



Energy Efficiency Post-2011 Phase 2

Workgroup 1 Meeting 6

September 28, 2010

9:00am to Noon

BPA Rates Hearing Room

Overview

- We worked through the most recent version (dated 9/22) of the EEI Common Pool Discussion Document and made some revisions and answered some of the questions that were posed. These changes will be made to the document and will feed into our final recommendations. These are the more substantive changes that were made:
 - BPA will send a letter to each customer to fill out to identify how much of its EEI allocation it will utilize.
 - Customers that release a portion of their EEI allocations prior to 18 months into the rate period will receive priority in the queue for the common pool for that current rate period and the subsequent rate period. This priority will be for an amount of common pool EEI up to the amount put into the common pool by the customer (note: customer will have access to common pool EEI funds *above* this amount, but will not have priority access). Once the customer uses its priority access, that priority access is removed until the next time the customer releases EEI into the common pool.
 - 7.2.b "Informal utility pools" will be renamed "Utility bilateral transfers". The change in name will better indicate that where there is mutual agreement, Customer A transfers a certain amount of its EEI funds to Customer B. We plan to further explain that those customers can have agreements with one another to "swap" EEI funds across rate periods (e.g., Customer B would transfer funds back to Customer A). BPA would be blind to this agreement between the utilities; from BPA's perspective only transfers within the rate period can occur. We will try to put in language that provides for continuity of utility bilateral transfers across rate periods, contingent upon BPA having conservation funds available.
 - Section 8 will be simplified to express that there will be ongoing discussions between BPA and customers throughout the rate period and EERs will provide customers with information on ways they can spend their EEI funds if they are having trouble.
 - Section 9 will be revised to say that no adjustment to a customer's allocated EEI funds will be made without mutual consent between BPA and the customer for this rate period, but BPA reserves the right to modify this approach in future rate periods. This is intended to give utilities a

- heads up that BPA might be stricter in future rate periods to ensure EEI funds are being utilized to acquire savings.
- Common Pool distribution - we are going with the simpler option A.
 - Common pool funds would be released first to customers with high priority (ie, they released some of their EEI funds prior to 18 months into the rate period). If requests are greater than available funds, funds will be pro-rated based on the requested dollar amount.
 - After high priority customers' requests are fulfilled, other customers in the queue will receive the funds. Again, if requests > available funds, funds will be distributed on a pro rata basis based on requested dollar amount.
 - Funds will be distributed from the common pool at month-12 and month-18 of the rate period. Any common pool funds after the 18 month distribution will be distributed on a real time basis to whatever utility makes a request.
 - All common pool requests must show sufficient documentation for their project. What this documentation will look like and how BPA will evaluate it are topics for our next workgroup meeting.
 - A participant shared an idea where 2 utilities (such as a large utility with a sizable conservation budget beyond its EEI allocation, and a smaller utility) can have an agreement where one utility provides unused EEI funds to the other utility in one rate period, and then vice versa in the next. This could be a way for smaller utilities to juggle large custom or industrial projects that crop up. We will include this concept in our write-up of "utility bilateral transfers."
 - We discussed Workgroup 2 Utility Pooling draft recommendation. The EEI group supported the recommendation and will include it in our final recommendations.
 - Josh Warner provided an update on the custom project transition from ECA to EEI. BPA is currently working with its customers to update the status of their custom projects to better understand the amount of funding that will be needed. This is still a work in progress.
 - There are 2 more workgroup meetings before BPA would like final recommendations from us. We feel that we are on track to meet that deadline.

Decision/Action Items

- Think about the project documentation customers will need to submit for common pool funds. What criteria should BPA use to evaluate the requests?
- Revise the Common Pool Discussion Document pursuant to today's discussion and re-circulate to the group for comment.
 - Consider whether some terms should be modified to better reflect their intent.
 - Incorporate language from Workgroup 2 Utility Pooling Recommendations
- We will continue working through the issues list (#4-6) at the next workgroup meeting.

Meeting Notes¹

Facilitators:

Margaret Lewis

Megan Stratman

BPA Participants:

Josh Warner

Matt Tidwell

Matt Hayes

Kyna Powers

Mary Beth Evans

1. MS: review of agenda.
2. ML: we want to go through the Common Pool draft proposal.
3. Person A: does this mean we'll have to send in a plan?
4. ML: not necessarily a plan, just a reminder of their budget and to have customers make a conscientious decision to utilize their EEI budget.
5. Person A: I'm trying to figure out the value of the letter. I don't mind putting together a letter, but may not make much sense, since I could just say yes I'll spend it all.
6. JW: a select few large customers will have to submit a plan to BPA.
7. Person B: there's a value to get people to commit in writing, so at some point they've committed to doing it.
8. MS: this first rate period, we should keep it simple. Having people look at their budget and commit is a new thing.
9. Person A: I think it would behoove smaller utilities to do plans.
10. ML: it's not a question of doing or not doing plans, it's more about what people have to send to BPA.
11. Person B: this takes me to 9 and 10 in the document: if BPA is not going to enforce any kind of sticks or requirements that people spend the money by a certain time, what's the point of having people submit a plan.
12. JW: a few ways to look at this: if a utility is saying I'm going to spend \$5,000, that it wouldn't be too entirely burdensome to say I'm going to spend that by installing X of measures Y and X of measures Z.
13. Person A: it becomes germane when you're talking about a common pool and whether they can access the common pool.
14. Person B: I sent out a mark up version of this document. It didn't differ too much in terms of content, but it differs enough that it changes somewhat the discussions we're having. One of the problems I've run into when thinking about this, the EEI and spending dollars, is that it's not a good way to communicate well exactly what we're doing here. It's troublesome to me that we're now locked into some language that doesn't fit the tool. I proposed framing it in terms of an Energy

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

- Efficiency Fund. People aren't getting dollars, they are getting a budget and they are utilizing that budget to get conservation. And we have assigned and unassigned budgets. This nomenclature better describes what we're trying to do. This puts to rest the idea that these are my dollars and I have to spend them, which they aren't. In terms of how people think of a pot of money and how to spend it. When you think about the EEI, what incentive is there to spend it. It's a fund, a pool of dollars that BPA is borrowing from the Treasury, which BPA is making available to customers. Now you have this fund and it's allocated and you're given a budget. If you decide that you can't use that entire budget, you tell BPA and that budget and those dollars become unassigned because they don't belong to anybody, they're BPA's.
15. Person A: if I don't spend it, then I donate it everybody else.
 16. Person B: no, you're not donating it. The dollars are borrowed from the Treasury. If BPA borrows 100k from the Treasury, and if BPA only spends 50k, the left over 50k goes back to the Treasury.
 17. JW: we put in rates what it's going to cost to borrow the 100k, so even if we only utilize 50k, the 100k is still in rates. The left over 50k would go into reserves, it may lower rates, but it doesn't necessarily get reserved for conservation.
 18. Person A: numbers 1-4 are really of interest to me. I would like to know how my EEI budget compares to my internal budget. If they're basically the same, then I won't be concerned about the common pool.
 19. JW: We are working on putting together these numbers. We are hamstrung by a couple of things. We don't know what our capital budgets are going to be.
 20. Person A: the IPR has specific numbers.
 21. JW: yes, but those might change. The close out letter may be coming in early October. Once those numbers are in, you could calculate your rough estimate. There are still some variables that are moving around a bit. We hope to have something soon.
 22. MS: let's continue working through the document. On 5, I heard BPA will send the letter. Question re: priority access to common pool (which rate periods). Any thoughts?
 23. Person A: I think it should be the current rate period. The future is a different situation.
 24. KP: there's no reason to exclude people from having priority in the rate period. But the first rate period is likely going to be the one in which they will least need it. The original idea behind this was to account for the lumpiness of smaller utilities.
 25. ML: we aren't necessarily saying your dollars (one for one) would be available, just that you would have priority access.
 26. Person B: I don't think there should be any expiration. If we want to encourage people to be up front and to give up budget dollars, I don't know why we would penalize them in future rate periods.
 27. KP: when I hear indefinitely, I see at least when they get their dollars back (or some portion thereof) the priority goes away.
 28. ML: if I have a "one time card," is the card only good up to the amount I put in. So if I put in 30k, and request 25k, does that require my whole card?

29. ML: my thought was they would have priority only up to what they put in.
30. JW: a few concerns, I can see where that might give some encouragement in the first rate period, but then that would make for no incentive in later rate periods, because to give up in rate period 2 would put you behind all the people that put in during the first rate period. Additionally, there is the administrative burden of tracking all these priorities.
31. KP: you could tie it to rate period planning process.
32. Person A: I think it becomes pointless past the next rate period.
33. Person C: I was looking at our PTR stats and at our pipeline, about 10% of projects have a timeline of over 2 years.
34. Person A: the way we have implemented ECAs in the past, you're already planning for the next rate period because you get the reimbursement after M&V.
35. Person B: the problem is with the smaller utilities..
36. JW: the EEI is how we're going to be distributing dollars in post-2011. It's replacing bi-lateral dollars and CRC. It's indifferent to implementation mechanism.
37. Person D: there are options for helping smaller utilities manage large projects through utility pooling with larger utilities.
38. ML: so we've heard at least two rate periods. The current and the next rate period.
39. MS: these recommendations aren't set in stone, but we'll say for now that a customer would have priority for two rate periods, including the existing one and the following one.
40. MS: (continue with document review).
41. Person B: I don't understand why there would be an informal utility pool.
42. JW: formal utility pool, BPA sees one contract between BPA and the pool. The informal gets to what was said earlier about moving funds bilaterally in between accounts.
43. Person B: its seems like there would need to be some formality. If I give 10k over to EWEB, I don't want that to be my responsibility.
44. KP: the formality is that both parties would agree and the ECA budgets would be adjusted accordingly.
45. Person B: I wouldn't necessarily call this a pool.
46. MS: it's more of a bi-lateral transfer.
47. Person D: is this envisioned to be within a rate period or to address transfers across rate periods.
48. JW: we've discussed within the rate period, but there could be an agreement among the utilities in a pool to agree to transfer funds in future rate periods.
49. Person D: Once we get into post-2011, I'm talking about how to help smaller utilities manage the risk of the timing and size of larger projects that exceed the EEI budget of the smaller utility. We're expecting to spend a lot more than our EEI budget. So we're envisioning pooling with a smaller utility and getting from them their excess funds and in return we would have an agreement that we would help the smaller utility pay for larger projects down the line.
50. MS: is there a way we could get this concept out to customers even though BPA isn't going to be involved in this.

51. Person D: I would add more, this bilateral transfer concept needs to be maintained during future rate periods. We need administrative assurance that the mechanism will be in place.
52. MS: could BPA say that this mechanism will be in place in the future.
53. JW: we could but we have no certainty until the rate cases are completed.
54. ML: question on the number of transfers.
55. KP: maybe this should be a transition issue, start with no formal restriction on it and then we could adjust as we move forward.
56. JW: maybe we could say there's an "expectation" to not make more than X number of transfers.
57. Person B: if people are going to transfer over a longer period of time, they might be better off having a formal pool.
58. Person D: I would encourage us not to constrain us in this regard. Even the option that gets exercised during the end of a rate period could be possible, so I wouldn't want us to restrict agreements to formal pooling.
59. JW: so you're also saying there should be no restrictions on when transfers could take place.
60. Person D: keep it as flexible as possible.
61. MS: (8.)
62. ML: from an EER perspective, I'm trying to understand why have a Midpoint check-in if we're not going to do anything at the end of the rate period in terms of taking the budgeted dollars back.
63. JW: this is the gentler, kinder way to work with customers to encourage them to give up funds to the common pool if they're not utilizing their EEI funds. We may not have any sticks, but this a gauge to encourage customers to either spend or release funds.
64. KP: I'm not sure we need something formal in the report.
65. MS: maybe this whole section could just be replaced with ongoing communication between the EERs and customers.
66. Person B: we need to alert people to the idea that there will be something going on.
67. ML: (is there a point in a rate period when you no longer get priority for releasing funds into the common pool).
68. KP: maybe the priority is based on which quarter of the rate period.
69. Person D: the whole first in first out priority within a rate period doesn't make any sense.
70. KP: the idea is that the funds will not be "held" for the utility with priority, just that if there are funds in the common pool that the utility would have priority.
71. JW: I would suggest that after 18 months, there's no priority.
72. Person B: I'd buy 18.
73. MS: so if you give up money to the common pool after month 18, you won't get priority access, but that doesn't mean you won't be able to access the common pool in the next rate period.
74. JW: what do people think about BPA publishing a list of customers and how much they spent or didn't spend.

75. MS: this is a learning process, so let's not have this in the recommendations at this point.
76. ML: if at anytime I want to team up and do a bilateral transfer with somebody, should BPA play a role as a match maker?
77. MS: the EERs could play a role as a broker in a way to spread information about which utilities are underspending or are looking for others to transfer funds.
78. KP: I would think the EERs wouldn't say anything unless the customer wanted others to know.
79. Person A: at some point, maybe half way through the rate period there should be a conversation about how we're doing in terms of spending.
80. MS: hopefully BPA will be able to make this information available on an aggregated basis.
81. JW: we internally had some conversations about 9 and 10 and because of the transition to post-2011, we thought for the first rate period, we're willing to not have any sticks. We can reevaluate after the first rate period.
82. Person B: I agree, the first rate period is not the time for a big stick, but we need something in here. I suggest leaving in 9 and modifying the language.

Break

1. MS: (common pool distribution). Does the group have a preference for allocating based on TOCA shares or the amount of funding requested? Either based on load size or money requested. Once you get to the common pool, it seems like the size of your utility shouldn't matter, it should be based on the amount of money requested.
2. KP: if it's based on funding request, it might encourage people to overinflate project costs. And do we want to make sure everyone doesn't get their full request amount, e.g. if a utility requests 5k and another request 500k, should the 5k utility get all 5k, instead of say 80% of its request.
3. Person B: the TOCA favors the larger utilities.
4. JW: are there any lessons learned from the renewables distribution, which is based on the same principle.
5. MS: there was the over inflation of project costs with the renewables. The money received from the pool could be tied to a certain project or plan. For example, I receive 800k from the common pool, but the project I submitted only comes to 600k I could use the 200k on other things, which leads to over inflation.
6. Person A: in the common pool there needs to be a plan that BPA could assess.
7. JW: but how can we do this where BPA has less discretion and could just look at the numbers. Being able to fall back on some criteria would be nice.
8. Person A: I don't think you're going to be able to get away from using discretion.
9. MS: is there something that already exists that we could use in terms of documentation.
10. ML: nothing common. There are some EER templates, but no standardized mechanisms that utilities need to use when requested additional ECA funds. We could combine these.
11. Person A: that's a good approach.

12. JW: I know there's going to have to be judgment. Today there's no consequence if an EER approves a project to anybody else, but in post-2011 there will be a consequence to others. In two years time if two utilities apply for the funding and one doesn't get it, that utility is going to be upset with BPA. I was just looking for something more objective for BPA to base its decisions on.
13. Person B: we could come up with a recommendation that there be some kind of template developed that would require some sort of documentation with which to judge proposals and then leave it to BPA to develop it and later get feedback on it.
14. KP: depending on how frequently we go through this process, it's probably just going to have to pass the laugh test. It would be an awkward position for us to say this is better than that.
15. JW: at the end of the day, it probably either qualifies or it doesn't.
16. MS: so funds will be distributed based on pro-rata, not on a TOCA basis.
17. KP: we don't want to monitor that certain funds from the common pool go directly to the project. That's the responsibility of the utility but BPA won't track.
18. JW: the criteria for applying for common pool funds could be a discussion for this workgroup.
19. MS: (how often the common pool should be distributed).
20. Person B: I think it could be administratively burdensome to have it any less than every six months.
21. ML: six months might be a lot of time to have to wait for some people.
22. Person B: there's going to be a lot of uncertainty.
23. KP: it might make sense to do it Q1 and Q3 of each year of the rate period. People are probably going to be opting for other mechanisms to get certainty.
24. JW: when should the first allocation happen? This will be critical in who gets those dollars. Early distribution may benefit larger utilities.
25. KP: will the criteria for assessing projects involve demonstrating a certain amount of self-funding?
26. Person B: a waiting period to give people an equal chance is a good idea. Would let time for programs to get going. And would result in a larger pool and give people more time to submit project proposals.
27. MS: at the year end you would also be able to compare to how the utilities is spending its EEI funds.
28. JW: how about the first distribution is 12 months, the second be at 18 months.
29. KP: and then after 18 months we allocate them to whoever can use it.
30. MS: so I'm hearing 12 months and then 18 months and then after that distributed on a real-time basis. For the next workgroup we'll take up the issue of criteria for evaluating requests.
31. MS: going back to Person B's suggestion of changing some terminology.
32. Person B: maybe it would be best to send something out and see how people react to the different wording. Could send out two documents with the different terminology.
33. Person B: (Workgroup 2's recommendation on utility pooling). Review of proposal.
34. KP: can you address the benefits for SRR customers on page 2.

35. Person B: any utility could pay for pool managers or CPAs out of their admin/performance payments.
36. MS: so a utility could use admin/performance payment for CPAs whether or not it is in a pool or not. Could add language that it's not to the exclusion of utilities not in a pool (they could use it for CPAs as well).
37. MS: so are we going to imbed this into WG1's larger recommendation?
38. MT: yes.
39. JW: let's not get hung up on how it's laid out. What's more important is to get the recommendations into the document.
40. Person E: have the benefits for SRR already been decided?
41. JW: no, these figures in the proposal are just for illustrative purposes.
42. Person B: everybody's admin/performance payment will come out of their EEI budget, so nobody is getting "extra" dollars. Just the right to claim more of their EEI budget for admin.
43. JW: (update on Transition from ECA to EEI). Internally, we are trying to get a better handle on the pipeline for custom projects that have been approved that are anticipated to be completed in FY12 or beyond.
44. Person E: we also have Ft. Lewis and there are some transition issues for federal facilities.
45. ML: we'll get the Common Pool proposal cleaned up again. We'll discuss the criteria for project proposals.