

Notes from Focus 2028 Listening Session
Missoula Electric Coop
March 9, 2016

Focus 2028 background:

: 20+ GMs spent 4 hours with Elliot last week and EE was a big topic of discussion. Biggest issue: TOCA-based allocation forces all utilities to take EE action, even those utilities whose load is not growing.

What will be included in Focus 2028 proposals? Will it be more comprehensive in terms of efficiencies?

: We outlined what we would talk about, including program efficiencies. We have been talking about them for the last couple of years. Could take a minute or two and talk about what we have already done in program efficiencies in EE to get us to where we are at today.

: Example of combining evaluation and oversight to reduce overhead and work for customers. Conflict between simplicity and flexibility. Hear value from customers about program investments.

What is your utility's relationship to EE?

: have almost no load growth. Tier 2 is not a concern. Look at it as BPA took the money and we want to get it back to the community. If BPA didn't collect for EE in rates, probably wouldn't do EE program. The benefit of EE is one-sided and only a few customers get the benefit. <> communities get the majority of the benefit. Don't necessarily use the EE to keep all customers happy. Don't see past current projects of where they will be able to spend the EEI money in the future.

: <> does a good job of talking about the situation in MT about how the forced TOCA allocation becomes lopsided investment. The larger customers that can afford to make investments in EE, get the benefit. **Would want EE taken out of rates - don't socialize the cost.** Make those who benefit from EE pay into rates.

: how do you account for the EE that BPA must purchase then?

: <> Step 1, need to really look at what the right amount of EE is for BPA and start from there. Step 2, where is the right place to acquire the resource? Don't just socialize across customers. Pull it out of the composite rate and only those who acquire the EE pay in the rates. The slow, non-growing, shrinking utilities then don't pay. How to make it a resource planning decision for each utility?

: In a lot of Montana, you are paying for a lot of programs you can't take advantage of. For example, ESI and commercial programs. Mostly use residential. Don't feel that they are getting their fair share back in the big picture of things. A lot of money siphoned off to NEEA, to program implementers and MT customers are not getting a lot of benefit. Would like to get more back on what they put in.

: Load growth is slow. Have no industrial. Biggest load is <>. 90% residential. Have big divide between haves and have-nots. Have an unenforced energy code in state. Finds a lot of things that should be code that aren't implemented. RTF makes decisions based on regional numbers that are not reality for MT. The super low incentives don't have an impact. Their large commercial is someone running an insurance agency out of their house. Has 3 C-stores on their whole system. Challenges in implementation – things like getting low income verification are challenges. Meeting the requirements of the measures are tough – getting the all or nothing of implementing a measure with high requirements. Adding demand charge is challenging and has interactions with past EE projects (i.e. ASHP). Meeting goals is a challenge – economic recovery is just starting in MT. **Market transformation lag.** Products that come to from the Midwest, not from the west coast – are not getting the high efficiency products that you see farther west.

: See the baselines coming up for measures, but the MT housing stock is not what it is on the west side. Baselines in MT are very different from the regional numbers. Housing stock is much older.

: <> is quite different. Feels the pain of smaller local utilities that are funding programs they don't use. <> has used a lot of the programs, but feel they could accomplish the same things with their local resources. Do use EE as a resource. Look at all power costs and have EE tracked as a resource. Would continue to do some EE even if the structure changed. Have load growth, see it as a resource. Have a good staff on hand and board and customers like it. Could possibly pick up some of the EE that neighbors can't meet. Concerned about the working poor in MT: are big discrepancies between low income and regular incentives. The working poor who are above low income can't access the low income incentives. Wants to look at discrepancies between the incentives – the working poor need an opportunity too.

: even within the state of MT, is a big difference in the ability to serve member appropriately with funding and programs that make sense. From a policy perspective, the issue is that there has become such a reliance on the power plan as a driving force for EE, that the perspective of what it means for BPA and customers has been lost. Want BPA to reduce reliance on the Power Plan, and to shift policy making to getting out and talking to customers. But the customers will never all have the same needs and perspectives. See the need to put more control in the hands of the customers and less into the Power Plan. The utilities have to serve members in the fashion that make sense. If they are stuck in a one-size-fits-all program, then can't do that. So far, this feels different from post-2011. Hopes this is more customer-driven and less BPA-driven.

: Are getting into Tier 2 in October. Philosophy on the program is that it costs a lot of money from all members to fund a couple of projects that help the well-to-do farmers who implement irrigation projects. The people who need it aren't implementing it. In last couple of months, have started working with a City

wastewater treatment plant. Costs a lot of money and benefits a few. Doesn't make much sense. Would rather that money go towards increase in Tier 2 costs. <> is a different creature. In <>'s perspective, the easiest programs to administer and operate are the ag programs. It's a big benefit for them, because they have a large irrigation base. About 95% of EE budget probably went to irrigation. Don't do a lot of residential because have a lot of natural gas and propane. Biggest opp outside irrigation is low income, then get into program constraints and natural gas & propane penetration. Have no industrial customers. Most commercial businesses are part of residential rate. Ag program is pretty well received, but is not getting down to poor farmers. Ag programs are a no-brainer for irrigators. Ag programs can't sustain the program into the future. With budgets going up, doesn't see how they will sustain it into the next rate cycle. Also has an issue with residential code not being enforced. Growth from the utility side is manageable.

: One of the thing that tend to confuse staff is coming out here and looking around that this doesn't feel like the issues. Issue of donut-shaped territories in Montana. Kalispell and Flathead is the exception: they have the urban areas within their service territory.

: Example of Simple Steps – all the stores that are implemented in the program are in Northwestern territory. The small stores that people go to in MT are not in the program. Challenge of third parties not getting out to MT and implementing programs.

: When S4 got started, it showed a huge disconnect between BPA and its customer base. Would see what stores are associated with service territory and they were far away from the service territory – i.e. stores that were 100 miles outside of service territory.

: <> doesn't sign up for S4, they manage the program themselves and work with their local stores. Felt that they wanted customers to see the value of getting a credit on their bill.

: Looked back at Post-2011 review process and thinks they were steered by BPA. Sees that there is a new emphasis on what is going on.

: Recognize that they have an obligation towards EE and if those dollars can be kept locally instead of baked into rates, they can design programs that can really benefit the local community. If they have a number they are aiming for and a responsibility, then they will make sure they meet the obligation.

: at a regional public policy level, at NEEL meeting, it became clear that the advocacy groups view public power with extreme suspicion and think the goal is to opt out of EE. The objective is to put the dollars to work in the local communities, not to back away from EE in their communities. Needs to be a reconfigured program where things make sense, not just a cross-subsidy to the large utilities.

: The 1200 lb elephant is an IOU that doesn't do anything for electrical EE because it doesn't pencil out for cost-effectiveness. It's challenging because the installers work in both territories and struggle with the different rules.

: Challenge of hypothetical scenario in which other utilities in MT do less and <> needs to do a lot more. Is in 25-30% range of self funding. Varies year to year.

: Goes back to question of what the "share" is. **Do we need a numerical target?** Need to look at that paradigm.

: On policy level, low hanging fruit concept is not talked about a lot. For the first time, <> has concern about spending EEI. Is the first time that <> has been concerned about it. The EE is getting harder to achieve. Low hanging fruit opportunities have diminished. May not be projecting a lot of self funding for this year and future because of potential. Going forward, the EE potential is lower and they look more like the small utilities going forward.

: If evaluating proposal of shifting self-funding, need to figure out how we would actually do it.

Self-funding Percentage and Backstop

: Would the MT customers like to put something on the table that is different from reducing the self-funding percentage? PPC provided something that is not complex. But the average self-funding combined with lowered target allows the small utilities to back down and the large utilities can do more to cover the self-funding.

: Thinks that makes sense. Long utilities are a key regional issue in the current market conditions.

: Where we are now at self-funding and backstop role...as we consider increasing self-fund, we have to get concrete about backstop definition.

: thinks that if you had good, easy viable programs, they would run themselves. If money was kept at the utilities, then the utilities would keep more money (e.g., if they are giving \$1.00 to BPA and getting \$0.50 back, then if the utilities keep the dollars, they already have more money to spend on EE).

: Based on the feedback, BPA has all preference customers load resource balance historically, so could proportion the BPA allocation against load growth. Those utilities not growing or growing at a small rate would get a proportional budget and rate impact. Could allocate backstop based on the load growth. Could also develop carrots and sticks. Could pledge self-funding tied to an achievement, add a penalty charge if miss.

: Is definitely concern about the reduced opportunities. Grabbed big efficiencies in the recent past and it is going to get tougher and tougher to find those opportunities going forward.

: Will never be able to make 135 of our customers happy at the same time. Expectation setting: we are listening, but what comes out is not going to make 135 utilities happy. Will be continuous tweaking of program going forward to adjust program to customers.

: Shift capital to expense worked because it put the burden of figuring it out on the customers and gave them an opportunity to really align and push the solution forward. Thinks if BPA took a different mindset and stopped trying to make all customers happy. BPA has visibility to all customers and therefore has infinite opportunity to address all customers. If the problem we try to solve isn't connected to the problems they lay out, then it won't work. Might be best to act as an aggregator: aggregate what the customers are willing to do and may find that we aren't that far from the target.

: Is BPA willing to reduce the energy efficiency cost on the administrative side? It is a big mechanism. Wants everything to be on the table – how the programs run, what the reporting mechanism is.

: Yes, there is a willingness to look at everything, including the administrative side of the EE program. Have heard loud and clear, simplify, simplify. Are in a mode of continuously reviewing the operations. Have heard that infrastructure is something that customers largely value. Don't hear a resounding "dismantle the EE infrastructure."

Program Efficiencies and Alignment

: General context: the big rub in Montana is the third party programs and the feeling that they are tailored to population centers. Feels like a cross subsidy from rural, low income to high population centers.

: Would be happy to get with staff and they have specific programmatic tweaks. His big thing is give us a reporting mechanism that will work. Utilities are out there looking at doing stuff on their own now. Is an area where BPA has an opportunity to put together something that works for the region, not individual utility systems. Low income – seems like there should be a way to manage the low income better than an "all or nothing" incentive structure. How to help the working poor and not have such a huge leap in incentives between low income and not low income. Doesn't seem like an equitable situation.

: Posed the question "What have we done in conservation in kWh?" Got two substantially different answers from COTR and EER. In the PTR, had something that really worked.

: Don't want to re-create the wheel 135 times.

: Willing to play if there is something to play in.

: Whether BPA is the right lead **depends on what the cost is** (<> also raised the cost question) and if BPA is good at this.

: System is at the top of the agenda in terms of FY2016 accomplishments for EE, including IS2 stabilization. Are committed to something in FY16 that will be engaging customers.

: Was there ever any good after action review on NED and EECR? Would be nice to have a detailed debrief on it.

: We recognize that we owe all customers updated communication in terms of systems. Are a number of lessons learned that fall into the systems realm, some are systems-related, some are process-related. Is a lot of focus between Richard and CIO regarding how we are going to achieve success. Working on how we get from today to a future system.

: After 6th plan, everyone looked at what was easy to get us to hit the numbers. For example, focus on large industrial – <> pays for it, but gets nothing. Understands that ESI is a big dollar item, but <> and its customers get zero benefit from it. Look at BPA's load total – is Residential the biggest load? Thinks our focus should be on the largest loads, like residential (assuming it is the largest load). How do we shift expenditures to some of the other customers who can benefit from the incentives more equitably?

: **Has BPA thought about creating an a la carte model of programs for customers rather than socializing the costs?** Think about the EPRI model of only putting dollars towards programs that they see benefit from or NEEA's new a la carte approach to some programs. Can we move away from the model of everyone paying for the one-size-fits-all model?

: Is something that could go into a future rate period to figure out how we could handle that in the future. How does increased self-funding affect that?

: Keep in mind the risk of everything getting on the table across the costs. I.e. does a large customer then want to not pay for the EER for the small customers?

: Keep the programs simple for end-users to implement and for programs to report. Get trainings out to Montana before the programs are launched and implemented to make sure people know how to implement before it is launched.

: The oversight process has seemed like it is a lot harder than it needs to be for him. Is getting a little bit better. Now, submits a project with very little information

behind it. Cut the check, then the oversight process comes after the fact and requires that things are paid back to BPA. But, he has all the information for BPA to review and approve, he just isn't asked to send it in up front. Instead of catching the problems and questions after the fact, could BPA do it before to make sure that incentives aren't paid on things that don't qualify?

: Questioned what the benefit of PTCS was – he doesn't know all the ins and outs of installing HVAC systems. He knows what he needs to have when the project comes in to his desk, but when it comes down to examining the job, he doesn't have the detailed skills. Would have been nice to know that in the first place, front end before paying. Was a PTCS project and would think that the PTCS program would find the issue.

: Question of IM simplification: do you want fewer rules or fewer measures?

: Who would want fewer measures?

: Do not need to know the justifications of the basis of savings in the IM for customers. It could be put somewhere else for customers to reference.

: Deemed measure list has lots of options, complex measures. Difficult to navigate. Training on how to manipulate the measure list is helpful.

: Market lag issue – DHPs were just picking up when BPA reduced the incentive and reduced the effectiveness of the program.

: Issue of new Sanden water heater that worked in cold climates, but RTF deemed not cost effective because it was \$5,000. Are things that work in our cold climate, but doesn't fit the region.

: These issues could be regionalized. Central Idaho coops would be the same. Temperate climates drive savings estimates and that becomes a wedge. Could we regionalize program elements and be more specific for the region?

: Had an issue with NEEA program (DHP or HPWH) coming in behind the utility and didn't let them know until after they had come into MVP's territory. <> found out at a customer meeting from a customer. Had issues with NEEA programs.

: NEEA committed to following up with HPWH test owners, but never did it.

: Had a similar issue with ESG where the program went to customers without going through local utility.

: The utility has to be the first point of contact with all the scams out there.

Next steps:

: What is the role of NGOs in this process that affects customer dollars? Hope would be that BPA can take this dialogue in the spirit of improving the program, not trying to shut it down. This isn't about not doing EE, it is about figuring out how to do EE in a smart manner, not according to a Council-driven manner.

: Ask about disclosure of information from listening sessions. Thinks it would be advantageous to understand what comes out of each listening session. Would like to see a synopsis of each listening session rather than harmonizing the themes from all of the listening sessions. Has ulterior motive of helping the NGOs understand the challenges of implementation at the local utility level.

: Is interested in transparency in the process and information and committed to sharing information.

: Political will is important! Changing these sorts of programs is tough. BPA is in a unique position to take some chances. Would love to see BPA not be as risk averse as it has been and not be afraid to piss off someone. Need to make some tough decisions that won't make everyone happy, but will move this forward. Like what happened in expensing EE – BPA had some political will to move that forward.

Do they support the PPC proposal?

: Don't see anyone who has big issues with it. Just need to do some homework around the 75% self-funding.

: Are all dedicated and like working with BPA. Are all great to work with out of Spokane.