



Energy Efficiency Post-2011 Phase 2 Recommendations Presentation

November 17, 2010

Portland, OR



Post-2011 Phase 1

- Phase 1 closeout in August
- Phase 1 laid the policy foundation for the implementation details of Phase 2:
 - Conservation costs paid for out of Tier One rates
 - Only one funding mechanism for conservation -- allocated on a TOCA-basis
 - 75%/25% split and two implementation mechanisms to allow for more local control
 - BPA's backstop role
- Final Policy Framework and Response to Public Comments are available online:

<http://www.bpa.gov/Energy/N/post-2011/Phase-1.cfm>

Post- 2011 Phase 2 Overview

- Phase 2 provides an opportunity for BPA, its customers and other stakeholders to continue a collaborative engagement
- Collectively, we are creating the most efficient and effective energy efficiency programs possible
- Five workgroups were created to provide recommendations to BPA on the implementation of energy efficiency programs for post-2011
- BPA will now take these recommendations into consideration and then make a proposal available for public comment

Post-2011 Phase 2 Timeline

- Workgroups met biweekly: **July – October**
- Midpoint Meeting: **September 8**
- Workgroup recommendations finalized: **November 10**
- Recommendations meeting: **November 17**
- BPA proposal development: **mid-November - January**
- Public comment period on BPA proposal: **January – February**
- Finalize rules for April 1 Implementation Manual: **February – March**

Phase 2 Process

- Workgroups were very productive
 - All were encouraged to participate in any and all workgroups
 - Thank you to all who participated!
- Phase 2 webpages
 - Recommendations Document, agendas, meeting notes, and Issues Lists available:
 - <http://www.bpa.gov/Energy/N/post-2011/Phase-2.cfm>

Post-2011 Phase 2 Workgroups

- #1 Energy Efficiency Incentive (EEI)
 - Margaret Lewis & Megan Stratman
- #2 Small/Rural/Residential (SRR) Focus
 - Boyd Wilson & Eugene Rosolie
- #3 Conservation Potential Assessments (CPA)
 - Andrew Miller & Jill Steiner
- #4 Implementation Mechanism
 - Melissa Podeszwa & Larry Blaufus
- #5 Regional Programs & Infrastructure
 - Curt Nichols & Wade Carey

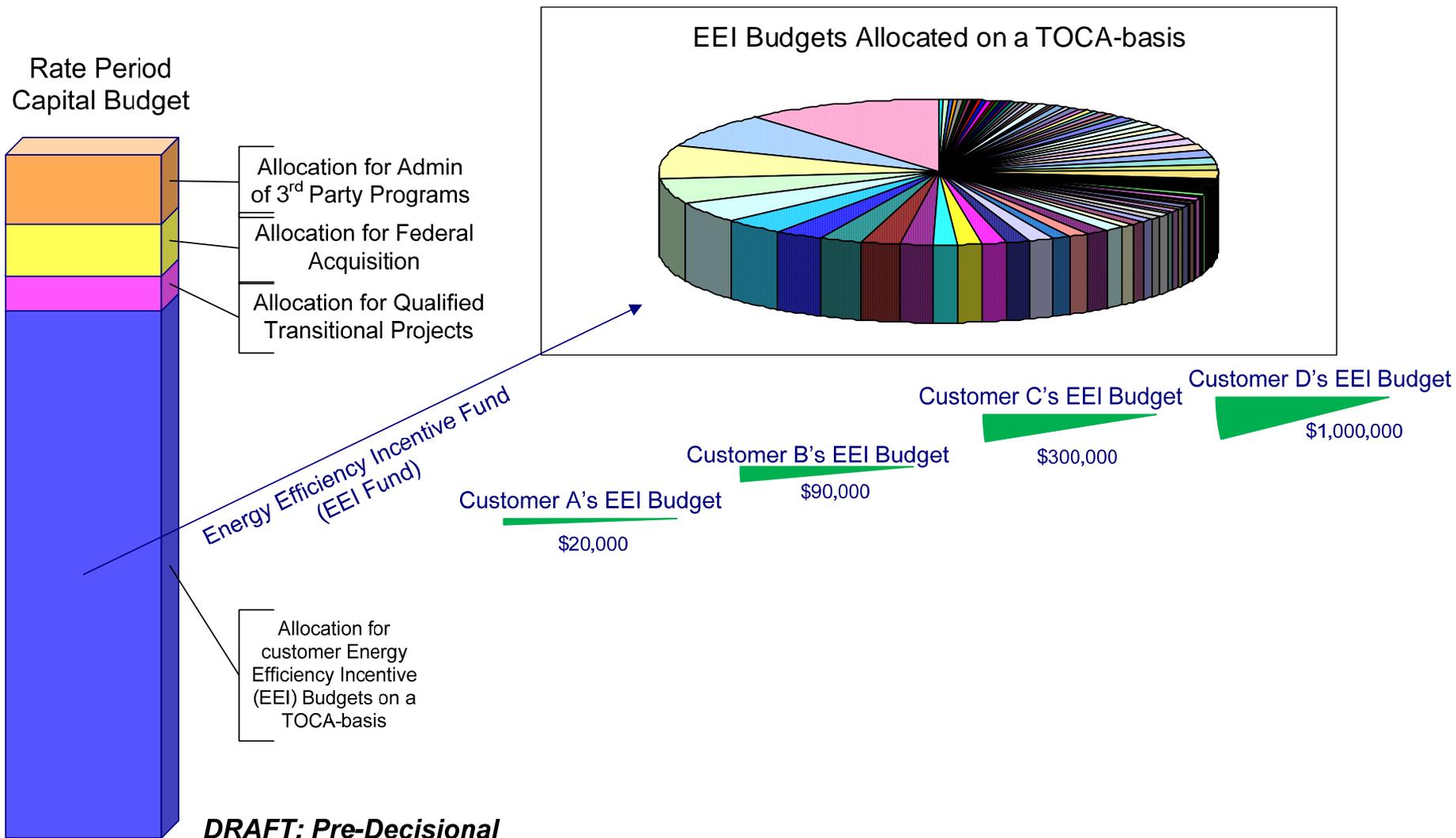
Post-2011 Phase 2 Recommendations

- Caveat: The recommendations in this presentation are the result of the workgroup process and do not represent the official policies of BPA
- The recommendations will inform the BPA proposal

Post-2011: Energy Efficiency Incentive

- Incentive dollars are assigned on a Tier One Cost Allocator (TOCA) basis
- No longer CRC and bilateral funding
- ECA is contracting mechanism for *all* customers; EEI is funding mechanism
- BPA notifies customer of EEI budget via a letter, which customer must return to BPA
- Budgets are kept in customer “accounts;” an invoice-and-reimburse system

From Capital Budget to EEI Budgets

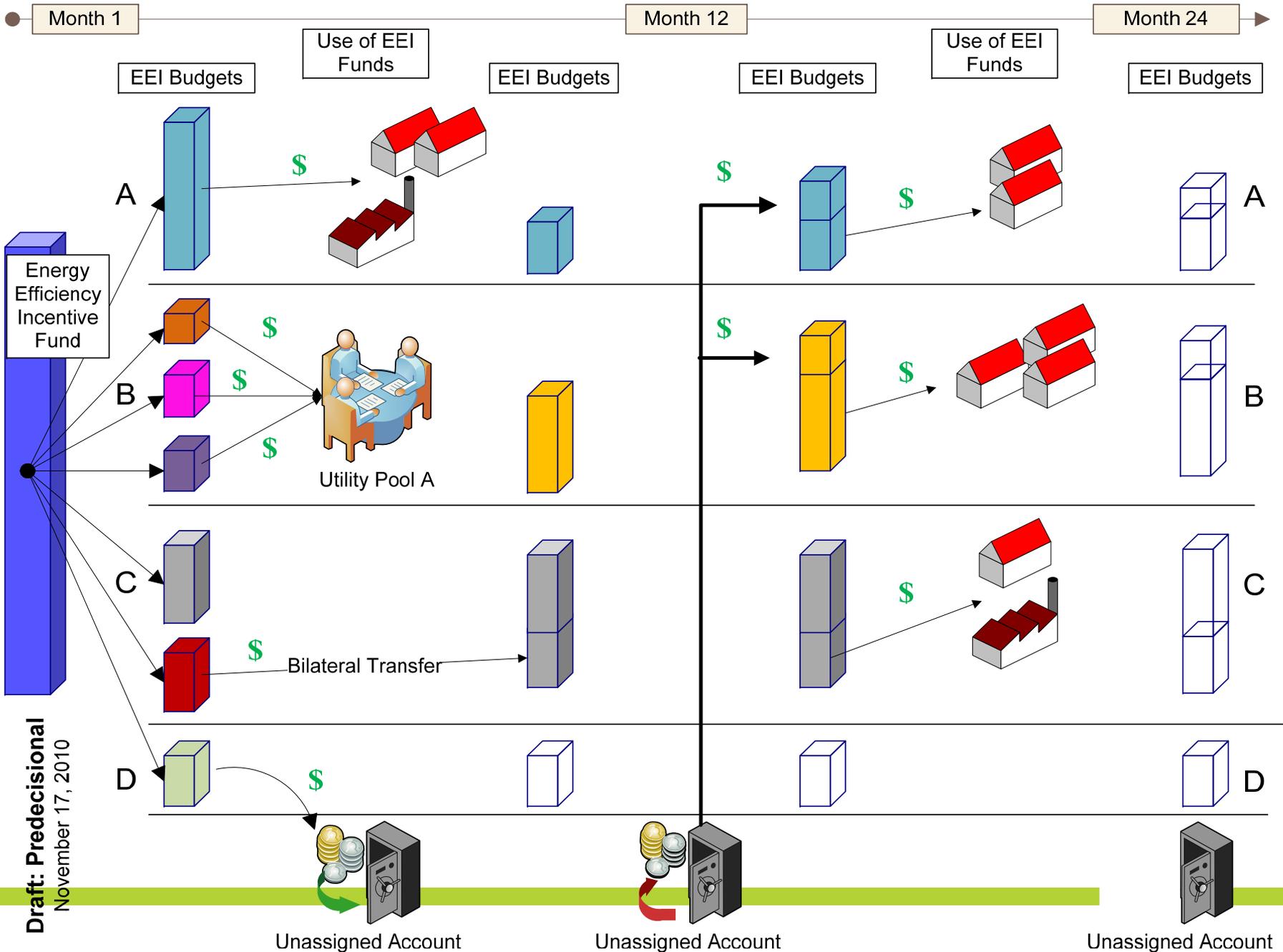


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Post-2011: Energy Efficiency Incentive

- Mechanism provides equity, but less flexibility to move funds to where savings exist
- BPA cannot roll over EEI funds to future rate periods
- Three means to create increased flexibility:
 - Utility Pooling
 - Customer Bilateral Transfers
 - “Unassigned Account”



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Post-2011: Energy Efficiency Incentive

- Utility Pooling
 - Participation is voluntary
 - Governance structure, rules, procedures are decided by pool participants
 - Three types:
 - Funding pool: meld individual EEI budgets
 - Implementation pool: no melding of EEI budgets
 - Combination of Funding and Implementation Pool
 - Pool manager could play a variety of roles

Post-2011: Energy Efficiency Incentive

- Unassigned Account (UA)
 - Customers can reallocate budgets to UA at any time
 - Funds in UA are reallocated to requesting customers at month 12 and 18 (thereafter, monthly)
 - Priority given to those “first-in”
 - Proportional allocation
 - Only requirement for accessing the UA: must submit a Request for Funding

Post-2011: Energy Efficiency Incentive

Questions

Post-2011: Small/Rural/Residential

- Goal: to ensure all customers have an opportunity to implement EE programs and utilize EEI funds
- Defining SRR: <10aMW load, or >66% residential load, or < 10 customers per line mile
 - Includes approximately 65 customers, representing approximately 27% of BPA's total load
 - Excludes federal facilities, Grant PUD, DSIs, and Energy NW

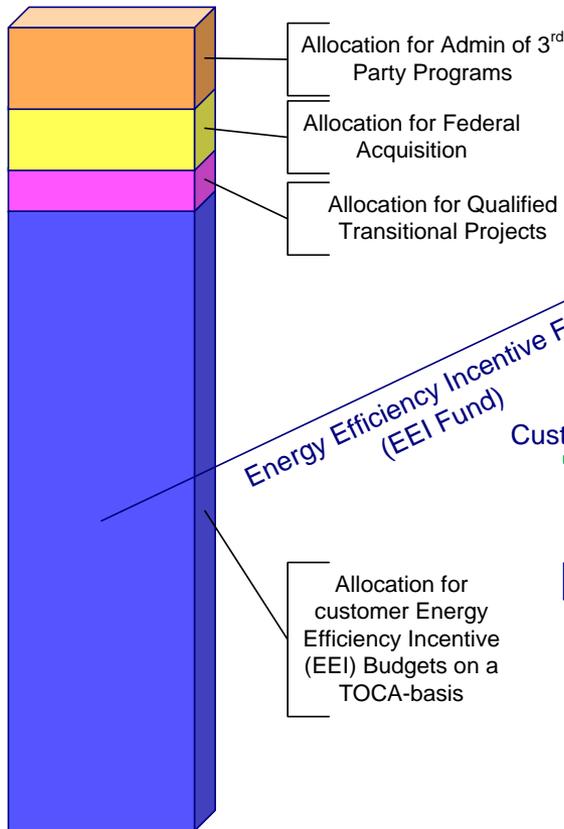
Post-2011: Small/Rural/Residential

- Addressing SRR lack of resources:
 - “Small” customers can claim Administrative Payment
 - All SRRs can claim higher % of Performance Payment
- Administrative Payment
 - Cap of \$60,000 for rate period, or EEI budget, whichever is less
 - Can be decoupled from kWh savings
 - However, all savings need to be reported in line with the Regional Dialogue contracts
- Performance Payment
 - WG4: Performance Payment paid on a ¢/kWh basis
 - Cap of 20% of EEI budget for non-SRRs
 - WG2: Performance Payment cap 10% higher for SRRs

Post-2011: Small/Rural/Residential

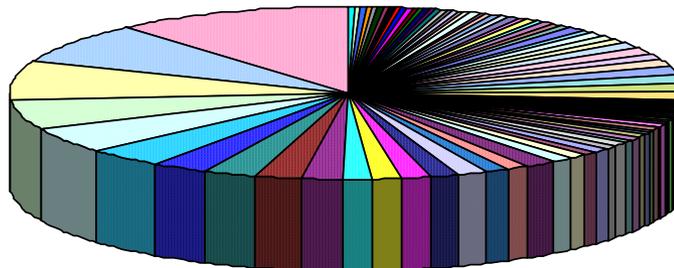
- Both Administrative and Performance Payment come out a customer's EEI budget
- Both must be used for conservation-related expenses
 - Documentation must accompany invoice in order to receive Administrative Payment
 - Documentation not required in order to receive Performance Payment

Rate Period
Capital Budget



Energy Efficiency Incentive Fund (EEI Fund)

EEI Budgets Allocated on a TOCA-basis



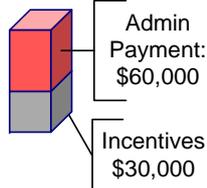
Customer A's EEI Budget

\$20,000



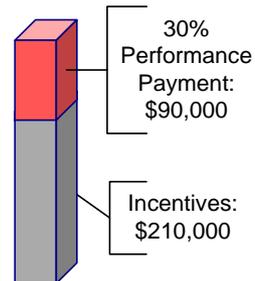
Customer B's EEI Budget

\$90,000



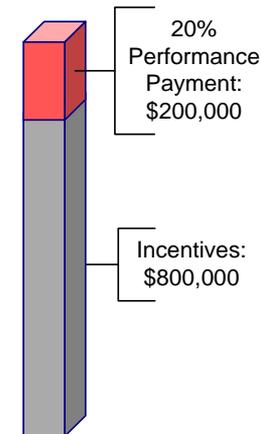
Customer C's EEI Budget

\$300,000



Customer D's EEI Budget

\$1,000,000



Allocation for customer Energy Efficiency Incentive (EEI) Budgets on a TOCA-basis

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Customer A Characteristics:

- Classified as Small
- EEI budget less than \$60,000 Admin Cap
- Could claim Admin Payment up to amount of EEI budget

Customer B Characteristics:

- Classified as Small
- EEI budget more than \$60,000 Admin Cap
- Could claim Admin Payment up to amount of Admin Cap

Customer C Characteristics:

- Classified as Rural or Residential
- Not eligible for Admin Payment
- Claims 30% Performance Payment

Customer D Characteristics:

- Not Small, Rural, or Residential
- Not eligible for Admin Payment
- Claims 20% Performance Payment

Post-2011: Small/Rural/Residential

- Additional recommendations:
 - More deemed and easily implementable measures for small commercial customers
 - Include heat pumps in small commercial establishments
 - Deemed measures for duct testing
 - Deemed measures for manufactured homes
 - Streamlined measures protocols and requirements for inspection and verifications to reduce duplicate travel time and costs
 - Include SRR customers in various pilot and demonstration projects

Post-2011: Small/Rural/Residential

Questions

Post-2011: Conservation Potential

- BPA to play role of facilitator/enabler
 - Develop tools that offer greater precision and flexibility
 - Further develop the Utility Potential Calculator in a collaborative manner
 - Standardized data collection processes to ensure data completeness, reduce cost and time required, allow comparison and aggregation
 - Be a library for data collection tools/surveys/best practices
- BPA should not develop prescriptive standards and methodologies for CPAs

Post-2011: Conservation Potential

- There should be no size threshold at which it would be expected that a utility would conduct a CPA
- Utilities choose when and how to do CPAs based on their own characteristics and needs

	Utility Target Calculator	Utility Potential Calculator	Utility-Specific Analysis
Growing Load – Need for Incremental Resource		X	X
Limited Historical Activity	X		
Significant Historical Activity			X
Robust Customer Data		X	X
Customer Profile Typical of Region (e.g., percent of load across sectors)	X	X	
Avoided costs are dissimilar to region			X

Post-2011: Conservation Potential

- BPA should provide information and conduct analysis in a timely manner to support local utility decision making
- CPAs can be paid for out of Administrative or Performance Payment
- BPA should develop a template for reporting conservation potential results

Post-2011: Conservation Potential

Questions

Post-2011: Implementation Mechanism

- Two Implementation Mechanisms for custom projects to allow for local control
- **Option 1** (formerly Standard Agreement) – custom projects are pre-approved by BPA
- **Option 2** (formerly Pay for Performance or Non-Standard) – custom projects are reviewed by BPA after the fact
 - One cost-effectiveness test for Option 2 projects

Post-2011: Implementation Mechanism

- Willingness to Pay (WTP) will be the same for both options
 - Reimbursements capped at 70% of project cost
 - Same WTP regardless of sector
- M&V protocols independent of the option chosen
 - Option 1: M&V in the custom project proposal to BPA
 - Option 2: M&V in the customers' files for review

Post-2011: Implementation Mechanism

- Incorporate a chapter into the Implementation Manual (IM) specific to custom projects
- Technical assistance for Option 2 customers limited to IM clarifications and consultations on M&V
 - This does not apply to assistance provided through 3rd Party Regional Programs

Post-2011: Implementation Mechanism

Questions

Post-2011: Regional Programs

- Running regional programs
 - Balance economies of region-wide scale with the flexibility to fit within the program offerings of local utilities
 - Make regional program design and decision-making process more collaborative and transparent
 - Include incentive budget management issues into regional program planning and design
 - Design and coordinate corporate level activities better

Post-2011: Regional Programs

- Cost-effectiveness: consider aligning WTP to better reflect the value of the savings based on load shape and measure life
 - Allow bundling of measures into a single packaged measure
- Develop a “custom program template”
- Negative change notice:
 - Dropping incentive payments: once a year
 - Reducing savings or WTP: every six months
 - Notice no less than three months in advance

Post-2011: Regional Programs

- Effective regional infrastructure:
 - Involve customers in the process of identifying infrastructure investments
 - Consider sub-regional infrastructure development
 - Enhance two-way communication between BPA and customers
 - Hold more frequent, regularly scheduled Utility Roundtables conveniently located throughout the region
 - Investigate video conference options to alleviate travel time and expenses

Post-2011: Regional Programs

- Regional Technical Forum
 - Facilitate sharing of customers' data with RTF and better communicate RTF topics and decisions to customers
- EEI funding for NEEA
 - EEI dollars used only to fund incremental savings acquisition in the short term
- EEI funding for low income weatherization
 - EEI funds limited to programs that generate savings in respective customer's territory

Post-2011: Regional Programs

- EE at federal facilities
 - BPA to facilitate projects at regional level
 - BPA to initiate agreements on behalf of customers
 - Enhance communication and coordination between BPA and customers
 - BPA to continue serving as “depository” for earned project incentives that agencies cannot accept

Post-2011: Regional Programs

Questions

Wrap-Up and Next Steps

- BPA will take into consideration the workgroups' recommendations and develop a proposal
- Public comment on BPA proposal will occur in January and February 2011
- Thank you for participating!

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