

Energy Efficiency Post-2011 Phase 2 Workgroup Recommendations

Final

Prepared by:

Post-2011 Phase 2 Workgroups:

- Workgroup One – Energy Efficiency Incentive
- Workgroup Two – Small, Rural, Residential Focus
- Workgroup Three – Conservation Potential Assessments
- Workgroup Four – Implementation Mechanism
- Workgroup Five – Regional Programs and Infrastructure

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PREFACE

Since January 2009, BPA has conducted the Energy Efficiency Post-2011 public process, consisting of two phases, to develop a framework to facilitate the continued successful development and acquisition of energy efficiency in the Northwest at the lowest cost to the region. [Phase 1](#) of this collaborative public process generated a robust dialogue about the framework's needs and constraints. Through a variety of forums, BPA encouraged the participation of all stakeholders in the region to help shape this framework.

Using information gathered in Phase 1, BPA drafted a proposed framework to define the agency's future role in meeting public power's share of the conservation target set out in the Northwest Power and Conservation Council's latest [Power Plan](#). BPA sought [public comment](#) on this [proposal](#) and held public meetings around the region to gather stakeholders' input. These public comments contributed to the updated Energy Efficiency Post-2011 [Policy Framework](#). With a new energy efficiency framework from Phase 1, the focus of Phase 2 is on the specifics of policy and implementation.

[Phase 2](#) began with a public meeting on July 7, 2010 and has been an opportunity for BPA, its customers and other stakeholders to continue a collaborative engagement to build the most efficient and effective energy efficiency programs possible.

Because of the magnitude of the workload involved, five [workgroups](#) were formed to provide recommendations to BPA on the implementation of energy efficiency programs for the post-2011 time period. The five workgroups are:

- 1) Energy Efficiency Incentive;
- 2) Small, Rural, Residential Focus;
- 3) Conservation Potential Assessments;
- 4) Implementation Mechanism; and,
- 5) Regional Programs & Infrastructure.

BPA will take the recommendations contained herein into consideration and then make a proposal available for public comment in January 2011.

EXECUTIVE SUMMARY

This section contains a high level overview of the recommendations provided by each of the five Phase 2 workgroups. Because of the length and sometimes disjointed nature of the recommendations, they will be presented as bullets below. Also, *please note that these are workgroup recommendations only and do not represent the official policy positions of BPA.*

Workgroup One – Energy Efficiency Incentive

- Per the Policy Framework of Phase 1, there will no longer be a Conservation Rate Credit or Bilateral funding via Energy Conservation Agreements (ECA). Instead, there will be one *funding mechanism*, the Energy Efficiency Incentive (EEI), which will be assigned to customers on a Tier One Cost Allocator (TOCA) basis. As the vehicle for this funding, each customer will have an ECA, which will act as the *contracting mechanism* between BPA and the customer.
- Each customer’s EEI budget, i.e., its TOCA allocation, will be held by BPA in a “customer account” and incentives will flow to customers on an invoice-and-reimburse system.
- The EEI provides equity, but less flexibility than today in moving funds to where the savings exist in the region. Further contributing to this rigidity, BPA cannot roll over any of its capital budget (the sum total EEI) to future rate periods. Therefore, the workgroup has recommended three means to increase flexibility:
 - Utility pooling—customers pooling their EEI budgets
 - Customer bilateral transfers—the transfer of EEI funds on a bilateral basis
 - “Unassigned Account”—a repository for voluntarily unallocated EEI funds

Workgroup Two – Small, Rural, Residential

- In order to ensure all customers have an opportunity to implement energy efficiency programs and utilize their EEI budgets, the workgroup has recommended defining a portion of BPA’s customers as small, rural, or residential (SRR).
- To qualify as a SRR, a customer—with some exceptions—would need to satisfy just one of the following criteria: 1) have retail load less than 10aMW; 2) have residential retail load greater than 66%; and, 3) have fewer than 10 customers per line mile.
- “Small” customers should be able to claim out of their EEI budget an Administrative Payment not to exceed their EEI budget or \$60,000 for the rate period, whichever is less. Administrative Payments must be used to pay for conservation-related expenses, which can be decoupled from kWh savings.
- All SRRs should be able to claim a higher percentage of Performance Payment than non-SRRs. Performance Payments come out of a customer’s EEI budget, are paid on a cents/kWh basis on top of BPA’s Willingness to Pay, and must be used to pay for conservation-related expenses.
- BPA should consider additional ways to help SRRs acquire conservation, such as approving more deemed measures that are particularly beneficial to SRRs.

Workgroup Three – Conservation Potential Assessments

- BPA should play the role of facilitator/enabler for Conservation Potential Assessments by developing CPA tools and helping to standardize data collection processes.
- BPA should be a repository for data collection tools, surveys, and best practices.
- BPA should *not* develop prescriptive standards and methodologies for CPAs.
- CPAs could be paid for out of Administrative and/or Performance Payment.
- BPA should develop a template for reporting CPA results.

Workgroup Four – Implementation Mechanism

- In order to allow for local control, there should be two paths for custom projects: Option 1, in which custom projects are pre-approved by BPA; and Option 2, in which custom projects are reviewed by BPA after the fact. Option 2 is the replacement for today's non-standard agreements.
- Only one cost-effectiveness test should be used for Option 2 custom projects.
- BPA's Willingness to Pay should be the same for both Option 1 and Option 2 custom projects (regardless of sector), with reimbursements capped at 70% of project cost.
- M&V protocols should be independent of the option chosen by the customer. For Option 1 projects, the M&V will be in the custom project proposal to BPA and for Option 2 projects, the M&V will be in the customers' file for review.
- BPA should incorporate into the Implementation Manual (IM) a chapter specific to custom projects.
- Technical assistance for Option 2 customers should be limited to IM clarifications and consultations on M&V.
- Customers should be able to claim Performance Payment, but not to exceed a certain percentage of a customer's EEI budget, e.g., a cap of 30%.

Workgroup Five – Regional Programs and Infrastructure

- BPA should balance economies of region-wide scale with local flexibility.
- BPA should make the regional program design and decision-making process more collaborative and transparent.
- BPA should consider aligning its Willingness to Pay to better reflect the value of savings based on load shape and measure life.
- BPA should develop a "custom program template" for use by customers.
- Negative change notices should be issued no less than three months in advance. For measures that will no longer be eligible for incentive payments, BPA should make these changes no more than once a year. For measures with reduced savings or Willingness to Pay, BPA should maintain its policy of updating the IM every six months.
- BPA should enhance two-way communication with customers and one means for doing so would be to hold more frequent, regularly scheduled Utility Roundtables.
- EEI funds to NEEA can only be for incremental, reportable savings in the short term.
- EEI funds for low income weatherization should be limited to programs that generate savings in a respective customer's service territory.

Workgroup One

Energy Efficiency Incentive

Post-2011 Phase 2 Recommendations

INTRODUCTION

BPA's Post-2011 Energy Efficiency Phase I Policy Framework established the Energy Efficiency Incentive (EEI) as a new funding mechanism for BPA-funded conservation acquisitions post-2011. Customers would pay for BPA-funded conservation through the Tier 1 rate. Each customer would then be assigned an EEI budget based on its Tier One Cost Allocator (TOCA). The mechanism for BPA to assign customers their EEI budgets is through Energy Conservation Agreements (ECA) that BPA has signed with each customer. BPA will update each customer's ECA in accordance with its EEI budget, i.e., the ECA is the contract and the EEI is the funding mechanism that will be assigned as the Implementation Budget.

While this new allocation structure provides better transparency and reduces potential cross-subsidizations between customers, it also raises a host of issues that need to be addressed. BPA's goal is to acquire cost-effective conservation to achieve its energy efficiency savings target. This inherently means that customers need to spend their EEI budgets in order for BPA to remain "on track" to meeting its conservation goal (with customers self-funding 25%).

Energy efficiency, by its very nature, can be "bumpy" both in terms of timing and quantity of savings. Therefore, this workgroup was tasked with creating mechanisms to maximize customers' flexibility with spending their EEI budgets within each BPA rate period while also ensuring the total amount of money BPA collects for energy efficiency has the highest probability of being fully utilized to acquire cost-effective conservation within the rate period.

PROCESS

The first question addressed by the workgroup was whether BPA could roll over unused EEI funds across rate periods. Representatives from BPA's finance department explained to the workgroup that BPA is unable to rollover unused EEI funds from rate period to rate period. If any EEI funds are not spent in one rate period, those amounts cannot be carried forward into the next rate period because each rate period requires a new cost estimate based on the specific needs of that rate period as identified through BPA's processes, such as the Integrated Program Review. Therefore, spending less than planned by any particular department cannot be "earmarked" to be spent in a future rate period.

The next and most significant question addressed was how to maximize the utilization of EEI budgets by customers within a rate period. The workgroup discussed a wide array of options, but honed in on the ideas that were simplest and still maintained relative equity between customers. The workgroup recognized that customers and BPA are entering into a new era post-2011, with new power sales contracts, significantly increased conservation goals and state initiatives for conservation, and wanted to allow flexibility in the program while acknowledging that changes can be made for future rate periods, if issues arise.

RECOMMENDATIONS

A. Assigning of the Energy Efficiency Incentive Fund

Differences between EEI and CRC. It is important to make clear one of the major differences between the new Energy Efficiency Incentive (EEI) structure versus the old conservation rate credit (CRC) structure. CRC dollars were a credit to customers in advance of conservation acquisitions. In contrast, EEI dollars will be distributed *after* the customer has acquired conservation and submitted an invoice to BPA. In other words, EEI will work on an invoice-and-reimburse system.¹

Process of Assigning the Energy Efficiency Incentive Fund. The workgroup resolved many of the issues related to how EEI funds are to be assigned. The process of assigning EEI funds is described below.

- 1. The total amount of the available EEI Fund is determined by BPA (after completion of the Integrated Program Review process).**
 - a. The following will be taken into consideration when determining the amount of the EEI Fund:
 - The appropriate percentage of the overall budget that should be retained by BPA for regional program implementation and Federal acquisition.
- 2. Using customers' TOCAs and the EEI Fund, BPA calculates each customer's initial EEI budget and notifies them of their initial EEI budget.**
 - a. BPA should provide indicative initial EEI budgets to customers following the release of the rate case Initial Proposal and keep customers updated if circumstances change.
 - b. BPA will finalize customers' initial EEI budgets upon publication of the rate case Final Proposal.
- 3. Customer notifies BPA of how much of its initial EEI budget it intends to spend.**
 - a. Following finalization of customers' initial EEI budgets (per Section 2.b. above), BPA will send a letter to customers identifying their initial EEI budget.
 - b. Based on their internal planning and forecasts, customers will indicate on the letter how much of their initial EEI budget (not to exceed the initial budget amount) they intend to spend and then return the letter to BPA.
 - c. If a customer plans to participate in a Utility Energy Efficiency Pool (UEEP), it will indicate this on the letter as well. (Note: if a customer plans to join a UEEP, we encourage the customer to do so at the beginning of the rate period to simplify accounting requirements, but customers have the ability to join a UEEP subsequently.) For more information on UEEPs, see Section 2.
 - d. Customers will not receive EEI reimbursements until they have returned the letter indicating how much of their initial EEI budgets they plan to use. Customers must

¹ CRC dollars were funded as an expense. The funding mechanism for EEI will be determined on a rate period basis, and could be capital dollars or expense or both. BPA is currently proposal for FY 2012-13 that EEI funds are capitalized, subject to the results of the rate case.

return the letter no later than 6 months into the rate period (i.e., March 1, 2012 for the 2012-13 rate period). If the letter is not returned by this time, a customer will not have any EEI funds available to it for that rate period and its EEI funds will become part of the Unassigned Account.

4. BPA unilaterally updates each customer's ECA.

- a. BPA will update each customer's ECA Implementation Budget with the amount (not to exceed the initial budget amount) the customer indicated in its letter. This will be the EEI budget amount the customer has available for the rate period.
- b. Similarly, BPA will update each UEEP's ECA Implementation Budget with its EEI budget.

NOTE: For the remainder of Section 1, the word "customer" refers to both individual customers and UEEPs.

5. Unassigned Account is funded.

The Unassigned Account is funded with any EEI funds that customers indicate they will *not* use during the rate period and any EEI funds that become available due to a customer's failure to return their notification letter to BPA per Section 3.d. For more information on the Unassigned Account, see Section 3.

6. EEI funds are invoiced and reimbursed; BPA and customers engage in ongoing conversations and monitor spending and acquisitions. Over the course of the rate period, customers acquire conservation savings, submit invoices and receive reimbursements up to the amount of the EEI budget stated in their ECA. Throughout the rate period, BPA Energy Efficiency Representatives (EERs) and customers should engage in ongoing conversations. EERs should monitor customers spending of their EEI budgets by looking at the cumulative balance of its EEI budget. The EER is available to provide information to the customer on applicable programs and measures, particularly if the customer is not spending or has plans to spend its EEI budget on a basis commensurate with the amount of time that has passed.

6.1. If a customer forecasts an inability to spend its remaining EEI budget by the end of the rate period, it has several options which are described below. A customer's EEI budget *will not involuntarily* be unallocated from the customer at any time, except if the customer fails to submit its notification letter to BPA per section 3.d.

- a. *Join a UEEP.*
- b. *Enter into a Customer Bilateral Transfer.* If Customer A does not plan to spend all of its EEI within the rate period, it can enter into a Customer Bilateral Transfer with another customer, Customer B. Customer A and Customer B would agree to the amount of EEI that would be transferred from A to B and would submit that request in writing to BPA. BPA would then make the appropriate transfer from Customer A's EEI budget to Customer B's EEI budget. If desired, Customers A and B could have an agreement where Customer A transfers EEI to Customer B this rate period and then Customer B would transfer funds to Customer A in a future rate period; however, BPA would not be a party to this agreement. BPA would need both customers to sign off on each bilateral fund transfer.

- c. *Release to Unassigned Account.* A customer may release part of its EEI budget to the Unassigned Account at any time during the rate period.

7. Utilities request and are assigned additional EEI budget from the Unassigned Account.

Utilities submit requests to BPA to access a stated amount of EEI funds from the Unassigned Account.

8. Potential for changes in a future rate period.

For the first rate period FY 2012-2013, no adjustment will be made to a customer's EEI budget stated in their ECA *without mutual agreement* between the customer and BPA. After this first rate period, BPA and customers will reassess this and make revisions, if necessary, to ensure BPA's customers as a whole are adequately spending the money in the EEI Fund on cost-effective conservation.

B. Utility Energy Efficiency Pools (UEEP)

The Small, Rural, Residential (SRR) Workgroup has recommended and Workgroup One concurs that BPA should formally recognize the role of Utility Energy Efficiency Pools (UEEP), defined as two or more customers, for the purpose of energy efficiency acquisition beginning on October 1, 2011. Also, given the barriers faced by BPA's SRR customers, the workgroup is recommending that BPA act as a clearing house to help support the formation of UEEPs by customers. The following recommendations outline the basic structure of utility pooling.

The SRR Workgroup has recommended and Workgroup One concurs that BPA should be flexible and open to different ideas as the process moves forward and the policies for utility pooling become more refined. The pooling arrangement described below encompasses both pooling of individual customers' EEI budgets *and* pooling implementation efforts. There is also another option where customers elect to participate only in pool implementation efforts and maintain their individual EEI budgets.

Creation of and Membership in a UEEP

- BPA can circulate a list of customers who have expressed interest in participating in a UEEP.
- Both SRR and non-SRR customers can join a UEEP.
- Participation in a UEEP is voluntary.
- Customers may join a UEEP at any time. However, to mitigate potential accounting complexities, we encourage customers to form and join pools prior to the start of a rate period, and encourage customers to participate in a UEEP for the remainder of that rate period.
- UEEP participants enter into an agreement with each other to set up the UEEP; the agreement will set up a governance structure and UEEP rules and procedures.
- UEEP notifies BPA of its existence and participants.
- The UEEP must have a designated representative with authority to conduct business on its behalf with BPA.

Comparison between a UEEP and an individual customer

- The rules and treatment of a UEEP versus an individual customer should be identical.
- Just like an individual customer, a UEEP is encouraged to spend its entire EEI budget within a rate period, or reallocate part of its EEI budget via the Customer Bilateral Transfer or to the Unassigned Account.
- UEEP has the right to participate in a Customer Bilateral Transfer and/or access the Unassigned Account under the same terms as an individual customer.

Pooling of EEI Budgets

- Customers within a UEEP meld their EEI budgets into one EEI budget accessible by the UEEP. The UEEP signs an ECA with BPA which becomes the mechanism to access the UEEP's EEI budget. Any contractual arrangements that are required should be as simple as possible.

Structure of UEEP

- There will be a pool manager for the UEEP. This could be a designated person from one of the participants in the UEEP, a contractor or firm hired by the UEEP.
- At the direction of the UEEP, the pool manager could do a number of things on behalf of the UEEP, such as (but not limited to):
 - Develop programs and marketing schemes for participating customers.
 - Hire and manage contractors and/or circuit riders in the participants' service territories to do installations, certifications, M&V, etc.
 - Submit measures and savings into the tracking and reporting system on behalf of participants to minimize administrative workload at the customer level.
 - Using feedback from participants and contractors/circuit riders, work with participants and/or BPA to develop programs or approaches to acquire more conservation or reach other market segments.
 - Communicate directly with BPA and other regional entities such as NEEA and RTF and then disperse information to participants to create a more streamlined flow of information (participating customers would still have access to BPA).
- If the UEEP is a funding and implementation pool, then the pool manager reports conservation savings on behalf of the UEEP and reimbursements are made directly to the UEEP from the UEEP's EEI budget.
 - The reporting will continue to track each participant's kWh savings, e.g., Pool A reports 2 million kWh, which consists of Customer 1 totaling 1.2 million kWh and Customer 2 totaling 0.8 million kWh.
 - BPA is blind to how EEI funds (for incentives and admin/performance payments) are allocated to pool participants. UEEP is responsible for determining how reimbursements are distributed among UEEP participants.
- If the UEEP is only an implementation pool and does not meld EEI budgets, then the

pool manager submits invoices to BPA on behalf of the UEEP participants. Reimbursements are made directly to the customer or customers for which the reimbursement requests were made.

- UEEPs are subject to the same requirements, i.e., reporting, oversight, funding, etc., as individual customers.
- BPA, to the extent possible, assigns the same EER to all participants of the UEEP.

Rules for a UEEP's Administrative and Performance Payments²

- The UEEP manager can be paid for by the Administrative and Performance Payments of the UEEP.
- The rules for spending Administrative and Performance Payments are the same for a UEEP as for an individual customer.
- Administrative and Performance Payments can be used for separate Conservation Potential Assessments for individual pool participants.
- The UEEP can claim Administrative and Performance Payments up to the sum total of all the caps of individual participants.
 - The total amount (cap) of Administrative or Performance Payment each pool participant could claim were it not apart of a pool is calculated. Then, each of these individual caps is melded into a cap for the UEEP.
 - Because a UEEP could consist of customers that could claim Administrative and Performance Payments were they not in a pool, a UEEP could have one cap for Administrative Payments *and* one cap for Performance Payments.
- Adjustments to Administrative and Performance Payments that are available to SRR customers follow the customer into and out of the UEEP and applicable caps would still apply.
 - In cases when SRR customers pool funds with non-SRR customers, a weighted average of the Performance Payment rate would be taken, e.g., a 2 cent/kWh Performance Payment for a non-SRR customer and a 4 cent/kWh Performance Payment for a SRR customer would become 2.5 cents/kWh Performance Payment for the pool. The pool would receive Performance Payments at this rate up to the amount of cap.
 - Pools with SRR customers would be eligible to claim Administrative Payments up to the sum total of the allowable individual amounts.

² For more information on Administrative and Performance Payments, please see Workgroup 2's recommendations, but here is a brief summary: it is expected that Administrative and Performance Payments will be used to pay for conservation-related expenses. Small utilities are entitled to receive an Administrative Payment (limited by their EEI budget) up to an administrative maximum (a dollar amount set by BPA), and are not required to report kWh savings associated with the Administrative Payment. Performance Payments are an increase in the cents per kWh reimbursement rate BPA provides to customers for submitted kWh savings. Customers can claim a certain percentage (depending on whether they are a SRR utility) of their EEI budget for Performance Payment.

C. Assignment of Funds from the Unassigned Account

NOTE: In this Section C, the word “Customer” refers to both individual customers and UEEPs.

1. Priority for the reallocation of funds in the Unassigned Account is based on the following criteria in the order described below.

- a. *First Priority: Early Release of EEI to Unassigned Account*** – Customers that release EEI funds to the Unassigned Accounts within the first 18 months of a rate period will receive *first priority* to access Unassigned Account funds based on the date the EEI funds were released. First priority access will be available for the remainder of that rate period and the rate period immediately following. First priority access will be capped at the amount of EEI funds the customer released to the Unassigned Account (note: customer will have access, but not first priority access, to funds in the Unassigned Account *above* this amount). This is intended to encourage customers to indicate early on that they do not plan on using some portion of their EEI budgets.
 - i. Once a customer is allocated funds from the Unassigned Account based on its first priority access equal to the amount they contributed to the Unassigned Account, that first priority access is removed until the next time the customer releases funds into the Unassigned Account.
 - ii. If requests exceed amount in the Unassigned Account, the Unassigned Account will be reallocated pro rata based on the customers’ dollar amounts requested.
- b. *Proportional Allocation*** – If requests exceed amount in the Unassigned Account, the Unassigned Account will be reallocated pro rata based on the customers’ dollar amounts requested (per the requirements below).

2. Timing of Allocation

- a.** Funds from the Unassigned Account will be reallocated at month-12 and month-18 of the rate period. At month-11 and month-17, BPA will notify customers of how much is in the Unassigned Account. Customers will have 10 business days to submit a Request for Funding.
- b.** Any remaining funds in the Unassigned Account after month-18 will be reallocated on a monthly basis to customer(s) that make a request. Customers will submit requests by the 15th of a month and the funds will be allocated at the end of the month.

3. Access to the Unassigned Account

- a.** A customer must submit a request for funds in the Unassigned Account. To ensure consistency across customers, BPA will provide a “Request for Funding” template for customers to fill out and submit. (Attached to this recommendation is an example of the template.)
- b.** If needed, BPA will adjust each customer’s request down to the total amount of available funds in the Unassigned Account to help alleviate potential implications of inflated requests. There is no minimum amount that a customer must request.

- c. A customer that is allocated funds from the Unassigned Account at one point during a rate period is *not* precluded from receiving another allocation from the Unassigned Account at another point during the same rate period.
 - d. Customers are *not* required to demonstrate self-funding in order to access the Unassigned Account.
 - e. Customers are *not* required to have spent a certain percentage of their EEI budgets in order to access the Unassigned Account.
 - f. There is *not* a maximum amount of EEI funds a customer can be reallocated from the Unassigned Account during a rate period.
- 4. Customer's ECA is updated with new allocated amount from the Unassigned Account.**
After receiving an allocation from the Unassigned Account, BPA shall unilaterally update the customer's ECA Implementation Budget with that amount, thereby making the money available for reimbursement to the customer.

D. Other Topics that were Addressed by the Workgroup

Does there need to be an incentive or structure in place that ensures BPA's assumption that conservation savings will be 75% BPA-funded and 25% customer self-funded? The workgroup spent much time discussing whether there should be some formal process to ensure that BPA's planning for customer self-funded conservation is achieved. The workgroup concluded that BPA should monitor how conservation is funded during this first rate period and if there is an issue with the assumption (for example, less than 25% is customer self-funded), then this issue should be raised and discussed at that time.

Should BPA make capital dollars available to customers for large projects? The workgroup decided that BPA should not set aside capital dollars for customers to use for large projects (however, to be consistent with Workgroup Five's recommendations, funds could be set aside for Federal acquisition). One of the core elements of the EEI Fund approach is that all customers have access to their proportional share of conservation funding, based on their TOCA allocation. Setting aside part of the capital budget would negate the equity achieved by the EEI structure. The workgroup decided that pooling and bilateral transfers offer more equitable means to smooth out the "bumpiness" of large projects.

Should BPA make capital dollars available for transition projects started in the current rate period and committed to by BPA, but not completed until FY 2012 or 2013? The workgroup had several discussions with BPA's Contract Administration manager to ensure project transition was within the contractual bounds of the ECA. In short, BPA's options range from paying for all the transition projects out of the Energy Efficiency capital budget to paying for none of the transition projects out of the capital budget. Given time constraints, the workgroup was unable to reach consensus on any one recommendation to address the transition issue. However, the workgroup was inclined to think that it is a good idea to have *some* funding come out of the capital budget for transition projects. Whatever path is chosen by BPA, the workgroup stressed the importance of establishing a cut-off date (sooner rather than later), after which certain projects started prior to FY 2012 would be ineligible for transition funding. Furthermore, the

workgroup recommends that if BPA decides to implement transition funding that it establish qualifying criteria for eligible transition projects and minimize the impact on the overall EEI Fund . On this latter point it has been suggested in the workgroup that the EE capital budget could be increased to accomplish this goal.

This is a challenging issue to discuss without knowing the dollar amount associated with the transition projects and how many customers have transition projects. We understand that BPA is still working to gather that information. We suggest that BPA make that information available to us and we can then provide more specific guidance on how to treat transition projects.

Transition funding should only apply to projects transitioning into the FY12-13 rate period. Future project transition across rate periods must be managed by individual utilities using their respective EEI budgets.

CONCLUDING REMARKS

The workgroup spent much time trying to balance simplicity with equity for accessing the EEI Fund, and feels that the approach described herein best achieves that balance. To begin with, the heart of the EEI framework is equity—each customer has full access to its TOCA share of the EEI Fund. Customers have reasonable opportunity to spend their EEI budgets, either themselves or by partnering with other customers in a UEEP or via bilateral transfers. If a customer is still unable to spend its EEI budget, those funds can be released to the Unassigned Account. Given much uncertainty regarding the amount of money that will be in the Unassigned Account at any given time, customers should not rely on the Unassigned Account as a stable funding source.

We recognize that the first rate period is a transition period to this new approach and EEI funding mechanism. We encourage BPA to let the processes developed during Phase 2 “play out” during the rate period, but recognize BPA has the right to make changes to its Implementation Manual by providing 6 month notice. In the event BPA finds a need to significantly modify the process for assigning EEI funds within the rate period, we strongly recommend BPA re-engage with this Workgroup so we can collaboratively develop a solution.

ATTACHMENTS

Example “Request for Funding” template for Unassigned Account funds located on next page.

Request for Funding Template			
Submitting Utility			
Date:		XX/XX/XXXX	
Current Implementation Budget			
Energy Efficiency Incentive Budget			
Current EEI Budget		\$750	
Less: Funds spent/invoiced to date		\$500	
Less: Current Month Invoice (if applicable)		\$75	
Balance - Energy Efficiency Incentive Budget		\$175	
Less: Additional Funds Requested			
Residential Measures		\$30	
Commercial Measures		\$150	
Industrial Measures		\$600	
Agricultural Measures		\$225	
TOTAL Additional Funds Requested		\$1,005	
Additional EEI Budget Funds Required			
		-\$830	
Additional incentive funding needed and corresponding energy savings			
		Required Rate Period Funding	Energy Savings (kWh)
Sector/Program/Measure			
Residential			
Residential Measure #1		\$5	33
Residential Measure #2		\$10	67
Residential Measure #3		\$15	100
Commercial			
Commercial Project #1		\$25	167
Commercial Project #2		\$50	333
Commercial Project #3		\$75	500
Industrial			
Industrial Project #1		\$100	93,772
Industrial Project #2		\$200	128,347
Industrial Project #3		\$300	130,867
Agricultural			
SIS		\$50	333
Ag Project #1		\$75	500
Ag Project #2		\$100	667
Total		\$1,005	355,019
Incentives			
Balance - Energy Efficiency Incentive Budget		\$175	
Total - Additional Funds Requested		\$1,005	
Eligible EEI Budget Funds Required		\$830	
Incentive funding requested*		\$830	*Amount will vary based on individual utility request
Plus Eligible Performance Payment*		\$166	*This amount will vary based on percentage claimed and respective utility category
Total EEI Budget Funding Requested		\$996	
Guidelines:			
Include estimates of the additional funding needed by sector, program, or measure			
The programs and measures included above are for illustration--include only the sectors and line items that you are requesting funding for.			
Requests for funding should be for projects/measures completed within the current rate period.			
Provide funding and kWh estimates in as much detail as is readily available -- estimates can be approximate			
If you don't have detailed funding estimates, you can use your average \$/month by sector to derive funding estimates			
If you don't have detailed kWh estimates, you can use the default value of \$0.15/kWh programmed in the spreadsheet or your own \$/kWh estimate.			
Large commercial or industrial projects should be broken out separately if possible			
If there are multiple smaller projects, they can be grouped together, e.g., as "Lighting projects" or "Industrial custom projects"			
Admin should be calculated at the rate appropriate for your utility			

Workgroup Two
Small, Rural, Residential Focus

Post-2011 Phase 2 Recommendations

INTRODUCTION

Framing the Small, Rural, Residential Issue

The workgroup's task was to address the following: all utilities need to have a reasonable opportunity to use their assigned EEI budgets, specifically small, rural, and residential (SRR) utilities. The workgroup was mindful that any solution proposed should not negatively impact the ability of BPA to achieve public power's share of the regional target, nor cause an increase in BPA's conservation budget, nor cause customer equity concerns. The workgroup believes we have satisfied these conditions.

To begin, it is important to put what we are doing today in some historical context. President Franklin Roosevelt summed it up well when he spoke at the dedication of the Bonneville Dam on September 28, 1937:

No one would suggest, for example, that the great cities of Portland, and Tacoma and Seattle and Spokane should stop their growth, but it is a fact that they could grow unhealthily at the expense of all the smaller communities of which they form logical centers. Their healthiest growth actually depends on a simultaneous healthy growth of every smaller community within a radius of hundreds of miles.

These words by President Roosevelt are still relevant to our actions today and Post-2011. It's also important we keep those words in mind when we think about equity and our perception of it.

BPA and the Northwest Power and Conservation Council (Council) have both recognized the challenges faced by the small, rural, and residential (SRR) utilities. BPA has specifically called out the need to create a SRR program focus in its Energy Efficiency Post-2011 Policy Framework (Policy Framework). The Council, likewise in its Sixth Power Plan Action Plan directed its staff and the region to take on this task as well. The formation of this workgroup by BPA as part of the Phase 2 process is further recognition that the challenges facing SRR utilities must be addressed in future programs and in the context of the Policy Framework, specifically to:

- Ensure consistency with the principles of tiered rates,
- Provide choices to be responsive to the diversity of needs across the region, and
- Minimize concerns over any cross-subsidies that may exist in incentive funding.

With this background, the workgroup set out to:

- Identify SRR utilities,

- Identify the barriers those utilities face in being successful in energy efficiency acquisition, and
- Develop solutions based on the three principles from the Policy Framework outlined above and in the spirit of President Roosevelt's comments.

To accomplish this task, the SRR workgroup held four face to face meetings throughout the region in conjunction with additional conference call meetings.

The workgroup heard from a wide range of utilities with very similar problems and quickly realized that identifying SRR utilities would be a difficult task. The question was raised: how to develop a definition so as not to exclude those who should be included and exclude those who should not be included, while simultaneously keeping it simple? The workgroup also discovered that we weren't the only ones struggling with this problem; the Regional Technical Forum (RTF) and NEEA groups assigned with looking at the SRR problem have no clear definition either. Hand in hand with this definitional issue was the need to identify the barriers to conservation acquisition faced by SRR utilities.

According to the workgroup participants, the barriers fall into two basic areas:

- Lack of Resources, and
- Overall Program/Measure design.

Lack of resources falls into two overall categories: financial and human resources. As one would expect, these two are related to a certain degree. First, a great many SRR utilities do not have the budget flexibility of other utilities. This fact, coupled with the fact that in rural areas the cost of delivering energy efficiency exceeds the cost in urban areas, creates a significant barrier for those utilities. Add to this mix the lack of adequately trained human resources and the problem becomes magnified. Sprinkle on top of this barrier program/measure design and you have another layer of complexity.

The problem of program/measure design gets a little complicated by the various parties involved in the design. Problems most often cited include: designs not taking into account rural areas, willingness to pay not reflecting the costs of rural communities, lack of measures specific to the characteristics of rural areas, cost effectiveness restrictions, etc.

Clear to the workgroup is that while each of these alone (lack of resources and program/measure design) present a significant barrier, in combination, they have a debilitating effect on SRR utilities ability to implement energy efficiency programs and achieve savings commensurate with the rate they pay to BPA. Failure to address these two barriers in parallel could greatly reduce, or even negate, any single approach.

RECOMMENDATIONS

Definition of “Small, Rural, Residential”³

A customer would qualify as a “small/rural/residential” customer if it meets *at least one* of the below tests. The customer is:

- (1) Small—total retail load less than 10 aMW; *or***
- (2) Rural—has less than 10 consumers per mile of line as defined in the TRM Low Density Discount calculation; *or***
- (3) Residential—has 66% or higher residential customer load as a percent of total retail load.**

Excluded from being considered as SRR customers are federal facilities, Grant PUD, the Direct Service Industries (DSIs), and Energy Northwest.

The “Small” Threshold

There are approximately 36 customers of BPA whose total retail load is equal to or less than 10 aMW (forecast 2012 loads from the transition HWM spreadsheet of June 2009⁴). The total retail load of this group of approximately 36 utilities is approximately 160 aMW.

The “Rural” Threshold

In the calculation of the low density discount (LDD) in the Power Services rate schedule, one of the factors calculated is number of consumers per mile of line. We propose to use the definition of number of consumers from section 10.2.1 of the TRM (see Attachments section below for the definition). We propose this factor be used as an indication of whether a utility qualifies as “rural” and that the “rural” threshold should be 10 consumers or less per mile of line. This would be approximately 34 customers.

The “Residential” Threshold

Using 2008 EIA data, there are between 27 and 31 BPA customers whose residential load is equal to or greater than 66%. The uncertainty is due to EIA data not being available for some of BPA’s customers. This information should be updated as more current data becomes available.

The threshold of 66% was chosen by the workgroup because the average for all customers is approximately 47% residential density, so 66% is well above the average. Furthermore, if the cut is made at a lower threshold, for example, 60%, then a significant number of more customers are eligible under this criterion, from approximately 27 customers to 39 customers. Thus, two-thirds is a natural dividing line.

³ Customer includes Joint Operating Entity (JOE) as defined by Pacific Northwest Electric Power Planning and Conservation Act Section 1. Section 5(b)(7)(A) amended on September 22, 2000.

⁴ http://www.bpa.gov/power/pl/regionaldialogue/implementation/documents/2009/2009-06-02_REV_Updated_THWM_Data.pdf

If this category were completely eliminated as a means to determine SRR, the total number of eligible customers is reduced by only six customers, which have total retail loads ranging from 12.17 aMW to 76.14 aMW.

Frequency of assessment for utility's classification

The assessment to determine whether a customer qualifies as a SRR customer should be made prior to the beginning of each rate period.

How many customers would qualify?

Since many of the customers would qualify under one or more of these criteria, the sum of those qualifying under each criterion will be less than the sum of utilities qualifying under all criteria. Our current estimate is that the above criteria would allow approximately **65** BPA customers to be classified as SRR utilities. This figure excludes federal facilities, the DSIs, Grant PUD, and Energy Northwest.

These utilities represent **approximately 27%** of BPA's total load (~2,000aMW). This excludes any duplication from customers that qualify under more than one threshold.

The workgroup participants understand that at first glance there might be an "optics" problem with close to 65 of BPA's customers qualifying as SRR utilities. However, it is critical to note that BPA serves *in terms of sheer numbers* many small and rural utilities. Furthermore, the financial impact of the proposed "SRR benefit" is minimal to BPA as a whole, but important to SRR utilities in their ability to acquire conservation, as described below.

SRR Administrative Payment and Performance Payment

One of the main recommendations the SRR Workgroup has is to increase the amount of funding SRR customers can use for conservation-related activities, e.g. paying for conservation staff, printing marketing/education materials, end-user rebates, performing audits, assessing conservation potential, etc. There are two mechanisms this group is proposing to provide SRR customers with more money to use for these conservation-related activities: Administrative Payment and Performance Payment.

- **Administrative Payment:** The Administrative Payment may be used for any conservation-related activities. Customers will provide documentation and invoice BPA on a quarterly basis in order to receive the Administrative Payment. A customer is not required to report kWh savings in order to receive the Administrative Payment.
 - Only customers that qualify as "small" (i.e., 10 aMW or less) can receive the Administrative Payment. The workgroup felt that "small" customers have limited staff resources available and an Administrative Payment would be beneficial to their particular needs.
 - There would be a cap on the maximum amount of Administrative Payment a SRR customer could claim. The workgroup is proposing that this cap be \$60,000 for the two year rate period and should be adjusted commensurate with changes in the EEI funding levels in future rate periods.

- The amount of Administrative Payment a “small” customer can claim is limited by either the Administrative Payment cap *or* its EEI budget, whichever is smaller.
 - For example, a 4 aMW customer with an EEI budget less than the Administrative Payment cap can claim its entire EEI budget as an Administrative Payment, but no more. In contrast, a 9 aMW customer with an EEI budget greater than the Administrative Payment cap can only claim *up to* the Administrative Payment cap.
- BPA should consider providing each customer qualifying as “small” with a starting payment, e.g., \$5,000, at the start of the rate period to “jumpstart” their conservation-related activities. Customers claiming the “jumpstart” payment would not be required to show documentation for how this money was spent, nor have to pay it back.
- **Performance Payment:** As proposed by Workgroup 4, customers would be able to claim a percentage of their EEI budgets as Performance Payments to help cover administrative costs. The Performance Payment would be based on kWh savings (i.e., on a cents per kWh basis) and would be paid out as savings are reported into the tracking system. The Performance Payment would be additional cents/kWh on top of the willingness to pay. There would be no requirement for customers to provide documentation of administrative activities in order to receive the Performance Payment.
 - SRR customers should receive a Performance Payment that is 10 points higher than the Performance Payment for non-SRR customers.
 - SRR customers that qualify as “rural” or “residential” should be eligible to receive the higher Performance Payment.

Here are additional details regarding Administrative Payments and Performance Payments for SRR customers:

1. All SRR (and non-SRR) customers must abide by the terms of their Regional Dialogue contracts (§18.1.2.2) which requires the reporting of all kWh savings to BPA.
2. All Administrative or Performance Payments must be used to pay for conservation-related expenses, e.g. paying for conservation staff, printing marketing/education materials, end-user rebates, performing audits, assessing conservation potential, etc.
3. Administrative and Performance Payments both come *out of* a customer’s EEI budget (i.e., SRR customers are *not* receiving more EEI budget than non-SRR customers, but they are allowed to *use* a higher portion of their EEI budget for non-kWh conservation-related activities than non-SRR customers).
4. Customers, other than those qualifying as “small,” may claim *ONLY* Performance Payment.
5. A customer qualifying as “small” may claim *both* Administrative and Performance Payment, but the total amount claimed may not exceed: a) the customer’s EEI budget; or b) the Administrative Payment cap; or c) the customer’s Performance Payment cap.

6. Customers participating in utility energy efficiency pools (“UEEP”; see Workgroup 1’s recommendations for more information on pools) will bring their individual Administrative Payment or Performance Payment to the UEEP. The UEEP would receive a total Administrative Payment and/or Performance Payment equal to the sum of the individual members’ Payment eligibility. This way, SRR customers are not discouraged from joining a UEEP because they are still eligible to receive their SRR benefits even as a pool member. UEEPs must abide by requirements above (except #4). Below is an example of how administrative-related payments could be allocated to a pool.

Administrative Payment Cap (rate period)	\$60,000
SRR Performance Payment (%)	30%
Non-SRR Performance Payment (%)	20%

Utility Name	A	B	C	D	E	F	Pool Total
EEl Budget (rate period)	\$50,000	\$80,000	\$100,000	\$250,000	\$350,000	\$400,000	\$1,230,000
SRR (Yes/No)	Y	Y	Y	Y	N	N	N/A
Admin Payment Allowance	\$50,000	\$60,000	\$60,000	\$0	N/A	N/A	\$170,000
Performance Payment Allowance	\$0	\$0	\$0	\$75,000	\$70,000	\$80,000	\$225,000

7. The above allowances and restrictions also apply to Joint Operating Entities (JOE).

Estimated Costs of the SRR Proposal

Under the 10/10/66% criteria, the most conservative estimate of the costs of the above recommendations is that approximately 23% of the Energy Efficiency Incentive Fund (the EE capital budget less third party programs, funding for transitional projects, and federal acquisition) would be dedicated to Administrative and Performance Payments. However, this analysis rests on three *very* conservative assumptions:

1. All SRR customers claim up to the Administrative Payment cap (without exceeding their EEI budgets) or 30% of their EEI budgets as Performance Payments;
2. All non-SRR customers claim the full 20% of their EEI budgets as Performance Payments; and,
3. All Administrative or Performance Payments go *exclusively* to pay for administrative expenses and are *not* passed through as incentives to end-users to acquire conservation.

However, because these assumptions are conservative and a review of current practices confirms them to be largely unrealistic (i.e., many utilities do not use all of their allocation for administrative expenses and instead use those dollars for conservation acquisitions), it is more reasonable to estimate that the percentage of the Energy Efficiency Incentive Fund that would be used to cover administrative expenses is closer to a maximum of approximately 17%. This

estimate is based on the same assumptions as above with the exception of Snohomish, Seattle, Tacoma, and EWEB utilizing their full EEI budgets as incentive funding.

The workgroup participants understand that BPA's Energy Efficiency Management Team may be uncomfortable with customers qualifying as "small" being able to claim an Administrative Payment and not have to acquire savings with those funds. However, the financial impact of the Administrative Payment cap proposal is minimal. A conservative estimate of approximately 1.2% of the Energy Efficiency Incentive Fund would be decoupled from savings, assuming: 1) all SRR customers that can claim an Administrative Payment do so; 2) these funds are not passed on as incentives (i.e., used only for admin); and 3) the Administrative cap is \$60,000 per rate period. The result of this policy on BPA's ability to achieve public power's target is de minimis.

Additional Recommendations to Help SRR Customers Acquire Conservation

Below is a list of some recommendations that would help SRR customers acquire more conservation and need not be exclusive to SRR customers.

Measures

- More deemed and easily implementable measures for small commercial customers are needed, such as ductless heat pumps, insulation (like those offered for residential sector), windows, roof top HVAC units, etc.
- Other measures that could be applicable to both residential and (small) commercial, e.g., Energy Star appliances for small commercial, window and insulation measures for small commercial, and T12 to T8 lighting retrofits for residential, etc.
- Include heat pumps (geothermal & air source) in small commercial establishments.
- Deemed measures for duct testing. It is proposed that there is a stand-alone incentive for testing only. This would encourage the contractor to engage the home owner on this critical issue and (if followed through on) would provide the home owner with substantive criteria for deciding whether or not to go ahead with duct sealing. If the decision was made to follow through with the duct sealing (and it was accomplished to program spec), the contractor would receive the incentive for the unbundled "testing and sealing" – otherwise the incentive would be for the testing only. This should be a moderate contractor incentive, one that probably covers costs and not profit and would be less for a manufactured home than a site built home. The savings are there, we just need the contractors and home owners to go looking for them.
- Deemed measures for manufactured homes. For example, BPA is doing a limited test on ductless installations in manufactured homes – this is a step in the right direction in trying to get savings in this area.

Assistance

- Ability to turn a complex and/or unusual project to someone (BPA or a contractor hired by BPA) who would do the audit, talk to the end-users, design the custom proposal, etc. [similar to what occurs under the new Energy Smart Industrial program].
 - Possibly expand to commercial or complex residential new construction and retrofit situations
- "Circuit rider" to help educate retailers on what energy efficient products to stock, such as Energy Star appliances, and ensure availability of those products

Other

- Streamlined measures protocols and requirements for inspection and verifications to reduce duplicate travel time and costs
 - Digital documentation (photos) instead of in-person inspections
 - Weatherization could be streamlined as follows: entrust certain contractors (who are educated on the requirements of the program) to self-administer their activity and do a good job of documenting the same. Have some sort of sampled Quality Assurance follow-up, as necessary.
- Commercial and residential home energy use monitoring devices that track, record, display, and in some cases can control the end-users energy usage appear to offer an attractive option in rural communities for energy efficiency. BPA should make it a priority to confirm the kWh savings from the deployment of such devices and in doing so make certain that SRR utilities are involved in any pilots.
- Better inform customers of existing (and new) measures, assistance and programs that are available – we find that some requests for new measures or programs by customers already exist, which highlights the need to effectively communicate measures, assistance and programs to customers, both existing and new ones when established.
- Assist SRR utilities involvement in related activities of the Regional Technical Forum and Northwest Energy Efficiency Alliance.
- Include SRR customers in various pilot and demonstration projects.

CONCLUDING REMARKS

At the outset of this process, BPA recognized that “unique challenges” exist to implementing energy efficiency in SRR utility service territories and those challenges could impede the ability of those utilities to “effectively use their EEI funding.” Consequently BPA’s charge to the workgroup was to “focus on those specific implementation hurdles and attempt to create solutions to the identified issues.” The consensus recommendations contained in this document, in the workgroup’s opinion, are consistent with that charge both in word and spirit.

As mentioned in the opening section of this document, the SRR workgroup held four in-person meetings, one each in Idaho, Montana, Oregon and Washington, at the beginning of this process. Through those meetings and subsequent phone conferences, the workgroup had to wrestle with the definition of an SRR utility and was able to pinpoint important issues and solution. The issues fell into two broad categories:

- Lack of resource, and
- Overall program design.

Defining SRR

Given the importance of getting it right, defining the SRR cohort proved for various reasons to be a more difficult task than anticipated. It was obvious after the initial look that there was a strong likelihood that no matter what definition the workgroup developed there would be some left out who should not be and other in that did not necessarily need to be. In the end the workgroup agreed that being more inclusive was the best approach.

Lack of Resources

This category encompassed a long list of issues raised by SRR customers. Once again the workgroup was faced with developing one targeted solution or trying to develop many solutions and settled for one. And although the one solution may appear to be complicated, it was the consensus of the workgroup that it was the most efficient method for addressing the problem identified.

The administration and performance payment approach, because of the apparent financial impact has raised some concerns. However, as shown in that section, the workgroup did consider the impact on BPA's capacity to achieve the targets and determined that any negative impacts would be de minimis. This finding, coupled with the ability of the administration payment to get needed EEI funds into the hands of small customers quickly, and giving others more flexibility in addressing their resources needs by increased performance payments indicated this method was preferred.

Overall Program Design

Perhaps one can look at this as "the third leg of the stool." Even though the workgroup may have defined SRR customers and recommended that SRR customers be able to claim Administrative or Performance Payments out of their EEI budgets, this ability would be meaningless without a program that recognizes their "unique challenges."

Time and time again in the workgroup we would come back to this topic as an area that needed attention. This area is addressed in this paper under the topic Additional Proposals and includes measures, assistance, and other. And in each of these areas the workgroup looked at a variety of solutions, some of which BPA has already undertaken, and others that did not seem feasible or belonged some place else and concluded those listed here best meet the needs of SRR utilities.

The workgroup encourages BPA to look at these recommendations as a unit because failure to move in any one area will most likely render the others meaningless.

ATTACHMENTS

Here is the text of the definition of number of consumers (which we are proposing to be used to determine whether a utility is considered "rural") as provided for in the Tiered Rates

Methodology:

10.2.1 Modified Definition of Consumers

BPA will propose that effective October 1, 2011, the definition for Consumers in the LDD section of the FY 2012 GRSPs will be as follows:

Consumers will be the number of consumers, by classification, having a current service connection in December of each year. Residential consumers (seasonal and non-seasonal) should be counted on the basis of the number of residences served. If one meter serves two residences, then two consumers should be counted. If a water heater is

metered separately from other appliances on the same premises, the water heater load will not count as a separate consumer. Security or safety lights, billed to a residential customer, will not be counted as an additional consumer.

Seasonal consumers expected to resume service during the next seasonal period will be counted during off-season periods as well.

A residence and commercial establishment on the same premises, receiving service through the same meter and being billed under the same rate schedule, would be classified as one consumer based on the rate schedule. If the same rate schedule applies to both the residential and the commercial class, the consumer should be classified according to the principal use.

Consumers for Public Street and Highway Lighting should be counted by the number of billings, regardless of the number of lights per billing.

Workgroup Three
Conservation Potential Assessments

Post-2011 Phase 2 Recommendations

INTRODUCTION

Conservation potential assessments (CPA) provide an estimate of the amount and cost of energy savings that are available at a measure, end-use, sector, utility or regional level in a given area over a selected timeframe. Potential studies require significant data on customer characteristics, energy efficiency measures and utility operations (load forecasts, avoided costs).

CPAs can be a useful tool to support effective local utility program implementation efforts to:

- Understand individual and collective opportunities
- Inform regional discussions
- Guide programmatic efforts

Moving to the post-2011 period, public power faces:

- Increasing regional energy efficiency targets
- Greater reliance on conservation as an incremental resource
- More diversity in the types of conservation measures that are cost-effective

While these challenges are daunting, there is greater interest and commitment by utilities and stakeholders throughout the region. Individual service area CPAs, conducted in consistent and transparent manner, can focus efforts in order to maximize regional savings acquisition.

Currently, there are three approaches that utilities can use to calculate their conservation potential. The approaches include:

- Use of the utility target calculator (UTC) developed by the Northwest Power and Conservation Council – the UTC calculates a utility target as the pro-rata share of the regional target based on a utility's load overall or by sector
- Use of the utility potential calculator (UPC) developed by Bonneville – adjusts assessment of a utility's share of the regional target based on service area customer characteristics across all sectors
- Utility-specific analysis – calculation of economic and achievable conservation potential based on technology availability, market conditions, customer characteristics and avoided costs specific to the utility service area.

Each of the approaches uses a similar methodological approach (Figure 1), but varies in terms of how much utility-specific data is utilized (Table 1).

Figure 1: Overview of Conservation Potential Assessment

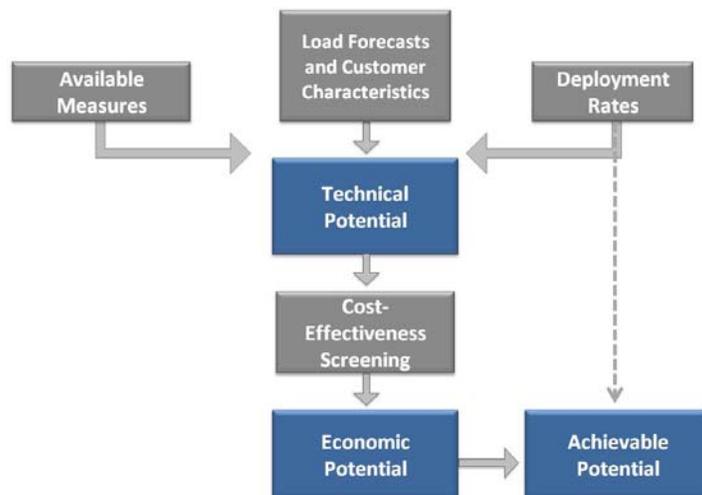


Table 1: Data Inputs

	Utility Target Calculator	Utility Potential Calculator	Utility-Specific Analysis
Available Measures	Council Assumptions	Council Assumptions	Council or Utility
Customer Characteristics	Council Assumptions	Utility Specific	Utility Specific
Ramp Rates	Council Assumptions	Council Assumptions	Council or Utility
Avoided Cost	Council Assumptions	Council Assumptions	Utility Specific

While the availability of utility-specific data is likely to yield a more precise estimate of conservation potential for a utility, especially in relationship to regional characterization, a utility would want to balance cost and time requirements of data collection and analysis against the need for greater precision. A utility’s selection of one of the approaches would depend on its load, customer characteristics, historical conservation program activity and other factors.

PROCESS

Workgroup Three was convened to provide recommendations to BPA on the role BPA can play in the facilitating regional consistency in the implementation of Conservation Potential Assessments (CPAs) for the post-2011 time period. Workgroup Three conducted eight meetings (7 conference calls utilizing LiveMeeting and one in-person meeting that took place at the offices of the Public Power Council). Outstanding issues from Phase 1 served as a guide for the Workgroup, but any issue or concerns raised by participants was thoroughly discussed by the group and every attempt was made to incorporate the main considerations into the Workgroup’s final recommendations to BPA.

RECOMMENDATIONS

Should there be a size threshold at which it would be expected that a utility would conduct a CPA?

The workgroup has determined that size is not a sole determinate for whether or not a CPA should be conducted, but that other utility factors would determine the value proposition for a CPA (i.e., opportunity for pooling) and the approach that a utility would take for assessing/quantifying conservation opportunities within their service area. A utility would determine its needs and the best way to meet that need (for examples, see Table 2).

Table 2: Utility Needs and Assessment Approaches

	Utility Target Calculator	Utility Potential Calculator	Utility-Specific Analysis
Growing Load – Need for Incremental Resource		X	X
Limited Historical Activity	X		
Significant Historical Activity			X
Robust Customer Data		X	X
Customer Profile Typical of Region (e.g., percent of load across sectors)	X	X	
Avoided costs are dissimilar to region			X

Recommendation 1: The workgroup determined that there is no size threshold and local utilities are best equipped to determine their conservation needs/goals, the need for conservation potential assessment in setting goals, and the manner in which to achieve goals and objectives.

What role should BPA play in assisting with CPAs? Should BPA develop tools for utilities to use to get a rough estimate of conservation potential?

BPA can assist its customer utilities with continued development and dissemination of the utility potential calculator (UPC). The UPC provides a more accurate assessment of conservation potential than the Council’s utility target calculator with fewer data requirements than a full conservation potential assessment. As BPA develops the UPC, it should ensure that the tool remains flexible and adaptable.

BPA can assist with guidance on targeted data collection/analysis that will ensure the usefulness of the UPC. Utility specific data can be input to the UPC to replace regional assumptions/ characteristics. BPA can help to identify data collection protocols and prioritize collection of those data elements that significantly influence overall conservation potential.

BPA should investigate how results (e.g., by sector, by measure, by savings potential, by unit, etc.) should be presented to ensure that they are useful and support acquisition of savings. The results of the potential analysis should also support the requirements of utilities with loads greater than 25 aMW to provide a biennial conservation plan in accordance with the regional dialogue contracts. (See attached sample template.)

Beyond development of the UPC, BPA can also serve as a repository for examples of best practices for conducting conservation potential analysis from a broad range of sources (public utilities, IOUs, regional or national entities, etc.). BPA can also serve as a coordinating point, with its public power customers, for reviewing the inputs, analysis and results of the Northwest Power and Conservation Council's development of supply curves for the regional power plan.

Recommendation 2: Workgroup 3 encourages the continued development of a Utility Potential Calculator that provides utilities a streamlined method for assessing conservation potential in their service territories with greater precision. The workgroup would encourage a collaborative process for further development of the tool to ensure its usefulness. Utilities would use the Utility Potential Calculator at their option.

What is BPA's role in collecting data as inputs to CPAs?

Consistency in data collection, across public power and regionally, is critical to increased understanding of conservation opportunities. BPA can serve as a library for data collection instruments (survey instruments, site visit guides, etc.) and methodological guidelines in order to ensure that local data collection activities:

- Align with regional data collection efforts
- Support down-stream analysis (UPC, CPAs)
- Provide flexibility in level of detail or granularity depending on a utility's needs

The availability of standardized data collection tools that can easily be adapted for local use can significantly reduce the cost and time required for research efforts. The workgroup supports a collection of nested tools that can be utilized or deployed to support different levels of data collection specificity or granularity, but for which results can be aligned, compared and aggregated across utilities.

Further, BPA can represent public power interests to ensure that regional data collection efforts (e.g., NEEA's Residential and Commercial Building Stock Assessment) meets the basic needs of all utilities, particularly those utilities without a direct funding relationship to NEEA. As part of that representation, BPA should:

- Inform customers of regional research activities
- Broadly solicit input from customers as to data availability, data needs, potential data uses (feeding potential assessments, program development, etc.)
- Coordinate public power feedback on research efforts
- Ensure broad dissemination of research results

Recommendation 3: The workgroup decided that BPA should serve as a library for data collection instruments and examples of research methodology that provide consistency in data

definition and collection approaches but that can be modified to support different levels of granularity in data collection. BPA should also represent the interests of public power to ensure that regional efforts meet the needs of public power utilities. Furthermore, BPA can assist in the analysis of research results and understanding the data applicability. If utilities choose to do additional analysis of regionally collected data or want to collect more data on their own, BPA can help identify qualified data collection and/or analytical firms.

What role should BPA have in developing standards and methodologies?

BPA should support and enable regional consistency and through developing tools, maintaining data repositories, and identifying and sharing best practices from public power, regional or national sources. By supporting regional consistency, individual public power efforts can be rolled-up to the regional level for a stronger voice from public power in the power planning process and informing regional conservation assumptions and targets.

Recommendation 4: BPA should *not* develop prescriptive standards and methodologies for conservation potential assessments.

What key timelines must be met to make CPAs most useful?

The timing of CPAs and associated data collection to support them depends on several factors. First, depending on the approach taken, data collection to support the assessment may begin several months in advance of the conservation potential analysis. Even when using pre-developed survey instruments, a utility will need to determine the data collection mode (mail, email, phone, on-site, etc.), develop a sampling frame, engage a data collection contractor (if necessary), field the survey and analyze results.

Having robust CPA results are needed for:

- Integrated resource plans (submitted by Washington utilities biennially)
- Setting annual or biennial conservation targets
- Setting annual or 2-year budgets for conservation activities (individual utility budgets and BPA budgets in rate cases)
- Providing input in regional forums (regional power plan, NEEA business planning)

The timing of individual CPAs and collective or aggregated analysis should consider these and other uses of the assessment results.

Recommendation 5: BPA should strive to provide information and conduct analysis in a timely manner to support local utility decision making and reporting requirements to improve coordination with BPA Energy Efficiency and regional power planning activities (i.e., annual budgeting and two year rate cases). Likewise, BPA can inform utilities to ensure that the timing of their analysis processes can support and/or influence regional planning efforts.

Who should pay for the CPAs and/or other services?

Planning and analysis costs can be considered part of the cost of acquiring conservation resources. They are also part of a utility's long-term plans for balancing supply and demand. Funding responsibility may be based on a number of factors, including, but not limited to:

- BPA budgeting for data analysis
- Utility CPA requirements
- Base and optional analysis choices made by the local utility

Recommendation 6: CPA costs should be considered a qualified expenditure, and could be recovered through a performance payment capped at a pre-determined level. Furthermore, individual utility CPA expenses (data collection and analysis) should come out of the Energy Efficiency Incentive (EEI) budget allocated to the individual utility. Efforts by Bonneville to develop tools, identify best practices, support regional data collection efforts, and assess measure applicability may be considered an infrastructure expense.

Can there be a template that will assist in compiling and aggregating conservation potential data that would also satisfy requirements to submit a conservation plan to BPA?

Attached to this document is an example reporting template that a utility could use to summarize and present conservation potential assessment methods and results. The template provides a concise overview of utility-specific data and would allow BPA to compile data across public power. A utility using the template would satisfy its requirements to provide BPA with a conservation plan under the regional dialogue power contracts.

Recommendation 7: In coordination with customers, BPA develop a template for reporting conservation potential results. The template should be reviewed and refined periodically to ensure its usefulness for both local utility conservation implementation efforts and regional planning.

CONCLUDING REMARKS

The workgroup was able to address each of the questions and issues identified at the initiation of Phase 2 of this process, but identified additional issues that may need to be addressed as

- Workgroup 3 does not recommend the potential use of CPAs as a billing determinant as many public power representatives and regional stakeholders did not view this option as being beneficial to the entire region at this point in time.
- Workgroup 3 did not address any options if results of CPAs conducted at the individual utilities (or pooling group(s)) did not “add up” to the public power share of the regional target.
- Workgroup 3 did not provide a recommendation on the role BPA would serve on sharing individual or collective CPA results or representing public power in regional planning forums, e.g., with the Northwest Public Power Council or Northwest Energy Efficiency Alliance.

ATTACHMENTS

Sample Conservation Plan Reporting Template located below.

SAMPLE CONSERVATION PLAN REPORTING TEMPLATE

Requirements for Submittal of Utility Conservation Plan to BPA in accordance with Regional Dialogue Contract

Each submittal will contain a narrative along with a summary spreadsheet.

Narrative

There is no predetermined length that is required however a narrative should contain a plan summary along with a detail section and a list of supporting documentation.

Summary

This section should briefly outline the plan – how it was developed and high level results.

Example: Peoples Power Utility ten year (2011 through 2020) conservation plan calls for the acquisition of 20 average megawatts of energy efficiency. The plan was developed consistent with Northwest Conservation and Power Council's Sixth Power Plan methodology. The plan envisions those acquisitions coming mainly from the residential sector (75%) and the remainder (25%) from the commercial since PPU has little or no Industrial and Agriculture.

The measures considered and included in the plan are based on the Sixth Power Plan. A number of measures that were reviewed were considered not applicable to the PPU service territory, due to market or customer characteristics, and are not included in the plan. The list of measures considered is contained in the detailed plan description. Some measures not currently applicable in the PPU service area include Voltage Optimization, Heat Pump Water Heaters, high-rise commercial building commissioning.

Annual acquisition rates are informed by the Council's deployment rates and adjusted based on PPU's historical rates as documented through Conservation and Renewable Discount Program and the Conservation Rate Credit.

Detail Section

Plan Development - This section should contain a more in depth discussion on method used by the utility to assess conservation potential and the overall results.

Sectors – this section should contain a plan for each applicable sector - Residential, Commercial, Agriculture, and Industrial. (Note: Industrial includes Utility Distribution Efficiency measures such as Voltage Optimization.). For each sector list the measures, the program method that will be employed, i.e., a utility's current heat pump program or BPA Energy Smart Grocer, along with anticipated savings.

Spreadsheet

The spreadsheet is a numerical summary of your plan. The spreadsheet will serve the function of giving a quick view of the outputs of an individual utility plan and allow BPA to easily incorporate these numbers in a database. The spreadsheet is broken down by sector and by major end-uses or measures based on average megawatts. Savings for measures with deemed savings values could be translated to number of units to provide greater sense of the proposed conservation program strategies.⁵

Example below:

Amounts in aMW	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential										
Weatherization	1	1	1	1	1	1	1	1	1	1
Windows	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Heat Pumps	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Ductless HP	0.2	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
HP Water Heaters	0	0	0.1	0.1	0.2	0.3	0.4	0.5	0.6	0.7
Water Heaters	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Appliances	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Lights	1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Shower Heads	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Totals	2.9	2.2	2.4	2.6	2.7	2.8	2.9	3	3.1	3.2
Commerical										
Lighting	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0	0	0	0	0	0	0	0	0	0
Totals	0.1									
Industrial										
Pumps & Motors	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Totals	0.0									
Agriculture										
Irrigation	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Totals	0.0									

⁵ The output of results from the Utility Potential Calculator developed by BPA should support the agreed upon reporting format.

Workgroup Four
Implementation Mechanism

Post-2011 Phase 2 Recommendations

INTRODUCTION

In Phase 1 of the Post-2011 process, it was determined that BPA would provide two primary implementation mechanisms, the standard and Pay for Performance (nonstandard) agreements. Workgroup #4 was tasked with defining the differences between the two and laying out the framework to distinguish between them. Specific items of discussion included:

- Current nonstandard agreements and incorporating their features into a “standardized nonstandard” agreement that can be included in the Implementation Manual
- Differences between the two implementation mechanisms, if any, in:
 - Willingness to Pay
 - Performance Payment (aka Admin Allowance)
 - Access to Technical Assistance (outside of 3rd party programs)
- Opting in, reporting, M&V protocols, and cost-effectiveness test(s) for projects under the nonstandard agreement

Currently, five utilities have nonstandard agreements with BPA. By bringing the elements of those individual agreements into the Manual through Workgroup #4’s efforts, we’ve worked toward a consistent set of requirements, transparency, simplified contracting and change process and flexibility in participating.

PROCESS

The initial focus of Workgroup #4 was to gain an understanding of the various differences among the nonstandard agreements currently in place, to insure we could bring them all into a standardized format that would represent the second implementation mechanism. To this end, we had a couple customers who currently have nonstandard agreements (Seattle City Light and Eugene Water & Electric Board) discuss their agreements and answer questions from the workgroup. In addition, we reviewed the overall differences among them and the function of Exhibits B (Program Descriptions), C (M&V protocols), and D (Simplified Cost-effectiveness limits) included in each agreement.

Early in the process it was determined that the main differences between the standard and nonstandard agreements were related to reporting, reimbursement, and availability of technical assistance. As such, BPA proposed to WG #4 that an implementation manual chapter regarding custom project processing was the best route to standardization. The Workgroup agreed with this approach and a couple workgroup members worked with BPA staff on an initial proposal that put the various elements of current nonstandard agreements into a chapter. Some discussion was held around continuing to have individual agreements that would be based on a specific template, but the workgroup determined that exhibits currently included in nonstandard agreements could be described in the manual and changes could then be made, as needed, when the manual itself is updated every six months.

BPA then prepared a draft chapter, which became the nexus for many of the workgroup's recommendations. Once a strong framework of the chapter was provided, the workgroup moved on to the topics of Willingness to Pay, Performance Payments (aka Admin Allowance) and Technical Assistance. Discussion included:

1. **Willingness to Pay:** Should it be the same regardless of Implementation Mechanism? If different, how would those differences be determined? The workgroup expressed an interest in aligning the Willingness to Pay regardless of implementation mechanism. To that end, BPA provided three alternatives for consideration: (1) Pay the same by sector reimbursement in both options, (2) Pay sector specific rates for standard and a melded rate for nonstandard, or (3) Pay same reimbursement rate for all custom projects (regardless of sector) in both options. A fourth alternative to pay the same reimbursement rate in both options by measure life was proposed by Seattle City Light to take into account leveled resource cost. Each alternative was reviewed and discussed with a final suggestion that the third alternative, with a single cost-effectiveness test, would become the recommendation.
2. **Performance Pmts (Admin):** Currently, nonstandard utilities do not receive performance payments for custom projects. The workgroup looked at whether utilities choosing a nonstandard agreement should be provided performance payments. BPA provided three alternatives: (1) Allow both standard and nonstandard utilities to claim performance payment, (2) Keep performance payment as it is currently structured—based on dollars spent and not available to nonstandard utilities, or (3) Change to a payment for kWh delivered basis and allow nonstandard utilities to claim it. The workgroup discussed each alternative and determined that support was strongest for alternative #3. In addition, the workgroup coordinated with recommendations of WG #2 regarding a base payment and slightly higher performance payments allowed for utilities defined as SRR.
3. **Technical Assistance:** Currently, nonstandard utilities do not have access to technical assistance from either BPA engineers or TSP consultants (outside of third party programs) and the workgroup looked at whether this should continue or be changed. It was identified that in the Phase 1 Policy Framework, it was expected that utilities choosing this mechanism would have access to engineering support either through their own staff or through subcontracts. The workgroup attempted to respond to challenges faced by all utilities in needing support to see projects through to completion, while understanding the extensive cost of technical assistance, if available to those utilities that have a larger resource base of engineering support. Various alternatives included full technical assistance availability regardless of implementation mechanism, no technical assistance available to Option 2 (nonstandard utilities), or a combination. The workgroup heard from current nonstandard utilities that while they didn't intend to use TA extensively, the ability to discuss project ideas with BPA engineers and TSP support contractors and review M&V on difficult projects could be invaluable. To meet this need, it was suggested by the group that TSP and BPA engineering support be available to

Option 2 utilities for manual clarifications and M&V consultations, but not on project-specific technical assistance such as audits or project preparation/management.

The bulk of the remaining work for WG #4 was to provide recommendations on the two implementation mechanisms revolved around the mechanics of implementation. This included discussions regarding how/when a utility would opt in as an Option 2 utility, what information would need to be provided to BPA to do so, documentation and reporting of projects through an auto-upload sheet, and a robust discussion around cost-effectiveness test(s) for projects completed by Option 2 utilities to be accepted by BPA. The recommendations developed are documented below with an annotated version of the draft implementation manual chapter.

RECOMMENDATIONS

I. Incorporate a ‘standardized nonstandard’ agreement as a chapter in the Implementation Manual. The chapter focuses on the way in which utilities report custom projects since that is the main difference between standard and nonstandard utilities today. This allows for standardization of the various agreements, provides transparency around the specifics of those agreements, and simplifies the current change process for the various individual nonstandard agreements. Highlighted below are the annotated recommendations from the workgroup that have formed the basis of the attached draft IM chapter:

1. **The workgroup recommends that custom project requirements, as described in the current manual and PTR, apply equally to utilities in both options.** Currently, the documentation of meeting those requirements is part of the custom project proposal process which is implemented differently for nonstandard utilities.
2. **The workgroup recommends that base M&V protocols are the same regardless of which option a utility is in.** Utilities choosing Option 2 may provide additional details regarding their M&V approach to their COTR during the initial “opt-in” measure delivery approach description.
3. **The workgroup recommends that each utility is enrolled in Option 1 automatically.** This would mean following the same process currently in place for standard utilities. A utility will submit individual custom project proposals for BPA’s review and acceptance and if accepted, BPA will provide a financial commitment to pay when the project is complete.
4. **The workgroup recommends that utilities that choose to enroll in Option 2 will not be required to submit individual custom projects.** Instead they will submit them, in bulk, to BPA after completion and be paid at the same rate as an Option 1 utility. Under this option, BPA doesn’t review projects prior to their start and may therefore not accept all projects for incentive payment.
5. **The workgroup recommends that utilities use the COTR Request and Acknowledgement Procedure to elect Option 2.** As part of that process, a utility will provide its measure delivery approach to Bonneville. If a utility is currently under a nonstandard agreement, they may choose to continue by providing their COTR with up-to-date documentation of any changes to their measure delivery approach. If there are no changes, a request to the COTR will suffice.

6. **The workgroup recommends that utilities electing Option 2 will remain in Option 2, unless extenuating circumstances arise.** Utilities may also evaluate their enrollment at the beginning of a new rate period. This allows for utilities to have the option to switch back, but prevents switching back and forth between options on a project by project basis.
7. **The workgroup recommends that utilities are reimbursed at the same rate for custom projects under either Option 1 or Option 2** and that the reimbursements are capped at 70% of project cost.
8. **The workgroup recommends that utilities choosing Option 2 will have limited access to BPA Engineering support and TSP assistance.** The TA would be in relation to IM clarifications and consultations on M&V but would not include project-specific technical assistance such as audits or project preparation. This would not apply to TA from third party contractors such as the NW TAN, Cascade, or PECEI.
9. **The workgroup recommends that along with one reimbursement rate, there be one cost-effectiveness test that would apply to all projects submitted for projects submitted by utilities electing this option.** The workgroup recommends that BPA continue to explore the specifics of using the Total Resource Cost test, and work with interested parties to come up with a solution that makes sure it simple and not overly burdensome on Option 2 customers. Any given project may have a minimum cost-effectiveness ratio of 0.5, but the sum of *all* projects (involving only non-deemed measures) submitted to BPA in an invoice/report must have a ratio of 1.0 or greater.
10. **The workgroup recommends that utilities under both Options maintain proper documentation for project review and oversight.**

II. Allow customers, depending on their characteristics, to claim either Performance or Administrative Payments.

1. Customers should be able to claim a percentage of their EEI budgets as Performance Payments to help cover administrative costs.
 - Performance Payments should be based on kWh savings reported into EE Central.
 - Performance Payments should be *in addition to* the reimbursement rate, e.g., if the reimbursement rate were \$0.2/kWh, the performance payment of, say, \$0.02/kWh would be on top of the reimbursement.
 - A cap on Performance Payments should be in place for all customers: 30% of the EEI budget for certain small, rural, and residential (SRR) customers and 20% for non-SRR customers.
 - Performance Payments should only be spent on conservation-related activities.
2. Certain small, rural, and residential customers should be entitled to an Administrative Payment decoupled from kWh savings, as recommended by Workgroup Two.
 - There should be a cap on administrative payments.
 - Administrative Payments should only be spent on conservation-related activities.

ATTACHMENTS

See the draft chapter for the Implementation Manual in the Appendix located at the end of this document.

Workgroup Five
Regional Programs and Infrastructure

Post-2011 Phase 2 Recommendations

INTRODUCTION

Workgroup Five was tasked with assessing BPA’s regional activities and making recommendations to guide how the programs and the parties involved should operate post 2011. The group reviewed the initial list of issues raised, shifted some to other workgroups, added some others, and prioritized the rest for review. Over a series of meetings, drafting proposals and reviewing them, the workgroup reached consensus on nine separate items. Because these items are somewhat disparate in nature, the group is providing an overview (see “Summary” below) that highlights the commonalities behind all of our recommendations.

SCOPE

The following recommendations range from running regional programs to working with federal facilities and cover things like regional roundtables and negative change notices. As a guide to those issues, here’s a list that can serve as an index to the recommendations that follow:

- I. Running Regional Programs
- II. Cost-Effectiveness Assessments
- III. Custom Program Template
- IV. Negative Change Notice
- V. Effective Regional Infrastructure Spending (including Realigning Regional Utility Roundtables)
- VI. Negative Change Notice
- VII. Handling Additional Utility EEI Contributions to NEEA
- VIII. Handling Low Income Weatherization Funding
- IX. Energy Efficiency at Federal Facilities

SUMMARY

The workgroup felt that there are common elements that tie the recommendations for this list together. The group’s recommendations are based on the following guiding principles:

- Effective Communications
- Active Collaboration
- Regional Leadership and Coordination
- Regional Effectiveness
- Local Flexibility
- Cost Efficiencies
- Openness to Adaptation
- Operational Transparency

The workgroup saw the need for more effective communications between BPA, its customer utilities, and other key players in the region. They also asked for more active collaboration between those parties. The public utility representatives stated that they see a role for regional leadership and coordination from BPA, and that close coordination with NEEA and ways to coordinate with IOUs will also be important. Utilities recognize the economies of scale can enhance regional program effectiveness, but also requested a high level of local flexibility. The group looks to BPA to provide cost efficiencies in education, outreach, and program-related activities. Any regionally-coordinated program delivery must be such that it complements and coordinates with any locally delivered programs. Utilities also noted the expectation that BPA be open to adaptation to incorporate “best practices” gleaned from other efficiency service providers (even outside the Pacific Northwest). With all this, the group also saw the need for more operational transparency on regional infrastructure cost allocations, regional program costs/benefits, and BPA’s decision-making process.

The workgroup focused on issues clarifying the future use of utility EEI allocations for cost-effective kilowatt-hour acquisition. In varying levels of detail, the specific recommendations are detailed below.

RECOMMENDATIONS

I. Running Regional Programs

Background

For the last decade, BPA and public utilities have been engaged with achieving a sizable share of the region’s energy conservation targets. This has required a great deal of partnership. These utilities have had a key role in bringing conservation programs to their customers. The programs can range from simple residential CFL give-aways to much larger and more complicated commercial or industrial custom projects. Since many utilities have some level of efficiency program activity in place, utilities need flexibility to offer an integrated portfolio of locally and regionally developed programs which are best suited for their customer base. Region-wide programs need to be proposed with local involvement in mind. BPA has designed programs that could be deployed on a regional scale including some that do not necessarily require active utility participation, such as *Savings With A Twist* or the Energy Smart Grocer Program. This proposal will attempt to provide guidelines for BPA and utility customers as they consider bringing additional regional programs to the public.

Issues

The workgroup identified five different types of regional programs. In some instances these may need coordination with the region’s IOUs, but that has not specifically been addressed. Those include:

- Upstream buy-downs
- Third party programs
- Corporate-focused programs
- Educational/training initiatives

- Support and coordination of key trade ally groups

Upstream buy-downs involve working with a manufacturer and/or supplier to impact the price and availability of efficient products. Third party programs are efforts that are contracted out to non-utility implementers. They range from those with projects administered by the local utility with third-party support (such as Energy Smart Industrial) to more direct acquisition (similar to how Energy Smart Grocer is implemented in some parts of the region). Corporate-focused programs involve focusing on higher levels of management rather than doing energy projects on a site by site basis (frequently referred to as chains and franchises). Educational initiatives include general information and training activities. Trade ally support involves working with the region's suppliers and contractors to build up their capabilities to support energy efficiency project implementation.

The design and implementation of regional programs needs to account for the differences between those various programs as well as a series of other issues the workgroup identified. These other issues consist of cost effectiveness, local control and flexibility, adequate budget management, and dealing with multi-sited end-use customer organizations (commercial, industrial, or institutional). These issues are just a part of the overall design of BPA's acquisition programs. A workgroup consisting of customer utilities and some BPA staff crafted the following four recommendations to address these issues.

Recommendations

1. Regional programs need to balance the economies (and effectiveness) of region-wide scale with the flexibility to fit within the program offerings of local utilities.

The workgroup felt that BPA should be guided by three general guidelines for regional programs. First, utility customers and stakeholders should be allowed to provide upfront input on regional program design decisions (including how to pay for those programs). Second, there should be some channel through which BPA's utility customers and stakeholders could suggest regional program ideas. These conversations happen by phone or e-mail currently, but the workgroup prefers something more formal. Third, when regional program marketing materials are created, "templates" of those documents should be provided that could allow modification by local utilities (such as the addition of their logo and contact information).

The workgroup recognizes the tension that naturally exists when dealing with finite budgets between funding regional vs. local incentives. There needs to be an open and timely process for determining the budget allocation between the two, so that utilities can plan their own program budgets. Funding regional incentives will impact utilities' EEI allocations. So, the split between the two needs to be determined in advance. While the workgroup recognizes that BPA maintains final decision-making regarding the split between regional and local incentive budgets, we recommend that a collaborative process be put into place that includes utilities and other relevant stakeholders to provide its recommendations.

For upstream buy-downs, some workgroup members raised the question of whether BPA's utility customers should be able to opt out of those programs. That could impact the way an upstream buy-down is implemented. The workgroup recognized this, but suggested that the question of individual utility participation be worked out in advance.

On third-party programs, the workgroup expressed a wish that individual utilities be allowed to set their own incentive levels, different from what would be established on a region-wide basis. Their desire was for the ability to set incentives that could be either higher or lower based on local market conditions, customer needs, parity with other local programs, etc. The group also endorsed the concept that local utilities could set their own requirements for coordination with the third-party contractors when they are working with end-use customers in their service area.

For corporate-focused initiatives such as work with chains and franchises, the workgroup noted that some utility service areas may not have any end-use customers that are part of the organization being targeted. If so, the request was to allow those utilities to opt-in or opt-out of those initiatives. However, for utilities with the target organization located in their service area, there would be no ability to opt-out. On the other hand, some local utilities expressed a strong desire to be involved in serving the chain or franchise customer in their service area.

As a regional activity, the workgroup requested training and education efforts be maintained for the life of the program or promotion that it's a part of. Generally, new program trainings are adequate, but workgroup members would like more on-going trainings and educational activities. This is especially critical as programs change. Even without changes, it's important to continue to offer trainings to educate new utility staff and serve as a reminder for existing staff.

The workgroup asked that BPA's work on trade ally support ensure that contractors are aware of any different requirements or incentives within specific utilities service areas. This was seen as a critical way to avoid confusion with the end-use customers and also keep the trade allies informed of those differences.

2. BPA's regional program design and decision-making process needs to be more collaborative and transparent.

The workgroup asked for BPA to more clearly account for impacts on utility partners (staff time and other costs/savings) as well as their own administrative costs impacts. The workgroup does not want BPA to create regional programs that benefit BPA at the expense of adverse impacts on their utility customers. This was part of the request that there be more consistency in program analysis between utility-run and third-party or other regional programs. Some local utilities expressed some concern that program oversight or other administrative duties may get transferred to them on these regional programs. Other local utilities seemed more concerned that duties may get transferred away from them.

The local utilities asked for a mechanism to allow them to present BPA with utility-specific pilot program ideas. A process to let the utilities initiate these pilot-level programs was seen as very helpful. Even on BPA-initiated programs (pilots or otherwise), the workgroup requested advance information on program planning and development. They wanted the opportunity to provide input into the program design rather than just opt in or opt out after it's been designed. They asked that BPA share the initial concepts for new program ideas as widely as possible. On that initial contact, they should ask who wants to be informed and then narrow the subsequent information sharing to those that are actively interested in assisting as the concept is developed into a more detailed proposal.

The workgroup asked that BPA provide some kind of pre-decisional forums for utility input. They recognized that the brown bag sessions were helpful when new programs are introduced, but wanted to see additional brown bags (or something similar) to inform utilities and get their reactions before all the details on these kinds of programs are finalized. At the same time, the workgroup recommended that BPA not create new communication channels where using the existing channels will accomplish the same thing. Existing channels include the Utility Sounding Board (USB), BPA's Energy Efficiency Representatives (EERs), utility roundtables, BPA's website, and the brown bags noted above. As far as the USB goes, there was a strong request that the meeting minutes be posted in a more timely fashion to inform those not directly involved or unable to attend.

The BPA-directed solicitations used for Emerging Energy Efficiency Technologies (E3T) were identified as a potential model for energy efficiency programs. The group recommended that BPA set up a process to regularly solicit program ideas for achieving electric energy savings. It was felt that this would allow both new ideas to be presented and provide the region with a "level playing field" for selecting among the various options.

For program planning and design, the workgroup recommended that BPA look to other in-region program offerings when planning the programs they intend to offer. This would allow public power to leverage the efforts of Energy Trust of Oregon, investor-owned utilities like Puget Sound Energy and Idaho Power, and any other energy-saving initiatives. It was also suggested that BPA look beyond the Pacific Northwest to see what's been working in other regions of the US and Canada and replicate those best practices or successes where possible. Finally, the group recommended that BPA better coordinate with NEEA, the Consortium for Energy Efficiency (CEE), and other similar organizations that might be involved with upstream buy-downs or other market transformation efforts.

3. Regional programs should balance low acquisition costs with the need to achieve 'deeper' and potentially more expensive savings.

To encourage end-use customers to achieve 'deeper' energy savings, the workgroup recommends that BPA allow bundling of measures into a single packaged measure. That would leverage demand for measures that are highly popular with end-use customers to

other, less popular measures with significant energy savings. It was noted that bundling may not be necessary to show cost-effectiveness given the higher avoided costs used in the 6th Power Plan. However, bundling may still prove to be a means to get market activity for measures we'd really like to see installed. In fact, the incentive offered for a bundle could be larger than the incentives for each measure separately encouraging contractors and end-use customers to focus more attention on the bundle.

The group suggested that BPA, the Regional Technical Forum (RTF), and others collaborate more closely to obtain better measure cost data. Equipment, labor, and related measure costs are available for many measures. Some products – electronics, for example – may have costs that are quite different than what they were a few years ago. Other costs – such as labor – may vary widely from one location to another across the region. With better measure cost data, better incentives should follow. The group felt that BPA could use this data to adjust the incentives offered accordingly.

In regional program analysis, the group recommended that BPA capture utility-specific program-related costs in addition to BPA's own costs to fully account for all the program delivery costs. This recommendation would also extend to fully accounting for all the savings from regional programs too – both at BPA and at their customer utilities. Finally, while not specific to regional programs, the group recommends that BPA ensure that all utilities are aware that they have flexibility to set their own incentive levels on deemed measures.

4. Corporate level activities should be better designed and coordinated to more effectively attain savings from chains, franchises, and other organizational affiliations.

The workgroup asked BPA to develop some sort of centralized database to house corporate contacts, organizational information, and facility-specific data. This would be a collaborative effort with data populated by both BPA and its customer utilities that have worked with these organizations in the past. BPA would need to enlist participation by non-public utility entities (IOUs, ETO, NEEA, third party delivery contractors). It would help pave the way to make the necessary connections that could lead to further energy savings in the Region. As a part of BPA's corporate-level activities, it was also requested that nothing be done to jeopardize relationships already established between specific utilities and these organizations.

It was suggested that BPA could create more organization-focused case studies. These should again be done in coordination with NEEA or other utilities/ETO experienced working with chains and franchises, property management firms, or even multi-sited governmental organizations. Clear, non-duplicative roles for BPA vs. for NEEA need to be established as NEEA may have a lead role for some of this work. It was further suggested that BPA could establish regional prizes to recognize the best organizational energy management plans and/or performance. The group also thought BPA and its utility customers could do more to collaborate with the kinds of professional organization and trade associations (e.g., the National Grocers Association) that work with the types of organizations targeted. It seems that this activity may more efficiently be done at a sub-

regional, state-wide, or a regional level depending on the nature of the organization, rather than on a utility-by-utility basis.

The group strongly encouraged BPA to make it as easy as possible for chains and franchises to participate in utility programs in order to capture economies of scale in energy efficiency acquisition. Additional regional technical resources and/or process facilitators were suggested in other sectors too.

The group asked BPA to consider that the level of services and incentives provided be tied to an organization's commitment. That way, the more the chain is committed to implement, the better the incentives provided to their franchises would be. Finally, it was recommended that BPA work with the E3T group, NEEA, and others that can help impact top-level corporate policies to encourage energy efficiency.

5. Incentive budget management issues need to be resolved for each regional program during program design (or redesign).

The workgroup asked BPA to include incentive budget management issues into regional program planning and design. The workgroup considered several different options for managing regional program incentive funds. Options such as the following should be considered:

- a. All utilities are charged a certain amount (based on the size of the potential for that program in their service area) that goes into a centrally managed incentive budget to run each different regional program (i.e., it's funded like we do "regional infrastructure").
- b. All utilities that are participating in a regional program contribute an amount of funds they determine based on their expected level of activity into the centrally-managed program incentive budget. The budget manager and the contractor try to get savings proportional to the contributions, but are not held to that (i.e., it's funded not unlike we do today).
- c. All utilities that are participating in a regional program contribute a pro rata share of funds necessary to support the centrally-managed program incentive budget. The budget manager and the contractor try to get savings proportional to the contributions, but are not held to that (i.e., it's funded not unlike we do today).
- d. All utilities that are participating in a regional program contribute an amount of funds they determine into a program incentive budget that has specific amounts for incentives to be paid in specific service areas. This budget could still be centrally coordinated, but would require more active management by the contractor and each local utility to ensure they spend what they're authorized to where they're supposed to (and not anything more).

Unable to reach a consensus on one of those options as the recommended approach for all regional programs, the group recommends that incentive budget management be an integral part of any regional programs planning and design. This should be done in collaboration with BPA's utility customers and other stakeholders.

II. Cost-Effectiveness Assessments

On this issue, the workgroup provided a general recommendation without full detail. They felt that BPA should review cost-effectiveness levels after the first post-2011 rate period as part of the comprehensive review of post-2011 policies that is expected. The workgroup encourages BPA to consider moving away from measure-by-measure cost-effectiveness where practical and felt that BPA should also consider aligning their willingness to pay to better reflect the value of the savings based on load shape of the savings (i.e., giving more value to peak vs. off-peak load reductions) and measure life (i.e., giving more value to longer- life load reductions).

III. Custom Program Template

This recommendation is related to work done as part of Workgroup Four, and may be related to non-standard agreements. Utility-specific custom program development was another issue where the workgroup provided a more general recommendation. The workgroup agreed that a “custom program template” would make it easier to submit program proposals for BPA approval* based on established criteria and that approved programs would provide “off-the-shelf” programs available for others in the region once they have demonstrated that they are successful. The group was briefed on some of BPA’s work in this area and felt that it was a start in the right direction.

*BPA should clarify criteria for “approval.”

IV. Negative Change Notice

Background

Currently BPA makes negative changes to measures on a six month notice timeframe. This timeframe coincides with the publication of a new implementation manual every six months.

Issues

The issue is that the existing negative change notice policy places a burden on utilities with limited staff and resources and hinders utility planning.

Recommendation

1. If BPA is completely dropping incentive payments for a measure, changes should only take place once a year, with the publishing of the October 1st Implementation Manual.
2. If BPA is reducing the savings or the Willingness to Pay of a measure or set of measures, that should be published in either the October 1st or April 1st Implementation Manual.
3. Notice for these negative changes should be no less than three months in advance of the change.

V. Effective Regional Infrastructure Spending (including details on Realigning Regional Utility Roundtables)

V. a. Effective Regional Infrastructure:

The first part of this section is a general recommendation. The workgroup expressed a desire for utilities to be more involved in the process of identifying infrastructure investments with the greatest value and in building the infrastructure around enhancing energy efficiency in the region. The group also advises BPA to consider sub-regional infrastructure development based on local geographic or political considerations that might make that kind of focus more effective than region-wide developments. The issue of revitalizing regional roundtables was considered in more depth and a more detailed recommendation was generated (see below).

V. b. Regional Utility Roundtables:

Background

Regional Roundtables started out as utility-initiated meetings that BPA was invited to attend. That evolved over time to meetings for utilities in various regions that BPA took the lead on setting up and putting on. Currently, there are six active regional roundtables serving the following areas: Puget Sound, Western Oregon, Eastern Washington, Southern Idaho, Western Montana, and Southwest Washington. These localized meetings have been augmented with a Utility Sounding Board (USB) that BPA established.

The USB was formed to create a consultative body to BPA on the implementation of BPA's post-2006 conservation programs. The USB focuses on the market activity necessary to achieve energy savings targets. This includes BPA and utility conservation programs, non-utility delivered programs, tools, and other regional infrastructure needs. Peer-sharing to enhance program implementation and effectiveness is one of the key ideas developed by the USB. The goal of the USB is to enhance the effectiveness and reduce the overall cost of BPA and its customer utility conservation programs. In more concise terms, the USB's role is to act as a sounding board, offering feedback and advice for BPA's implementation of its conservation programs.

Issues

The USB was never intended to be used as a communication channel for input from all of BPA's utilities within the region. It also was never intended as a way for BPA to get information out to all of its customer utilities. Instead, it was intended to be a representative sampling of the region's utilities chosen for BPA to consult with on the implementation of the region's conservation programs. With the changes proposed post-2011, the USB's role is likely to change, too. Any kind of wholesale change to the USB could address issues of board member selection and the role of the USB in gathering input from regional peers and disseminating information out to them. These issues would have to be carefully considered and discussed internally within BPA.

Recommendations

There is a need for clear and effective two-way communication in the region. The workgroup recommends creating a system of communication and means of collaboration on infrastructure spending, regional programs, and other issues that may arise post-2011 between BPA and its customers. This could include program changes, updates, new program procedures, etc. It is anticipated that the need for changes will be higher than normal because of the dramatic changes

in program infrastructure post-2011. The workgroup proposes that BPA use Sub-Regional Utility Roundtables to enhance two-way communication and collaboration by:

1. Revitalize & formalize geographical utility groupings.
2. Being more proactive in holding regularly scheduled roundtable gatherings, at least three times per year, and if necessary, more often within the first year of the Post-2011 offerings. Also, post all scheduled roundtable meetings on a website for utilities to view and adjust their schedules, giving them options for attending other meetings due to conflicts.
3. Holding the roundtables in locations that minimize travel and get the greatest participation from all utilities.
4. Critically thinking through content and subject matter to, make sure each agenda includes the important issues and topics for each sub-region.
5. Establish a method to gain region-wide consensus, possibly through re-design of the USB (see discussion about USB under ‘issues’ above.)
6. Efforts will continue to be made to ensure that appropriate stakeholders are made aware of the meetings and encouraged to attend.
7. Investigate video conference options to alleviate the time and expense, for both BPA and their customer utilities, of inconvenient travel requirements.

VI. Utilizing the Regional Technical Forum

On this issue, the workgroup provided a general recommendation without full detail. The workgroup agreed that BPA should help facilitate the sharing of utilities’ data (measure costs, performance, etc) with the RTF and should establish channels to better communicate the topics discussed or decided upon at the RTF to utilities. It also recommends that BPA be more transparent on what it does with RTF data, i.e., provide more visibility on how BPA uses RTF findings in their willingness to pay decisions.

VII. Handling Additional Utility EEI Contributions to NEEA

Background

BPA funds NEEA on behalf of public power utilities in the region, based on the regional share of retail loads served with power marketed by BPA. For full requirements public utilities, BPA funding includes that utility’s proportional share of NEEA funding. Public utilities who generate or acquire energy from sources other than BPA are encouraged to support NEEA in proportion to their “non-BPA served” loads. Utilities have been permitted to use CRC allocations to support NEEA. Currently, CRC allocations can be applied to NEEA contributions. Utilities have been precluded from using ECA/bilateral dollars to fund NEEA. In the future, the utilities will have EEI funds to manage. This proposal addresses how EEI funds can be used to acquire savings through NEEA programs and efforts post-2011.

Issues

Full requirements public utilities have NEEA funding paid for out of BPA’s regional programs/infrastructure budget. Utilities are currently able to acquire CRC if they make NEEA contributions. Public utilities who acquire energy other than from BPA are encouraged to support NEEA in proportion to their “non-BPA served” loads. Currently, it is not clear to BPA

if utility NEEA contributions support incremental savings by NEEA programs. In the future, BPA will require a clear link between additional NEEA contributions and incremental energy savings beyond savings paid for through BPA funding.

Recommendations

1. EEI dollars may not be used to pay NEEA towards that utility's regional load share if the BPA regional program payment to NEEA already accounts for that utility's load share.
2. Partial requirement utilities are encouraged to provide base NEEA funding in proportion to the utility's non-BPA load, but not with EEI dollars.
3. EEI dollars may be used to fund incremental savings acquisition through NEEA programs in the short term. For example, utility EEI funds could go to augment NEEA's consumer electronics project if it could be shown to generate additional cost-effective energy savings above and beyond what would have resulted through NEEA's existing program efforts.

VIII. Low Income Weatherization Funding

Background

Public utilities have supported weatherization of low income households in a number of ways: 1) utility "contributions" to the local CAP agencies, contributions which are eligible dollar-for-dollar credit for CRC; 2) by administering utility programs to weatherize low income homes directly, reportable in the PTR for CRC reimbursement; and, 3) through annual \$5M contributions BPA authorizes to States (\$4.5M) and tribal communities (\$0.5M).

Issues

Cost-effectiveness reporting for low income programs is difficult. Determining kWh savings and dollars spent from the agency reports is problematic, with some agencies more set up to accomplish tracking than others. Agencies do not always have capabilities to track funding to measures in the way that BPA requires. CAP agencies receive weatherization funding from multiple sources, much of it with 'matching' dollar requirements. Agencies are required to follow federal guidelines dealing with health and safety as well as energy savings. In some cases, it is difficult for a CAP agency to thoroughly document and track which dollars are spent for weatherization work in low income homes separately from home repairs work required in order for the weatherization measure to be effective (e.g., a leaking roof must be repaired prior to adding insulation).

1. Local utilities need a better understanding of how BPA low income funding allocations are spent, to ensure that local funds are not spent to achieve the "same kWh savings" or support the same agency administrative needs that are being funded locally. Examples of some questions are: If BPA allocated dollars are intended for kWh acquisition, what are the reporting requirements of the States, and can local utilities be provided with reports on savings in their service territory? Can a regional or state-level approach to supporting the tracking of weatherization by low income agencies provide value to utilities? How would this be supported by IOUs and ETO as well?

2. Are there additional costs or quantifiable benefits associated with the same measures in low income homes vs. non-low-income homes that justify using a different willingness to pay threshold?
3. Is low income funding available to capture cost-effective savings in low-income rental units, especially multifamily?
4. Is there a role for BPA in supporting utilities who are considering weatherization loans to low income consumers?

Recommendations

1. **Utility EEI funds generate energy savings.** The group recommends that utility EEI funds provided to CAP agencies should be limited to low-income programs that generate savings within their service areas.

At first glance, and in light of the fact that BPA recommends contributions to low income agencies no longer be reimbursable, the workgroup recommends that BPA continue with the current practices related to Low-income weatherization measure reimbursement, as outlined in the current (October 1, 2010) Implementation Manual (IM), including the dollar-for-dollar reimbursement as described in the IM. In addition, the workgroup recommends that for the dollar-for-dollar reimbursement, the cost of any repairs associated with a measure be separated out from the cost of the measure itself. Some utilities currently require non-utility matching dollars be used to pay for repairs associated with the measure installation and do not claim CRC reimbursement. This subject should be reviewed further, especially in light of BPA allocated funding.

2. If it appears that large percentages of EEI funds are being spent on low-income weatherization with low savings returns, BPA should reassess placing a limit on the percentage of EEI that can be spent on low-income weatherization.

IX. Energy Efficiency at Federal Facilities

Background

Since the 1990's, BPA has operated a very active energy efficiency program which targets Federal facilities located within the BPA region and are either served by a BPA customer utility or directly by BPA. It is currently being operated much like a regional direct acquisition initiative. While keeping the serving utilities informed, BPA has taken the lead on defining (and implementing) efficiency projects, assuring performance, and providing financial incentives. Incentives have come from BPA energy efficiency held capital and expense budgets with additional funds contributed from the federal agency involved. In the future, incentives must come from the serving utility's Energy Efficiency Incentive (EEI) budgets or be self-funded. BPA should facilitate contributions from the federal agency involved, as it has done in the past. The following is intended to provide additional details necessary to accommodate this shift.

Issues

The scope of what BPA can and can't do is defined by a number of issues. One is that the policies BPA proposes need to work for both large single federal sites as well as for federal

agencies with multiple smaller sites disbursed across the region. There are a very limited number of public utilities that serve single large federal customers (the biggest example being Joint Base Lewis McChord served by Tacoma Power). On the other hand, it is very likely that every utility serves at least one federal post office* and most also have some customers such as the Forest Service, BLM, or a VA clinic. (*Post offices are a clear example of where a BPA led regional effort may provide significant benefit.)

Other issues that need to be considered are related to business constraints that federal agencies face. All federal agencies are limited in the kinds of agreements they can enter into for financing and/or implementing projects that cross fiscal accounting years. Many federal agencies are also limited in how they can use incentive payments earned from implementing energy-saving projects. Federal agencies are able to contract with utilities through a UESC (Utility Energy Service Contract). BPA uses UESCs or some other form of non-binding agreements to spell out roles and responsibilities for work on most of their larger federal energy projects. It's possible that each individual utility could offer their own UESCs to federal facilities they serve, but this would not be nearly as efficient as having BPA do that for federal agencies on a region-wide basis.

Many federal agencies also face limitations in receiving efficiency incentives. Most incentives cannot be accepted by the specific agency location that invested in an energy-saving project. Instead they must be forfeited to a centralized treasury location where they benefit the overall federal government's bottom line, but don't provide any specific financial assistance that helps the agency who invested in improvements at a local site. In response to this limitation – through interagency agreements – BPA has been able to hold those incentive payments as “earned incentive credits” that can be applied to future energy projects. This provides a direct incentive for the agency to invest in efficiency and allows BPA to leverage additional future energy-saving activities. It seems that more agencies are issuing legal opinions that will allow the acceptance of utility incentive payments, but the majority is still unable to accept incentive payments sent directly to them.

Most federal energy efficiency projects involve close coordination between BPA, the agencies, and the serving utilities. In the past, when agencies have been ready to initiate efficiency projects, the serving utilities have been notified and asked if they want to take on the lead role. Most have deferred to BPA, while BPA keeps them in the loop as the projects progress towards completion. Energy savings have counted toward each utility's accomplishments but incentive payments have generally come from BPA. With changes planned for Post-2011, projects will impact utilities energy saving goals as well as their budgets. This indicates a need for even earlier and closer coordination especially for upcoming projects planned for FY12 completion. Additionally, it is critical that a way be found to jointly manage projects which are expected to be completed in FY11 but in fact do not get finished until FY12.

Recommendations

The following recommendations are made to facilitate work in the federal sector as BPA and utility customers move into Post-2011.

- 1) **BPA will facilitate energy projects a regional level.** BPA has the connections, the experience, and the ability to communicate with federal agency regional headquarters on behalf of all agency sites within the region, no matter which utility service area they are located in. We suggest that this relationship role continue for BPA. In addition, BPA should take the lead on communicating with multi-sited federal agencies in an effort to pass ready-made projects on to the agency and local utilities for implementation and financial incentives. BPA should also coordinate with IOUs and ETO to solicit their funding for these regional efforts.
- 2) **BPA will initiate agreements on behalf of customer utilities.** BPA has a unique relationship with other federal agencies. In many cases, BPA and another federal agency have existing interagency agreements in place. These non-binding agreements are general statements of intent to work together for the purpose of achieving energy savings. These agreements currently have clauses that allow BPA to assign the performance of their responsibilities to other contractors for the purpose of installing or constructing the energy-saving equipment. We suggest that BPA continue to initiate additional agreements and in the future include more specific references to the role of the customer utility and work in coordination to do the same with IOUs and ETO.
- 3) **BPA will provide enhanced communication and coordination.** Future incentive payments will be made using each utility's EEI funds or be self-funded by the serving utility. This means that enhanced communication and close coordination between BPA and utility customers will be required. We suggest that BPA work with utility customers to set up more specific guidelines and protocols for communication and coordination. It is expected that the guidelines will include specifics such as identifying when agencies sign interagency agreements, study energy projects feasibility, and provide oversight of completed work.
- 4) **Federal project incentive approval process will be revised.** Communication and coordination will be more apparent when it comes to approving incentive payments for federal projects. Utilities will have the final say on approving projects and setting incentive levels, not BPA. Rather than approve projects directly, BPA will take on a different role. We suggest that BPA's role will be one of reviewing proposed projects and recommending when incentive payments are appropriate, if needed. The specific processes will need to be determined in further collaboration between BPA and customer utilities.
- 5) **BPA will continue to serve as a "depository" for earned project incentives.** Where utility incentives cannot be used for local benefit, we suggest that BPA continue to serve as the entity that holds these earned incentives for future use. BPA provides this service for federal agencies currently. In the future it may mean that federal agencies assign their incentive payments to BPA. Establishing that process will require additional collaboration to work out the details prior to implementation.
- 6) **BPA should assign utility incentive funds for projects that "roll over" to FY12.** As Recommendation 4 (above) notes, the incentive approval/payment process will be different in FY12. We anticipate that new process will be in place well before that time. However, there is still a question about projects approved by BPA for completion in FY11 that face some kind of delay and do not get fully completed until FY12. There needs to be a transition

procedure of some kind set up for dealing with that eventuality. We recommend that BPA, customer utilities, and the federal agencies affected work to identify the projects and incentives that will be part of this “roll over” well in advance of FY12.

- 7) **BPA should identify the incentive budget available for direct served federal sites and the budget necessary for federal sites with no serving utility separate from EEI funds.** BPA should start the process of informing the federal facilities they serve directly about the changes that will be coming post 2011. The cost of providing efficiency services to directly-served federal sites should be borne directly by those customers at those sites. BPA should also make a budgetary estimate of the EEI funds that will need to be held to supply federal sites that have no serving utility. Those sites include federal hydroelectric facilities using reserve power from the dams (operated by the Corps of Engineers or Bureau of Reclamation), federal transmission substations using station power (operated by BPA), and federally-chartered irrigation districts taking reserve power off the dam they’re associated with. Long term, BPA should look at alternative means of funding efficiency improvements in those federal sites with no serving utility.
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Appendix: Workgroup Four—Draft Chapter for the Implementation Manual

Custom Projects

This section will discuss (1) custom project requirements, (2) custom project process options, (3) custom project process enrollment and (4) reimbursement levels.

1. Custom Project Requirements

- a. Deemed measures may not be submitted as custom projects or any part thereof, unless an exception is clearly specified in the Manual.
- b. All measures or projects that do not have a BPA deemed reimbursement level, deemed busbar energy savings, or for which cost-effectiveness has not been determined, must be submitted as custom projects.
- c. Custom projects must be installed in the Pacific Northwest, as defined by the Northwest Power Act, in service areas of participating customers.
- d. BPA requires individual custom projects to have a minimum B/C Ratio of 0.5.
 - i. Under Option 1, BPA shall manage the B/C ratio at a program level¹ and reserves the right to reject individual custom projects with B/C ratios of less than 1.0 to ensure the aggregate B/C ratio for all custom project proposals/reports remains 1.0 or greater.
 - ii. Under Option 2, the Customer must manage the B/C ratio at the report level and ensure that the B/C ratio is at least 1.0.
- e. The measures have not been ordered, purchased or installed (unless otherwise provided in the Manual) prior to approval of the custom project by BPA (Option 1) or the Customer (Option 2).
- f. The project must not result in fuel switching.
- g. The measures must be designed to result in improvements in the energy efficiency of electricity distribution or use.
- h. The expected life of the energy savings must be at least one year.
- i. The proposed baseline for each measure must be documented and provide a basis for establishing energy savings.
- j. The expected project simple payback (project cost/annual energy cost savings) must be six months or greater.
- k. Customers should secure BPA funding (i.e., identify CRC funds or ensure the addition of bilateral funds to the ECA) before beginning a custom project.

Comment [m1]: The workgroup recommends that custom project requirements, as described in the current manual and PTR, apply equally to utilities in both options. Currently, the documentation of meeting those requirements is part of the custom project proposal process which is implemented differently for nonstandard utilities. See difference in (e) below.

Comment [m2]: The workgroup recommends that current policy apply to both Option 1 and Option 2, just that the utility determines project approval under Option 2.

¹ Program level means all custom projects accepted by BPA over the rate period.

1. Custom projects must use the (i) Standard M&V Plan or (ii) Light M&V Plan, each discussed below.

- i. **Standard M&V Plan:** The Standard M&V Plan is for projects with an expected annual energy savings of 200,000 kWh per year or greater. Engineering calculations based on simplifying assumptions are usually insufficient for standard projects. Direct metering is not explicitly required for standard projects, but it does set the standard of rigor. At a minimum, the M&V Plan must include the following sections and address the points listed below.

- **Approach:** Outline the verification approach and why it was chosen. Detailed guidance for preparing an M&V Plan is included in several standard references: the [International Performance M&V Protocol](#); the RTF Appendix P energy savings verification; and [Site Specific Verification Guidelines, May 1992, BPA](#).
- **Protocols:** Use either (1) the ASHRAE Guideline 14-2002, measurement of Energy and Demand Savings, (2) a direct measurement of pre and post-energy consumption and other significant variables or (3) a simplified Voltage Optimization Measurement and Verification Protocol.
- **Assumptions:** Identify the significant variables that affect energy use and categorize each as “assumed” or “to be measured.” Assumed values are only acceptable if they are well documented in fact, and analysis shows possible errors will not significantly affect the overall reported energy savings. When using assumed values, use conservative assumptions. Explain the assumptions made, their uncertainty, their significance to the expected energy savings and the sources of all assumed values.
- **Metering Plan:** For metered verifications, include a description of the measurement unit, the measurement duration, data sampling intervals, instrumentation to be used, information on the person performing the verification and when the verification will be performed. If applicable, include a one-line diagram showing proposed metering locations both before and after the installation. Explain how short term measurements will be extrapolated to an annual basis. If measurement is not possible or practical, provide an explanation.
- **Calculations:** Show or describe calculations to account for significant changes in production, weather, loads, hours-of-operation, set points, manual operation, occupancy or other factors that affect the annual energy savings over the expected life of the measure.
- **Quality Assurance:** Describe activities planned to ensure good data and accurate calculations. Describe inspections, tests,

Comment [m3]: The workgroup recommends that base M&V protocols are the same regardless of which option a utility is in. Utilities choosing Option 2 may provide additional details regarding their M&V approach to their COTR during the initial “opt-in” measure delivery approach description.

commissioning, etc., to ensure that the proposed systems function as planned.

- ii. Light M&V Plan: The Light M&V Plan may be used for projects with expected annual energy savings less than 200,000 kWh per year. The value of the energy savings for these projects may not be great enough to support direct measurement of energy savings. If the reviewing BPA engineer does not believe the Light M&V Plan is appropriate for a project, the Standard M&V Plan may be required. The BPA reviewing engineer may allow the Light M&V Plan for larger projects when appropriate. At a minimum, the M&V Plan must address the points listed below.
- Approach: For each measure, calculate annual energy savings values using commonly accepted engineering practices and reasonable assumptions.
 - Calculations and Assumptions: Show or describe the engineering calculations and assumption sources. The engineering calculations must use known variables specific to the project combined with defensible assumptions. Defensible assumptions use independent third party information such as case studies, prototype testing, metering and evaluation reports and/or scientific research.

Since many of the inputs to the engineering calculation are assumed, a best-case and worst-case calculation must be made to help determine a reasonable and conservative value for energy savings. For each significant assumption, determine a realistic error boundary in order to calculate the best and worst case calculations. In the best-case calculation, all significant assumed variables must be realistic and, when occurring together, provide the highest energy savings. In the worst-case calculation, the significant variables that provide the least amount of energy savings expected must be examined. In the worst-case calculation, it is not uncommon to have no energy savings, or even negative energy savings. The final estimated energy savings value must be defensible and reasonable.

Since the engineering calculations will vary with the measure application, there is not one specific analysis tool to recommend. Check the US Department of Energy for software calculation tools such as PSAT, FSAT, and MotorMaster. Using a Microsoft Office Excel spreadsheet for engineering calculations is an easy way to document the calculations and assumptions.

- Quality Assurance: Describe inspections, tests, commissioning, spot or short-term measurements at the component or system level, etc., to ensure the proposed systems function as planned. Energy savings must be adjusted prior to submitting a completion report if the quality assurance tasks reveal the as-built, as-installed and/or as-operated conditions are significantly different than originally estimated.

2. Custom Project Process Options

Customers may follow Custom Project Process, Option 1 (Option 1) or Custom Project Process, Option 2 (Option 2) (described briefly below and in detail, separately in this chapter). Different requirements and reimbursement rates apply to each.

Under **Option 1**, the customer must submit a custom project proposal to BPA for review and acceptance. If BPA determines the project is cost-effective and otherwise acceptable, it will accept the project and provide a financial commitment to pay when the project is complete. Option 1 projects are reimbursed at the rates specified in the specific sector chapters of the Manual.

Comment [m4]: The workgroup recommends that each utility is enrolled in Option 1 automatically. This would mean following the same process currently in place for standard utilities. A utility will submit individual custom project proposals for BPA’s review and acceptance and if accepted, BPA will provide a financial commitment to pay when the project is complete.

Under **Option 2**, the customer is not required to submit individual custom project proposals; rather, it may determine the eligibility of projects itself. After projects are completed, the customer may submit them to BPA for review and acceptance. If BPA determines the projects are cost-effective and otherwise acceptable, BPA will provide funding for the project. Option 2 projects are reimbursed at a rate of...

Comment [m5]: The workgroup recommends that utilities that choose to enroll in Option 2 will not be required to submit individual custom projects. Instead they will submit them, in bulk, to BPA after completion and be paid at the same rate as an Option 1 utility. Under this option, BPA doesn’t review projects prior to their start and may therefore not accept all projects for incentive payment.

3. Custom Project Process Enrollment

Customers, by default, are enrolled in Option 1. If a customer elects Option 2, it must use the **COTR Request and Acknowledgement Procedure** and include its **proposed measure delivery approach** (e.g., How does the utility engage the end user in these projects, and are there any criteria in addition to documentation? What is the end-user financial commitment process? How do customers determine acceptability of end-user proposed projects? What is the process for projects to be submitted and accepted? By what methods are funds obligated?). BPA shall review the information provided and may ask clarifying questions or request additional information. If the customer has substantial changes in its measure delivery approach, it shall send a revised version to BPA.

Comment [m6]: The workgroup recommends that utilities use the COTR Request and Acknowledgement Procedure to elect Option 2. As part of that process, a utility will provide its measure delivery approach to Bonneville.

Customers opting into Option 2 are **required to remain in Option 2, (1) unless customer circumstances change, making Option 2 unworkable or (2) for any reason at the beginning of a new rate period.** Customers may opt out of Option 2 using the COTR Request and Acknowledgement procedure, submitting their request with an explanation of the changed circumstance. Customers opting out will automatically be enrolled in Option 1.

Comment [m7]: The workgroup recommends that customers electing Option 2 will remain in Option 2, unless extenuating circumstances arise. This allows for utilities to have the option to switch back, but prevents switching back and forth between options on a project by project basis.

Projects must be finished under the option with which they were started.

4. Reimbursement Levels

The same reimbursement levels apply across Option 1 and Option 2 custom projects. The reimbursement levels are TBD and **will be capped at 70% of project costs.**

Comment [m8]: The workgroup recommends that reimbursements are capped at 70% of project costs.

Custom Project Process, Option 1

Comment [m9]: The description of Custom Project Process, Option 1 is the same as that currently in place for standard utilities—no substantial changes to this section.

In order to receive reimbursement for a custom project, a customer must perform the following:

1. Submit custom project proposal (including M&V Plan).
2. Secure BPA review and comment. (BPA shall strive to provide the customer a written response within 10 working days of receiving custom project documentation.)
3. Create completion report.

4. Secure BPA acceptance of custom project proposal (including M&V Plan) and completion report.

Each of these steps will be discussed below.

1. Submit custom project proposal (including M&V Plan).

- a. Prior to submitting a custom project proposal to BPA, the customer must screen projects according to the eligibility requirements listed above and noted in the custom project proposal template in the PTR system. Any non-energy benefits and their operations and maintenance costs must be explained.
- b. While BPA reviews a submitted custom project proposal, it is locked.
- c. A customer may request technical advice from BPA regardless of the size of the project or the requirement for review and comment, unless participating in the Energy Smart Industrial program.
- d. Include an M&V Plan showing how energy savings will be verified.
- e. Projects must be cost-effective as calculated in the PTR system.

2. Secure BPA Review and Comment.

- a. Custom project proposals with expected first year energy savings over 200,000 kWh require BPA review and comment in addition to BPA acceptance of the M&V Plan.
- b. BPA shall review the custom project proposal for weaknesses or concerns that would impact the project's ability to deliver the estimated energy savings at the estimated project costs or the ability of the project to be measured and verified. BPA may also identify and inform customer of possible risks related to the implementation of the project and its impact on the technical process. BPA may suggest improvements, but the decision to accept comments and proceed with the project is up to the customer and its end users, subject to BPA acceptance of the M&V Plan.
- c. If a custom project proposal has been approved by BPA and equipment has been ordered, purchased or installed, the reimbursement rate in place at the time the M&V Plan was approved will apply, and the custom project cannot be canceled and resubmitted under a higher reimbursement rate.

3. Create Completion Report.

- a. The customer must submit an electronic completion report to BPA after the project is installed and energy savings measured according to the M&V Plan approved in the custom project proposal. The completion report template, which is similar to the original report, is available in the PTR system. The completion report must include actual project costs, verified energy savings and information on changes to the approved M&V plan. The template will calculate the reimbursement. Documentation supporting the costs and savings claimed and invoices showing the purchase date must be provided to the COTR at time of report submittal.
- b. Reimbursement is based on the accepted completion report data.
- c. Claims are attributed to the rate period in which they are accepted by BPA.

4. Secure BPA Acceptance of Custom Project Proposal (including M&V Plan) and Completion Report.

- a. BPA must accept the M&V Plan of a custom project proposal and the completion report.
- b. If the custom project proposal or completion report is not complete or needs additional work (e.g., fails to provide an adequate M&V Plan or project description), the proposal or report may be rejected or returned for modification and the customer notified. The proposal may be resubmitted, in which case the 10 working day response time shall restart.
- c. BPA will notify customers in writing when it accepts a custom project proposal. The custom project proposal will receive a reference number from the PTR system. This number is also required for the completion report, and the completion report is required to claim reimbursement.

Custom Project Process, Option 2

The following criteria apply to the Custom Project Process, Option 2 (Option 2).

- 1. The customer is responsible for approving and managing custom projects.
- 2. If a custom project has been approved by the customer, the reimbursement rate in place at that time will apply.
- 3. BPA will provide limited technical advice since it is assumed that customers choosing to opt into this process have access to engineering support in some capacity. Technical assistance is only available in relation to Manual clarifications and M&V consultations; project-specific technical assistance is not available. This does not apply to technical assistance from third party implementation contractors (e.g., PECE through Energy Smart Grocer, Cascade through Energy Smart Industrial or that available through the Northwest TAN).

In order to receive reimbursement for a custom project, a customer must perform the following:

- 1. Achieve cost-effective savings. The cost-effectiveness test is TBD.
- 2. Submit custom project savings reports in bulk through the auto-upload sheet provided to the customer upon opting in to Option 2. BPA will review the report for acceptability, and if approved, pay the reimbursements due for custom projects.
- 3. Maintain the following documentation for each custom project:
 - a. M&V plan
 - b. Location, description and baseline
 - c. Estimated and actual savings and costs
 - d. Information on non-energy benefits, if any exist
 - e. Start and end dates

Comment [e10]: The workgroup recommends that the structure of current nonstandard agreements is incorporated into this IM chapter. Option 2 defines the process for reporting under that structure.

Comment [e11]: The workgroup recommends that utilities choosing Option 2 will have limited access to BPA Engineering support and TSP assistance. The TA would be in relation to IM clarifications and consultations on M&V but would not include project-specific technical assistance such as audits or project preparation. This would not apply to TA from third party contractors such as the NW TAN, Cascade, or PECE.

Comment [e12]: The workgroup recommends that along with one reimbursement rate, there be one cost-effectiveness test that would apply to all projects submitted for projects submitted by utilities electing this option. The workgroup recommends that BPA continue to explore the specifics of using the Total Resource Cost test, and work with interested parties to come up with a solution that makes sure it simple and not overly burdensome on Option 2 customers.

Comment [e13]: The workgroup recommends that utilities under both Options maintain proper documentation for project review and oversight.