Bonneville Power Administration
Regional Energy Efficiency Post-2011

February 10, 2009
Seattle, Washington
1:00-5:00pm

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 Seattle meetings suggested principles that should be used to guide BPA's Post-2011 program structure. Specific suggestions included the following:

- Acquire all cost-effective conservation consistent with the Power Act.
- Be consistent with the tiered rate structure established in the Regional Dialogue process.
- Focus on the capture of lost opportunities.
- Pursue economy of scale opportunities to enhance conservation.
- Help utilities do what they cannot do themselves.
- Avoid unnecessary duplication and maximize leveraging.
- Be responsive to the diversity of needs in the region.

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.

<u>Discussion of Key Element Development</u>

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:

<u>Regional Infrastructure</u>

- The Regional Technical Forum needs to be strengthened, enhanced, and supported.

- In Washington State, I-937 will begin monitoring utilities and the distribution of conservation; this is a potential overlap in effort.
- The technical expertise needed to fill the mission for the region needs to be defined. For example, will RTF be characterizing measures, evaluating deemed savings, determining the value of new and existing technologies, and/or determining cost-effectiveness at the individual utility or regional levels? The NEET process has also echoed this need for definition.
- Ensure technical efficiency and quality control, timeliness, and sound technology.
- A definition of what constitutes regional infrastructure is needed: systems, tools, and knowledge.
- Items that are generally regionally acceptable, those with broad benefit and cross-market potential, should be included as regional infrastructure.
- BPA needs to work through its account representatives and determine what segments of its customers need what services to achieve their goals.
- BPA's current infrastructure took a long time to build-up; we do not want to see BPA's capabilities lost.
- There is a question of duplication in emerging technologies and who will take the lead on this. The Northwest Energy Efficiency Alliance (NEEA) Business Plan had carved-out some emerging technology areas. There may be some gaps and role for BPA, in coordination with others. BPA also contributes to NEEA and EPRI for this area.

Specific items that should be included as regional infrastructure:

- Data collection
- Coordination/clearinghouse activities
- RTF
- NEET
- Networking
- Emerging technologies (in coordination with others) M&V metering equipment.

Specific items that should be excluded from regional infrastructure:

- Conservation potential assessments. These require specialized consultants, customer surveys, and end-use forecasting. Standards for conducting CPA's might make sense to be included as Tier 1 costs.
- Research and development; should be applied to transmission, but maybe not for conservation.

Implementation Assistance

- We are jumping to the conclusion that a regional solution to some of these implementation needs is the most cost-effective. There may be a number of utilities or firms that can offer the lowest-cost solution.
- What role will utilities have in defining programs? Who is deciding which are the right programs to offer? BPA's role in regional coordination is in developing program plans, vetting program ideas, and determining the interest and value of services to utilities to come to agreement about incentive levels for specific measures.
- Programs that are offered today aren't working well for all utilities. Utilities will want to make sure this opportunity is used to address these issues.
- PPC wants to work on defining the process for developing program options over the 20-year timeframe.

- There is a breaking-point between Tier 2 implementation assistance and Tier 1 regional infrastructure. For example, market research and best practices might be considered infrastructure if they are contributing positively to the ability of BPA to offer implementation assistance.
- Custom projects for small utilities may be difficult without BPA support.

Items that should be included as Tier 1 costs:

- Development of turnkey programs for smaller to medium utilities.
- Technical assistance
- LIWx
- Tribal support

Incentives

- Incentives should be a bi-lateral arrangement between BPA and utilities.
- Support for opt-in/opt-out model. Similar to load shaping on the transmission side. Fee for service.
- One of the benefits that BPA provides is their ability to reduce costs by spreading benefits and costs around the region. BPA has a regional experience that can generate economies of scale.
- There is a need to determine the threshold for inclusion in Tier 1 rates- what is on the "menu"? For example, is 30 out of 130 customers using a program enough to be worthy of BPA support? Product cost per unit is one way of looking at this.
- How much definition will there be between programs? Are these costs appropriately segregated so that only those utilities accessing these services are paying for them? "Opting-out" does not help utilities that want to provide their own programs if they are not truly opting out of everything.
- The ability of utilities to pool is an important concept and needs to be accommodated. We have PNGC now and may soon have NRU, bringing the ability to study conservation over several service utility areas.
- Choice and options for utilities should not mean all or nothing. However, if you opt-in, then you are on the hook for achieving conservation. If you opt-out, you have to show that there is resource to achieve conservation, and there should also be consequences for not meeting a target.

Oversight, Metering & Verification

- The Council's current system does not accurately calculate a utility's potential energy savings. Improvements may need to be made.
- The Council's calculator is the tool we have available now, so a new study and sound methodology for measurement of savings will need to be proposed.
- Ultimately, we are interested in an aggregate conservation outcome and do not care what individual utilities achieve. We want the most cost-effective energy efficiency possible and we want customers to reap the benefits of cost savings. How these break-down is a challenge, but there is an important role for common metrics within the verification system.
- If you sign-up to say you're going to achieve specific savings, there needs to be an accompanying plan that outlines how a utility will achieve these savings.
- BPA may have a role in reviewing M&V plans, but also on a more comprehensive basis in helping to define customer protocols.
- Third-party programs and M&V need support at the regional level.

- The reevaluation of targets cannot just be applied to individual utilities.
- Once concept is to set targets for those utilities who don't "opt-in" to BPA implementation assistance.
- Consistency in reporting between Washington (I-937), BPA, and the Council is valuable to utilities. But flexibility is also desirable- utility IRP projections may not be the same as what's wanted by BPA and the states.
- Those that opt-in will want to make sure that BPA achieves its share of conservation for them; there could be some sort of benchmark established for the region.
- M&V standards could be developed for the region and individual utilities could also do their own M&V plans for approval that follow these standards.
- It is assumed that there will continue to be deemed measures, with more flexibility to adjust for specific conditions in the various service territories.
- What is the role of RTF and the granularity that they will be looking at measures? There needs to be alignment between I-937 and resource planning, which are not always the same.

BPA's Backstop Role

- The term "backstop" could refer to two distinct areas and needs clarification. There is the idea that BPA would step-in to ensure that targets are being achieved, as well as a backstop role to those utilities that have opted-into contracts and assistance with delivering programs.
- There is an issue related to how soon BPA exercises its backstop role with utilities.
- There is a difference in opinion as to whether BPA's backstop role should be evaluated on an individual utility basis or collective regional basis. BPA may have a role in both.
- Whether you "opt-in" or "opt-out" of implementation assistance, each utility's conservation acquisition should still count and be evaluated against the Council's overall target.
- If there is a utility that is overachieving, is there a relationship to utilities that may be underperforming? Perhaps there is a BPA role in portfolio balancing.
- BPA has an obligation to assert their role relative to the regional target and develop a backstop as a surcharge or some other mechanism.
- When backstop savings are not being met, it makes sense to locate the best cost-effective conservation being conducted by utilities in the region and reinvest there to offset shortages.
- There is some concern that the downturn in the economy will continue to prevent utilities from seeing savings in the industrial sector. If utilities are allowed to opt-out and the savings continue to be unavailable, what does this mean for BPA's backstop role?

Wrap-up and Next Steps

BPA will conduct additional meetings around the region in Idaho Falls (Feb. 11), 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

Penny Cochrane, Willis Energy Services Ltd
Craig Smith, Snohomish PUD
Jill Steiner, Snohomish PUD
Scott Coe, BPA
Mary Smith, Snohomish PUD
Melissa Podeszwa, BPA EER
Bob Kajfasz, City of Port Angeles
Ted Coates, Tacoma Power
Kirsten Watts, BPA
Scott Corwin, Public Power Council
Jim Russell, Tacoma Power
Nancy Hirsch, Northwest Energy Coalition