Bonneville Power Administration
Regional Energy Efficiency Post-2011

February 11, 2009
Spokane, WA
8:30am-12:30pm

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

- Money collected from utility members should benefit those members.
- Maximize the flexibility of programs and incentives that are going to work for local service territories.
- Utilities need to have flexibility and choice in programs beyond their regional base contribution.
- Deemed measures and programs need to be simplified.

There were also several comments shared around the idea that all utilities will be balancing their individual needs against the challenge to meet a regional conservation target. While there is a desire for flexibility in BPA's program structure, the result of this process will not be perfect for anyone and should focus on developing an agreeable package of options that meet the greatest number of needs.

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:

Regional Infrastructure

- Something like the RTF needs to be available, but needs to be streamlined and more utility representation. Half of RTF's membership is consultants. Smaller rural utilities need support in order to participate in RTF, in terms of travel funds, bi-monthly rather than monthly meetings, and meetings that last two days, rather than one day.
- NEEA does market transformation, but markets in rural areas east of the Cascades need more transformation than those west of the Cascades.
- Anything that makes sense to implement at a regional level needs to be included in Tier 1.
- Costs need to be proportional; IOUs should play a role in funding infrastructure that benefits them.
- While utilities may not use all of the programs offered by BPA, they will use some of them and all should fund research and development activities.
- If services are being paid for in Tier 1 rates, we need to ensure these services are being spread around the region.
- Finding BPA staff is not that different than funding NEEA- there is a regional benefit and should be funded in Tier 1.

Specific items that should be included as regional infrastructure:

- Research and development activities to support program design and measurement.
- RTF
- NEEA

Implementation Assistance

- There may be additional options beyond the programs that BPA provides. Private or contracted utilities may be able to do the work for small utilities and provide greater flexibility.
- Acquisition programs should be opt-in so utilities can offer services that make sense for their areas. These costs should be paid by only those that want to participate.
- As the Council is planning its targets for conservation, it needs to consider the reality of utilities in having to work with, convince, and incent its customers.
- Demand response programs need to provide utilities with full control; otherwise customers will find a way around the technology.
- Small utilities are encountering difficulty in implementation. Builder self-certification within the local building codes is not working. Utilities are spending money weatherizing houses that weren't built to code; retrofitting is always a more expensive way to get at energy efficiency.
- Refrigeration standards and consistent building codes may be something that could be placed in Tier 1. If programs are specific to a utility, they need to go into Tier 2.
- New programs need to be agreed-upon; otherwise, existing programs should be offered as products under Tier 2.
- Least cost resources are in industrial and commercial sectors, but many smaller utilities lack expertise in these areas.
- One utility did a recent project through the local Job Corps program that BPA helped to pay for. They are interested in ways to contract with BPA to complete future projects.
- Some utilities have been more aggressive on conservation and therefore it will cost some more money than others- future savings depends on how much you've already done.

Incentives

- CRC programs probably fall into Tier 2.
- We need to ensure that savings are real and transparent so that members will adopt and implement these concepts.
- Utilities want as much flexibility as the process can bear; they are accustomed to dealing with the PTR that has a lot of choices.
- Melding costs into base rates is part of this business, so there should be a way to meld-in infrastructure and regional services costs to Tier 1 rates.
- Tier 2 could be a BPA product or a private resource. BPA products could be bundled.
- In Montana there is a universal system benefit charge that pools between 26 co-ops. There are some utilities that have to meet 50% of their target of they pay a penalty, or are even expelled from the pool. Things are being done for utility systems that create conservation and would incent utilities if they were paid for these activities, including line work or system upgrades.

Oversight, Metering & Verification

- Deemed measures need to be streamlined and more easily understood. There are many utilities doing energy efficiency measures that are not being counted.
- There is a need to move away from activity and measures-based systems to make sure we are confident in energy savings over the long-term.
- Deemed measures need to be defined. The PTR system is where we have been measuring savings, but system upgrades are not being conducted in a timely, user-friendly manner.
- BPA should focus on an oversight role and rely on partnerships with knowledgeable contractors- look at smaller sample sizes for verification.
- Some utilities will not experience growth in their service territories. These utilities do not want to be penalized if they are not facing the Tier 2 price signal. Conservation goals need to account for growth and be achievable.
- The Council's targets need to account for a utility's history, the housing stock of its service territory, etc. when setting targets. Conservation potential assessments may get at this.

BPA's Backstop Role

- Utilities do not want to carry others who are not doing their part to capture savings.
- Each utility does not have the same opportunity to create savings- utilities may need to balance each other out in order to reach the regional target.
- Longer periods of time or averaging of performance over time may need to be considered to accommodate variability in energy efficiency savings from year-to-year.
- There will be some non-performers amongst BPA's customers. The "green tags" model may serve as an example- at some point non-performers will need to pay conservation credits. There needs to be a "stick."
- Penalties are appropriate and have worked well in other situations. The current CRC program is essentially a penalty.

Wrap-up and Next Steps

BPA will conduct an additional meeting in Pasco on 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

Bob Pierce, Clearwater Power
Cheryl Talley, Flathead Energy Co-op
Chris Aiken, Kootenai
Dale Anderson, Big Bend Electric Co-op
Dale Smith, Rancher
Dan Villalobos, Inland
Daryce Hoffman, City of Cheney Light
Dave Curry, DEN
David Park, City of Chewelah
Elissa Glassman, Northern Lights
Fred Rettenmond, Inland
Gary Nieborsky, Kootenai
Gary Nystedt, City of Ellensburg
Jim Maunder, Ravalli Electric
Jim Scheel, DEN
Joe Noland, City of Cheney Light
Kris Mikkelsen, Inland
Larry Bryant, Kootenai
Marty Robinson, Pend Oreille PUD
Mike DeVleming, Vera Water & Power
Mike Normandeau, BPA
Ralph Goode, MVP
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Rob Neilson, Demand Energy Network
Rosalie Nourse, BPA
Ross Holter, Flathead Energy Co-op
Stephen Boorman, City of Bonners Ferry
Terri Richey, Modern Electric & Water Co.
Tim Engleson, Lincoln Electric
Virginia Harman , Glacier Electric Co-op