

Bonneville Power Administration Regional Energy Efficiency Post-2011

February 11, 2009

Idaho Falls, ID
9:00am-1:00pm

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 to ensure the goal of meeting public power's share of the Northwest Power and Conservation Council's (Council) Power Plan conservation target is achieved. This goal was established through the Long-Term Regional Dialogue Final Policy.

This regional meeting is a continuation of the discussion with stakeholders on January 27th in Portland. BPA is conducting four smaller meetings around the region in Seattle, Idaho Falls, Spokane, and Pasco to discuss energy efficiency for the Post-2011 period. This meeting provided background information and an overview of the public process, as well as solicited stakeholder feedback on key elements for BPA's role in regional energy efficiency in the post-2011 timeframe. Meeting participants included utility general managers, conservation managers, and other stakeholders. 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, followed by a review of the key elements and questions that BPA has identified to guide discussions around a successful regional energy efficiency effort: regional infrastructure; implementation assistance; incentives; oversight, metering, and verification; and BPA's backstop role. Participants received an overview of the themes that emerged from the discussion of the key elements at the January 27 kick-off meeting and considered guiding principles for the Post-2011 process. The group spent a majority of the meeting sharing their specific comments on the development of each the five key element areas.

Public Process for BPA's Post-2011 Energy Efficiency Role

Mike Weedall, BPA, Vice President of Energy Efficiency

Karen Meadows, BPA, Energy Efficiency Planning and Evaluation Manager

Josh Warner, BPA, Energy Efficiency Policy Development Specialist

Mike Weedall, Karen Meadows, and Josh Warner addressed BPA's overall goal for this public process as an effort to bring stakeholders together in a collaborative manner to reach the goal outlined in the Long-Term Regional Dialogue Final Policy:

BPA will work collaboratively with its public utility customers to pursue conservation equivalent to all cost-effective conservation in the service territories of customers at the lowest cost to BPA.

BPA and its customers are at a unique point and have a significant opportunity to shape the structure of future energy efficiency activities in the region post-2011. There are many new drivers that will influence energy efficiency and conservation and this process, including a tiered rate structure, future environmental legislation, and a new administration that is focused on reliability. The Regional Dialogue process established a policy that conservation will be included in Tier 1 rates. This post-2011 process is focused on identifying the best way to evolve the region's current energy efficiency structure to meet these future challenges.

This public process is being conducted in two distinct phases. The January 27 kick-off meeting in Portland and the four regional meetings are part of the first phase of the process to address key policy issues and strategic determinations for 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 primary 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.

At the request of participants at the January 27 kick-off meeting in Portland, three additional in-person working meetings have been added to this public process. These all-day collaborative meetings will be held on March 9, 10, and 16 at BPA in Portland. The series of working meetings are intended to provide an opportunity for interested customers and other stakeholders to assist BPA in considering the feedback received to-date and begin to develop a post-2011 BPA program structure for energy efficiency. These working sessions will build upon one-another over the course of the three days; to the extent possible, those interested in participating are encouraged to attend all three days. The results of the collaborative working sessions in March and BPA's development of a draft product will initiate an additional opportunity to conduct review and provide written comments.

With the addition of the collaborative working meetings, it is now anticipated that Phase 1 of the public process will conclude by the end of May or early June. Phase 2 will likely kick-off in June to begin to address specific policy and implementation issues. This second phase will last approximately three to five months with the intent of concluding Phases 1 and 2 by the end of the calendar year.

Key Elements of a Successful Regional Energy Efficiency Effort

Karen Meadows, BPA, Energy Efficiency Planning and Evaluation Manager

Ms. Meadows provided a brief overview of the five key elements of a successful regional energy efficiency effort first introduced at the January 27 kick-off meeting in Portland: regional infrastructure; implementation assistance; incentives; oversight, metering, and verification; and BPA's backstop role. She explained that these elements are meant to provide a framework for the discussion of several areas that will be critical for the development of a program structure that will allow BPA and its customers achieve public power's share of the Council's conservation target. Each of the elements has a series of associated questions that will be important to address through this process. The focused questions within each of the five elements are as follows:

- Regional Infrastructure Activities
 - What type of regional infrastructure activities and costs should be supported by BPA?

- Planning, Tracking & Reporting (PTR), Regional Technical Forum (RTF), NEEA, data collection & evaluation, emerging-technology work, regional marketing, etc.
 - State and tribal low-income weatherization (LiWx)
- Implementation Assistance Activities
 - What implementation assistance/support activities and costs, if any, should be supported by BPA?
 - Third-party programs (Green Motors Initiative, EnergySmart Grocer)
 - Technical assistance
 - Community-based implementation
 - Programs with customizable design and marketing
- Incentive Activities
 - How should incentives to end users be funded?
 - Rate credit type program
 - Bilateral contracts
 - Opt-in to BPA program/activities at a Tier 2 rate
 - Customer choice opt-out options to utilities — allow utilities to avoid a specific Tier 1 cost if the utility does not use incentives; in exchange, the utility agrees to report a specified level of savings to BPA.
- Oversight and Measurement & Verification Role
 - 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 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?
 - RTF relies on the Council’s estimates of “avoided cost”; 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?
- Backstop Role
 - What should BPA’s backstop role be to ensure public power meets the regional energy efficiency target?
 - No role is necessary because BPA programs are robust.
 - If BPA is not providing incentives and/or implementation assistance, include funding in the Tier 1 cost pool to acquire savings if utilities are not meeting targets.
 - Charge individual utilities a surcharge for not meeting a predetermined target and allow BPA to work directly in the utility’s service territory to acquire missed savings.

Post-2011 Energy Efficiency Guiding Principles

At the January 27 kick-off meeting in Portland, participants suggested that BPA work with stakeholders to identify a set of overarching principles for BPA's Post-2011 program structure. To frame this discussion, BPA presented the five principles that were developed to guide decisions during the Post-2006 energy efficiency public process, covering the current 2007-2009 period. These Post-2006 principles are as follows:

- BPA will use the Council's plan to identify the regional cost-effective conservation targets upon which the agency's share of cost-effective conservation is based.
- The bulk of the conservation to be achieved is best pursued and achieved at the local level. There are some initiatives that are best served by regional approaches (for example, market transformation through the Northwest Energy Efficiency Alliance). However, the knowledge local utilities have of their consumers and their needs reinforce many of the successful energy efficiency programs being delivered today.
- BPA will seek to meet its conservation goals at the lowest possible cost to BPA. While it is a given that only cost-effective measures and programs should be pursued, the region can also benefit by working together to jointly drive down the cost of acquiring those resources.
- BPA will continue to provide an appropriate level of funding for local administrative support to plan and implement conservation programs.
- BPA will continue to provide an appropriate level of funding for education, outreach, and low-income weatherization such that these important initiatives complement a complete and effective conservation portfolio.

Participants in the Idaho Falls meeting suggested principles that should be used to guide BPA's Post-2011 program structure. Specific suggestions included the following:

- Reflect diversity of customers to allow for customization of programs.
- Assess the conservation goal from the bottom-up.
- Facilitate strategy/planning across the region.
- Focus on retrofit rather than new construction.
- Consider multiple fuels; operate in a "fuel blind" manner with respect to conservation.

Review and Discussion of Results from January 27 Kick-off Meeting in Portland

Participants received a brief summary of themes that emerged from the discussion at the Post-2011 Public Process Kick-off meeting on January 27 in Portland. These observations included the following:

With respect to *regional infrastructure*, we heard from the group that BPA should continue to play a role in this area.

- The group acknowledged that BPA's utility customers have a diverse set of needs and that BPA's role should focus on those things that utilities cannot do on their own.
- Participants discussed the emerging role for BPA in new technologies such as Smart Grid and Demand Response Management.

Within the topic of *implementation assistance*, participants at the Portland meeting focused on the differences between the utility customers that BPA serves.

- Larger utility customers tend to have more resources to carry-out energy efficiency programs on their own.

- There are differences in the customer base that utilities are serving in terms of the mix of residential, commercial, and industrial uses that are not always reflected in the program offerings.
- Implementation mechanisms need to be sensitive to the attributes of each service territory and that utilities want the flexibility and choice around implementation that will allow them more tailored approaches to achieve the greatest energy savings at least cost.

The discussion around *incentives* addressed some of the perceived inefficiencies within the current Conservation Rate Credit and Conservation Acquisition Agreement structures.

- Several utilities commented they would rather focus on “tracking true energy savings” versus “spending dollars” and questioned the current practice of paying money into a pool and then applying for reimbursement.
- The theme of options and choice were woven through the conversations around Regional Infrastructure, Implementation Assistance, and Incentives. Many participants were interested in an opt-in/opt-out menu approach that would allow utilities to receive BPA support and pay for the assistance that they need.
- Participants discussed the idea that to the extent there are programs or support that all utilities need, these services might be included in Tier 1 rates.
- For those items where just some utilities have a need, such as smaller utilities with fewer technical resources, these services might be included in Tier 2 rates.

In discussing *oversight and metering and verification*, participants were interested in a coordinated regional effort that would ensure their energy efficiency efforts were being accounted for.

- Several comments echoed the idea that utilities operate in a range of conditions and that measurement baselines and targets should better reflect this diversity of operations around the region.
- There was general support for the role that the Regional Technical Forum (RTF) has played and for a continued RTF role in M&V, but it was also acknowledged that RTF needs more resources.
- There was also some discussion of the separate requirements of state regulations such as I-937 and a desire to be coordinated and not duplicative in efforts to account for public power’s share of the regional energy efficiency target.

Lastly, the group in Portland did not come to many conclusive points about *BPA’s backstop role*.

- The group generally felt that there needs to be a backstop in the post-2011 structure and that BPA will play a role to be determined as more details are developed relative to the topics of regional infrastructure, implementation assistance, and incentives.

Discussion of Key Element Development

Participants discussed their perspectives on each of the five key elements identified by BPA for a successful post-2011 energy efficiency effort. Specific comments and questions discussed by the group include the following:

Regional Infrastructure

- BPA engineers are preferred to private engineers- they are not marketing services and products.
- Technical assistance is needed for smaller utilities to do their fair share of conservation, so this should be included as a Tier 1 cost.
- Both BPA and third-party technical assistance is needed.

- Technical assistance should be provided at the local level. Current BPA staffing is at capacity and more staff is needed to avert delays at utilities.
- On the ground staff should be funded through a fee-for-service model.
- It is expected that BPA will continue to provide research and development in cost-effective areas. This is a clear benefit on a regional basis. Super Good Sense and the ductless heat pump offering have been good programs.
- BPA's support for infrastructure is needed. There may be some areas where elements can be owned by utilities and pressure taken off rates by offering incentives directly. Fine-tuning of the overall structure is needed to make it more efficient.

Specific items that should be included as regional infrastructure:

- Market transformation
- RTF
- PTR
- Research & development
- Marketing (mixed support)
- Conservation potential assessments (mixed support)
- M&V
- Technical assistance

Implementation Assistance

- Businesses in the area want to do innovative things with respect to conservation. If utilities are not able to support this initiative, these businesses have nowhere to turn. There may be opportunities for BPA to provide support in these situations. One idea is for a grant-type program that falls outside of the utility offerings.
- If programs are offered on a region-wide basis, utilities in the eastern portion of the region may be at a competitive disadvantage.
- The ductless heat pump program lacks the technical assistance needed.
- LIWx is an issue that is not being completely addressed in this area- there are many inefficient living conditions that cannot be cost-effectively retrofitted.
- A portion of implementation may need to be included in Tier 1- things like program development- with the actual implementation of the program paid as fee-for-service to ensure that some level of support is maintained for long-term program viability.
- Third party programs are important for smaller utilities to deliver savings.
- There has been a roller-coaster effect in the past with BPA programs- ramping-up to collect savings and then pulling programs such as windows and CFLs. It is difficult to plan for CRC quotas with these peaks and valleys.
- Programs take longer and may cost more to implement in rural areas.

Items that should be included as Tier 1 costs:

- LIWx (mixed support- funding is provided through other sectors and paid independently).
- Tribal assistance
- Third-party turnkey programs
- Trade ally network and training
- Green grocer

Incentives

- Support for the idea that if you are a free rider and do nothing to achieve conservation, that you should be penalized. This is essentially the opposite of the current CRC model where you pay in advance and are reimbursed for activities.
- BPA has the ability to surcharge utilities, but there is concern that the targets set for utilities will be unachievable.
- Utilities believe strongly in conservation and energy efficiency, but want to keep resources local, rather than pooling into the CRC model program.
- Utilities that want to participate in the opt-out option should be required to plan for concepts that will work in their service territories. Reporting mechanisms will be necessary.
- Smaller utilities may not be able to accomplish the opt-out option. A CRC-type option should be available for those unable to implement their own programs.
- “Opt-in/opt-out” is a poor term. “Equivalency program” is a better term.
- A shared rate plan concept may be attractive to smaller utilities who want the credit. However, this may create an element of confusion as to what falls into is Tier 1 versus Tier 2.

Oversight, Metering & Verification

- Conservation potential assessments should be conducted for each of the utilities. The “low-hanging fruit” have already been achieved in some service territories and savings will be more difficult for some utilities to achieve. CPAs will require more funding for RTF assistance. This may include a validation process, rendering equivalency, and development and submittal of plans.
- Climate zones have been a limitation to accurate measurement of savings in areas with more extreme weather.
- Cost-effectiveness criteria can work against savings. Sometimes what members want are not the measures that create the highest savings. Savings should be the focus and flexibility to work with customers’ interests would be helpful.

BPA’s Backstop Role

- The pooled group provides an advantage because all conservation resources get used. If one utility cannot use the available resources, they can be passed to another.
- If a utility is working as hard as it can to achieve conservation, it should not be subject to penalties.
- BPA is a backstop to the Council’s target, but should be approached from a point of assistance at the local level, rather than in a rigid, penalizing manner.
- The “low-hanging fruit” for conservation is becoming less and less. Goals need to be carefully looked at if penalties will be levied against those who don’t meet the targets.

Wrap-up and Next Steps

BPA will conduct additional meetings around the region in Spokane (Feb. 12) and Pasco (Feb. 20). Summaries from each of the four regional meetings will be compiled to the BPA website (<http://www.bpa.gov/Energy/N/post-2011/>).

A formal written comment period for the post-2011 public process is currently open through March 2. Participants were encouraged to submit written comments, instructions for which are also available through the BPA website.

Participants are also encouraged to attend the March 9, 10, and 16 collaborative working sessions in Portland. It was emphasized that these meetings will build upon one-another over the course of the three days and should be attended in whole, to the extent possible. A phone bridge will be made available for those unable to attend in-person. Agendas and other materials for these working meetings will be posted to the BPA website in the near future.

Meeting Participants

Andy Tyson, Creative Energies
Bill Poulsen, Idaho Falls Power
Chad Jensen, Lower Valley Energy
Christina Thomure, Grand Targhee Resort
Dahvi Wilson, Mountainside Institute
Jackie Flowers, Idaho Falls Power
Jan Brown, Yellowstone Business Partnership
Jim Dolan, Pacific Co. PUD
Jo Elg, Idaho Falls Power
John Williams, BPA
Kelden Boren, Engineering System Solutions
Larry King, BPA
Mickie Funke, Fall River REC
Valerie Kimbro, U of I Student
Van Ashton, Idaho Falls Power
Wid Ritchie, Lower Valley Energy