



Energy Efficiency Post-2011 Phase 2

Workgroup 1 Meeting 7

Tuesday, October 12, 2010
9:00am to 12:00pm
Northwest Requirements Utilities

Overview

- The workgroup went through the most recent version of its Phase 2 Recommendations. The group agreed the concepts are as we have been discussing and that the document is getting close to final. Below are the changes that will be made to the document and then recirculated to the workgroup prior to the next (and last) meeting:
 - Remove the intro paragraph discussion about borrowing from the US Treasury - how the EEI Fund is funded (capital versus expense) is not applicable to our recommendations and is an Integrated Program Review issue.
 - Add to the intro paragraph the distinction that EEI dollars will be distributed on an invoice and reimbursed process as opposed to the CRC which provided money to utilities in advance of acquiring conservation.
 - There was much discussion on the timing of when BPA would notify customers of how much EEI budget they would be assigned and how soon customers would need to submit their letter to BPA. General consensus is that BPA would provide a preliminary indicative EEI budget amount to customers following the Initial Proposal of the rate case (approx November, one year prior to rate period starting). This way BPA would have a good idea of the final conservation budget and customers' TOCAs. After the final proposal (approx July), BPA would give customers their final EEI budget assignment. Customers are encouraged to submit their letters prior to the rate period starting so their EEI budget can be available at the start of the rate period. Customers would have a 6 month grace period (following start of rate period) to submit their letter. Without submitting the letter, customers will not receive EEI money.
 - Generally condense the document to remove duplicative statements.
- Accessing Unassigned Account funds - there was much discussion on what type of documentation customers need to submit in order to request Unassigned Account funds. There was also much discussion on how BPA should determine whether the conservation project requesting funding had a legitimate chance of occurring and being completed within the rate period. This would be a yes or no judgment, purely on the merits of timing and sufficient documentation that a plan is in place and could be accomplished. Having criteria in place will help maintain consistency across customer requests.

Decision/Action Items

- The recommendations document will be revised per today's discussions and distributed to the group prior to the next workgroup meeting. Participants are encouraged to review the document prior to the next meeting.
- The next meeting will likely be our last meeting and we will want to finalize the recommendations document. An additional meeting could be scheduled if need be.
- BPA will develop a draft template for what information customers need to submit to access the Unassigned Account funds, and criteria BPA would use to determine whether the project could be accomplished during the rate period. This will be distributed to the group prior to the next workgroup meeting for your review and comment.

Meeting Notes¹

Facilitators:

Margaret Lewis
Megan Stratman

BPA Participants:

Rasa Keanini
Josh Warner
Matt Tidwell
Kyna Powers

1. MS: (review of the proposal). We may or may not want to have to the same extent as present the introductory paragraph.
2. JW: Having something that clarifies is good, but being too specific may be something we don't want to do. It's expected to be capitalized, but this is something we can work with Person A on to have something there.
3. Person A: I wanted it to be clear to people up front about what we're talking about. We probably don't need the rate stuff in there.
4. KP: if we want an introduction, we could make it clear that this is not the rate credit.
5. MS: and some background on the IPR.
6. Person A: In number 5, page 2, I was kind of bothered by having to get something done by the beginning of the rate period, so I put in prior to three months before the rate period.
7. JW: so if they have the first quarter of the rate period to respond to the letter, that's a total of six months to respond to the letter.
8. Person A: I wanted to give people enough time.
9. JW: the upfront makes sense. But this is going to be a challenge for us to get out these letters that far in advance. We don't really have certainty until the rate case

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

- is closed. We could probably get a pretty good number after the IPR process with a caveat.
10. MS: what happens if a utility doesn't turn in the letter?
 11. KP: we don't want the default to be 100% of the EEI budget because we want people to commit to using their EEI budget. So it probably should be zeroed out if they don't submit the letter.
 12. MS: are they going to have to sign only the letter then BPA can unilaterally put the ECA in place.
 13. JW: this is a big deal if they miss the deadline.
 14. Person A: this is mechanics, in some respects and we could spend a lot of time on the minutia and I don't know if we need to do that.
 15. JW: yes, but I would like to hear from folks if this suggestion is too punitive.
 16. MS: from a smaller utility perspective, they have a lot going on and there are a lot of deadlines that they will face, so we have to be careful with this.
 17. Person A: under C&RD, we had to sign something to say we we're going to participate in the rate credit. So I don't see this as a big deal. There are trade offs here. The EERs are going to be on their utilities and we're not talking about a five page letter. If we're doing a base payment for smaller utilities upfront, then there isn't a problem, why wouldn't they send in the letter?
 18. Person B: it's not necessarily that you're going to take the money away, it's that they wouldn't be able to access any funds.
 19. MS: once they turn in the letter, what's the turn around time for the ECA?
 20. ML: it's just a paper work thing, so just a few days.
 21. MS: are we saying we want to give utilities a grace period?
 22. JW: a year seems like a really long time, maybe 3 or six months is more reasonable.
 23. ML: isn't this the same thing as "pulling" their EEI dollars, which BPA said we were going to not do?
 24. Person A: I just can't believe somebody is not going to be able to get in the letter? It's going to be a simple thing, maybe even just an email. I think six months as a grace period is fine.
 25. Person B: that seems like an excessive amount of time to me.
 26. MS: there's a huge learning curve with this transition, so we can afford to be lenient.
 27. Person C: as a small utility, I don't see why sending back a letter within a specified time would be a problem.
 28. Person D: maybe just be more lenient during the first rate period because it's a transition, give a bit more latitude.
 29. ML: how soon could we give utilities a preliminary idea of their EEI budgets?
 30. MS: maybe 9 months before the rate period begins is when BPA would give utilities a preliminary number.
 31. Person A: maybe it should be tied to the IPR rather than a certain date.
 32. JW: I see it as twofold: an email to give a preliminary number then a letter with a more concrete amount.
 33. Person A: so do we want to add language about what Person D mentioned?

34. JW: let's avoid the complication and just say what we're going to do this next rate period and we can change it if we need to.
35. Person D: just add language along the lines of "for this first rate period."
36. MS: when does a utility find out its official budget?
37. JW: I think it must be the closing of the rate period.
38. MS: (4a) is there a date cutoff for when pools can be formed?
39. JW: the earliest the better, but doesn't seem to be a need for a cutoff date.
40. Person A: pools are going to self-police themselves, so they wouldn't want people coming and going.
41. MS: a question was raised by Person E.
42. Person E: we talked about the inability to move money across rate periods, but would other departments within BPA be able to access the unassigned account?
43. JW: I don't think they would have access.
44. KP: if another department requests funds from EE, we have the ability to give it up or not, so we have discretion.
45. Person E: and on the other end, if you need more capital you can access other departments' capital budgets?
46. JW: if more capital was made available from other departments we would probably need to distribute the funds on a TOCA basis.
47. KP: just to clarify, it's not easy to go back to get more money from other departments. We wouldn't plan to do this. This is why we have an IPR process.
48. Person E: is BPA okay with the bilateral transfers?
49. JW: it would help get the funds utilized so yes we are in favor of the transfers.
50. Person A: so do we have consensus on these as being recommendations from the group?
51. ML: we'll do some wordsmithing on number 5 and a few other places.
52. (discussion of documentation required to demonstrate a "need" for addition EEI funds)
53. Person A: maybe we could add language about being consistent with existing practices, i.e. we have to demonstrate need to get more ECA.
54. JW: I don't want to refer to anything that we don't have formally in place.
55. MS: all we're looking for is a template to fill out to give BPA a good indication that the project is going to happen, not to be able to determine if one project is more bang for your buck. It's more of a threshold that a utility would need to pass.
56. KP: we should be able to provide utilities to provide thresholds of funding, e.g. if a utility would only get 30% of the total project costs, they wouldn't be able to do the project. Then we would have to reallocate to those utilities that remain.
57. JW: this would be an iterative process.
58. MT: this might help address the issue of overinflating project costs and the amount requested by a utility from the unassigned account.
59. KP: you would need to answer: "at what level of BPA funding would make this project go forward"?
60. KP: BPA will write something up on this.
61. Person A: the goal is not to spend the dollars from the unassigned account, but to get kWhs savings. I don't want us to lose sight of this.

62. MS: some good points have been raised, but everybody should think about this. BPA could write up a proposal on this as well as a template on project criteria.
63. MS: the unassigned account is supposed to be the last resort and it might not be based on a “fair” distribution. It’s initially fair because it’s TOCA-based, but then the unassigned account is kind of a free for all.

Break

1. MS: we have three more issues on the agenda plus an update on transition funding.
2. MS: (Issue of 75/25 split). Does there need to be an incentive for utilities to self-fund 25%? I think we’ve talked through most if not all of these issues.
3. KP: We weren’t going to take any action to enforce or incent the 25% self-funding, at least during the first rate period. There’s a lot of complexity when you start to try and address this. But we can readdress this after the first rate period depending on how it goes.
4. MS: we can just add in couple of sentences into the recommendation.
5. Person A: the recommendation is that BPA just monitor the situation.
6. KP: we’ll know at the end of the rate period if we met the target and if we’ll need to do something different.
7. MS: (Issue of capital funding). I think we’re proposing that there will not be more capital funding above and beyond a utility’s EEI budget and access to the unassigned account.
8. KP: I think the issue concerns whether or not BPA could provide some sort of loan.
9. JW: I think how Megan has phrased this is well.
10. MS: (Issue of direct acquisition programs).
11. KP: the question is are utilities going to be okay with doing the work with the third parties and then taking the incentives out of there EEI budgets?
12. JW: workgroup five is looking at this. There aren’t any easy answers. The direct acquisition will go away because we won’t have dollars, they will all be distributed to utilities. Do utilities need to commit up front how much they’ll put toward the program? DA is not likely to be the mechanism going forward.
13. KP: this will need to be addressed before the next Implementation Manual. There won’t be a Grocer budget starting in 2012.
14. Person A: why couldn’t it go to the model of Industrial?
15. JW: it could.
16. KP: but there are concerns about this from a planning perspective.
17. MS: sounds like this is a workgroup five issue and will coordinate with them if need be.
18. MS: next steps: BPA is going to put together some wording or template on the “demonstration of need.” We’ll also revise the recommendations document.
19. JW: (moving to transition plan document sent out before the meeting). Any projects that have been committed to that are not expected to need incentives until 2012 or 2013, we need to figure out how those dollars will flow because BPA has made a commitment to pay those.
20. ML: so the transition date is to help determine which projects we’re talking about.

21. Person E: so from the IPR process you have 124 million, so this is off the top of that, which means reducing the TOCA allocations for everyone?
22. JW: yes, this is why it's important to everyone.
23. Person E: have you thought about increasing the budget to account for this?
24. JW: I hadn't thought about that. It's an out of the box question. I don't see us getting more capital budget than what comes out of the IPR process. I don't think it's probably the solution.
25. Person E: the capital dollars have very little impact on rates, so lowering the capital budget has little immediate impact on rates but will be a detriment to us trying to acquire conservation, overall it's hurting the utilities.
26. KP: the agency is still trying to determine EE's capital budget.
27. Person A: this is hard to discuss because we don't know what the "transition" amount is, 50 million vs. 2 million.
28. JW: yes, I want this number to be as small as possible.
29. MS: when will you have a good idea of how big the transition amount will be?
30. JW: probably within a couple of weeks.
31. Person E: I'm assuming this also applies to Ft. Lewis and McCord?
32. JW: yes. These are part of the equation.
33. Person B: do you have an estimate on the dotted line date?
34. JW: it depends on how big the bucket is. It is also dependent on whether the projects qualifies...we don't want projects that have been in the hopper for three years to be included. Some of the qualifications are at the bottom of the document.
35. Person A: I agree that the project needs to be active, but there might be issues with, for example, ag projects.
36. Person D: that's correct. There are problems with M&V and seasonal completion.
37. JW: these projects are very likely to be included in this transition issue. This is only for projects that are already known.
38. Person A: Person D brought up an interesting idea about having a shorten M&V, i.e., get a shorten M&V done before the end of 2011.
39. ML: I'd like to get some feedback on the date for cutoff.
40. KP: we can't go back too far behind us.
41. JW: there's some language in the IM from Oct. 1. Our commitment to pay for projects is up to the amount in a customer's ECA. So a project may be 100k, but if a utility only has 75k in their ECA, then BPA would only cover incentives up to 75k. The language in the IM is to make it clear that BPA is no longer on the hook for paying 100%, but instead up to the amount in the utility's ECA.
42. JW: the question is how much should come out of a utility's EEI.
43. Person E: so again could the transition amount be added to the capital budget? Capital dollars have little impact on revenue requirements, so it shouldn't be a big deal. It might reduce rates by a penny, but this foregoes 50 cents for conservation.
44. JW: maybe this is possible, but there would need to be consensus. It may have a small impact, but at this point everything is a concern.
45. MS: will this be formal or informal?
46. JW: probably more informal.

47. MS: we will circulate revised Phase 2 recommendations based on today's discussion. BPA will pull together a draft on "document requirements."
48. JW: I'm hopeful that we'll get the work done by the next workgroup meeting, but people may want to pencil in another meeting at the beginning of November.