Bonneville Power Administration
Regional Energy Efficiency Post-2011

January 27, 2009
Portland, Oregon
9:00am-4:15pm

Meeting Summary

Meeting Purpose

The Bonneville Power Administration (BPA) is initiating a two-phase public process to help determine the agency's role in the development and use of energy efficiency for the Post-2011 period under the new Regional Dialogue power sales contracts. Regional stakeholders are being invited to discuss how the region can most effectively meet growing regional targets for energy efficiency. The information gathered in the public process will allow BPA to develop an updated plan that defines the agency's role in meeting public power's share of the Northwest Power and Conservation Council's Power Plan conservation target.

This meeting serves as a kick-off for the process and will be followed by several additional meetings around the region that will continue the discussion and initiate a formal public written comment period. This meeting provided background information and an introduction to the public process, as well as solicited stakeholder feedback on key issues surrounding BPA's role in regional energy efficiency in the post-2011 timeframe. Meeting participants included utility general managers, conservation managers, and other stakeholders both in-person and participating via conference call. A complete list of meeting attendees is included at the end of this summary.

Agenda Overview

The agenda for this meeting began with an overview of the BPA public process, including identification of process drivers, and the results of a survey distributed to regional stakeholders. BPA then presented background information and identified several initial key elements and questions they feel need to be addressed for a successful regional energy efficiency effort. Following the presentation, a BPA Executive Panel participated in an open discussion with meeting participants. Meeting participants then contributed to small groups discussions around BPA's key elements and questions. The small groups reported a summary of their discussions back to the larger group and continued their discussion before discussing process next steps and adjourning the meeting.

Opening Remarks

Mike Weedall, BPA, VP of Energy Efficiency

Mike Weedall stated that the public process for this initiative is being conducted in two distinct phases. This meeting and the rest of the first phase of the process, including several meetings around the region, will address key policy issues and strategic determinations rather than the specifics of how to accomplish the regional energy efficiency program post-2011. The second phase of this public process will begin to focus on the specifics of policy and implementation. BPA's role in this first phase is to listen to stakeholder feedback. In addition to discussion at this and other "Phase 1" meetings, a formal comment period will be open through March 2, 2009. Comments received from the regional meetings and through written comment will be used to identify specific needs and themes that will enable BPA to be responsive to its customers. After the regional meetings and formal comment period, BPA plans to host another meeting to get a second round of stakeholder input. It is anticipated that Phase 1 will

conclude by the end of April or early May. Phase 2 will kick-off in May to begin to address specific policy and implementation issues. This phase will last approximately three to five months with the intent of concluding Phases 1 and 2 by the end of September.

BPA and its customers are currently faced with a unique opportunity to undergo a thorough planning process, unlike the creation of 2001 energy efficiency policies in response to the West Coast energy crisis. In addition, several drivers including new regulations, tiered rates, climate challenges, the economy, and a new federal administration are changing the environment in which BPA and its customers operate. This is a time to take advantage of the opportunity to explore and consider different options to determine if and how to alter current practices. BPA is interested in listening to stakeholders and engaging in an open dialogue to achieve this goal.

Key Elements of a Successful Regional Energy Efficiency Effort
Karen Meadows, BPA, Energy Efficiency Planning and Evaluation Manager

Karen Meadows provided a presentation to the group addressing the key elements of a successful regional energy efficiency effort. She addressed the key drivers that have led up to this point that include the introduction of tiered rates, the Northwest Power and Conservation Council's (Council) Sixth Power Plan, new regulations, climate change, new technologies, and capacity and transmission constraints. She reviewed the results of an online survey that had been distributed to meeting participants, asking them to identify priority issues in the BPA Energy Efficiency Post-2011 public process. Twenty-eight responses were received and indicated that implementation assistance and regional infrastructure were the top two priority issues. She asked meeting participants to focus their comments throughout the day on a few key questions and topic areas, which included:

- What type of regional infrastructure activities and costs should be supported by BPA?
- What implementation assistance/support activities and costs, if any, should be supported by BPA?
- How should incentives to end users be funded?
- To accomplish BPA's goal, what amount of BPA oversight and measurement and verification is needed, given the following considerations:
    - How rigorous should oversight and measurement and verification (M&V) be to ensure energy-efficiency savings are real and reduce load?
    - How will state law reporting requirements and other potential drivers affect utilities?
    - Can the RTF estimate the value of energy-efficiency savings using various avoided-cost estimates?
    - Is a single regional deemed database still feasible with multiple avoided costs?
    - How do we create sufficient flexibility in BPA M&V and oversight for utilities while ensuring savings are real and administrative costs are reasonable?
- What should BPA's backstop role be to ensure public power meets the regional energy efficiency target?

Open Discussion with BPA Executive Panel
Anita Decker, BPA Chief Operating Officer
Mike Weedall, Vice President for Energy Efficiency
Paul Norman, Senior Vice President for Power Services
Mark Gendron, Vice President for Northwest Requirements Marketing

Karen Meadows introduced the BPA Executive Panel which included Anita Decker, BPA Chief Operating Officer; Mike Weedall, Vice President for Energy Efficiency; Paul Norman, Senior Vice President for Power Services; and Mark Gendron, Vice President for Northwest Requirements Marketing.
The session was opened-up to comments and feedback from meeting participants.

Questions About the Regional Energy Efficiency Post-2011 Public Process
Several participants expressed concern about whether this process is open to adjustment. Some participants felt that the comment period does not offer enough opportunity for stakeholder input. They stated that stakeholders would like to directly assist in the development of policy options. Some participants suggested that this could be accomplished through a series of collaborative meetings in addition to the regional meetings and comment period. BPA responded by acknowledging this interest and commented that additional collaboration would likely extend the process and require a larger time commitment from stakeholders. Participants generally agreed that they would be willing to devote more time to the process. Two previous processes, a PPC effort that utilized surveys and position papers to collaboratively develop policies on a regional scale and the recent Regional Dialogue process were mentioned as potential collaborative models. BPA responded that it will continue to carry out its planned public process while considering additional collaborative meetings with stakeholders. Any adjustments to the planned public process will be communicated as soon as possible.

Several participants posed additional questions to BPA about the energy efficiency post-2011 public process. Participant comments and BPA responses are as follows:

- Under the new power sales agreements, utilities will be required to make a decision about tier 2 purchases by November 2009. How can each utility make an informed decision if this process may not have reached completion by that point?

  BPA Response: Phase 1 will be completed and a substantial amount of details through the Phase 2 process should be known by that time.

- How is the timing of this process going to fit together with the Northwest Energy Efficiency Alliance (NEEA) strategic and business planning process?

  BPA Response: Several related efforts will likely need to be considered throughout this public process, including the NEEA Business Plan, NEET outcomes and any potential allocations from the federal economic stimulus package. These items will need to be considered on a case-by-case basis and incorporated as they come along.

Discussion of Regional Infrastructure Activities, Implementation Assistance Activities, and Incentive Activities

Participant comments highlighted the overlap in issues surrounding BPA's role relative to the function of regional infrastructure activities, implementation assistance, and incentives under the new tiered rate structure. A large contingent of the group expressed that with the switch from melded to tiered rates they desired more choice and flexibility around their utility's conservation programs. Additional changing conditions such as the loss of the ability to use CFL credits to reach a large portion of the regional target in the future may necessitate a shift to a new, more local and individualized approach. Many felt that if BPA could offer more options to utilities it would better reflect the diverse range of customer needs in the region, and lead to greater regional energy savings. Participants referred to this alternately as the 'choice' or 'menu' approach. Under this model, utilities could elect to opt-in to specific programs and only pay for those programs that they used. Many utilities felt that this model would be more effective because of the new tiered price structure and Washington State I-937 regulations that create more incentives for utilities to engage in conservation as a least cost resource.

Participants also commented that the current model used to pool funds for conservation programs is inefficient. They identified the following specific concerns:

- Utilities contribute money to a pool and then have to determine how to get that money back for their use.
- Conservation focus on kWh savings rather than "moving dollars around". Utilities want to acquire actual savings, not just report them. CRC is seen as focusing more on spending dollars.
- The current focus is on spending dollars, not the solution with the most energy savings, which sometimes hinders a utility's ability to capture the greatest energy savings.

Many participants stated that the infrastructure and implementation support that BPA offers is critical, especially for smaller utilities. They were concerned that if some utilities opted-out of contributing to regional conservation programs, these programs would no longer be sustainable. Other specific comments included the following:

- If BPA offered a wide range of program options, it would create an additional administrative burden.
- If Conservation Rate Credit (CRC) funds are eliminated, some utilities may reduce/lose their low income weatherization programs.
- BPA provides value in their ability to offer tools, support, and engineering expertise to utilities. If utilities decide to self-fund and create their own conservation programs there may not be enough funding for BPA to continue providing those services.
- If each utility pursues their own conservation assessments and programs there may be additional costs to the region due to duplication of efforts.
- The region can achieve more together than apart.
- Under the tiered system, utilities have a stronger price signal, but BPA still remains better situated for some tasks that are better executed on a regional basis.
- BPA may find difficulty in determining the best mix of funding options and how to appropriately match funds for them.

In response to these challenges, participants suggested a few solutions, which included:

- Create a BPA menu option business plan and shop it around to utility customers. (BPA Executive Team members commented that they could use guidance in determining what would go into such a business plan.)

- Require utilities to commit to their menu of programs in at least two-year time blocks, so that demand could be anticipated.

Participants offered suggestions for funding models and how to structure BPA's offerings, which included:

- 'Opt in' could apply to implementation or incentives.
- Some incentives belong in Tier 1, and others should be included in Tier 2. Incentives that are considered 'opt in' should exist in Tier 2.
- NEEA and Market Transformation should be included as Tier 1 costs. More detailed discussion will be needed to determine what else may fit into Tier 1 costs.
- BPA could act as a regional clearinghouse for rebates to assist its customers, particularly small utilities.
- Utilities should have the option of giving the rebate directly to the customer, so the customer knows that the incentive is coming from the utility.
- There is a need to identify areas of agreement and disagreement of what programs BPA should support. Any new programs that would benefit from regional coordination should be identified (e.g. consumer electronics, new construction energy efficiency) to mobilize buying power. Some of the assessments in Sixth Power Plan have identified regional areas of benefit, but more specificity is needed. These programs should be reassessed periodically to determine what other work needs to happen.

Many utility representatives commented that the targets set by the Council for their service territories do not accurately represent the diversity of the region. For example, some utilities do not have grocers, or large retailers, or industrial customers within their service areas, yet general geographic conditions require spending targets to achieve their energy efficiency goals. In these circumstances, there may be discrepancies between the regional target shares and penalties and the actual conditions. While assistance to calculate conservation shares is available, some of the assumptions behind this methodology need to be reassessed.

There were some participants who felt that it would be difficult to create individual targets for each utility which would make it more difficult to assign targets fairly. Several participants suggested that targets need to be looked at collectively and adjustments could be considered from there. One participant suggested that individual utility conservation plans could be matched-up with their targets, and then areas of discrepancy explored thoroughly. Once that baseline is established, BPA could direct all customers to raise their target by a percentage and then make it attractive for utilities to add even more conservation.

Participants identified several additional questions and areas where additional information is needed:

- How will self-funding work?
- Will CRC funds still exist?
- How robust would the 'opt-in' program be?
- More detail is needed to define an 'opt in/opt out' program under the new tiered system.
- How will accountability/measurement flow back to the Council?

Specific Regional Infrastructure Activities

Participants discussed several issues specific to regional infrastructure activities, primarily related to BPA's role in implementing new technologies. Participants commented that research, development, and demonstration projects are key tasks that would be appropriate for BPA to undertake in this area.

Smart Grid
Participants identified that BPA needs to play a lead role in the introduction of smart grid technology to the region. They cautioned that the introduction of smart grid technology will blur the lines between different BPA entities and may require significant organizational restructuring. Although smart grid technology will improve energy efficiency, it is not solely an energy efficiency program and therefore the costs should not come solely out of BPA's EE budgets.

Demand Response
BPA may also need to play a role in the introduction of demand response. The switch from research and development to commercial implementation will be critical. If demand response is expected to be incorporated in the coming future, the groundwork needs to start being laid now and may play a role in our energy efficiency planning process. How demand response will be handled between BPA and the local utilities is also an important consideration. A participant commented that end users are challenged in achieving demand response in an environment of supply constraints and questioned how consumers will react. A better understanding of new technologies and end user acceptance will be needed.

Regional Technical Forum
Participants were generally in support of the role of the Regional Technical Forum (RTF), stating that it was useful in determining how to calculate cost savings and to solve more complicated technical issues.

Oversight / M&V Role
Participants highlighted the need for standards and accountability within the post-2011 energy efficiency policy, regardless of the specific structure. It will be important for everyone in the region to understand that savings are being achieved and that BPA pursues this role in a comprehensive, thoughtful, and systematic way.

One participant commented that the current M&V program is a little disjointed and needs a stronger M&V partnership with a more coordinated and unified system between all entities. Current measurement practices may need to be re-evaluated to focus more on measuring the actual energy savings of conservation efforts. Several members commented on the role of the RTF in improved M&V, and that as a group of volunteers with a small budget (approx. $300,000), the RTF will likely need additional funding and resources.

Some participants were concerned about the reconciliation of regulatory requirements between the Council's 20-year plan and BPA and I-937's requirements for a 10-year plan. A representative from the Washington State Department of Community, Trade, and Economic Development stated that although these entities have different requirements, a recent review found that projected estimates from I-937 utility integrated resource plans (IRP) for the next five to ten years are very close to the Council's projections. Participants also discussed concerns raised over the separation of renewable and conservation credits. Under the current BPA system conservation and renewable credits are combined; they are separated under I-937.

Backstop Role

Participants did not come to conclusions about BPA's backstop role. Several comments relayed from the small group discussions (presented below) indicated that this may be an area that is best addressed once the details of other key elements are determined. One participant commented that BPA could play a critical backstop role as they transition towards handing more responsibility to individual utilities. The new energy efficiency structure will require ongoing refinement as utilities become accustomed to the tiered rate structure. Another participant commented that BPA's backstop role is critical, but it should not replace the need for utilities to carefully planning their conservation programs under a more individualized system.

Small Group Sessions and Reports

Participants were divided up into groups of ten to twelve individuals to discuss the key elements and related questions posed to the group at the beginning of the meeting. Each group facilitator recorded their group's discussions on flip charts- full notes for this session are available at the end of this summary. After their discussions, each group reported-out to the larger group with the themes that emerged from their conversations. Small group summaries are as follows:

Group A

BPA's role under regional infrastructure should be to do things that utilities cannot do on their own, such as implementing smart grid, offering low-income weatherization products, and administering research and development, marketing, and education and outreach programs. These offerings should provide general value to all customers and be consistent with the Council's plan.

BPA's monitoring and verification role should minimize duplication and allow for an option to hire a contractor, but also retain BPA as a check or double review similar to the system now in place. Implementation assistance should not be attached to Tier 1 rates, but rather those that receive the benefit should pay for them. Special help for small utilities with limited resources should be offered. Some utilities may need technical support to accomplish higher targets, and they should be the ones to pay for that assistance.

Participants should pay for any incentives that they use, but this must be structured in such a way that funding is still stable and long-term. A new system should shift the metric towards being reimbursed for kilowatt hour savings. This group did not reach widespread consensus on BPA's backstop role. It should be consistent with the Council's plan, but further discussion will be needed.

Group B

This group shared many similarities with Group A. They expressed that there was definitely a need for regional infrastructure, but that it may need to be examined more closely in the context of how all the different pieces fit together to allow for choice and flexibility given the diverse set of needs in the region. These pieces include the criteria for program success, delivery mechanisms, and drivers. There is not yet enough information to determine what BPA's backstop role should be. This may need to be determined at a later date and reevaluated every five years. Implementation assistance could be a service that is bundled separately.

Group C

An overall theme among this group was choice with accountability, allowing each utility to determine what works best for them. The group reached a consensus that BPA should have a regional role, especially as a backstop, and that some utilities may need to turn over their programs to BPA to

administer. This group also suggested that a financial surcharge be used as opposed to CRC. Monitoring and verification are necessary, but new methods may be needed.

Group D
This group supported moving from the current rate credit concept towards a bilateral model where utilities could opt in or out of a menu of options. Under this new model, BPA's backstop role would be significantly diminished for those that opted out. For BPA to meet their regional target they may have to create individual targets for each utility and apply surcharges for those that could not meet their target. Under this system, individual utilities may also be able to pool their target amounts with their neighbors. This group also supported continued funding for NEEA, the PTR and the RTF, with more clearly defined programs where the benefits are clearly understood. These programs would be included in general Tier 1 costs rather than being a part of the 'opt in' model.

Group E
This group was in support of most of the regional infrastructure options, but thinks that the level of funding needs to be carefully considered. For implementation assistance, some of the items should be included in the base rate and some should be on an 'opt in' basis. Smaller utilities generally may need BPA to play a support role. There was general agreement that a self-funding, 'pay as you go' system is best, but there were some concerns about how to move money around when a small utility needs to fund a big project. The group also thought it would be important to avoid duplication of oversight, especially in regard to I-937 requirements.

Group F
A major question for this group was whether costs should go into Tier 1 or Tier 2. They also suggested that a regional cost-effectiveness evaluation be undertaken. BPA should provide infrastructure support as part of Tier 1 costs. Beyond that, those that benefit from specific programs should pay. BPA should only have a backstop role in Tier 2 and those that use it should pay for it.

Phone Group
This group highlighted that the measures for conservation and energy efficiency cannot be so regional that they do not reflect the sub-regional conditions and situations. The baselines that are currently being used need to be reviewed. Implementation assistance should be driven by cost-effectiveness and those that opt in should pay via Tier 2 rates. Individual utility conservation plans may be an opportunity to develop utility-specific measurement and verification. Several utilities were concerned with BPA potentially having a direct role with their customers.

Wrap Up
Anita Decker of BPA summarized several areas of group consensus that she heard throughout the day:

- BPA should continue to provide some level of infrastructure.
- Implementation assistance will need more in-depth discussion about: how it might be structured, what is an 'opt in/opt out' model, who pays for what services.
- The incentives structure will also need more discussion to determine if or what they should be, for example, whether CRC or bilateral contracts continue to make sense.
- There was a general understanding that a more robust measurement and verification system will be needed, and this would be best suited at the regional level.
- BPA has a responsibility to ensure the region meets the goals in the Council's plan. Depending on where we end up, BPA's backstop role and how it comes into play may require further discussion.

Stakeholder feedback will continue to be gathered at the upcoming regional meetings and provide BPA with additional input on how to approach the process of developing a policy proposal for regional energy efficiency post-2011. While the content of presentations at the upcoming regional meetings will not be significantly different from the kick-off meeting, these conversations are intended to build-off of today's discussion and advance the collective understanding of the issues.

Meeting Participants

Alison Hopcroft, Fluid Market Strategies
Anne Spangler, Snohomish PUD
Barbara Beck, Public Power Council
Barbara Johnson (by phone)
Bill Drummond, Western Montana G&T
Bill Hopkins, Puget Sound Energy
Bill Jackson (by phone)
Bill Welch, Eugene Water & Electric Board
Bo Downen, Public Power Council
Bob Balzar, Seattle City Light
Bob Lorenzen, Eugene Water & Electric Board
Bob Pierce, Clearwater Power
Bob Stolarski (by phone)
Brad Miller (by phone)
Brenna Wheeler, Clark Public Utilities
Charlie Grist, Northwest Power and Conservation Council
Chris Johnson (by phone)
Chuck Murray, CTED
Craig Smith, Snohomish PUD
Darren Kling, Cascade Energy Management
Darroll Clark, Franklin PUD
David Cohan, Northwest Energy Efficiency Alliance
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Fred Mitchell, Clallam PUD
Fred Rettenmund, Inland Power & Light
Geoff Carr, NRU
Glenn Atwood, Seattle City Light
Grant Ringel, Puget Sound Energy
Greg Whiting, Seattle City Light
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Joe Savage, Emerald People's Utility District
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Patrick Keegan, Ecos
Pete Pengilly, Idaho Power Company
Phil Obenchain, Pacificorp
Ralph Cavanagh, Natural Resources Defense Council
Ray Grinberg, Peninsula Light
Rob Neilson, Demand Energy Networks

Ron Gadeverg (by phone)
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Stefan Brown, PGE
Steve Holmes, Northern Wasco PUD
Steve Marx (by phone)
Steven Shower (by phone)
Ted Coates, Tacoma Power
Terry Morlan, Northwest Power and Conservation Council
Terry Mundorf, Western Public Agencies Group
Tim Lammers, Columbia River PUD
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Tom Schumacher, Benton PUD
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Van Ashton (by phone)
Virginia Harman (by phone)
Wayne Hart (by phone)
Wes Thomas, McMinnville Water & Light
William Hannaford, Northwest Power and Conservation Council

BPA Representatives
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Facilitation Team
Diane Adams, EnviroIssues
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Lisa Timmerman, EnviroIssues

Small Group Flip Chart Notes

Group A (Pyrch)

Regional Infrastructure

- Principles:
  - Should address what utilities cannot do on their own
    - R&D
    - LiWx
    - Smart Grid
    - PTR
    - chains/franchises
    - Market Transformation function/NEEA $
    - RTF $
    - marketing/education/outreach
  - Must be of general value to all customers
  - Should be consistent with Council's Plan
- Challenge for Data collection, utility IRP
  - Consistency
  - States involved
  - Ideas on how to do

Implementation Assistance

- If it only benefits "some" utilities – then they should pay for it - pay for service
  - Turnkey programs
  - Green motors
  - Energy Smart grocer
- Special help for small utilities – what is the appropriate threshold?
  - Recognize their situation, staff constrained, etc.
- Tech support at get aMW
  - Utilities that receive the benefit should pay for it
  - Circuit rider

Incentives

- If the CRC is made available, then utilities should have a choice about participation
- CAA- threshold/financing issue; Tier 1 or Tier 2
- Think long-term, stable funding; 5 years
- Utilities should be reimbursed for kWh savings
  - Consistent with Council's methodology
- LiWx not an acquisition program

Measurement and Verification / Oversight

- PTR system recording/tracking- a Tier 1 cost
- Minimize duplication
- Provide an M&V option- if utilities use contractor, then they should pay for it
- BPA checks- double review is OK/helpful- pay for as a service
- Pretty good the way it is now

Backstop Role

- Further discussion needed
- Tough issue
- Needs to be consistent with Council plan

Group B (Fedie)

Overall: Not what, but how?

Regional Infrastructure

- In general the options listed for regional infrastructure make sense to the group.
- PTR: will it meet our needs? How do we have input if it evolves? Who pays for it?
- Minimum data requirements
- Need to meet multiple reporting requirements
- Reporting systems have to capture all conservation efforts of utilities.
- Where is BPA on looking at PTR? Input needed to capture previous comments.
- Where does cost lie?
    - What is system, what criteria?
    - What rate pool, where is it held?
- Criteria: It is important to determine not just that something needs to be done but what, how, when and who benefits? All utilities? PTR
- How, as a region, do we deploy and coordinate the mechanisms and actors to get targets?
- Causality
    - Regional: M&V, programs are okay.
    - Improve transition/handoff of what does go over, e.g. green motors. Others deployed better regionally.
    - With drivers, handoffs become more important

Implementation Assistance

- Choice in programs
- Handoff is important for funding to ensure what we do works and works efficiently. As we get more organizations involved and measures become more complex the handoffs become critical to success
- How do we create programs in opt-in/opt-out?
- We will be operating in a new paradigm

- Costs broken-out.
- Not Tier I or II, but unbundled service costs. Is this allowable, what impacts does this have?
- Third party role: sifter, clearinghouse for region

Incentives

- Focus on savings, not $
- Complex: HWM, decrement, CRC
- Does BPA incentive allow us to respond to market conditions?
- If BPA plays backstop role, how is money collected?
- Is pass thru/transfer of money the best way for backstop? Do we have enough into it now to resolve?
- What will the future bring?
- Prefer opt-in
- Make bi-lateral contracts appropriate post-2011
- Become a mechanism to balance portfolio of savings around the region.

Measurement and Verification / Oversight

- Can it be centralized?
- M&V, causality harder
- Regional: needed M&V
    - Ensure savings correct
    - Commonality in savings, approach
    - Quality assurance
    - Alignment
- Who plays the M&V role?

Backstop Role

- Understand if the target is right
- Can we do a good job of setting the backstop role when we don't know what the environment will be in post 2011 yet?
- Growing utilities into taking responsibility
- More aggressive utility could be a backstop
- Loop/feedback to assess how we are doing on targets
- Options:
    - 2-year rate case provide backstop
    - Model conservation standard.

Group C (Hobson)

Overall:

- Choice with accountability
- Regional coordination is key (as long as there is no duplication of effort)
- BPA definitely has a regulatory role should the agency choose to do so (including a backstop role).
- Financial surcharge preferred approach (as opposed to CRC).
- M&V- have to have it and need to be open to new methods.

Regional Infrastructure

- Definitely a Tier 1 cost. How do we/BPA make sure we're getting what we're paying for?
    - Oversight, NEEA, Power Council, etc. Other parties have to be involved in accountability
- Regional coordination is key
- No duplication of effort
- NEET process seems to be working well but scheduled to wrap up in six months
    - Do we continue a regional forum like NEET?
    - Yes, but NEET will put forth solutions that have to be monitored/strategically thought thru, etc.
- RTF is a good concept, but needs more oversight, resources (FTE, $)
- RTF is asked to make policy decisions that it is not necessarily equipped to make. Poster child for an entity that needs to evolve a bit more.
- Cost/benefit function absolutely critical, may be BPA.
- RTF needs more money (CA RTTF budget=$180M, RTF=$300K)

Implementation Assistance

- BPA does have a role should the agency choose to do so
- Bigger issue is: which cost pool?
    - Definitely Tier 2.
    - If so, who pays? Structure it so that it is similar to the local growth rate.
    - Opt-in/opt-out approach
- Minimum level of support/critical mass to run a program has to be determined.
- Regional coordination and execution is critical at regional level. (BPA logos on anything not necessary).
- Regional coordination not necessary on large industrial
- Small public customers are faced with unique issues (there are a fair # of them) and a healthy respect for their demographics (residential, no industrial, minimal commercial) is necessary
- Portfolio of Tier 1 needs to have something for everybody and needs to be reasonably priced.

Incentives

- Rate credit- opt-in approach; financial surcharge preferred to CRC (backstop)
    - This begs the question as to independent M&V- who will provide this oversight?

- Bilateral contracts for Tier 2.

Measurement and Verification / Oversight

- Need to explore/find new ways to do M&V. Currently a prescriptive approach that is too rigorous.
- It is a given that we have to have M&V. Not just for cost-effectiveness purposes, but for state audits, etc. Perhaps pay to meet/beat building codes (60% of buildings built in MT don't meet code.)
- PTR is largely the purview of RTF (which can be restrictive).
    - PTR or successor should address Tier 1 cost
    - Verification falls within Tier 1
- Both verification and persistence are huge issues we need to deal with regionally. There are clearly regional economies of scale.
- Appropriate for BPA (Tier 1) to make a contribution to above.

Backstop Role

- Consensus that BPA needs a backstop role. Can't be a Tier 1 cost though - a huge incentive to be a freerider.
- Question- in a surcharge situation, is there a Tier 1 component for administrative costs, etc.?
- Backstop not just for bad guys- should also be for utilities that simply want to turn over their conservation activities to BPA.
- Off-the-shelf programs for small utilities.
- Targets and development absolutely critical.

Group D (Farleigh)

Regional Infrastructure

- Support for State/Tribal LiWx
- NEEA support; a given
    - Need to have clearly defined roles
    - Need clarity on how the program benefit utilities / region
- PTR and RTF- supportive if BPA needs better/improved systems, supportive of continued, even increased funding (especially if BPA's direct incentive roles are reduced)
- Smart Grid, cautious support although question of whether or not this is an EE program?
- Demand response- worth looking at

Implementation Assistance

- Supportive of consistent infrastructure
- Don't burn with overhead/admin
- Programs may work with opt-in versus general Tier 1 funding mechanism
- Define scope- clarity needed on how it affects the region vs. utility

Incentives

- Rate credit- not supportive
  - Too limiting, incentives don't work as intended
  - Focus ends up on spending money vs. efficient conservation
  - Get more elsewhere
- Other regulations (i.e. I-937) provide motivation
- Support for bilateral contracts
- Opt-in, support menu approach
- Tier 1- IOUs should pay their fair share for any benefits they receive

Measurement and Verification / Oversight

- Support this
- Flexibility needed, given existing capabilities of individual utilities (i.e. work with existing utility systems if the capability is there and the utility chooses this approach)
- I-937- reconciliation needed with BPA regulations

Backstop Role

- Surcharge- if individual utilities can know their target
  - Need mechanism to enforce
- Conservation Potential Assessment
  - Some do it, some don't
  - Consider process to reconcile targets (BPA, Council, I-937)
- Pooling of targets is a possibility
- BPA- Agency's role should be to help the utility meet its goal
  - If the utility needs BPA assistance here, the utility should pay for it
- Perhaps decrease HWM

Group E (Gage)

Regional Infrastructure

- Group likes list on page 5 of background document.
- At what level of funding? What type of support? This will make a difference.
- Infrastructure coordinated regionally.
- Is infrastructure financial? Implementation? Outcome?
- If its on the list it means BPA has some role, to be determined at a later point.
- Tier 1 has no optionality
- If low-income weatherization is needed by only some utilities, should it be in Tier 1?
- Areas where not base (disagreement amongst group)
  - Low income
  - PTR I-937 programming

    - Marketing (direct short-term acquisition), not branding
    - Technical assistance
- Need fine tuning
- Need principles, such as;
    - Not direct acquisition
    - Truly regional

Implementation Assistance

- Implementation as opt-in/opt-out, pay for service? (disagreement of answer)
    - Yes - Local utilities have capabilities to run programs- align incentives.
    - Maybe- Are parts of the program base- e.g. development?
    - No - Regional benefits to regional implementation- unintended consequences of opt-out, already choice in implementation at utility level.
- Smaller utilities need help with implementation
- BPA role may be facilitation of coordination among utilities – large utilities can help small utilities rather than BPA helping
- Need process to decide if program is base or optional
- Larger utilities may be able to help smaller as they staff up.

Incentives

- Needs lots of time in process moving forward
- I-937 changes situation. I-937 will require more than current BPA incentives
- Incentives as optional
    - Requirements on measures are too restrictive
    - Measures don't fit individual utility areas
- Measure requirements: cost-effective vs. more markets
- Too much rigidity in incentives over time
    - Delivery cost
    - Market value
- Lack of consistency
- Self-funded
    - kWh goals
    - Working with other utilities to share costs of big projects- feasible?
- CAA or CRC- pay as go/Tier 2
    - Some small utilities need more money for big projects than they have budget for
    - Could be part of Tier 2 cost; appropriate cost allocation.

Measurement and Verification / Oversight

- Yes- Tier 1 costs.
    - I-937. Meet requirements? Do not want two oversight functions- CTED and BPA through RTF specs. Centralized has value.
    - PTR/Measure specs vary by utility (avoided costs)
    - More- to improve consistency across region

- Too much oversight will kill cost-effectiveness
- Process needs to be developed at a central place. Related to price signal- common interest in verification alignment.
- Improving feedback loop to utilities- rather than punishment.
- Code enforcement needs oversight?

Backstop Role

- No penalty backstop role
- Risk management issue
  - Rate impact
- Not delayed, must be ongoing/proactive
- BPA can facilitate but not necessarily implement
- Utility plans in new contracts will have two-year forecast of savings
  - What if plans don't meet the target?
  - Concern that potential allocation is complex, not simple
  - Need to be collaborative at point of planning
- Funding available to "ramp-up" if not meeting total target
- Concern of target to Council plans

Group F (Ralston)

Top 5

- Do costs go in Tier 1 or Tier 2?
- BPA should provide information to utilities on the upper limit of cost effectiveness of measures based on avoided cost (rather than just providing willingness to pay)
- No backstop in Tier 1- BPA should provide via Tier 2
- Those utilities that benefit should pay
- BPA should provide infrastructure support

Regional Infrastructure

- Is Smart Grid/Demand Response considered energy efficiency? Some is and could enable EE. Helps reduce cost exposure. Demand change is the "Tier 1" cost. There is a role for BPA in developing SG/DR strategy.
- Do emerging technologies belong in Tier 1? Duplication with NEEA?
- Some (many?) of the items listed under infrastructure could be included as Tier 1 costs.
- Need coordination with NEEA, IOUs, etc.
- Engineering, technical assistance could be by subscription.
- Market research- BPA, NEEA, or other?
- If infrastructure support also affects IOUs or other regional players (besides public utilities), what is BPA's role relative to NEEA or others?

- How to get vendors to provide services in rural areas or areas off the I-5 corridor (e.g., the Coast)?
- How to coordinate with federal funds going through states as part of economic stimulus package?

Implementation Assistance

- None should be in Tier 1- if it provides value, utilities should provide/pay
- Only pay for savings achieved?
- Utilities should do up-front planning and pay a retainer for BPA technical services- subscribe via Tier 2- targeted to specific types of utilities
- Concern about third party programs (e.g., EnergySmart (Grocer)) taking EE measures that are low-hanging fruit and getting the contact with end use customers, instead of utilities. Want turn-key, easy-to-implement programs- but still want customer contact.
- What is tribal EE funding for- LIWx?
- If program doesn't get critical mass of subscribers, BPA doesn't offer program?

Incentives

- BPA shouldn't provide incentives
- Should allow utilities to opt-in as Tier 2 to receive service- may be the only option for small utilities.
- Utilities want option to pay directly for conservation themselves.
- Some like bilateral funding mechanism - via Tier 2 funding
- BPA should provide information to utilities on upper limit on cost effectiveness of measures based on avoided cost (rather than just providing willingness to pay). What does a utility need to spend for 15-year measure life?

Measurement and Verification / Oversight

- Costs should be included in Tier 1- discuss details in Phase 2 of post-2011 process
- Need close coordination with states on things like I-937. BPA shouldn't pay for compliance with state requirements.
- Could let states take on responsibility for oversight, following federal regulatory approach for example. EPA takes over state program if state not implementing adequately. BPA could take over oversight if state not doing the job.
- When BPA develops a specification for a measure and certain documents are required to support the spec, these become the documentation requirements.
- BPA is requiring conservations plans as part of its oversight role.

Backstop Role

- Will utilities each be allocated a piece of the regional goal?
- BPA's costs of backstopping should be charged to utilities not meeting goals via surcharge
    - Savings may occur in other utility service areas.

- If utilities are actively going after savings in their service areas and are not meeting their goals, how will BPA come in and do more?

Phone Group (Orth)

Regional Infrastructure

- RTF is a good source of information for energy efficiency and conservation. Some universal items across all utilities and good third party recognition.
- Tracking and reporting site provides a mechanism for reporting savings
- Use of stipulated values makes sense, but measures cannot be so regional that they do not reflect the local situations. Sub-regional values are needed. Otherwise, independent third party verification is an alternative to measures.
- Need RTF and PTR to track energy savings. Would like full credit for work done; would like to see actual savings regardless of whether utilities opt-in or opt-out. Is Tier 1 actually Tier 2 savings?
- Emerging technologies- discussion is ongoing about who will take the lead on development, either BPA or NEEA. The NEET process is ongoing and may result in a determination.
    - Concern about BPA taking lead as they are primarily focused on electricity, and emerging technology has other angles
    - NEEA doesn't develop technology development is occurring in the private sector (such as Douglas Heat Pump system). NEEA is assisting with testing for effectiveness at regional laboratories.

Implementation Assistance

- Any program with a wide interest should be supported by BPA.
- It makes sense for BPA to offer programs as they can provide implementation across a wide range of service areas.
- Cost effectiveness will drive the selection of programs and whether utilities "opt-in" or "opt-out".
- Third party programs- part of opt-in/opt-out?
    - Part of a menu- some programs don't have any application to specific utilities; pick and choose.
- Utilities that use these programs should be paying for them.
- Cost share will be important to support 3rd party implementation.
- BPA would need to ensure that programs are attractive to many customers.
- Bi-lateral contracts, CAA has not been an effective option due to decrement of load availability. If this is the long-term, some utilities may not have the option to participate.

Incentive Activities

- If you have infrastructure at a regional level, then incentives could be in Tier 1. If not a lot of infrastructure, then it could be offered as a Tier 2 product.
- Would want options for what is included in Tier 1.
- If a utility is using a program not offered by BPA, but creates third party implementation, could report costs, take credit against Tier 1, and sell MW to BPA.

- Conservation contributes to reducing Tier 2 load- conservation should be a Tier 2 cost.
- BPA should keep Tier 1 as simple as possible.

Measurement and Verification / Oversight

- What level of assurance or information around energy savings will BPA need? Currently use central collection for several programs
    - Would something under current rate credit program work, or I-937 review?
- Under new contracts a plan must be submitted- could M&V details be reviewed and approved on an individual basis? Still need this mechanism for reporting the savings that are captured on our own.
- Are all regional M&V being captured? Is there a central energy savings database?
- Could we have verification on a sampling basis? Could BPA have M&V enacted across an 80/20 confidence interval (since 85% is residential) and verify, perform impact evaluation?
- Use standard heat loss calculations- deemed measures (residential), actual savings in commercial so that willingness to pay equals cost savings- want savings for what is put in PTR.
- Deemed measure averaging is simple, but inefficient for some.
- Break down regional database into smaller sub-regions to more accurately reflect savings.
- Baselines should be reassessed- this is controlled by the Council.
- IF BPA programs can get close to the utility baselines we will go with that. If this will not get us to the I-937 targets, many utilities will opt-out. A custom program may give us more credit. If BPA is going to play a role in this, need flexibility to design programs.

Backstop Role

- Agree that BPA needs to provide some backstop role. They have a vested interest in conservation for Tier 1 customers- can't divest from that.
- Still room for BPA to play a technical assistance role.
- Not wanting BPA to get involved directly with customers- personal relationship with customers is important.
- Third-party contracting has not been a popular subject- a lot of the low-hanging fruit has already been attained and now spending money on third-party with fewer results