.
38. I know it's in the Council assumptions.
39. CN: we should try to consider whether or not a program we design has labor costs vs. high or low savings.
40. We don't provide a lot of information on local programs.
41. When you're making the program design and you don't consider how much time the utility has to put into, it could look really good on paper, but not much else.
42. JW: we can make certain assumptions about the labor, but we're pretty blind so this would be a beneficial component of input from stakeholders.
43. WC: take weatherization, one utility has a simple audit and another that has a very complicated audit, so it's difficult to determine the admin costs.
44. Another thought: it's great to have great minds to design a program, but the collaboration is important because we are the ones that have the boots on the ground.
45. CN: Meeting wrap-up.
46. Regarding cost-effectiveness and incremental cost; how is the incremental cost determined? Best information available? A medium throughout the region? In the SRR discussion, the cost may be different in one part of the region from another. This plays quite exponentially into how the incentives are set.
47. The cost of the TRC, developed by the Council, is specific to different weather zones, this just decides whether its cost-effective. But BPA determines the incentive, which is separate.
48. CN: moving to 2.0 of the Issues list for next time. Next meeting is the 19th. Conference call only. Can email the workgroup at workgroupfive@bpa.gov.