EE Post-2011 Review Regional Meeting

May 8

Benton PUD

Kennewick, Washington

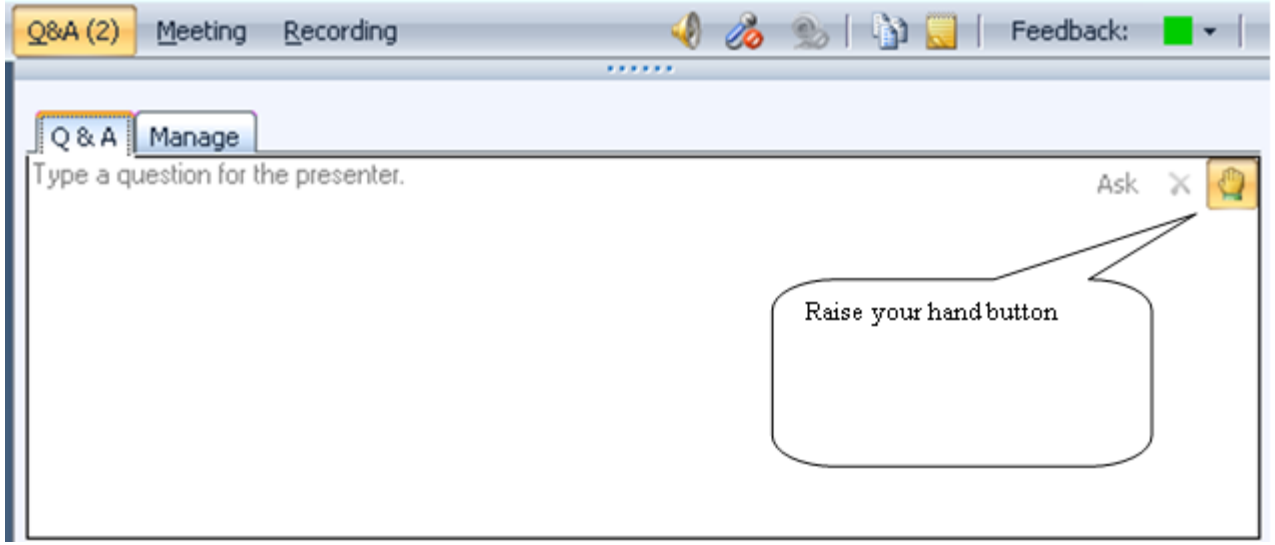
Agenda

Meeting Purpose: Workgroups report out recommendations and progress on open issues

2:00	Welcome
2:10	Workgroup 2: Implementation Manual
2:40	Workgroup 3: Directing EEI to Low-Income
3:10	Workgroup 4: Flexibility Mechanisms
3:40	Workgroup 5: Reporting Verification of Savings
4:10	Workgroup 1: Model for Achieving Programmatic Savings
4:45	General Discussion/ Next Steps
5:00	Adjourn

Tips for Telephone Participation

- Mute phones except when speaking (*6)
- Unmute and speak up when you wish to speak.
- If it gets noisy we will ask for **folks in the room to raise their name tents and folks on the phone to use the 'raise hand icon' to show that they wish to speak** and we will call on speakers in the order that they raise their hands.
- **For those on the phone use the Live Meeting Q&A function.** As if you will submit a question, but instead use the 'raise your hand' icon. We have someone who is watching for this and they will let the facilitator know. How to do that: In the meeting client, click on the Q&A menu. In the Q&A box, click the 'raise your hand' icon as illustrated below..



Requests for a Smooth Meeting

If you are on the telephone

- Mute phones except when speaking (*6)
- Please don't put the phone on 'hold'
- Unmute and chime in if you are on the telephone and would like to speak
- Identify yourself before you speak

If you are in the room

- Raise your name tent if you are in the room and would like to speak
- Wait to be recognized by the facilitator before speaking
- Identify yourself
- Speak as loud as necessary to be understood by those on the telephone
- Limit side conversations, they interfere with the telephone system
- Remember that there may be people on the phone who wish to respond to comments in the room before you go

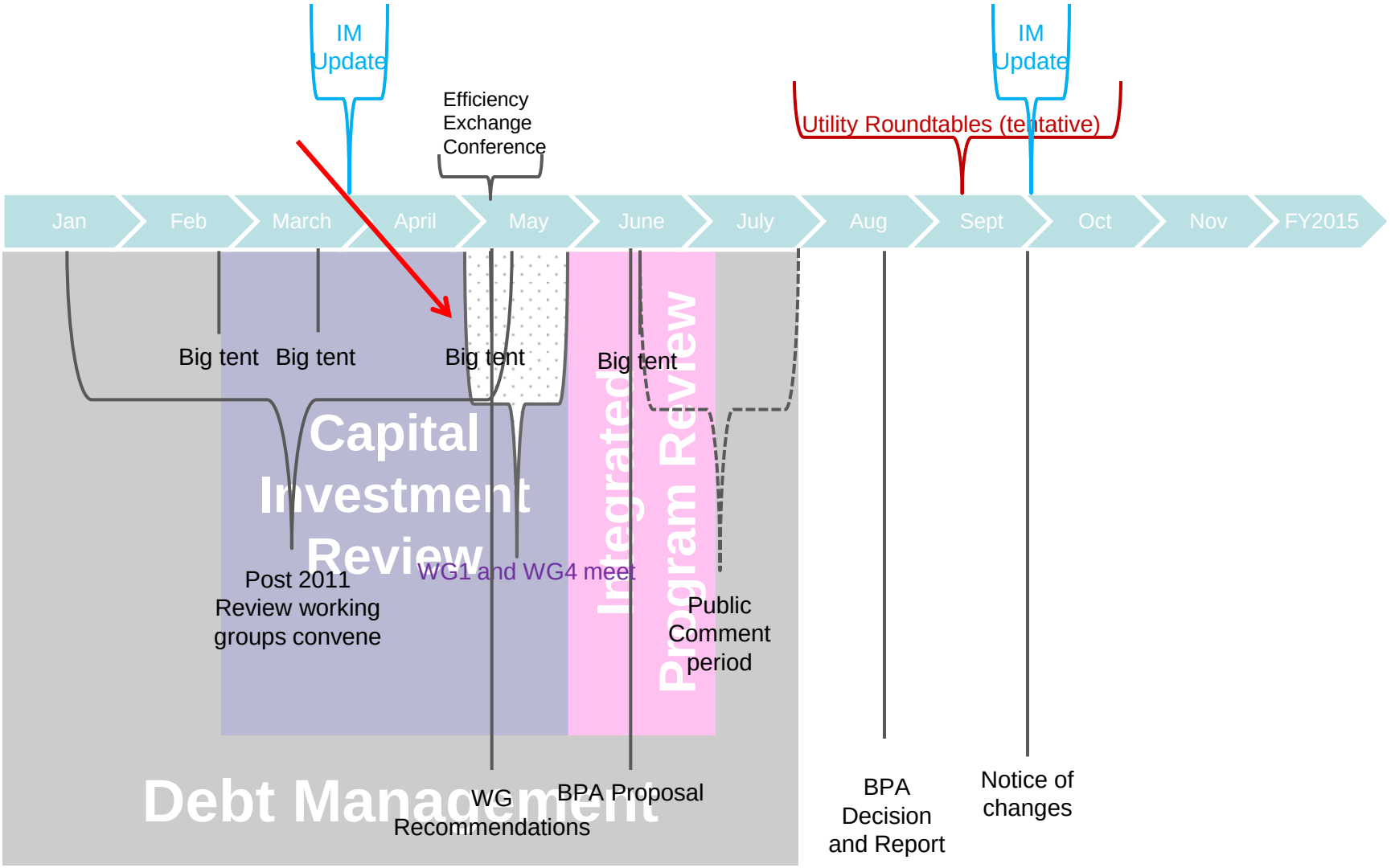
Purpose of the Post-2011 Review

- To consider and implement improvements to the Post-2011 framework to more effectively acquire energy efficiency in the region

Process for the Review

- **January to May 2014**: BPA holds formal meetings (both workgroup and regional "big tent" meetings) to discuss solutions to the "issues of importance in the scoping document
- **May 8:** Workgroups present recommendations to BPA
- **May to June 2014**: BPA develops a Post-2011 Review proposal with consideration of the workgroup recommendations.
- **June 20:** BPA presents proposal to stakeholders
- **June 20 to July 18**: Formal comment period for customers and stakeholders to provide feedback on BPA's proposal.
- **July to August 2014**: BPA develops and publishes a final Post-2011 Review report based on feedback received during the public comment period.
- **August to October 1, 2014**: BPA prepares for any agreed upon changes and drafts necessary language for the October 1, 2014 Implementation Manual (may include change notice).
- **Beyond October 2014:** BPA prepares for any agreed upon changes that do not go into effect October 1, 2014

Post-2011 Review Timeline in Context



BPA Working Assumptions

- BPA must fulfill its statutory obligations, e.g., BPA must “acquire” conservation (defined in BPA policy as an exchange of funds)
- Any proposal must work within the existing Regional Dialogue policy and contracts
- Decisions need to be made in the context of other dynamic agency drivers (e.g., CIR, IPR, Access to Capital)
- Funding levels will be decided in the CIR and IPR processes
- Any proposal must be consistent with BPA’s financial and procedures and reviewed by BPA finance for consistency with sound business principles
- Any proposal should not adversely impact customers that choose not to pursue a particular alternative
- Any proposal should not consider a “menu of services” approach to funding of EE costs/services (i.e., picking which EE costs to pay for)
- BPA will pursue 3rd party financing effective FY16 (October 1, 2015).

Workgroup 2: Implementation Manual

Problem Statement – Depending on one's perspective, the current frequency of changes to the Implementation Manual (IM) may not be frequent enough or too frequent.

Options

- Status quo: BPA continues with required six month notices for increases/decreases to savings and reimbursements and adding/substituting requirements (new measures, optional lighting calculators, and removing requirements requires no notice).
- Flexible manual: BPA implements changes to the IM anywhere from immediate (i.e., no advance notice needed) to the current six month notice, depending on the change.

Recommendation

Publish Implementation Manual once per rate-period in October. Maintain a change Tracking Document throughout the prior rate period with all changes being locked as of April 1st prior to the release of the IM and release to coincide with the notification of the Customer rate-period budgets.

Workgroup 3: Directing EEI to Low-Income

Problem Statement – The current framework may not ensure EEI funds are adequately dedicated to low income residential energy efficiency, in particular, weatherization. For low income energy savings acquired through the work of Community Action Agencies, customer utilities may not be receiving credit for those savings occurring in their service territories.

Options

- Status quo: the EEI framework is left as-is with no means to direct EEI specifically toward low income investments.
- Low income incentive: BPA and public power devise an incentive targeting low income residential.
- Low income requirement: BPA and public power devise a requirement targeting low income residential.

(Note this issue is separate from BPA's $5 million grant for low income energy efficiency.)

Recommendation

- **BPA Adopt a Low-Income Energy Efficiency Guiding Principle**
- **Ongoing Workgroup for Low Income**
- **Turnkey Implementation for Low Income Programs**

Workgroup 4: Flexibility Mechanisms

Unassigned Account: Address concerns regarding the current pro-rata methodology of allocating EEI funds returned by customers or from BPA.

Large Project Fund: Address concerns regarding the administrative burden of the LPF and limited use during the FY12-13 rate period.

Workgroup 4: Flexibility Mechanisms

Unassigned Account Methodology

Problem statement – The current pro-rata methodology for allocating funds in the Unassigned Account potentially causes a customer to request the entire amount of funds available even though it may not need/want the entire amount as a means to receive the largest allocation amount possible, which leads to a perception of "gaming," and, a customer to receive more allocated funds than it can use.

Options

- **Status quo:** allocation is based on a pro-rata allocation of the funds available with the ability for customers to request a conditional amount and receive the lessor of the prorata or conditional amount.
- **Tier One Cost Allocator (TOCA):** allocation is based on TOCAs (much like initial rate period EEI budgets are proportionally allocated on a TOCA basis) of those customers requesting funding.
- **Least cost:** allocation, or at least a portion of the funds, is based on least cost projects (to be defined). Customers would submit a form with project details and BPA or a group of BPA customers would select which customers receive funds based on least cost.
- **Need:** allocation is based on a demonstration of need by customers. Customers would submit a form with project details and BPA or a group of BPA customers would select which customers receive funds based on need (to be defined).
- **Two buckets:** BPA funds in the Unassigned Account are allocated on a TOCA basis and funds returned from utilities are allocated on pro-rata basis (or some other combination).
- **Other:** BPA is open to and welcomes other ideas that are not listed in the above.

Recommendation

- **If future UA allocations are made available, utilities would request an allocation and receive it based on a weighted TOCA calculation.**

Workgroup 4: Flexibility Mechanisms

Large Project Fund

Problem Statement: The LPF is administratively burdensome for BPA (i.e., difficulties with the internal budgeting and tracking LPF repayments) and there has been limited demand to date for the funding mechanism given a utility's requirement to pay back any funds received. On the other hand, some customers would like to modify criteria for the fund (i.e., a project's reimbursement must be at least 50% of the utility's rate period EEI budget) to make it easier to access funds and, therefore, increase demand for the fund.

Progress Report on Funding Large Projects

Current options under discussion

- Customer could ask BPA to borrow additional funds for a specific project through the 3rd party financing mechanism – No change to rates, but done as a contractual arrangement.
- A non-TOCA based allocation that assumes cost sharing commitment of project between utility (EEI or Self-fund), end-use customer and BPA. BPA allocated funds would not be paid back. A Technology Innovations Council type structure would be used to determine allocation of funds.
- Pay for performance across measure life with bilateral agreement between BPA and utility through a contract – Does not use any dollars other than the utility's own EEI.
- Expanded communication and use of bi-lateral transfers between utilities with BPA being a conduit of LPF opportunities.
- Keep the current LPF but reduce the 50% EEI budget requirement to something smaller and extend the payback timeframe to a great number of rate periods.
- A mixture of the approaches above.

Workgroup 5: Reporting Verification of Savings

BPA Role in Verifying Self-funded Savings

Problem Statement –Under current rules, utility self-funded savings must be reported to BPA and follow the same business rules as BPA-funded savings. This is done to ensure consistency among BPA-funded and utility-funded savings for the rigor of the savings and for when they get rolled together for regional reporting purposes. However, having the same requirements for utility self-funded savings may be burdensome for some utilities. BPA's role in verifying self-funded energy efficiency is somewhat flexible since BPA does not have the same fiduciary interest in assuring proper expenditure as it does with federal funds. However, all parties interested do want to ensure the quality of the savings.

Options

- Status quo: Self-funded savings must be reported to BPA. BPA verifies that the savings satisfy the BPA rules and requirements in order for those savings to be included in BPA's summary of regional savings.
- Different levels of review: Self-funded savings must be reported to BPA, but instead of BPA verification of compliance with BPA rules and requirements, a different bar is set for self-funded savings. (BPA's treatment of non-reportable savings could also be explored.)

Workgroup 5: Reporting Verification of Savings

Timing of Utility Reporting to BPA

Problem Statement - There are no controls on or structure to the timing of utility savings reported to BPA, i.e., utilities are free to report savings at any time during the rate period. This lack of structure causes gaps in visibility for BPA's monitoring of savings progress and budget expenditures.

Options

- Status quo: no controls on the timing of utility reimbursement claims made to BPA.
- Controls: controls are put in place to ensure timely and regular reporting of utility savings to BPA.

Workgroup 5: Reporting Verification of Savings

Reporting and Consistency of Utility Self-Funded Savings

Problem Statement - From BPA's perspective, reporting of utility self-funded savings are, or seem to be, lacking in 1) regularity (to help BPA with monitoring progress and planning), i.e., utilities can report self-funded savings when they choose, and 2) adequacy, i.e., BPA is concerned all cost-effective utility self-funded savings are not being reported to BPA per the terms of the Regional Dialogue contracts.

Options

- Status quo: any utility self-funded savings are able to be reported at any time during the rate period.
- Regular reporting: all utility self-funded savings are reported on a regular basis, such as quarterly (rather than at any time during the rate period).

Workgroup 5: Reporting Verification of Savings

Recommendations

- **Reporting savings.** Best practice for reporting of both EEI-funded and self-funded energy savings is monthly reporting. It is requested that utilities report at least quarterly, but this reporting frequency is not a requirement. All utilities will do their reporting of savings via IS 2.0 or NED. Reporting savings if self-management of incentives adopted (based on a recommendation in Workgroup 1).
- **Forecasting savings.** The 20-largest utilities based on TOCA share are requested to continue providing quarterly forecasts of EEI-funded and self-funded savings for the fiscal year. However, the number of utilities could be expanded in the future if it would help improve forecast results. This utility forecasting process will continue to be implemented through the EERs, but the functionality could eventually be built into NED. This is not a requirement.
- **Forecasting expenditures.** All utilities are requested to provide forecasts of their EEI expenditures in the second quarter of each fiscal year that will cover the last two quarters of the fiscal year. This will be done through the EERs initially. This is not a requirement.
- **Requirements for implementing and reporting self-funded savings.** Assuming that non-reportable savings are addressed separately (see below), implementation and reporting requirements should remain the same for self-funded savings as for BPA-funded savings.
- **Non-reportable savings.** BPA should continue to work with utilities to convert non-reportable savings to reportable savings.

Workgroup 1: Model for Achieving Programmatic Savings

- Issue #1 – EEI Allocation Methodology using TOCAs.
- Issue #2 – Two-Year EEI Budgets.
- Issue #3 – BPA Redirect of EEI Funds.
- Issue #4 – BPA's Backstop Role.
- Issue #5 – Utility Self-Funding.
- Issue #6 – Limitations of the Post-2011 Framework.
- Issue #7 – Performance Payments for Regional Programs.
- Issue #8 – Regional Program Administration.

Workgroup 1: Model for Achieving Programmatic Savings

EEI Allocation Methodology using TOCAs

Problem statement – The current methodology for allocating EEI funds on a TOCA basis is not aligned with customer conservation potential and may inefficiently/ineffectively allocate available funding.

Options

- Status quo: allocation is based on TOCAs without consideration of potential.
- Conservation potential: allocation is based on conservation potential (a uniform way to calculate potential would likely be needed, e.g., a standardized Conservation Potential Assessment).
- TOCA-split: allocation is based partly on TOCAs and the remaining funds are made available to "low-cost/lowest $/kWh" projects (to be defined) or redistributed via some other methodology (e.g., conservation potential).
- Utility request: allocation is based on requests from utilities without consideration of potential (similar to the BPA bilateral funding model prior to October 1, 2011).
- EEI opt-out: electing utilities opt-out of the EEI paradigm if certain conditions are met. This option does not include opting out of paying for the BPA-managed portion of EE's capital budget (see also "Self-Management of Utility Incentives" issue below).

Recommendation

- **Status Quo. The allocation will be based on TOCAs without consideration of conservation potential within a utility service area.**

Workgroup 1: Model for Achieving Programmatic Savings

Two-Year EEI Budgets

Problem Statement – Customer EEI budgets are allocated per rate period and any EEI funds remaining at the end of a rate period cannot be "rolled over" to the next rate period, i.e., the funds are "use or lose" within a two year time horizon.

Options

- Status quo: BPA continues to confine EEI budgets to a single rate period.
- Roll over: Customers are able to roll over unused EEI funds to the next rate period.
- Project-specific roll over: Customers are able to roll over to the next rate period an amount of unused EEI funds tied to specific projects (or for certain sectors).
- Five-year estimate: BPA offers a preliminary five-year budget to customers to help with long term planning.

Recommendation

- **Customers are able to roll over unused EEI funds to the next rate period.**

Workgroup 1: Model for Achieving Programmatic Savings

BPA Redirect of EEI Funds

Problem Statement – The EE Post-2011 Policy Framework states, "If the [EEI] budget is not being spent, a utility will be notified that a portion of the remaining funds will be made available to other utilities as supplemental funding. Other utilities that are on-track or ahead on spending expectations would then have access to all available funding." To allow an opportunity for customers to adjust to the new EEI mechanism, the EE Post-2011 Implementation Program states, "ECA Implementation Budgets will not involuntarily be reduced during the FY 2012-2013 rate period…However, following the FY 2012-2013 rate period, BPA will periodically review a customer's activities and consult with it prior to reducing its ECA Implementation Budget…"

Options

- Status quo: BPA does not exercise its "take back" right during the FY 2014-2015 rate period and subsequent rate periods.
- Take back: BPA will exercise its right to take back funds that remain unspent near the end of a rate period.

Recommendation

- **Status Quo for the current rate period. BPA does not exercise its right to "redirect funds" during the FY2014-2015 rate period. For subsequent rate periods, there should be some discussions to develop criteria for a threshold that gives BPA the discretion to redirect a utility's EEI funds.**

Workgroup 1: Model for Achieving Programmatic Savings

BPA's Backstop Role

Problem Statement – BPA's existing backstop role is not explicitly defined and some customers and stakeholders would like more clarity. The EE Post-2011 Policy Framework provided the following on BPA's backstop role: "If the programs in place at any given time are insufficient to achieve the necessary level of savings, then new programs, as well as looking at other avenues, would be explored and evaluated, to meet the targets."

Options

- Status quo: BPA's backstop role, as defined today, remains as-is.
- Explicit definition: BPA's backstop role is more explicitly defined.
- No backstop: BPA has no backstop role.
- Conditional: BPA has a backstop role only under certain conditions or for a certain segment of customers.

Recommendation

- **Status Quo. If it appears achieving the targets is in jeopardy, the recommendation is for BPA to hold conversations with the region (customers and stakeholders), to share the specifics on the target under-achievement. Collectively, we should discuss how BPA will implement its backstop role in order to achieve the target.**

Workgroup 1: Model for Achieving Programmatic Savings

Limitations of the Post-2011 Framework

Problem Statement – The design of the Post-2011 framework may be constraining public power's pursuit of all cost-effective conservation consistent with the NW Power Act, which was a core principle of the initial Post-2011 public process. Additionally, the framework is based on BPA paying for energy savings on a "widget-by-widget" basis, which may not afford the opportunity for public power to capture savings via new, innovative programmatic approaches.

Stated Option

- Explore: BPA, customers, and stakeholders explore any inherent constraints of the Post-2011 framework to acquiring "all" cost-effective conservation and capturing savings via new programmatic approaches.

Recommendation

- **Improve the process for developing regional programs and address innovative programmatic approaches outside of Post-2011 Review Process.**

Workgroup 1: Model for Achieving Programmatic Savings

Performance Payments for Regional Programs

Problem Statement – Customers can claim performance payments for savings resulting from regional programs (e.g., Energy Smart Grocer) even though most administration costs are borne by the program implementer. This increases the overall cost of the regional program (and makes fewer funds available for acquisition of savings) where a utility may not actually incur costs.

Options

- Status quo: utilities can claim performance payments for regional programs that cover labor costs.
- Restriction: utilities cannot claim performance payments for regional programs that cover labor costs (perhaps unless they can document that they incurred costs).

Recommendation

- **Status Quo. Utilities can claim performance payments for regional programs that cover labor costs.**

Workgroup 1: Model for Achieving Programmatic Savings

Regional Program Administration.

Problem Statement – BPA administration of regional programs (e.g., Energy Smart Grocer) is more difficult without the direct acquisition program model and when funding commitments are variable or not firm. In order to optimize regional program performance and lower administrative costs, the region would benefit from considering conditions under which a direct acquisition program would be appropriate or by securing firm incentive funding commitments ahead of budget-years to appropriately size and focus the third party implementer's efforts. From the customer perspective, it can be problematic to commit EEI funding up front but then have the third party unable to deliver the corresponding forecasted savings.

Options

- Status quo: BPA has neither control of funding to directly acquire savings via a regional program nor a mechanism to secure firm utility funding commitments for regional programs.
- Direct acquisition: Under certain conditions, BPA is able to control a portion of incentive funding to directly acquire savings via a regional program.
- Firm utility commitments: Prior to finalizing a third party contract for a regional program, BPA has the ability to secure firm utility funding commitments for the program.

Recommendation

- **The Workgroup suggested an additional option for resolution: Provide guiding principles for BPA to consider in regional program development.**

Workgroup 1: Model for Achieving Programmatic Savings

Utility Self-Management of Incentives

Problem Statement – The existing 75% BPA-funded and 25% utility self-funded split for delivering programmatic energy savings was created in the Post-2011 framework. Some utilities would like to take this further and "opt-out" of paying in rates for EEI funding only. Additionally, some utilities would like BPA to consider using a Cost of Service Analysis to determine the allocation of BPA's expense and capital costs.

Current Options Under Discussion

- Path 1: Status quo

  Utilities pay in rates for incentives on a TOCA-basis and receive a BPA incentive budget based on TOCA (perhaps with a change to the 75/25 split)
- Path 2: Rate solution
  - Rate Adder: flexible budgets for all (requires a change to the TRM)
- Path 3: Contractual solution
  - Billing Credits: credit only for those taking zero BPA incentive budget
  - Pre-pay: utility brings up-front capital in return for a power bill credit
- Path 4: Expense solution
  - Expense Rate Credit: there might be options for "rate impact mitigation"

General Discussion

Next Steps and Upcoming Meetings

- Workgroup 1: Model for Achieving Programmatic Savings
  - Meeting, May 16, 9:00 a.m.-3:00 p.m. at PNGC or by phone
  - Meeting, May 21, 9:00 a.m.-3:00 p.m. at PNGC or by phone
- Workgroup 4: Flexibility Mechanisms
  - Meeting, May 29, 1:00-3:00 p.m. at Lakeview or by phone
- Tentative Big Tent Regional Meeting in Portland, June 20 at BPA Rates Hearing Room or by phone
- Public Comment Period, June 20-July 18