



Energy Efficiency Post-2011 Phase 2

Workgroup 4 Meeting 3

Tuesday, August 31, 2010

1:00pm to 4:00pm

Conference Call Only

Overview

- Focus of meeting was on reviewing the straw proposal, comments and Draft Implementation Manual chapter
- Developed an Option 1 vs. Option 2 description to clearly identify how a utility would choose to report custom projects to BPA (Option 2 = “Pay for Performance” as described in previous discussions)
 - Option 1: Standard Custom Project Proposal process w/BPA review and acceptance before commencing
 - Option 2: Custom projects are approved/managed by the customer and submitted to BPA for payment at a predetermined rate per kWh
- Workgroup agreed that M&V Protocols should be the same for either option and that utilities should not Opt In/Out of Option 2, but rather stay in for the extent of a rate period (with an initial grace period of 6 months and limited exceptions)
- Brief discussion around technical assistance and determining the level of service provided under each option

Decision/Action Items

- Update Draft Implementation Manual Chapter based on meeting feedback
- Prepare discussion piece for WTP discussion during Sept. 14 mtg
- Continue discussions on remaining areas: WTP, Admin/Performance Payments, Technical Assistance, Transitioning (cross-workgroup issue)

Meeting Notes¹

Facilitators:

Melissa Podeszwa, BPA

Larry Blaufus, Clark PUD

BPA Participants:

Mike Rose

Abigail Howard

Josh Warner

Matt Tidwell

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

1. MP: review of second meeting notes to catch group up to speed.
2. MP: the reason we did the straw proposal before the chapter was because we wanted to frame why Option 1 vs 2 would be a good way to go and provide some framework that people could comment on, which has helped with the development of the draft IM chapter. A lot of what has been said in the straw proposal has made its way (and the comments) into the draft chapter.
3. LB: I appreciate everyone taking the time to make the comments upfront. It was valuable not to meet last time and our time was well spent being able to look over the proposals and drafts.
4. MP: the comments/feedback has been incorporated into the draft chapter as much as possible. (Review of received comments.)
5. Person A: we feel strongly about our second comment, i.e. similar WTPs
6. JW: can you explain the 72% in your comment?
7. Person A: we have been working with BPA on a non-standard agreement and part of the discussion is that the standard rate for non-standard agreements is 18 cents, but the standard agreement is basically 20 or 25 cents, so our perspective is that the utility takes on more risk, but is only able to receive 72% reimbursement.
8. Mike Rose: in the non-standards it is 18 cents, except for industrial, which can go up to 25 cents.
9. Person A: ?
10. MR: in the standard world, the standard rates apply. In the non-standard world, its 18 cents per kWh expect industrial, which floats up to 25 cents. It always caps out at 70% of project costs.
11. Person A: I'm talking about the starting rate and the additional responsibility that the utility takes on with implementation, technical, etc. there is risk and responsibility to the utility, but yet we're receiving less than under the standard offering.
12. JW: maybe it would be helpful then to have a utility discuss why they do non-standards, there are other benefits than beside the monetary benefit of going the non-standard route.
13. Person B: I want to confirm the point that BPA pays less for non-standards, so we do find some of the benefits Josh mentioned, but in negotiating with BPA we didn't get BPA's position; the agency was seeing less risk and we didn't necessarily agree with the argument that we were to be compensated less.
14. JW: there are pluses and minuses and there are customers that may or may not see the benefits. Customers did accept the agreements, for good or bad; there are two different baskets to choose from, so now we're trying to decide what goes into those two baskets.
15. MP: this won't be the only chance to discuss this WTP.
16. MR: the issue raised is not only shared by one utility, so it needs a deeper dive. There are a couple of approaches. You could make the WTP the same or come up with some methodology for establishing the WTP. In option 2, it's more of a melded kWh than through option 1, so there are reasons why you could look at these differently.

17. MP: this will be the number one topic during our next meeting: the WTP under option 2. It may not necessarily be that we're looking for a specific number, but a methodology in place to determine the number.
18. Person C: once we get into that we'll want to discuss why they're would be different WTPs. We appreciate the flexibility and being able to report after the fact, but not sure how much this justifies the price difference.
19. MP: (review of Snohomish written comments.)
20. Person D: the reimbursement rate for deemed measures should be across the board and this should be the base across the region. Then utilities would have the option to go to option 1 or 2. It doesn't make sense to have different reference numbers in the PTR.
21. MP: we are supportive of the idea that this would be only for custom projects, that deemed measures are the same.
22. Person D: I think we're prepared to provide program descriptions, e.g. target markets, target measures, marketing materials, the M&V protocols, typical incentive structure. Supportive of the steps under options 1 and 2 regarding M&V, but the region needs to come together to have some training on the international protocols for M&V and discuss how M&V might be different under options 1 and 2. We need some additional conversation about new construction.
23. Person D: the billing methodology for determining savings, you have all sorts of problems for new construction.
24. Person D: I'm not sure where the 3rd party programs fit.
25. MP: under energy smart grocer there aren't really custom projects, but for energy smart industrial there are custom projects.
26. Person D: ?
27. MP: rather than having these elements in the exhibits, we were hoping to move the bulk of what is in the exhibits into the IM.
28. MP: we think the M&V guidelines should be the same, so we'd like to move this into the more general section of the chapter.
29. MR: every customer is in option 1 till they send a note to BPA about being in option 2. and in that note you have to lay out some details and then if there's anything specific regarding M&V...
30. MR: one of the things we ran into is a definitional issue when BPA says "start date" and we're being specific about the utility's relation with an end-user is to make things clear with "start date," which plays into WTP. Being clear about start date and who is making commitments to who is important.
31. MP: other thoughts around enrollment process.
32. MP: we tried to include various exhibits to help with the fact that under the non-standard we have to go back to each participating utility, so there's a lot more of those necessary individual negotiations. And we want to be aware that utility programs change as well. What are thoughts about minimums in terms of switching back and forth.
33. ?: We were talking years before.
34. ?: At a minimum, six months.
35. MP: does anyone see the need for a grace period? We want to be sensitive that somebody may want to change back. Is six months okay?

36. JW: six months seems pretty short, I was thinking rate period by rate period. I could see a grace period, but I have a feeling that there's going to be an administrative burden on both sides and we may not want to have to do this every six months.
37. MR: if you opt-in and you find that it's not for you, then you can opt-in. But we're trying to minimize folks moving back and forth frequently. People like to run programs the way they want so I would imagine that they would stick with it.
38. Person B: but the technical assistance component might mean a small utility signs up for option 2 but then overestimated their technical ability and would need to opt now.
39. MR: there's a range here between six months and rate period.
40. LB: so maybe the first time is six months and then turns into a rate period.
41. Person E: maybe you could just write something that it is expected to maintain it for the rate period, but under some circumstances, utilities may be able to change.
42. MR: I like the idea of creating the expectation, but if a utility case changes then it would be handled on a case by case basis. (all agreed)
43. MP: the M&V guidelines are going to be moved up.
44. Person D: if you used a calculator say for lighting, would that be apart of the M&V.
45. MR: under "M&V light" that would be possible. With respect to this chapter of the manual we should say "here is what applies." There are efforts going on to add more to the M&V and adding more calculators, so I don't think this chapter has to list every calculator that needs to be available. But we do need to make sure that all calculators that are available that all utilities know about them.
46. Person D: there has to be some acknowledgement that if you're using a deemed calculator that goes into the M&V light requirements.

Break

1. Person E: are there qualifications/criteria to be able to do option 2?
2. MP: we haven't specified anything other than having engineering support and being able to report.
3. JW: I think we've kind of done a self-selection process; if a utility thinks they can do it, we'll be okay with that. BPA doesn't want to be in a position to say utility A qualifies but utility B does not qualify.
4. MP: and I don't think we would require a utility to join option 2 if they had the resources.
5. MP: (overview of Option 2 as proposed in the draft chapter.)
6. Person B: item 3 under Option 2: this implies a certain amount of documentation passing back and forth between BPA and the utility, but BPA is going to be more limited given the EEI; BPA is going to have a more difficult time budgeting. If this requirement ends up being onerous, some of the underlying rationale for it in the past has changed. What's the current perspective on whether this is written in stone.
7. MR: this is something that becomes one of those cross-workgroup issues in terms of what's the interaction of commitments made relative to each customer's EEI. Transition issues are going to be very important to work

- through. What's been put in place in the past may be changing in the future due to the EEI.
8. Person B: there are assumptions in item 3 that may not be valid going forward.
 9. JW: this seems to be more about how much BPA is going to pay on a \$/kWh basis as time goes on. We commit to pay on a cents/kWh basis, but we don't want to be in a situation where we're moving to paying when a project was completed as opposed to when it was started.
 10. Person B: this does provide certainty about the cents/kWh but now there will be uncertainty with the EEI that there will be the funding available to fund the project, that there will be incremental funding available.
 11. MR: there's a difference between when an obligation is made and when the reimbursements happen and you may have a situation where obligations are more than EEI total budget in the future rate periods.
 12. Person B: BPA is going to be more restrictive going forward with EEI limitations and how much BPA can commit to in future rate periods.
 13. Person E: recalling WG1 and not being able to carry over funds and these obligations.
 14. JW: we are aware of this issue and may have to handle this differently moving forward because it's right, the underlying framework is going to be different.
 15. Person E: may mean that BPA can't obligate, which would mean how utilities look at projects would be different.
 16. JW: this is something we're trying to think about.
 17. Person E: need to make change to number 3 given the timing difference between ordered and installed and commitment made to end-user.
 18. MR: it's worth seeing the interaction between the workgroups on how the dollar issues are decided; if we make the commitment based on when the utility commits to the end-user, yes, a list would be needed; but if it's based on when the project is completed, then a list would be less needed.
 19. MP: going to move M&V from option 1 into the introduction; need to add cost-effectiveness criteria currently residing in Exhibit D of NSAs.
 20. ?: how would the cost-effectiveness assessment be different?
 21. MR: option 1, cost-effectiveness is approved before project (estimated values) and option 2 is based on actual values (after project).
 22. Person E: again, more risk taking option 2.
 23. Person B: ?
 24. MP: we'll put in what is currently in place, but benefit-cost numbers may change due to new power plan.
 25. MR: we've been struggling to figure out how O&M can be included without unduly complicating things.
 26. MP: this would mean that everyone who has an ECA would just have an Exhibit A with their IM numbers and the current NSAs with multiple exhibits, the exhibits would be incorporated into the IM chapter. If there are other things a utility needs, we wouldn't preclude differences.
 27. MR: may need to be some mechanism needed for "tweaks," the chapter shouldn't preclude changes to be made between the utility and BPA.

28. MP: (discussion around Technical Assistance.)
29. Person C: we're really only talking about custom commercial projects, so we're trying to discuss how BPA TA would fit in there? Commercial can be more difficult.
30. MP: this speaks to the idea that you would like some opportunity for TA in the commercial space?
31. Person C: not me, but for other utilities this could be a concern.
32. MR: in terms of technical services, we don't want to look at the titles of different assistance, but maybe different buckets of assistance. A TSP is different than a Cascade audit document, so there are different levels. The TAN is programmatic support, which is a bit different than doing proposals. So looking at all these services, which apply to option 1 vs. 2?
33. MP: the phase 1 policy framework does discuss technical assistance.
34. MR: when we put together the NSAs there was the expectation that the utilities had technical abilities. Our historical experience would have us lean toward a utility in option 2 not needing technical services.
35. Person C: I wouldn't want to have to contribute to a pot in my rates for people who partake in option 2, but don't have the technical ability to do option 2 without assistance.
36. MR: there is a relationship between dollars spent between infrastructure and the dollars available through the TOCA.
37. JW: there's not a lot of crosswalk between the capital available for acquisition and funds for technical assistance. If we need to do anything on this, what is the difference between option 1 and option 2, e.g. not doing site visits. It gets difficult to calculate the cost for BPA services pertaining to this.
38. MP: I checked in with some engineers and it tends to differ depending on the engineer. A utility may need help with a proposal vs. a utility just checking in to make sure they're on the same page.
39. Person F: aren't we really talking about the degree of check-in by the utility. There are probably option 2 utilities that check-in with Bpa in an area where they don't have expertise, but then there are those utilities, probably smaller, that don't have the background. The financial difference is probably different, when looking on the cost basis.
40. Person C: we're talking about accelerated goals. Looking in the past how people leaned on BPA for services. It may not be past costs we're talking about.
41. Person F: Cascade doesn't do anything in terms of large commercial.
42. Person E: unless there is a cost difference between having the technical difference or not, I'm struggling to figure out why we're going down this path. Why do we need to talk option 1 vs. option 2 unless we're talking about a service cost difference. It's not just a convenience factor to not have to report in to get approval, it's a question about what level of service we're expecting from BPA. In theory, BPA wants to acquire the savings and the utility needs to figure out the level of services required. Option 2 is similar to IOUs and getting approval at the end of a project from the Commission. If

- there's going to be a difference in what you pay in cents/kWh, we need to understand why, e.g. the level of services provided.
43. MR: if for some reason there was a difference between WTP, what would be the meaningful mechanism to determine this?
 44. Person G: we had the ability to have the difference between more payment if you were in option 2 and this allowed us to fund the extra technical assistance I needed. If it was equal, there would not have been the opportunity to do the project.
 45. MP: in preparing for future meetings, we do plan to dive deeper into admin/performance payments and WTP for the two options.
 46. Person B: what does performance payment mean in this context?
 47. MP: it's the new term for admin.
 48. Person E: this is a little confusing because it sounds like kWh delivered.
 49. MR: we were trying to alleviate some of the burden of utilities that would have to track the costs associated with admin.
 50. Person B: to lay the groundwork could someone summarize the current framework?
 51. MR: the quick nutshell: on the non-deemed side (NSAs) on the 18 cents up to 25 cents, we don't pay admin. On the deemed side the admin payment is claimable. Generally, for the non-standards (other than Seattle) there's no admin, but on the deemed because it operates in the PTR system, admin can be claimed.
 52. MP: next week on Sept 8 is the midpoint meeting. Next WG meeting will be on Sept. 14.