BONNEVILLE
POWER ADMINISTRATION

Energy Efficiency Post-2011
Phase 2

Workgroup 5 Meeting 6

September 30, 2010
9:00am to Noon
Conference Call Only

Overview

- Gary Smith and Ray Hartwell explained the lessons learned from operating the Energy Smart Grocer program two different ways. Initially (5/07-3/09) it was operated under a model that required local utility administration. From 4/09 on, it has been run as more of a direct acquisition program. This kind of focus on delivery rather than process has resulted in much greater kWh savings at a significantly lower cost (at $.25/kWh now vs. $.50/kWh earlier)
- Wade Carey presented his straw proposal on Regional Programs. There was significant discussion on the outline he provided including the point that utility-specific EEI allocation adds another layer of complexity to running regional programs. That was coupled with a request that our recommendations focus on where the funding comes from (EEI or Regional $). It was suggested that regional infrastructure expenses (not directly tied to saved kWh) should use regional funds while EEI $ should be used for anything that results in kWh savings).
- Curt Nichols presented his straw proposal on Federal Facilities. The discussion on that proposal was less extensive. A key question was utilities willingness to make federal incentive payments to BPA (to hold on the federal agencies behalf). The response was that that seemed doable.
- The tasks for the workgroup between meetings was set (see below) and what that meant for the next agenda was also discussed before the meeting concluded.

Decision/Action Items

- Wade will revise his Regional Programs straw proposal and provide an updated version for the workgroup to consider prior to our next meeting.
- Eugene Rosalie will provide a draft of his straw proposal on Negative Change Notices for the workgroup to consider prior to our next meeting.
- Jim Wellcome will provide a draft of his straw proposal on Sub-Regional Utility Roundtables for the workgroup to consider prior to out next meeting.
- Mary Smith will provide a draft of her straw proposals on using additional EEI funds for both NEEA and Low Income programs
- Matt Tidwell will provide follow-up reminders to everyone on getting their straw proposals done. When done, he'll provide them all to the rest of the workgroup.

Meeting Notes[1]

Facilitators:
Wade Carey
Curt Nichols

BPA Participants:
Ray Hartwell
Josh Warner
Gary Smith
Matt Tidwell

1. WC: review of last meeting.
2. GS: (ESG lessons learned PPT). The program has changed over time. Started one way with a tight bond between third party contractor and the utility, then we moved to direct acquisition with BPA doing more of the work that the contractor was doing. Slide 3: Initial approach. Long lead times to completion. End result was slow kWh deliveries under old model.
3. RH: under the old approach, the utility was more appraised of what was going on, but the problem was there wasn't much going on.
4. GS: Then we transitioned midstream to the existing model of the program. Direct Acquisition Model. More effective implementation. Faster pay for the contractors. More efficient way to get information into the PTR. 50% more deliveries in under half the time. We had regional consistency. The stability of funding was key to chains and franchise; made it easier for them to participate. They have really participated since we moved to Direct Acquisition (more streamlined approach).
5. GS: (slide 5): we did a number of things to keep the utilities involved, such as including a letter with the incentive check so that the grocer knew the incentive was a result of the utility.
6. GS (slide 6): we feel DA was instrumental in achieving success. The focus was on delivery rather than "process." Other changes also contributed to the success of the program. We also had a $2million education campaign along with some new measures. First two years of delivery: 50 cents per kWh, under DA it came down to around 25 cents.
7. CN: this points out one of the benefits of regional programs. How can we take advantage of these types of efficiencies while leaving the flexibility utilities need and want.
8. Person A: a few comments about our experience. DA certainly has some benefits in terms of getting more kWh with the region, but I don't know if I would draw the same conclusion. There were a couple of years of sorting things out. We had a dramatic overestimate of savings. I think it was less to do with DA and more with new measures. DA is sort of like a code in terms of getting more coverage, but I would caution that we're not fully looking at the cost when you say 50/25 cents. It's not apples to apples comparison. I heard that this might be a model for other programs, but part of the issue is that at the early stage there were conflicts. Even

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

though we say DA, it's better for a chain account, but it doesn't mean that it's a one size fits all program. When we talk about centralized program we're talking about centralized contracts.

9. RH: when the savings ramped up in different service territories was a result of a few things, e.g. depending on when they joined the program, funding certainty. In the territories where they ran out of money or thought they were going to run out of money deliveries were slower. On the DA side, it was a tool to allow PECI to really go out and make the sale and know that there was budget available. It also allowed us to do a quick turn around on the carts. One take away is that it takes a lot of time to launch a regional program. We're always looking at how to have better programs at the least cost, so the input is good. We went to a centralized approach while trying to maintain as much customer involvement as possible.
10. Person A: I agree that this was a major effort. How do we address customer? It's PECI's customer, it's the utility's customer. Depending on the level of utility involvement, but when we use 3rd party delivery we need to recognize that the utility still has a relationship with the customer. The contractor can come and go. We might want to help define the customer relationship. We need good recognition from the 3rd parties.
11. JW: the model that we're moving forward with EEI will present new challenges for DA. We need to think about this. If we're going to have DA moving forward, what's that going to look like?
12. Person A: I agree. We need to look at how BPA contracts, that there is an equal playing field about how we get reimbursed. If you're paying PECI for planning and developing upfront, but you're not paying utilities until they deliver, you're disadvantaging utilities compared to vendors. Utilities ought to have the same ability of streamlining, e.g. cutting checks, M&V. How you treat vendors and utilities the same.
13. Person B: I would second that. We've appreciated the ESG program. In looking at the projects in our territory, the program really expanded beyond grocers. When you start a program that is described one way, how do you reconcile that when the program moves into different areas that may be in conflict with utility programs.
14. RH: those are great points. We could have done a better job of communicating which type of facilities the program targets. It's focused on refrigeration and less on grocery stores specifically. Given the differences in utilities, sometimes utilities want us to do more while were there (e.g. lighting), whereas other utilities don't want us to do other work.
15. JW: it's important that we talk a bit more about the level playing field, e.g. the start up costs. A third party setting up a regional program is a bit different than a utility setting up a program in its service territory. I see these as fairly different. It's a challenge for us at BPA to say we're going to help pay up front for a utility to develop a program in its territory.
16. Person C: we got into this process late because we didn't like the lack of interaction between the utility and the customer.
17. Person A: we already had a program for grocers. BPA disrupted a program we already had. We had to disrupt a lot of things in-house. I had to figure out how to accommodate the regional program. Also, the c/e level is melded and if you pick

off some measures that makes it more difficult for me. The question is: What kind of ripple effect will you have on utility programs moving forward?

18. JW: we do need to communicate better, but there's sometimes a trade off between input and progress. Larger utilities may have programs in place, but lots of other utilities don't have programs in place, but you're right that we need to improve on how the programs impact those utility programs already in place.
19. Person A: PECI has been very patient and they should be commended.
20. JW: there's value here that we want to take advantage of, and we'll keep working on improving.
21. Person B: we've appreciated the program. There have been a few things here and there, but overall it's been a real success.
22. CN: next on the agenda is Wade's proposal on regional programs.
23. WC: instead of just listing the recommendations, we need to flesh these out a bit more and provide some more specific details. From here, we need to take these to next level and address how we think BPA could make these happen. If anybody has any input or would like to help me transform these into more of a narrative, please get in contact with me or Matt. Some of these recommendations try to get to the point that BPA and customers need to get together more to improve communication. We've got all these workgroups working, but the number of utilities involved is such a small representation of the total. So we need to get everybody on the same page. I'm not sure how to make that happen; my recommendation was to make the utility roundtables more robust and to meet more often.
24. JW: if people have ideas on the phone, please share them. I think more formalized, regular utility round tables is a good idea. Andrew Miller from BPA is also trying to work on reformatting the Utility Sounding Board, but that will never be everything that everybody wants.
25. WC: all the utilities have an EER and my idea has been that the EERs need to restructure the description of their job so they have a much better idea of their utilities and what they're doing or not doing. It's going to take a real push from BPA to force the issue.
26. CN: communication really is key to a lot of what we're looking at.
27. Person A: it seems that through our discussions, with respect to regional programs, we have utilities that would love a regional program whereas there are those that already have a program so layering a DA program upsets their programs and they have to do things to react. So we're talking about two different audiences based on need. If all of the incentive money is being allocated to the utilities, it gets a bit more complicated to get regional programs, so it seems like there needs to be at the beginning of a rate period some decision about which programs are going to be regional and what is going to be individual utilities because utilities are going to have to buy-in in order to get the incentives flowing. How are we going to distribute the incentives and what degree of obligations do utilities have if we all decide on the types of regional programs. Or what about technical assistance and how much is available. It gets back to the issue of what is BPA's role in delivering programs and how are they going to pay for it and what is BPA's role in supporting utilities and how is that going to paid for.

28. CN: it would add a complexity to have to decide all of this at the beginning of a rate period.
29. JW: we all know from the first phase of ESG the problem with utilities allocating their individual budgets was not very effective, so how can we find the middle ground for post-2011.
30. Person A: BPA could help find economies of scale in terms of contracting. Maybe there's an RFP process after we agree which programs we want to run the programs for two years and we select who's going to run the regional programs.
31. JW: this is barking up the right tree. We do run into that challenge when we have RFPs without knowing who's going to participate, so this is moving in the right direction.
32. Person A: I really agree. At the regional program level, we could have something along the lines of saying here's our five year plan.
33. GS: It is difficult. I saw documentation from 2005 for ESG, but the program didn't get launched till 2007. It's very time consuming.
34. Person A: we have the same issue as a utility. We're constantly juggling various programs under and over performance. We have to manage budget as well as kWhs in conjunction with each other. For the next post-2011 period, maybe our best recommendation is to pick one or three activities that we put through this process and figure out how we can streamline the process rather than to leave this wide open.
35. Person A: there's regional infrastructure spending, which aren't directly tied to kWhs and then there's the EEI and some of that would go to BPA's programs.
36. Person D: we agreed that everyone would fund regional infrastructure. Where would I find the break out on what BPA is planning to spend?
37. JW: there are two buckets: expense and capital dollars. There are lots of things in the expense bucket and then there's the capital dollars, so there are expense and capital infrastructure dollars.
38. CN: our task is to come up with the process by which we do this, regardless of what the budget is.
39. Person A: I would like to know: we need to better define what is contained in regional infrastructure…BPA is collecting my rate payer dollars and we're talking about how those will be redirected to me via regional programs.
40. JW: we can go to that detail, but at this point we have a skeleton proposal and need a lot more work that is needed to be done before we go down this path. If we don't get more detail, then we'll have missed a good opportunity.
41. Person A: As we flesh out the proposal do we need to have a discussion on where this would apply for a standard vs. non-standard. How is it going to get interwoven with discussions going on elsewhere.
42. JW: Option 1 and Option 2 are going to be pretty similar. This should make what Person A is talking about a bit easier.
43. Person A: I don't want to automatically subscribe to the idea that just because we can do things regionally that it's going to cost us less.
44. Person D: I'm getting confused.
45. JW: it would be really good for somebody to put pen to paper on this.

46. Person A: I would be happy to do that. I think Wade's proposal is good, but a parallel conversation is how we're going to pay for these programs.
47. CN: everyone else is encouraged to provide input by sending an email to workgroupfive@bpa.gov.

Break

1. CN: (review of proposal on EE at Federal Facilities).
2. JW: the transition issue (recommendation 6) is being discussed in WG1 and it's still unclear at the moment.
3. CN: any comments?
4. Person D: nothing really to add. On the right track.
5. Person E: when we talk about this model, is it all inclusive of all the different contracting mechanisms? People here are used to different agreements.
6. CN: there's probably going to be wrinkles that will need to be addressed.
7. CN: I'd like to get input on how BPA could hold the money (#5) for federal facilities.
8. Person E: we'd probably be indifferent.
9. CN: for next meeting we'll discuss negative change notices, utility roundtables and the two issues being put together by Person A. And then we'll need to revisit Regional Programs.
10. CN: Action items: assist Wade on his regional programs proposal. Put together the other recommendations and share them with the group.