Progress Report for Workgroup #1: Model for Achieving Programmatic Savings

**Issues:**
Issue #1 – EEI Allocation Methodology using TOCAs (affirmed by the group to continue with the status quo).
Issue #2 – Two-Year EEI Budgets.
Issue #3 – BPA Redirect of EEI Funds.
Issue #4 – BPA’s Backstop Role.
Issue #6 – Limitations of the Post-2011 Framework.
Issue #7 – Performance Payments for Regional Programs (affirmed by the group to continue with the status quo).
Issue #8 – Regional Program Administration.

**Summary of Progress to Date:**
The workgroup continues to work collaboratively to resolve the remaining issues associated with our Workgroup.

Anita Mertsching and Kyna Alders presented to our workgroup the status BPA pursing 3rd party financing for EEI incentives. As proposed, this amount would no longer be financed through capital borrowing but rather financed through a Region Wide Conservation Issuer. As a result, the workgroup has adopted another working assumption - that to the extent incentives continue to be capitalized, BPA will pursue 3rd party financing effective FY16 (October 1, 2015).

In addition, there was clarification that the level of incentives will be determined either in the Capital Investment Review (CIR), if it’s capitalized, or the Integrated Process Review if expensed. The task of the workgroup is to present a model to achieve savings acquisition. An introduction of an alternative source of funding would need to be introduced into one of those forums (e.g., a shift from capital to expense to fund EEI incentives).

The workgroup also spent some time clarifying Issue #6 – Limitations of the Post-2011 Framework, Issue #7 – Performance Payments for Regional Programs, and Issue #8 – Regional Program Administration. Recognizing there may be some programmatic limitations, BPA continues to explore opportunities with public power to minimize inherent constraints of the current framework. For example, we continue to strive to improve our work in R&D, demand response, custom program approaches and behavioral based energy efficiency programs.

From the Post-2011 Implementation Program, BPA committed to review the specific funding approach for each regional program based on discussion and collaboration between BPA and customers during each program’s design phase. We recognized the big shift in program delivery when we moved away from a direct acquisition model and gave control over program investments to the customer. The discussion focused on Energy Smart Grocer (ESG), but we quickly reminded ourselves that the discussion should be expanded to include current and future program opportunities, not just ESG. A robust
discussion settled on establishing some guiding principles on regional program design. Some items include: determination of the customer benefit if a current program undergoes change; who would be impacted by the program change (e.g., customers, NEEA, ETO, etc.); sharing the program idea with external stakeholders prior to launch; and taking into consideration the timing and reporting requirements of the utility. We will continue to flush out these requirements as potential governing principles for program design and implementation.

The group will also recommend utilities retain the ability to claim performance payments for 3rd party programs (status quo).

Continued discussions on the options for self-management of incentives led to a detailed review of costs embedded in rates. We also established and discussed six self-management of incentives options for consideration by the group. Pros and cons of each funding alternative were discussed, as well as implications and/or additional considerations for each option. While the desired outcome was to possibly eliminate any options that may not be viable or appealing to the group, it was quickly determined that while some of the options were independent of others, some options may interact with another. For example, you could choose an expense rate credit option while revising the 75/25 programmatic split. We did, however, identify one option as a least favorable outcome for utilities.

**Next Steps:**

Our next meeting is March 26. We will review the status of the issues, quickly check in on those we reached some level of consensus and focus on our outstanding issues. All issues have been discussed to some level; our focus will be to narrow the recommendations so we can begin preparations for the final report.

We are also developing a scoring approach to the options to help the workgroup narrow the focus of conversation (based on a majority-win of the scoring process).

**Request for Feedback**

The workgroup would still like hear from stakeholders whether there is interest in the self-management of incentives and which alternatives are most attractive to those with an interest. We are prepared to present our analysis to you in effort to

1. Gage your level of interest in the self-management of incentives;
2. Ensure we have captured all available options identified by the stakeholders. We want our options to be as inclusive as possible. Are we missing other alternatives?

The workgroup chairs will present further detail in the slides.

**Please contact co-chairs listed below for follow-up or feel free to contact your respective Energy Efficiency Representative.**

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