BONNEVILLE
POWER ADMINISTRATION

Energy Efficiency Post-2011
Phase 2

Workgroup 1 Meeting 4

Tuesday, August 31, 2010
9:00am to 12:00pm
Public Power Council

Overview

- BPA walked through the Common Pool discussion document they put together and distributed prior to the meeting
- Much discussion occurred among workgroup members on how funds should go into the common pool and how customers can access the common pool funds. A couple of themes emerged:
    - there should be a transition period to recognize there is much uncertainty right now due to increasing targets, new BPA structures (EEI and tiered rates), economic conditions, etc.;
    - simplicity is preferred over complexity, but realizing that there is a tradeoff between equity between customers and simplicity (i.e., the more simplistic, the less equitable the process may be);
    - there should be transparent and pre-established procedures so both BPA and customers know what to expect.
- Proposal for contribution of unspent EEI into Common Pool:
    - If a customer (individual utility or utility pool) knows it will not spend all of its EEI within a rate period, we will encourage the customer put those dollars into the common pool as soon as possible.
    - EERs will be able to monitor their customers' spending of EEI because reimbursements are submitted monthly.
    - EERs will check-in with their customers every 6 months to see how they are spending their EEI and see whether the utility would like additional assistance. We will look at utility conservation plans, direct acquisition programs, etc., to encourage conservation activity.
    - If a utility has not spent ___% (say, 60%) of its EEI budget by ____ months (say 18 months) into the rate period, then ___% (say 50%) of the remaining EEI will be put into the common pool. Exceptions: if the utility can show documentation that the money is planned to be spent by the end of the rate period (e.g., conservation plans or committed custom projects), the money will not be put into the common pool [we still need to come up with parameters for the documentation so it is known ahead of time by both BPA and the customers]
- Proposal for accessing money in the Common Pool:
    - Customers will have 1st come, 1st serve access to the Common Pool.
    - Common Pool dollars will be distributed on a ____ (quarterly?) basis.

- If requests exceed availability, Common Pool dollars will be distributed pro rata based on the dollar amount requested.
- Customers requesting Common Pool dollars need to show documentation of the project or programs for which they want the dollars [we still need to come up with parameters for the documentation so it is known ahead of time by both BPA and the customers]
- If there is a problem with how Common Pool dollars are being accessed, we will address it in a future rate period. The 2012-13 rate period will be a transition period where we can see whether there is a problem.

Decision/Action Items

- Think about how to fill in the blanks listed above.
- Think about the documentation that utilities will need to show (a) that a project will occur and their EEI should not be taken away; and (b) to request Common Pool funding for a project.
- Think about the 75% BPA funded, 25% self-funded assumptions and how we can assure self-funding will occur.

Meeting Notes[1]

Facilitators:
Megan Stratman, NRU
Margaret Lewis, BPA

BPA Participants:
Kyna Powers
Josh Warner
Rasa Keanini
Matt Tidwell

1. KP: General overview/walk through of the common pool think piece (see document).
2. Person A: what if there is funding left over at the rate period and people don't have self-funding, who would get the "left-over" funds?
3. KP: priority "e" in the document says "whoever in whatever amounts," would make sure no money is left over. BPA isn't whetted to any of these ideas. Just trying to encapsulate what was previously discussed.
4. Person B: does the possibility exist where there could be a more formal place for the utility pool.
5. MS: wherever it says "utility", you could replace that with "utility pool."
6. KP: but there are some things to work out in terms of structure because if it's the pool submitting the information, we don't have information on where the money is being spent and where the megawatt savings are coming from.

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

7. Person C: is this budgeting over the rate period or is it two separate annual budgets?
8. KP: we have more flexibility within a rate period than across rate periods. We're trying to know in advance know what the distribution will be over the two years. One of the questions is "how often should the common pool be distributed?" This might address the concern of budgeting for two years.
9. Person B: two process questions: 1) it might be a good idea to go through the questions; 2) in terms of the recommendations, how specific do we need to be? How specific does the language need to be?
10. KP: the question is how much do you want BPA to just decide and how much do you want to be apart of the decision-making.
11. Person B: my concern is that we could spend a lot of time nitpicking over the language instead of the concepts. E.g, in number 10, there's the concept and then letting the specifics be defined by BPA.
12. JW: there will be certain areas where it will be more important to be detailed. We're going to put together a proposal and have public comments so it's not just a one shot deal. I think it's okay to have varying levels of detail. The good thing is, BPA is apart of this process.
13. KM: one thought: some of these details may come to surface as we have the discussion and could be worked out during a later process.
14. MS: Question 1: reserve account.
15. KP: this would suggest distributing on a quarterly basis.
16. Person B: the timing of distribution could drive the answer to this. If it were quarterly distribution then maybe, but if less frequent, than maybe not. Would it be possible for BPA to start off with a certain amount in the common pool?
17. KP: Phase 1 was that utilities get first shot at their allocation. Pulling out some money at the beginning of the rate period makes more sense maybe for custom projects where we have a better idea of what needs the funding.
18. MS: Are the allocations made on a two year basis or is the total allocation split up into two years, e.g. 2 million total at the beginning or 1 million for each year.
19. JW: we do have annual budgets, so making it all upfront may make it more difficult for finance folks.
20. Person B: BPA is going to take some funding for 3rd party programs, so it could also take some funding before distributing to the utilities for a "reserve pool."
21. MS: I think you're getting at the question of BPA having funding for large capital acquisition projects, which is a bit different than this question of having out of the common pool a certain reserve.
22. JW: the EEI is to prevent cross-subsidization, so we erode this if we immediately take funds and set them aside.
23. MT: clarification about reserve: goal is to keep some funds aside for those utilities that give up some or all of their funds so that when their priority comes up there are actually funds in the common pool when it comes time to "call in their chips," so to speak.
24. MS: the first-in, first-out makes more sense across rate periods.
25. JW: you're right, we don't want utilities to give funds to the common pool during a rate period if they think they're going to need it.

26. MS: how much of an issue is this going to be? Are we going down a path to make something very complicated for a very little problem.
27. JW: it's a good question about setting up a complex system for what may amount to not a lot of funding going into the common pool.
28. KP: it may be that there are not utilities that fit the first few priorities, they are more of a placeholder to act as an incentive.
29. Person B: a part of this is the start up issue. There are going to be about 10-15 utilities that will make up the bulk of the EEI spending.
30. MS: maybe there could just be a transition phase that doesn't really have a system in place and just wait to see how big of a problem it is. I'd hate to have my utilities spend their time jumping through so many hoops for something that ends up not being a real issue.
31. Person D: how open is BPA to have a first rate period flexibility without a real system in place?
32. MS: we've already discussed, given the huge world of uncertainty, that there is some flexibility built in and will have a chance to change policies, so maybe we should be conservative and not set up a complicated structure.
33. Person E: what is BPA and what are we trying to achieve through this structure?
34. JW: BPA wants to make sure the savings happen. The acquisition dollars need to be used. Would utilities give up dollars if they don't have an economic incentive to give it up like the first-in, first-out clause? I don't think its unreasonable to say that we're going to do something very simple during the first rate period, but we'll need to have a shared expectation that things would change if there were problems during the first rate period.
35. Person B: a check-in doesn't negate us laying out the policies; we don't want to have the check-in, need to make changes and then not know what to put in place, don't want to have to scramble.
36. Person B: I think we have some good ideas in the think piece and can make some recommendations out of them. We could start testing these and see if they have an impact. Is number 10 going to have an impact to start with?
37. Person D: this concerns the penalty, but does this address BPA getting the savings. You'd have to assess the penalty so that there's enough time to spend the funds in time to get the savings. We're trying to figure out how the money is going to be spent with utilities not having an incentive to give up their funds. I'm walking into this with a little uncertainty. We can't penalize those who have been spending and getting the conservation.
38. Person B: you're going to have a CPA and if it says you can only get 5MW a year and your EEI says you have enough to get 7MW a year, what would you do if everything you've done says you can't do it?
39. Person D: I wouldn't want to give it up because that doesn't make sense.
40. Person B: so then there would need to be a penalty if you don't spend it?
41. Person D: that is fair. Gets back to allocation based on CPAs, but we won't go there.
42. Person A: Josh, if public power achieves the goal in the first rate period, what would BPA do? We should try to get as much as we can as early as possible.

43. JW: once the IPR process is closed out we'll have a better idea of what our budgets will be for acquisition and then there are estimated TOCAs out there.
44. MS: I thought part of the problem is that we already know the approximate TOCAs, does BPA know how much funding will go to regional infrastructure and and 3rd party programs.
45. JW: about 35% will come out before the TOCA distributions.
46. MS: let's talk more about the "penalty" question. What are people's thought on this "stick." There are a couple of parameters: time, how much do they have to spend, how much is committed, and what is the consequence?
47. Person B: it assumes that people are being up front. This is very hypothetical.
48. MS: we have to have specifics to tell the utilities.
49. Person D: most people will be planning so the hypothetical non-player isn't likely to exist.
50. KP: maybe when you get to the end of a rate period a utility has to provide justification to BPA of why the budget wasn't spent.
51. Person D: "show me what it is you're doing" could happen more frequently between the utility and BPA.
52. ML: we have a better line of sight of where spending is because of monthly invoices. We understand projects seesaw, but we want to make sure plans are in place.
53. Person D: we're on an annualized budget and residential savings come in on a linear basis, whereas commercial has a lot coming in at the end and industry comes in at unpredictable places. I'd like to see check-ins.
54. JW: we don't want to be a position where we're making "judgments" about a utility "really trying hard." Check-ins are a good idea, but there may be customers that don't think check-ins are a good idea and reduce BPA's judgment of utility progress/efforts.
55. MS: so maybe the first rate period could be a transition period where we have the policies in place but they wouldn't kick in till later.
56. Person B: maybe the thing to do is have more of a transition. If somebody only spends 60% of their allocation, so maybe next time during the next rate period they have to provide a more detailed plan for spending during the following rate period. Then during the third rate period if they still haven't spent their funds they would get a reduce allocation. You're starting out giving people the benefit of the doubt.
57. KP: I think the idea of the first rate period being transitional. We don't want to be in the position for determining whether a plan is good enough.
58. Person E: I'm skeptical that if there won't be penalties the money won't be spent. What about taking the left over funding and using it to pay those customers who have spent over their budgets/self-funded.
59. JW: we aren't concerned about spending the money, we want to get the savings, so it wouldn't make sense to pay somebody for something they've already done.
60. Person D: we've backed ourselves into a bit of a corner with this thing.
61. KP: There's also the incentive of raising rates in the next rate period if the money isn't spent in a rate period and BPA needs to get the savings.

62. Person B: maybe if you've underspent, you have to have a plan. I don't know what else to do, we're stuck with this pile of money and need to spend it and get the savings. In the end it's not going to equitable, it's just not.
63. JW: if we start going down a path where we have sticks that are very solid, that would be problematic internally and externally.
64. Person B: I don't think we're talking about solid sticks.
65. MS: nobody wants to penalize, we want to encourage spending.
66. JW: sitting down to make a plan is a good idea, but I think people would be hesitant to sit down with BPA to make a plan.
67. Person B: I don't necessarily agree, customers want to be able to spend their money so I see them willing to sit down to make a plan so learning can be done on both sides.
68. MS: this gets at the communication angle: communicating better between the agency and the customers.
69. Person F: I would like to get away from the word penalty. Progress is going to be known because of monthly invoices. I wouldn't mind working with a BPA EER.
70. Person D: with CRC you were going to have to pay it back.
71. Person B: the idea is that utilities are paying in now and a lot of utilities haven't had access to bilateral funds. You can't always find equitable solutions; there will be winners and losers, so we need to find a way to be able to compensate the losers. If we try to make it so everybody gets every penny they pay in, we aren't going to get anywhere.
72. ML: getting back to the check-ins, EERs could sit down with utilities to compare progress to the utility plans for spending.
73. JW: with the CRC, we've had the check-in, but the question is how useful it's been.

Break

1. MS: Would there be some point in time when utilities would have to give up their EEI dollars within a rate period.
2. Person B: my sense is that we would leave that to BPA negotiating.
3. MS: So first rate period would be no penalty, second rate period would require a utility to have a more detailed plan and then if still not spent during the second rate period, during the third rate period, the utility's TOCA share would be reduced.
4. KP: if the under spending doesn't affect meeting the targets, then we're fine, but if it means not getting the targets, pushing this out to the sixth rate would not negate BPA having to raise rates to meet the targets.
5. ML: as an EER, if I know a utility is underspending, at what point do I encourage them to give the funds to the common pool?
6. Person B: I think you encourage them as soon as it becomes clear that they won't be able to spend all their funds.
7. MS: how do you figure out if a utility has to do a "conservation plan" during the second rate period, e.g. at what period during the first rate period do they have to give their funds to the common pool. We need those parameters.

8. JW: we need to have the extra dollars go to a common pool at some point. We need to provide the opportunity for others to spend the common pool dollars.
9. Person F: if Margaret is working with me at the one year mark and it becomes obvious that the dollars aren't going to be spent you don't want to wait past 18 months.
10. JW: I think it's important to have a conservation plan from the get-go.
11. MS: so do we want to get to the point in our recommendation where we say that at 75% of the way through the rate period if you haven't spent X% of your budget you have to give it up by a certain period. We'll think about this and put it on our to-do list.
12. Person B: we still need to discuss "access" to the pool.
13. MS: should it just be "first-come, first-serve" or should we make it more of a priority assessment.
14. JW: this can be really simple or really complicated.
15. Person G: do you have to pay back what you get from the common pool?
16. MS: no.
17. Person D: but what if you take funds from the common pool, but then don't spend it? E.g., you have a project budgeted, but then it doesn't go through?
18. Person A: what is the simplest way?
19. MS: the simplest is "first-come, first serve" in whatever quantity they want, given certain criteria that is met.
20. Person E: that isn't even very simple, because what if right off the bat you have 20 utilities that ask?
21. RK: you could allocate proportionally.
22. Person B: at some point, people have to realize that there's a pot of money but people are going to have to do some self-funding as well.
23. KP: the challenge with self-funding is that there are few places where self-funding can take place, so there probably needs to be some requirement of self-funding, or if not we might need to go down collecting 100% in rates. Making sure people do self-funding makes it more complicated.
24. Person B: in terms of the self-funding preference, there's going to be some bad feelings if certain utilities that were expected to self-fund dive in to the common pool and don't self-fund, so there needs to be something there that addresses the self-funding issue.
25. MS: I've heard two ways self-funding can be incorporated: 1) a utility has to do a certain amount of self-funding before accessing the pool and 2) for a project that is 100k a utility would need to spend 25% of the total project cost.
26. ML: another option is that we would not cover admin costs with common pool dollars.
27. Person G: we have to be careful, what if you spend 25% and then you get a new project and then you have to spend another 25% for the project to access the common pool, we'd walk away from the project.
28. Person D: we've had caps before with the self-funding piece already built in. It's complicated.

29. Person B: when we get to the end and there's no self-funding and 100% BPA spending for savings, then rates would need to be raised to reach the savings target and that wouldn't go over well.
30. MS: I'm feeling that this is a fundamental question of whether we're going to "require" self-funding in some form, so we may want to bring in other policy makers because it seems that it's coming to a bigger issue.
31. JW: maybe we should come up with something and bring it to the group.
32. MS: yeah, would need some proposal.
33. Person H: the more we get into this, the more complicated it's getting. I'm thinking this is going to be smaller than we're thinking.
34. JW: maybe this is also a transitional issue. We could wait to see if it's even something we need to worry about. We still need a system in place.
35. Person A: I'm inclined to think of it as a transitional look as well. Understanding that BPA has committed to a certain amount of savings, but to make an assumption that utilities are going to fund 25% is something we've been doing for awhile, which is what has happened. So stirring this all up, that may not make sense. We've been doing this with the CRC and BPA just made the assumption that utilities would self-fund. So maybe we could just proceed as we have.
36. Person E: does the willingness to pay consider this? Isn't this one lever to get self-funding to lower the WTP?
37. JW: yes, that's a lever, but lower WTP may just mean less volume of savings.
38. Person D: it feels like once you're getting into the common pool, you're splitting hairs.
39. Person B: it is a sort of transition issue. We can just wait to see how it goes. If self-funding doesn't happen then we'll need to make adjustments.
40. MS: to access the common pool, you have to show some sort of documentation that the project exists, then it's first come first serve basis. If there's too many requests, we could do pro-rata or do it based do their relative TOCA?
41. Person E: I'm happy with proportional allocation. It's likely to be programs in addition to just projects.
42. Person D: so pro-rata would be based on kWh savings?
43. Person B: we know industrial savings is more bang for your buck and that this disadvantages smaller utilities, so if you do it based on kWh savings, the smaller utilities will be overwhelmed, so it needs to be based on dollars instead of savings. There may not be a distinction.
44. MS: is there any objection to doing it based on a pro-rata dollars?
45. Person I: you could really kill lumpy industrial projects if you do it this way.
46. Person B: how do you get around this? If you have 100k in the pool, but there's a need for 500k, how do you allocate the funds?
47. Person I: what about based on historical $/kWh and what BPA has paid the cents/kWh paid, so BPA gets the biggest bang for the buck.
48. ?: so then why not just do it based on bidding for the lowest price/kWh?
49. KP: the simplest in my mind, is take the group that wants to access the common pool and do it based on relative EEI funding.
50. ML: or could just divide by, e.g., five and do equal shares.
51. ?: but this goes back to the question of killing a specific project.

52. KP: we can still discuss “what do we do about really big projects”?
53. Person B: there are other incentives built into this. If it’s a growing utility they have incentive to self-fund. The other is hopefully getting a rate period high water mark to include conservation.
54. Person E: on the large projects, could you tap into future rate period funds?
55. KP: you could only shift it in time is if there is an offset.
56. JW: we can’t bring dollars across rate period, so it’s a balance within a rate period.
57. Person E: I’m thinking about allocating less to the utility during the next rate period.
58. MS: does the group want to try to stick with the simple path of “first-come, first-serve” based on a pro-rata share or some of the other more complicated routes? During the midpoint meeting, we’d like to share where we currently are.
59. Person D: should start with the simplest approach.
60. Person B: could you share the presentation?