



Energy Efficiency Post-2011 Phase 2

Workgroup 4 Meeting 4

Tuesday, September 14, 2010

1:00pm to 4:00pm
Conference Call Only

Overview

- Reviewed previous meeting notes and midpoint meeting notes
- Updated draft chapter included:
 - Clarification of Opt Out procedure, simplified to have no date minimum, rather including an opportunity for extenuating circumstances to be considered
 - Movement of M&V into the main section with expected clarification that it is just documented in different places depending on which Option a utility is in (one in the CPP, two in their utility files)
 - Discussion around “measures have not been ordered, purchased or installed”—everyone comfortable with avoiding free-riders but need to clarify this further in coming versions
 - Simplified benefit/cost ratio tests from Exhibit D were added
- A few additional edits will be included in next edition
- WTP Alternatives were discussed—one added to include measure life as a determining factor. Preferred alternatives paid the same regardless of Option.
- Performance Pmt/Admin Alternatives were discussed—group supports allowing Option 2 to claim admin, discussed a minimum amt and a ceiling, and having it based on kWh savings achieved not dollars spent.

Decision/Action Items

- Add updates/changes discussed in mtg to Draft Chapter
- Provide at next meeting some examples of WTP with numbers included (to see how Alternative #4 where measure life would be factored in would affect #'s)
- Share with the SRR group the Performance Payment alternative in which the reimbursement is based on kWh savings so they can provide a recommendation that would support the needs of SRR utilities such as a variable rate (ex. 4 cents instead of 2 cents)
- Technical assistance and Transition issues still remain for future meetings, in addition to starting to draft actual recommendations beyond the IM chapter language.

Meeting Notes¹

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

Facilitators:

Larry Blaufus
Melissa Podeszwa

BPA Participants:

Mike Rose
Abigail Howard
Matt Tidwell

1. MP: Review of last meeting.
2. MP: a few things that came up during midpoint meeting. There was a question about flexibility to begin projects before BPA approval regardless of which Option is chosen.
3. LB: one thought on this: a utility could take the risk if the two week window is too long for a customer.
4. Person A: seems like this would only be for Option 1.
5. MP: that's right. Another question was on "custom programs." And Josh Warner said this might be put in place before post-2011 and may be applicable to either Option.
6. MP: another important point that came up was the importance of educating folks about the upcoming changes.
7. LB: The process was good for a check-in and an important step for having others to provide input. I think it was worth taking the time to do.
8. MP: moving to the draft IM chapter. There were only about 4 changes made since the last version. 1) M&V applying for both options, so now it is moved out of the chapter. 2) with regards to opting-in and opting-out, some more nuanced language has been added. The six month timeframe has been removed, and now there is language about "changing circumstances."
9. Person B: I think that looks really good. Will they be able to move back into Option 2 if circumstances change again?
10. MP: we talked about not wanting people moving back and forth.
11. MR: one of the circumstances we talked about is if one key employee moved to another job. It should be driven more by how you can produce projects rather than the nature of the projects.
12. MP: 3) custom project process section: requirement has been moved to the "requirements" section (letter E). This language didn't need to be repeated. 4) technical assistance is still highlighted and we need to discuss, but we added in cost-effectiveness test for industrial lighting and HVAC. The language is from current non-standards.
13. Person B: going back to 1.E. By having this in the main body, this makes it apply to Option 2, which is confusing to me. We aren't getting pre-approval on each project.
14. Person A: I second that.
15. MP: that makes sense. We want to understand what your process is when you work with customers, but we didn't want anything specific like start date, which depends on the customer.

16. MR: this is a way to ensure that funds are spent and making sure that something that otherwise wouldn't happen actually happens.
17. MP: is there a way to say "before something"?
18. Person B: it could be a little clearer so that it's clearly stated. I agree with your intent that you don't want to pay for free-riders.
19. MR: we need to make this more clear so customers "don't get caught" by this.
20. Person B: (comment about difference in language)
21. Person C: going back to option 1 (page 5), I.E. regarding the PTR calculating cost-effectiveness.
22. Person A: is technical assistance just BPA engineers?
23. MR: we wanted to go into a deeper dive on this. I think the bigger part is for the 3rd party technical services, over and above the BPA technical folks.
24. Person C: a minor edit, the cost-effectiveness calculations are what we're using now, so we're familiar, but would suggest "the total for the projects in this grouping must meet or exceed 1.0."
25. MR: good comment.
26. Person C: this is being applied at a project level, not a measure level.
27. MR: yes.
28. Person C: brilliant.
29. MR: the test is the "predominant" measure.
30. Person B: what about O&M? Is it possible to use the same cost-effectiveness methodology for both Options?
31. MR: you'd have to enter these into the PTR. The more the little formulas are added the less simple this becomes.
32. MP: there will be a link to an auto-upload document.
33. Person C: we may look for assistance on laying out an M&V. So under option 2, can utilities come and seek guidance on a particular project.
34. MR: we do that now, but what needs more discussion is what we do for TSPs.
35. Person C: my question concerns BPA's engineers and does this need to be laid out more specifically in the draft chapter.
36. MP: we do have some time to discuss technical assistance.
37. Person C: it sounds like internally you guys are discussing this issue.
38. MP: we had talked about the balance.
39. Person C: a role for BPA to help formulate/coordinate training on M&V for the region. I don't know how BPA polices the opportunity for some utilities that don't have in-house staff to lean on BPA engineers as a TSP.
40. Person D: I think this can be handled on a case by case basis. Without getting into too many requirements, I think it's better to leave this a bit open and be flexible and be prepared to say it's not working when it's not working.
41. LB: there's a difference between calling to briefly look over something vs. writing an actual M&V Plan.
42. MP: I agree that we probably don't want to put in all the specific things you can call an engineer for.
43. Person E: so is it the BPA engineer that would make that call?
44. MP: that's how it is today and could stay that way.
45. MP: next topic is willingness to pay.

46. MR: (overview of discussion piece). Part of the background is on how BPA arrived at the 18 cents for kWh.
47. Person B: when you talk about flat reimbursement, are you talking about flat across the board or it just being a cap?
48. MR: that's a good question, that flexibility could also be included. The pass-throughs are also not included.
49. Person C: you've done a good job on this, but the one alternative that I'm familiar with or would like to maybe see would be the same reimbursement rate for all same deemed measures across the region. Having the same rate for Option 1 or 2 makes sense. If it's flat everyone knows what it is, but if you have longer life projects, do you kind of get cheated?
50. MR: we have different sector-by-sector rates. If we're paying 15 cents and it's a five year measure life that 3 times as expensive as a measure with a 15 year measure life.
51. Person C: what is your preference that seems to work for BPA? We may agree with you.
52. Person C: the equity issue discussed in Workgroup 1 would drive you toward which option you've laid out?
53. MR: probably the first or third options.
54. Person B: I like either one or three.
55. Person C: alternative two doesn't seem to fit with the equity concern. But neither 1 or 3 reflect levelized resource cost. I would go with option 3, pay the same rate for all custom projects in both options by sector.
56. MR: I don't see an alternative that says "same rate, based on measure life," which is maybe alternative four. The con in all three options is that levelized cost is included, so an option should be added that considers this.
57. Person B: maybe option 4 would be something BPA prefers. I just want to see option 1 and 2 get the same rate.
58. Person E: I think option 4 seems to be the best as well.
59. Person C: doesn't the measure life determine the best value to the region.
60. Person D: well it's not the most fair. Clearly there are utilities that don't have the same opportunities as Seattle City Light, but yet they are responsible for paying the rate. I recognize that large custom projects with long projects have real value, but the other end is SRR utilities and special arrangements made for them so they can spend their EEI.
61. Person C: We support that.
62. Person D: BPA is allocating capital dollars for this program and the dollars will be amortized over the average life of 13 years of all the projects, so in some respects you could argue they are being allocated based on an estimated life of 13 years.
63. Person C: but this is an accounting deal, not a financing deal.
64. Person D: but they are recovering the cost over 13 years.
65. Person C: to be fair to everyone you should pay based on the measure life. If it's a one year measure you shouldn't get 25 cents vs one that has a life of 15 years.
66. Person D: I don't necessarily disagree, but there are concerns about people being able to use their EEI budget.

67. Person C: I don't care about how others use their budgets. I want to see equity and think it should be measure life related.
68. Person D: people who don't have custom projects are at a disadvantage. 6 cents a kwh vs. 20 cents, for example.
69. Person B: I don't think the biggest projects don't necessarily have the longest life. So I don't think it's going to necessarily hurt the smaller utilities.
70. MP: if everyone is paid the same rate and you only get a % of the total EEI, it shouldn't really matter, right, because of the fixed capital amount per utility?
71. Person E: what does this do to the existing incentive rate? Do you see incentives coming down in one versus another option?
72. MR: I was more wanting to keep the conversation on methodology and less on numbers.
73. MR: when you set WTP based on dollar amounts that are fixed, the higher the WTP, the faster you run out of your EEI budget.
74. Person E: don't we need to be aware of what we do here and what impact this might have...
75. MR: not sure if others are talking about the WTP, the cents per kWh.
76. MP: we had discussed not deciding on the number, but instead deciding on the methodology, e.g. having the same rate for each option.
77. Person A: how to equitably apply the rate based on measure life seems more difficult, i.e., people may differ on the measure life.
78. MR: a difficulty is really knowing how do you know the appropriate number of years, when you're out in the field.
79. Person A: this is true for energy management system measures.
80. Person E: I was suggesting measure life-tied incentives based on some symmetry between the c/e test and sector lives.
81. MR: (clarification on the reimbursement rate being based on the sector measure life).

Break

1. MP: next item is admin/performance payment (aka admin allowance).
2. Person A: it does seem like admin should be applied to both deemed and custom. Not sure if it should be rolled into cents/kWh or something else. Maybe there's one that is easier to administer.
3. MP: it's an optional reimbursement, so it's not automatically applied.
4. MR: there are folks that don't claim any admin whereas some claim the maximum amount. So I did want to keep this flexibility of passing on all the incentive on to the end-user.
5. Person A: it's money that you'd be paying rates and you'd be getting some back, so if somebody didn't claim it, would you not collect it?
6. MR: small utilities can claim up to 30% of their budgets as admin reimbursements, larger utilities can claim up to 20%.
7. Person A: and the "budget" being what we request from BPA?
8. MR: correct. So for the EEI, it would have to be part of the EEI allowance, not on top of the EEI.

9. Person D: ...
10. MR: the third option is to have admin payment be based on the amount of kWhs delivered.
11. Person D: so it wouldn't be added in to the kWh per se, it would be like here's 15 cents plus an additional 2 cents.
12. Person E: in any event it could not surpass overhead cost?
13. MR: when we say "admin" it implies having to track admin cost, whereas if you do "pay for performance" based on kWhs delivered you don't need to track admin costs. It's a way to avoid having to demonstrate actual cost.
14. Person F: having a rate per kWh makes it cleaner because this is what we're trying to achieve. This would allow an incentive that is equitable and would help eliminate having to prove things. There's been frustration with having to assign admin costs to certain efforts. The goal is to acquire savings.
15. MR: difference between Alternative 1 and 3 is that 3 is based on kWhs delivered, not on the amount of money spent.
16. Person E: what would happen with a large project?
17. MR: you could put a cap in there, e.g. up to 20% of EEI.
18. Person A: has it been based on actual expenses?
19. MR: yes. It's hoped that performance payments are used to feed the machine of getting savings.
20. MP: does this mean that the section on performance payments would just include the language based on what costs qualify would be for informational purposes only?
21. MR: if you move this to a kWh basis, there are high transaction cost projects with low kWh savings.
22. Person D: would it be possible to have certain utilities claim 30% and have a different rate for them, e.g. instead of the 2 cents they would get 4 cents. I see a procedural problem here. If this workgroup is going to decide that it's going to be based on kWh, this turns it over to the SRR to consider this and make a separate recommendation based on this group's kWh recommendation.
23. MR: I think you're right. This discussion does apply to WG2.
24. Person F: a lot of the contractors and consultants implementing 3rd party programs are reimbursed at a kWh rate, so what were discussing would fall in line with this precedent.
25. Person D: am I wrong in sensing that there's some good feeling on having an overall cap, say 20% of EEI budget, it would be paid out on a kWh basis?
26. Person A: we think its reasonable.
27. LB: on the face value, I think I'm for it. I like that there's one less thing to worry about. This would make it about the kWhs.
28. Person F: I like that it gives the utility the option to claim reimbursement, whereas under current non-standard there's no option for reimbursement.
29. MP: seems like Alternative 3 is of interest to most folks. What about the "base" amount, having a minimum base amount that each utility would have.
30. Person E: I think smaller utilities would need that.
31. MP: We'll update the draft IM chapter and put something out to the group on the performance payment and reimbursement rate.

32. MP: next meeting on Sept. 28. At some point we could try to have an in-person meeting.
33. Person E: we would be open to hosting an in-person meeting.
34. Person D: on the reimbursement, if we could see some calculations, that would be nice. We talked about basing the rate on life of the measure plus the cost benefit calculations.
35. MR: so the option 4 and what it would like.
36. Person D: e.g., you have a 2.5 year measure life, a 10 year measure life, etc. Some various examples with numbers.