



Energy Efficiency Post-2011 Phase 2

Workgroup 1 Meeting 5

Tuesday, September 14, 2010

9:00am to 1:00pm

Conference Call Only

Overview

- WG1 continued our discussion from the Common Pool discussion document. Regarding the creation of the common pool:
 - We identified the following as 'carrots' for utilities to contribute to the Pool: 1. Planning. Working with the utilities at the beginning of the rate period to budget and plan for their conservation activity will assist with determining the appropriate level of EEI needed for conservation program support. 2. Accomplishing the regional goal in the rate period. 3. Early release in current rate period MAY mean priority access in the next rate period (encouraging custom project management). 4. Rate management. The more conservation accomplished by utilities will minimize BPA's potential for future rate increases.
 - We want to mitigate the risk of a utility not spending EEI. However, we also want to ensure (as much as possible), unspent dollars have the ability to be redistributed amongst the region.
 - Develop robust communication process to relinquish funds. We want to have firm dates in place. Key dates will identify check points for EERs contact utilities re EEI spending status
 - Discussed an annual review/true up and/or a rate period review/true up.
- On distributing the common pool:
 - Distribution of funds needs to happen sooner rather than later. At the same time we want utilities to demonstrate the need for additional funds.
 - Consider quarterly disbursement after year 1.
 - Find the right balance of eligible criteria, e.g., pro-rata or TOCA distribution method.
 - Continued concern that the WA utilities that are mandated to do conservation will not honor the 75/25 obligations.
 - Discussion on self-funding for all utilities or exempt smaller-sized utilities
- Discussion on Custom Project Transition:
 - Opened with some key points offered by Josh. We then transitioned the discussion to Jim Wellcome who reviewed his comments to WG1 on custom project transitioning between rate period.
 - Reiterated the education component to make certain utilities understand the EEI is a fixed amount. BPA rates are based on supporting 75% of the regional conservation (Phase 1 decision).

- Discussion on managing EEI would be easier if allocations were known. BPA may be able to put together some scenarios, (e.g., high, medium, low), based on TOCA allocations. Final numbers will not be available until the conclusion of the IPR.
- Another unknown: How BPA 3rd party programs could potentially impact EEI. Utilities will need some visibility to their performance and how their EER may be impacted.
- Discussion on BPA covering custom projects that have been submitted through a certain date. Could be a historical date OR future date. Outcome: once EEI dollars are identified, the utility management of their respective EEI will kick in.
- Proposal may encourage utilities to complete projects in FY11 as much as possible. Reason to incent early completion: 1. If custom projects all come before the EEI allocations, allocations will be lesser. 2. The support of custom projects may be imbedded in the EEI or some fraction above the EEI. 3. BPA may support from fraction of the custom project.
- BPA to evaluate the custom project pipeline and possibly work with EERs to identify dead projects (to true up current capital exposure). Outstanding issue: BPA has no visibility on utility custom projects with Non-Standard Agreements.

Decision/Action Items

- Coordinate with SRR and if possible, receive an update on the progress on the Utility Pooling option
- BPA will update the EEI Common Pool Discussion Document
- BPA will begin preparing a discussion document addressing the key outcomes on the custom project transition issue. Other workgroup members are encouraged to provide input. Please coordinate with Matt or email your suggestions to workgroupone@bpa.gov

Meeting Notes¹

Facilitators:

Margaret Lewis, BPA

BPA Participants:

Rasa Keanini

Kyna Powers

Mike Rose

Josh Warner

Matt Tidwell

1. Margaret Lewis: I thought the Midpoint Meeting went well.
2. ML: recap of Meeting #4, discussed common pool.

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

3. Person A: we've discussed the idea of giving people assurance that if they put the money in, if they decide to ask for money, they will have first call on the common pool funds.
4. KP: if there is a utility pool, would there really be an incentive to put funds into the common pool.
5. Person A: if you know you're going to have a large project in the next rate period, there is an incentive to form a utility pool.
6. KP: but in this case, wouldn't the utility be looking for certainty? So a utility pool would be a better way to have this certainty than assuming there will be funds in the common pool. In the utility pool, the utilities are talking with one another, but in the common pool, there isn't discussion between utilities. I'm wondering if people are going to want to take the risk of relying on the common pool.
7. Person A: just because it causes a problem down the line, doesn't mean we shouldn't have the policy in place.
8. JW: I would assume that there's going to have to be some policy where you have to have spent some of your EEI dollars before accessing the common pool.
9. Person A: if I have an ECA budget, how do you monitor that to make sure somebody is spending it.
10. MR: we don't monitor it, but there is a mechanism for being able to reduce the budget if we need to.
11. ML: we could have a similar mechanism for the EEI. The trick is trying to figure out the midpoint check-ins which would be used for this purpose.
12. MT: Wade Carey of Central Lincoln mentioned incentive being there that BPA would have to raise rates if the targets aren't met. Is that enough of an incentive for others?
13. Person B: it seems to me that some assurance of being able to get out the funds would be an incentive to put funds into the common pool.
14. JW: I see the incentive of doing this, but doing so would mean BPA would have to hold the funds back, negating the purpose of the common pool.
15. KP: it makes more sense if its cross-period, i.e. you put money into the common pool this rate period if you know you can't spend it this year and have access to it in future rate periods.
16. KP: should we be having this conversation after we discuss custom projects and the transition from ECA to EEI?
17. Person A: part of the carrot is the stick: if you have negative consequences for just holding on to your money and not releasing, this is an incentive to give up the funds.
18. Person B: couldn't you just reduce the next rate period's EEI?
19. KP: we would want to have broad agreement from customers that this is wanted.
20. Person A: it may be difficult to do this from the rate case perspective.
21. KP: mechanically it's possible, but the sticky points are "how" and "on what basis."
22. Person A: you could have a probation period, where if in one rate period you don't spend your funds, then during the next rate period you have less time for the "check-in" that would determine when you would need to contribute the funds to the common pool.

23. MR: it may make more sense to have the check-ins based on an annual basis.
24. Person A: but this makes us closer to the CRC idea of true-ups, which is something we were trying to get away from.
25. Person A: it seems problematic if it's based on annual budget.
26. Person C: it's important to have the check-ins with the EERs and have us show where the money is going to be spent.
27. Person D: a lot of times we'll have a custom project proposal we'll have implementation in one year, but the completion reports won't happen till have the test period, which happens later. A lot of our budgets are on a different year (calendar year) than BPA and sometimes this is in conflict with how BPA does things.
28. ML: does it make sense to have the initial letter at the beginning of the rate period?
29. JW: I like what Person A is saying. There's some flexibility, we don't set up super complex systems, so we have EER check-ins but with a firm point in the rate period where funds would be taken back. So the goal would be to set up clear communication between BPA and customers and see how big of an issue this ends up being. We can have a policy check-in down the road to see if we need to make some changes.
30. Person A: it's important that utilities have a sense of the guidelines of what's going to happen, so there needs to be this built into the communication, the education component. Utilities need to know what is going to happen. Open-ended is a problem.
31. Person E: I'm on the call because I was reading about this on the BPA webpage and I want to understand the impact on our large EE projects. At our site I can see some additional savings at our site and I'm interested in the funding mechanism for that and how it will impact Cowlitz. The magnitude on just our side alone is very large and we would like some assurance that the funding is going to be in place down the road.
32. JW: I agree that we need to be specific and make sure customers know about what is being put in place.
33. ML: we could take the discussion document put together for the last meeting and update the document and make it more robust and clear.
34. KP: we also should call out those things that are more transitional.
35. JW: I've heard that 18 months is the magic point for taking funds and putting them into the common pool. Is this enough time on both sides, for those to spend their initial allocation and for those who would get the funds from the common pool?
36. ML: starting around 14 months or so we would need to have people requesting and justifying how they would use the funds so that when 18 months hit, the funds can immediately be moved around.
37. JW: let's have a discussion to revisit how to distribute the funds from the common pool.
38. KP: a more "fair" way for distributing might be based on proportional distribution.

39. Person A: we had an issue with the proportional distribution with the renewables component of the CRC. This might be best if it's the last determinant, as in the discussion piece. At some point, you're going to have to do some pro-rating, even within each of the categories.
40. JW: how useful is it to have quarterly distribution of the common pool?
41. MR: on a quarterly basis, that's a lot of paper moving around each quarter.
42. Person B: let's try not to overcomplicate this.
43. Person F: keeping it simple is the best. Doing it quarterly would be a real administrative nightmare.
44. ML: how soon do utilities think they would need the funds? Is getting the funds at 18 months enough to spend it before the end of the rate period. When does it become too late?
45. Person B: even 18 months is too late. For one off type projects, it takes more than six months; it would be a real challenge.
46. Person A: one of the issues for some of us is the 75/25 split and seeing that has a possible problem, which needs to be addressed.
47. JW: we can take this back to BPA and refine the proposal on the table.
48. Person A: keep it simple, but we should keep "first-in, first out"
49. JW: this should probably only be the case for a maximum of two rate periods, ie. If you put in funds into the common pool during the first rate period, you would have "first in, first out" priority only in rate period two, not during rate period three or thereafter.
50. Person A: there are concerns about the 75/25 split and at some point this needs to be addressed. The utilities from Washington have a mandate to do a certain amount of conservation and there's a concern about not that but also overall what happens because the smaller utilities have less ability to spend the money and they give it up the larger utilities end up using the funds, we don't reach the targets and the rates go up and we end up with the same thing where the small utilities end up subsidizing the larger utilities.
51. JW: I think we could potentially solve for this. The prioritization within the common pool is one way to address this. We'll try to get it out as soon as possible to get comments back to us. These are critical issues and we're getting narrower and narrower and I don't want people to be surprised with the outcome.
52. KP: it's more work for us but we may need to have some alternatives. There's a lot of different ways to put it together, could have several "bundles" of alternatives.

Break

1. JW: I want to make sure that we're being very clear about the EEI and what it means for folks. The EEI is going to mean a fixed amount for each given customer. For some it's going to be more than historical spending, for some it will be less than historical spending, e.g. if a customer has taken advantage of CRC and bi-lateral dollars. We have removed flexibility for customers to come to BPA and request more money. Want to make sure folks are thinking through this. We are hoping to know what our capital budgets will be and hope to give folks an idea of their EEI dollars within the coming weeks. The EEI is not meant to reach

- 100% of the regional target, BPA is collecting enough in rates to achieve 75% of the savings. We've tried to respond to the concern to keep the rates as low as possible, so we haven't collected the whole 100% and planning on 25% of savings coming from self-funding.
2. Person B: could you explain the goal from moving bi-lateral to common pool world.
 3. JW: the reason customers wanted to move to a framework like the EEI because the previous mechanisms (CRC and ECA) were not as equitable as could be. The CRC was equitable, but the bi-laterals were not equitable. In Phase 1, customers told us that equity is paramount, so that's where EEI came from; it mirrors CRC in the way that it's allocated. Utilities have first priority to the funds they put in.
 4. Person A: it should be clear that the EEI is all capital (and no expense), so this means that not all the capital dollars are paid for upfront (in rates). So if we start with 100 million dollars, this does not necessarily mean 100 million was collected in rates. What you pay in the future in rates, depends on what is spent today.
 5. Person F: The key question I addressed in my piece is how is BPA going to fairly handle custom projects between rate periods. Cowlitz, like others, we've committed to our customers that money will be there when the project is completed. However, delays take place and there's a concern that the completion dates would be moved passed the fiscal year 2011 timeframe, so spilling into FY2012. So my suggestion was to have funds enough to cover the committed projects be added to a customer's EEI budget. We don't know what our TOCA will be and if it will be enough to cover our commitments. We can't manage what we don't know. We don't want to be in the hole going into post-2011. We want to keep up the momentum with our customers and not have them slow down. BPA still has a regional target to meet and there are tough economic times for utilities, so BPA should be more specific on the transition and whether there will be incentives for future projects. This folds into transitioning and the kinds of impacts it could have on utilities in the region that already have projects in the pipeline and still have time to get additional projects.
 6. JW: We are very aware of the concerns you've expressed regarding the transition issue. We've created equity, but within BPA we've lost flexibility to move money around. There are commitments that BPA has made and we need to figure out how those commitments can be met. It's important to remember that there is only one pot of money and how we figure this out will affect everybody, even if you're not one of the utilities that have large projects. We are working internally on this and would really welcome comments on this.
 7. Person A: it seems to me that in this first transition period, there is a bit of a problem. There are a number of custom projects that have been approved. I'm wondering if there's some mechanism to have some transition pot of money. People made commitments under the existing construct so it would be bad to punish those folks because of the need to make the transition.
 8. KP: There's a sliding scale, so maybe some should be taken from the EEI in addition to a pot of money that is taken off the top before the EEI is allocated.
 9. Person F: we can't manage what we don't know, but when we know the EEI we can manage those and we can talk to our customers about projects that would be

- completed within the year and if the projects will last longer, than we can manage that with our customers.
10. Person B: is this is the same as crossing rate periods?
 11. JW: no, it's different. If a project is completed after September 30, 2011, Person F's question is exactly what we're trying to figure out. Because BPA has committed to pay for those, there are a few options to pay for those: a pot could be taken out of the EEI (a transition fund), customer's EEI allocations could be adjusted, etc.
 12. Person A: can you get an idea of the magnitude of what the commitment is and what the budgets will be?
 13. JW: so would you be in favor of having a cut off point earlier to prevent a "run" on the transition fund.
 14. Person F: why couldn't we play out the ECA until the end? We want to continue to encourage our customers to complete projects within the current rate period.
 15. JW: we want that too.
 16. Person B: it sounds like equity is being defined in different ways. We want to be equitable to the commitments already made, so maybe we do the split, some comes from the transition fund and the rest comes from an EEI allocation of the customer.
 17. JW: we are trying to work on an issue that will happen only once.
 18. Person A: people didn't have adequate notice and have time to adapt and it's only fair that we take this into consideration that people have been operating and still are operating under the framework of CRC and bi-laterals.
 19. Person B: what is the proposal at this point?
 20. JW: there's isn't one yet, but there's Person F's suggestion for the "transition fund."
 21. KP: there may be a middle ground with some hit to a customer's EEI, but also access to some transition funds.
 22. Person F: is the current rate case a possibility for dealing with this?
 23. MR: the more projects that get completed before Sept 30 2011, the better.
 24. Person B: it would be helpful to know the magnitude of the issue.
 25. MR: new project proposals come up all the time so the magnitude changes all the time.
 26. MR: we have visibility on some projects, but for the non-standards, we don't have visibility until the invoices come in.
 27. Person A: but in terms of the non-standards you're only committed to pay when they come in.
 28. MR: the non-standards have a check-in in 2011.
 29. Person B: understanding some of the magnitude would be helpful; if a few people are really helped out by a transition fund and the rest are just minimally affected, maybe it would be possible.
 30. JW: there's the transition fund "off the top" of the total EEI budget, but there's a question of how much should come out of a utility's individual EEI budget, e.g., 25%, 50% or 100% or 0%.
 31. RK: no matter how you structure this, somebody is going to scream "unfair."

32. Person B: there should be some incentive to wrap up the projects sooner. There ought to be some transition concession, but it shouldn't be carte blanche. There should probably be several options people could vote on.
33. KP: there are three basic options: 1) 100% off the top; 2) only give the utility the amount above the utility's EEI funding; and 3) some fraction of the custom project costs come out of the utility's EEI funding.
34. Person A: this isn't really an incentive, sometimes there are things you can't do to speed it up.
35. Person B: how's this going to work in the future?
36. JW: if a customer has a project that is bigger than the utility's EEI, the utility would need to self-fund. This is a one-off affair because of the commitments made under the existing ECA structure.
37. KP: we're hoping utility pooling would also help deal with this in the future.
38. ML: let's talk about the cut-off.
39. Person B: the date could already be in the past for when you had to have commitments made.
40. RK: the cut-off would attempt to prevent people making a "run" on the transition pool. If we say it's yesterday (the cut off), then nobody would be able to game the system.
41. Person F: so you could still get projects that would be completed before September 30, 2011?
42. JW: yes. This is only for projects that would be completed after post-2011.
43. Person G: we still have some projects that aren't in the pipeline.
44. JW: so you may be one of those people in favor of having a cut off date in the future. We put in about 120 million into the IPR, but don't know if we're going to get that. Then you have to subtract out third party programs.
45. Person B: who are the third parties and how will they get allocated?
46. JW: ESI, ESG, Simple Steps, Smart Savings. BPA will pay that admin cost with capital dollars.
47. ML: maybe on this topic of "transition fund" we could put together a couple proposals for people to look at. But we still don't a clear idea on what the date would be the "cut off" for projects that would be eligible for the "transition fund."
48. Person B: every utility could argue for their own self-interest, but I understand that BPA has committed to pay their commitments and this is a past date, so the cut off should also be a past date.
49. JW: we are going to put together a more refined discussion piece on the common pool as well as a proposal on the "transition fund." If people have input, please provide us with it so we can incorporate it into the proposals.
50. Person A: I'm hoping the SRR workgroup will have something on "utility pooling" for the workgroup to consider the next meeting.