

**Energy Efficiency Post-2011 Review**  
**Workgroup 1 Meeting 1**  
**Thursday, January 16, 2014**  
**9:00am to 3:00pm**  
**PNGC Conference Room**

**Overview**

Richard Génécé, co-chairs and participants kicked-off the workgroup. The slides with agenda are [here](#). The group established norms for operational excellence, discussed what success for the group would be, then discussed the Facts & Figures document. BPA staff led a walk-through of the issues within the scope of the workgroup and then discussed BPA’s working assumptions. Finally, the group did a prioritization and grouping of the issues exercise to get an idea of how they might approach the issues. The next meeting was set for January 29, 2014 from 9:00 a.m. to 3:00 p.m. at PNGC. Only workgroup members will be invited to the future meetings but the meetings are open to the public. Contact co-chair [Margaret Lewis](#) to be added to the workgroup distribution list..

**Decision/Action Items**

BPA to follow-up on various data points requested at meeting.

**Meeting Notes<sup>1</sup>**

*Co-chairs:*

Margaret Lewis (BPA)  
Doug Brawley (PNGC Power)

*BPA Participants:*

Josh Warner  
Kyna Alders  
Matt Tidwell  
Richard Génécé  
Summer Goodwin  
Kim Thompson  
Gary Smith  
Mark Ralston  
Boyd Wilson

*Attendees in person:*

Alex Walker (PPC)  
Doug Brawley (PNGC)  
Tim Lammers (Columbia River PUD)  
Eugene Rosolie (Cowlitz PUD)

Tom Schumacher (Benton PUD)  
Margaret Ryan (PNGC Power)  
Rob Currier (Emerald PUD)  
Kyle Roadman (Emerald PUD)  
Jess Kincaid (OR Department of Energy)  
Wendy Gerlitz (Northwest Energy Coalition)  
Bo Downen (Public Power Council)  
Pam Sporborg (Northwest Requirements Utilities)  
Sandi Edgemon (City of Richland)  
Charlie Black (NWPPC)  
Mary Smith (Snohomish)

*Attendees on the phone:*

Larry Blaufus (Clark)  
Van Ashton (Idaho)  
Brian Fawcett (Clatskanie)  
Jim Russell (Tacoma)  
Kathy Moore (Umatilla)  
John Walkowiak (Tacoma)  
Peter Meyer (Tacoma)  
Linda Esparza (Franklin)  
Dan Morehouse (EWEB)  
Irion Sanger (ICNU)  
Mike Little (Seattle)

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<sup>1</sup> Out of respect for privacy, only attribution to comments from BPA staff and workgroup co-chairs is included in these meeting notes.

Jed Morrell (Monmouth)  
Wade Carey (Central Lincoln)  
Chuck Eberdt (The Energy Project)  
Doug Case (Columbia REA)  
Virginia Harmon (Glacier Electric)  
Cheryl Talley (Flathead)  
Duffell Gray (Coos Curry)  
Mattias Jarvegren (Clallam)  
Jim Dolan (Pacific County)  
Debbi Peters (Okanogan)  
Kathy Gray (EWEB)

Kendall Youngblood (PECI)  
Tim Karrier (NWPCC )  
Kevin Smit (EES Consulting)  
Elizabeth Osborn (NWPCC and Washington  
State Energy Office)  
Nick Brod (PECI)  
Rich Arneson (Tacoma Power)  
Eric Miller (Benton REA)

- **Welcome and opening remarks.**
  - Richard Génécé spoke about being excited about the process and appreciated engagement by everyone.
  - Sideboards: BPA has had time since the kick off meeting to consult with some internal BPA organizations and we have identified some Working Assumptions that will be shared later during today's meeting.
- **Overview of Agenda.**
- **Operational Excellence**
  - Margaret Lewis identified the norms for the group: get meetings on the calendar, materials in advance, notetakers are not professional notetakers, notes will be posted within one week on website, any comments on notes should be directed to Margaret Lewis Lewis.
  - Kim Thompson : one conversation at a time.
  - Richard Génécé: encourage people to think about the long term in addition to short term
- **What does 'success' look like to you?**
  - Doug Brawley: success would look like developing proposals that are implementable, that makes the overall efficiency we accomplish better, that meets BPA's requirements, that appreciates the role of the utility, and making the operations of the utilities easier to help with acquiring savings.
  - Person A: looking back at the last time around, we come out with a consensus document where we're all on the same page; agreement within the workgroup so we all walk out feeling satisfied.
  - Person W: enabling all of the utilities (large and small) to be able to aggressively participate in BPA's programs; strive to ensure that all utilities are equitably able to access BPA programs and energy savings.
  - Richard Génécé: expressions from everyone on what they want even if it doesn't always mean consensus across everything. Everyone has had the opportunity to express their views and they are understood by everyone.

- Person A: what is consensus? It doesn't mean that we all have to agree on everything. We can sometimes set aside our issue to let the group proceed with an idea.
- Person B: we put a lot of work into the original framework, so if things are working we don't need to recreate them.
- Person C: we need encourage the lowest cost resources and not have barriers in place to the lowest cost acquisition.
- Person D: some may quickly come to consensus where it may take others a bit more time, so we need to allow time to think things over.
- Doug Brawley: we need to keep in mind our schedule and stay on track and work judiciously.
- Person E: we spent a lot of time the last time around on opt-out and it wasn't adopted, so if those kinds of issues come up and they are showstoppers that we don't spend a lot of time considering them and that BPA will let us know.
- Person F: we would like to see some acknowledgement that not all utilities are the same and that we need flexibility, especially between option 1 and option 2 customers.
- Doug Brawley: we'll put these together into a set of guidelines for the group. We can add more to them later.
- **Facts and Figures document**
  - Kim Thompson: Did not spend a lot of time walking through the document. More of an opportunity to get additional questions and the type of information that would help the workgroup think through the issues.
  - Person G: is there a breakdown of cost in the document?
  - Kim Thompson: no, but that's the type of question we're interesting in hearing:
  - Person G: what is the cost per kWh of savings over time?
  - Person A: how are you going to account for the Norpac savings?
    - Kim Thompson: we're counting the savings toward the 504 aMW target, but separate from the programmatic saving since they didn't involve EEI.
  - Doug Brawley: is BPA going to reconsider the 42% for public power?
    - Josh Warner Warner: this is part of Long Term Regional Dialogue policy; we'll reassess the calculation for the next power plan
    - Richard Génécé: it merits consideration but it's an Administrator decision and it rises above this workgroup.
    - Person A: suggest using "BPA's share of public power" rather than "public power's share"
  - Person H: NWECC had requested info about all LPF requests.
    - Kim Thompson: There were two.

- Kim Thompson: there was a request for our planning cost per aMW but we were not able to get that yet.
- Matt Tidwell: we are working on providing a breakdown of savings by sector
- Person C: we hope that BPA could review the comments we provided during the public comment period which included various information requests.
- Person F: how many people got unassigned account dollars but then didn't use them by the end of the rate period? Don't need to know the customer names, just a sense.
  - Kim Thompson: BPA was responsible for some of the funds being left unspent
- Person H: for number 8, the amount remaining of EEI just goes back to the BPA general fund?
  - Kim Thompson: correct.
- **Issue Review for Workgroup 1**
  - Doug Brawley: it's my understanding that issues that don't fit in this process will be addressed by BPA in other forums.
  - Matt Tidwell: conducted an overview of BPA working assumptions ([see slides](#)).
  - Person A: what is meant by not adversely impacting customers that choose not to pursue a particular alternative
    - Kim Thompson: e.g., shifting of costs. This is the standard bar in Power policy – fairness in managing the customer relationship.
    - Doug Brawley: another example would be a world where BPA decides to pursue only industrial and commercial savings because that would disadvantage customers with mainly residential savings.
  - Person C: the TOCA approach shifted costs – does this language prevent us from revisiting this approach?
    - Richard Génécé: this is a screen, i.e., what impact would the proposal have on other utilities? We want to weigh this consideration in looking at options.
  - Person F: is the 75/25 split on the table for consideration?
    - Matt Tidwell: yes
- 1. Issue 1: EEI allocation methodology using TOCAs**
  - Unknown Person: what does menu of services mean?
    - Matt Tidwell: Covers more than EEI. Some utilities are not interested in paying for third party programs
  - Doug Brawley: could we rename "opt-out" to something like "utility self-management of incentives for energy savings"?
  - Person I: are we just talking quantity or the types of energy efficiency and prioritization to get a higher value?

- Josh Warner: we're talking about the quantity. The workgroup could address an approach that considers the types and value of energy efficiency.
- Person A: the model is based on "equity." We need to keep this in mind because we went through a long process to get to where we are today.
- Person J: it's an assumption that conservation potential doesn't line up with TOCA.
- Person I: there's also the time dimension to funding energy savings.
- Doug Brawley: if we took on conservation potential, we would need a similar base for determining potential across all utilities.
  - Josh: we'd have to look at how to do this.
  - Kim Thompson: TOCAs are used because its universal to all our customers

## **2. Issue 2: Two-Year EEI Budgets, aka Roll Over**

- Kyna Alders: Finance is working on a rollover policy that is likely to be finalized this month. This policy will help inform the workgroup as it identifies strategies for enabling large projects.
- Person C: is this a showstopper? We have drop dead dates for our budgets.
  - Richard Génécé: No, I don't think so. We're working with Finance to define the policy related to this and emphasizing the need for flexibility.
  - Josh Warner: we are listening to your concerns about this.
- Person H: this is a very important issue and progress on this would be really helpful. Wondering if the same roll over could also apply to EE's expense budget instead of going back to the general fund instead of just EEI/capital. BPA underspends expense every year.
- Person A: it's important that we look at what worked and we keep what worked.
- Kim Thompson: an example of this was the successful use of bilateral transfers to allow utilities to access EEI across rate periods.
- Kyna Alders: option d is more of a planning issue.
- Doug Brawley: we may need folks from Finance informing us on the constraints of finance, e.g., as it relates to budgets to Congress.
  - Kyna Alders: we can provide a high level overview.
- Person I: BPA can implement a transmission project which covers multiple rate periods. If so, it would seem that the same mechanisms should be used for energy efficiency.

- Kyna Alders: the difference is that Transmission manages their projects within their fixed fiscal year budgets. Transmission doesn't carry budget over.
- Person K: it's very difficult to when you have \$500-700k projects, sometimes they just have to carry over, especially for larger Industrial projects.

**3. Issue 3: Redirect of EEI Funds**

- Person L: How big a problem is this?
- Josh Warner: \$1.8 million is about 1.5% of rate period EEI budget or 1 aMW.
- Person J: we would need to solve how to reallocate the money that is redirecting.
- Person E: the roll over might make this point mute.
- Person H: Why would utilities object to this? They will lose the funds anyway.
- Person L: can we compare the unspending to previous rate periods?
- Josh Warner: it might be hard to compare to previous rate periods. You have the FY11 overspend, but then it was a different paradigm with the conservation rate credit.
- With the Conservation Rate Credit, very few utilities had to pay back money.
- Person M: could we get percentage values for amount of EEI left at the end of the rate period: percent of small budget, percent of large budget. If this is 1% for most utilities, then this could just be cautionary budgeting.

**4. Issue 4: Backstop Role**

- Person N is this self-imposed or from the Council?
  - Josh Warner: self-imposed per the regional dialogue policy and the Post-2011 public process.
- Doug Brawley: how broad is this issue in BPA's mind?
  - Josh Warner: always thought of it in terms of the savings targets.
  - Kim Thompson: part of the vagueness is related to what BPA would have to do depending on the issue requiring a backstop.
  - Person J: as a practical manner, how would BPA do this? It's not practical to run out and go get some savings at the last minute.
  - Person K: when do you look at this?
    - Richard G nec : it depends on where we are in the rate period and information we have at hand.
  - Person K: Could look at utilities' CPAs to see where they would be.

- Person A: BPA's largest customers (probably 90% of BPA's load) are doing CPAs and we know the CPAs are less than the Council's targets, so what does that mean for the backstop role?
- Person I: of the utilities that are doing CPAs, do they capture all the different types of savings?
  - Josh Warner: looking at CPAs is a way to look at the risk, but they are done in different ways by different utilities. We want a reasonably high probability that we will meet the target.
- Person J: can we revisit the 42% share of the Council's target?
  - Richard Génécé: it would require a different process than the one from today; its an Administrator decision.
- Person I: utility CPAs is just one moving piece among many as it relates to achieving the targets.
- Person J: it would be helpful to get non-programmatic savings from BPA in a timely way.

#### **5. Issue 5: Utility Self-Funding**

- Person F: What was the actual EEI vs. self-funded savings split? Not sure that the 75/25 split is appropriate. The split only looks at the savings and not the costs to the utility of acquiring the savings. We are carry about 67% of the cost needed to get the savings; we pay higher incentives.
- Josh Warner: in the original process, we heard from customers that the focus should be on savings, but now we've also heard any interest in utility spending in addition to savings.
- Person A: there is the issue of utility funding versus savings, so the nomenclature of "self-funding" is a misnomer.
- Josh Warner: our target is based on savings, not about spending so it's difficult to think only about spending.
- Doug Brawley: we need to work with Workgroup 5 on nomenclature so we know exactly what we're talking about.
- Richard Génécé: the EEI didn't buy us the savings we expected, so we need to recognize that our costs are going up.
  - Doug Brawley: More detail on what cost per sector and how much savings those EEI dollars got us, that's a piece of data that this group needs.
- Person J: we are understating the costs of measures by not capturing all the costs associated with acquiring the saving., such as evaluation to ensure the savings are good

- Person M: to maximize the contract high water mark, it made more sense for us to invoice BPA for the higher cost savings and self-fund cheap savings, and we may be still doing this.
- Kim Thompson: this is something we need to look into: the mix of measures for BPA compared to self-funded savings.
- Person J: we haven't built into the system incentives to drive down the costs of acquisition. May need to look at BPA's willingness to pay.
- Person A: because of the use or lose it, we want to use BPA funding first. We have a lot of industrial, which tends to come in at the end of a rate period, so we'll fund higher cost measures with BPA funds at the beginning and then we self-fund the lower cost industrial at the end.
- Kim Thompson: we have to set a budget to align with the 75% savings, but then the reality varies given so many different utilities that have control over how the budgets are spent.
- Person A: we're facing the case where residential savings are getting harder and harder to find and more expensive – need to look longer term.
- Josh Warner: we need to look at things on a portfolio level. How the percentages end up breaking down for BPA and self-funding may not ultimately matter so long as BPA and its utilities achieve the targets, which we did for the last rate period. So we may not need to focus too much on why BPA's budget delivered less than 75%.
- Person H: more information would be helpful here on cost/aMW for EEI funded and self-funded savings. As a result of the Fy11 overspend, BPA adjusted down the average cost. So we'd need to know more about average cost to help us make decisions.
- Kim Thompson: we could demonstrate what self-funded savings would have cost if they were BPA-funded based on the savings and BPA's willingness to pay for those measures.
- Person H: Tom Eckman has regional cost/aMW
- Person I: This is captured in their annual survey, but at a high level.
- Person A: they report this by sector in the survey.

#### **6. Issue 6: Limitations of the Framework**

- Person H: I was looking for the opportunity to address the higher level concerns about achieving conservation. Are there limits on what utilities can do to acquire all cost-effective conservation?
- Person J: There is nothing precluding utilities from spending as much as they want for conservation. It doesn't have anything to do with BPA's EEI funding.

- Person O: it's the difference between local rates and what the utilities pay in the rates to BPA.
- Person H: not all utilities are motivated to spend above BPA levels and there are some utilities that rely on BPA and we need to ask if we're doing everything we can to allow acquiring of savings. The diversity of utilities comes into play regarding this question: are we really serving all the utilities that is maximizing everyone's ability to acquire savings.
- Doug Brawley: is the EEI structure limiting utility conservation efforts?
- Kim Thompson: compared to the CRC, we've seen utilities do conservation where they haven't done conservation in the past, so that's a success story of the existing framework.
- Person K: conservation work for low income can cause utility rates to increase.
- Person A: we miss here what happens on the regional level and the impact of the RTF's decision and what measures are approved. How easy is it for small utilities to implement the measures? The RTF is working on more measures for small/rural customers.
- Person C: does the framework limit their acquisition of all cost-effective conservation? This is important when we consider the TOCA issue.
- Person F: the EEI budget is not a limiting factor for us, but I also acknowledge that BPA has helped smaller utilities out in delivering programs. We have taken advantage of some of these programs designed for smaller utilities. BPA budget is only about 30% of our total incentive outlay to meet our I-937 targets.
- Josh Warner: this issue is also about program implementation, not just about budgets.
- Person O: it's often about the cost of implementing measures and the difficulty that arises when implementing. How do small utilities acquire conservation in a more cost-effective manner?
- Richard G nec : As we look at each one of these to prioritize we have to figure out how we would implement, as well.
- Person M: there is a lot of interrelationship between these issues so as we do the prioritization, it would help to pull out these relationships and possibly sequence

## **7. Issue 7: Performance Payments**

- Person A: If utility uses EEI for Energy Smart Grocer program, can they claim a performance payment?
  - ESG is the only program.

- Kim Thompson: today, the option for claiming performance payment exists if EEI is the source of the incentives, if they are paid directly by the utility from its EEI budget.
- Person L: do you have any data, how much performance payments are being used in this way? And what's the benefit for allowing this? What's the magnitude of the problem relative to the benefit of doing it, for whoever is doing it?
- Gary Smith: We had 66 utilities in the ESG program and 25 of them claimed performance payments – about 8% (\$421,784 ) of EEI expenditures (\$5.2 million)\*.
- Kim Thompson: it's a cost driver without there really being much utility administrative burden.
- Person D: we have monthly calls with PEI so that was staff time.
- Person P: they have done direct mail, letter, ride-along in support of program.
- Person Q: we had end-user inquiries and have to manage the relationships which involve utility cost.
- Person A: if you manage the EEI yourself, there is administrative cost. Make the program flexible enough to cover utilities that are incurring overhead costs.

**8. Issue 8: Regional Program Administration**

- Person A: would be helpful to get a briefing on ESG and ESI programs and to see how the different structures impact reality. What was estimated level of participation? What was actual level of participation?
- Kim Thompson: we haven't had "misses," we have to recalibrate our expectations as a result of a drop in utilities participating in ESG when we began the last rate period.
- Gary Smith: we had 90 utilities participating in direct acquisition in the FY10-11 rate period compared to 66 utilities in the FY12-13 rate period.
- Person A: can you give the cost of the administration of the program of before and after?
- Person Q: is the 70/30 EEI/BPA-managed capital budget going to change or be considered in this process?
  - Kim Thompson: this issue hasn't been raised and isn't in the scoping document.
- Doug Brawley: there are a lot of implications if we move back to a direct acquisition model. Perhaps there's a way to figure out how to reduce the

- additional admin costs for BPA with the result of more funds dedicated to utilities programmatically.
- Kim Thompson: our costs increased significantly when we moved away from the direct acquisition model.
- Doug Brawley: what's the magnitude of this?
- Person J: there's implication for us not being able to manage our own targets as well without knowing ahead of time what the result of the direct acquisition would be.
- Person E: the utilities have a lot less control and impact under the direct acquisition model.
- Person R: with direct acquisition, utilities would lose access to some of their EEI?
  - Yes. (general agreement)
- **Grouping and Prioritization of the issues**
  - Group discussed interrelationships between the issues and made the following connections between the issues.
    - EEI Allocation Methodology Using TOCAs has a lot of overlap with other issues
    - BPA Redirect of EEI Budgets ("take back") tied to workgroup five
    - Two-Year EEI Budgets, aka Roll Over and Performance Payments for Regional Programs and BPA Redirect of EEI Budgets ("take back")
    - BPA's Backstop Role and Utility Self-Funding
    - Limitations of the Post-2011 Framework and Regional Program Administration
  - Group voted on importance and three rose to the top: EEI Allocation on a TOCA basis; Roll over of EEI budgets; Utility self-funding. Followed by: backstop role; BPA redirect; limitations of the framework; regional program administration; and performance payments.
- **Scheduling for the workgroup**
  - Person K: subgroups could do conference calls and then the whole group could meet in person
  - Margaret Lewis: potential subgroup for issue #1: EEI Allocation on a TOCA basis.
  - Josh Warner: need to consider the pros and cons of workgroups.
  - Doug Brawley: thought we could group together EEI Allocation methodology along with utility self-funding.
  - Person L: we should spend more time getting into the issues before deciding about subgroups. Have one more meeting of the whole group to get into the substance and then go down the subgroup route if we need to.

- Person M: when we put together the agenda for the future meetings, we should group them based on our bundling.
- Person O: could we start with the issues that we know we don't want to change and then let those set aside to deal with the harder issues?
- Person J: as a homework assignment before the next meeting, everyone could do a straw vote on the options to get the group an idea of where people stand at the moment on the status quo for each issue to give us an idea of which ones are easy to solve and move on to the other issues.
- Margaret Lewis: we'll send out notes and direction on the homework assignment of voting on the options. And we'll send out calendar invites for the future meetings.
- Next meeting was tentatively set for January 29 from 9 a.m. to 3 p.m. at PNGC.
- **General**
  - Thank you to everyone for attending and to PNGC for hosting.