

Energy Efficiency Post-2011 Review

Scoping Document and Process Approach

NOTE TO READER: The September 16th version of the scoping document has been updated to incorporate feedback BPA received from customer utilities and stakeholders during the November 22nd kick-off meeting as well as the public comments submitted between December 6th and December 21st. A version with tracked changes is available [here](#).

I. Overview and Timeline

The “Energy Efficiency Post-2011 Review” (Review) is a public process to review and consider improvements to the BPA energy efficiency policy framework and associated implementation elements put in place on October 1, 2011.

Background

In February 2010, the Northwest Power and Conservation Council (Council) estimated that almost 85 percent of the new demand for electricity over the next 20 years could be met with energy efficiency. The Council’s Sixth Power Plan nearly doubled the region’s target for conservation: from 2010 to 2014, the region should develop at least 1,200 average megawatts of cost-effective energy efficiency

BPA engaged in an extensive, multi-year set of regional processes, to define its future power supply role. BPA adopted a Regional Dialogue Policy, which defined its potential resource acquisition obligations for power sales after 2011, whether at Tier 1 or Tier 2 rates. BPA continued to treat energy efficiency as a resource and define its goals in terms of megawatts of energy efficiency acquired.

BPA’s Energy Efficiency (EE) organization conducted the Energy Efficiency Post-2011 Public Process (Post-2011) from January 2009 to March 2011 to align EE’s program with BPA’s Long-Term Regional Dialogue Policy and tiered rates methodology¹ and to engage customers and other regional stakeholders about the role BPA should play in developing, incentivizing and monitoring energy efficiency programs after 2011. Prior to the beginning of fiscal year 2011, BPA adopted a Post-2011 energy efficiency program strategy and policy for the agency through a public process.

The process resulted in two documents that together form the foundation and scope of the Review:

- “[Energy Efficiency Post-2011 Policy Framework](#)”: provides the high level policy framework, such as energy efficiency costs collected in the Tier 1 rate and the Energy Efficiency Incentive (EEI) funding mechanism with budgets allocated on a Tier 1 Cost Allocator basis.
- “[Energy Efficiency Post-2011 Implementation Program](#)”: provides implementation specifics that nest within the larger policy framework, such as means for utilizing and transferring EEI funding, and paying performance payments on a cents per kilowatt-hour basis.

¹ “Bonneville Power Administration Long-Term Regional Dialogue Final Policy,” http://www.bpa.gov/power/PL/RegionalDialogue/07-19-07_RD_Policy.pdf.

Appreciating the magnitude of the transition to the Post-2011 EE program, the public process specifically called for a review to consider improvements to the BPA energy efficiency policy framework after sufficient experience (one rate period) had been gained:

The framework will be reviewed once BPA and the public utilities have gained experience operating under tiered rates to determine if there are changes that will lead to more effective delivery of energy efficiency in the region.²

Timeline

From May to June 2013, BPA performed informal outreach with customers and stakeholders to solicit input on the Review. During this outreach, BPA received input on issues of importance as well as on the preferred approach to carrying out the public process. BPA had previously committed to commencing the Review before the fiscal year 2014-2015 (FY14-15) rate period. Customer and stakeholder input, however, showed a strong preference for waiting until BPA had data on FY12-13 achievements (e.g., aMW savings, cost per aMW, utility self-funding) before beginning a formal public process to address outstanding issues of importance. This data will be available in mid-January 2014. BPA has taken into account customer and stakeholder feedback and plans to conduct the Review as follows (this document's [appendix](#) contains a visual representation of the timeline):

- Summer 2013: BPA develops a scoping document that identifies the “issues of importance” (e.g., utility self-funding, Unassigned Account, Large Project Fund) and explores initial options for addressing the issues.
- September 15, 2013: BPA releases the scoping document to customers and stakeholders for their review.
- November 22, 2013: BPA holds a regional meeting/conference call in Portland to discuss the scoping document. Following the meeting, BPA incorporates feedback received at the meeting and includes accomplishments from the FY12-13 rate period (e.g., aMW savings, self-funding, Large Project Fund, performance payments, etc.) into the scoping document and distributes updated scoping document to customers and stakeholders.
- December 6 to December 21, 2013: Public comment period on updated scoping document.
- January to May 2014: BPA holds formal meetings (both workgroup and regional “big tent” meetings) to discuss solutions to the “issues of importance” identified and shared in the updated scoping document.
- May 2014: BPA develops a Post-2011 Review proposal based on the feedback received during the formal meetings.
- June to July 2014: Formal comment period for customers and stakeholders to provide feedback on BPA’s proposal.
- July to August 2014: BPA develops and publishes a final Post-2011 Review report based on feedback received during the public comment period.
- August to October 1 2014: BPA prepares for any agreed upon changes and drafts necessary language for the October 1, 2014 Implementation Manual release, which may include six-month notice of changes.

II. Purpose

The purpose of the scoping document is to identify the issues of importance and develop options for resolving them in collaboration with BPA’s customer utilities and stakeholders.

² Energy Efficiency Post-2011 Policy Framework, August 18, 2010, http://www.bpa.gov/Energy/N/post-2011/pdf/2010-08-18_EE%20Post2011_Policy_Framework_FINAL.pdf, p. 2.

The document is meant to be a starting point for the public process rather than an attempt by BPA to define set boundaries for the Review. *It does not propose pros and cons for the options provided and it does not take into consideration the feasibility of the options provided; the document simply provides possible options, most of them reflecting input BPA received directly from customers and stakeholders, that will need to be further explored during the Review. The issues are organized by type and not by order of importance.*

III. Customer/Stakeholder-generated Issues of Importance

1. EEI Allocation Methodology Using TOCAs

Problem statement – The current methodology for allocating EEI funds on a TOCA basis is not aligned with customer conservation potential and may inefficiently/ineffectively allocate available funding.

Options –

- A. Status quo: allocation is based on TOCAs without consideration of potential.
- B. Conservation potential: allocation is based on conservation potential (a uniform way to calculate potential would likely be needed, e.g., a standardized Conservation Potential Assessment).
- C. TOCA-split: allocation is based partly on TOCAs and the remaining funds are made available to “low-cost/lowest \$/kWh” projects (to be defined) or redistributed via some other methodology (e.g., conservation potential).
- D. Utility request: allocation is based on requests from utilities without consideration of potential (similar to the BPA bilateral funding model prior to October 1, 2011).
- E. EEI opt-out: electing utilities opt-out of the EEI paradigm if certain conditions are met. This option *does not* include opting out of paying for the BPA-managed portion of EE’s capital budget (see also “Utility Self-Funding” issue below).

2. Two-Year EEI Budgets

Problem Statement – Customer EEI budgets are allocated per rate period and any EEI funds remaining at the end of a rate period cannot be “rolled over” to the next rate period, i.e., the funds are “use or lose” within a two year time horizon.

Options –

- A. Status quo: BPA continues to confine EEI budgets to a single rate period.
- B. Roll over: Customers are able to roll over unused EEI funds to the next rate period.³
- C. Project-specific roll over: Customers are able to roll over to the next rate period an amount of unused EEI funds tied to specific projects (or for certain sectors).
- D. Five-year estimate: BPA offers a preliminary five-year budget to customers to help with long term planning.

³ Note in the development of Post-2011 program, BPA determined it was unable to offer the ability to roll over EEI funds, so providing this option should not be interpreted to mean a change in willingness or ability by BPA; rather, it is being captured to reflect customer input received.

3. BPA “Take Back” of EEI Funds

Problem Statement – The EE Post-2011 Policy Framework states, “If the [EEI] budget is not being spent, a utility will be notified that a portion of the remaining funds will be made available to other utilities as supplemental funding. Other utilities that are on-track or ahead on spending expectations would then have access to all available funding.”⁴ To allow an opportunity for customers to adjust to the new EEI mechanism, the EE Post-2011 Implementation Program states, “ECA Implementation Budgets *will not involuntarily* be reduced during the FY 2012-2013 rate period...However, following the FY 2012-2013 rate period, BPA will periodically review a customer’s activities and consult with it prior to reducing its ECA Implementation Budget...”⁵

Moving into the FY 2014-2015 rate period, BPA must determine whether or not it will exercise its right to take back EEI funds prior to the end of the rate period and make those funds available to other customers.

Options –

- A. Status quo: BPA does not exercise its “take back” right during the FY 2014-2015 rate period and subsequent rate periods.
- B. Take back: BPA will exercise its right to take back funds that remain unspent near the end of a rate period.

4. BPA’s Backstop Role

Problem Statement – BPA’s existing backstop role is not explicitly defined and some customers and stakeholders would like more clarity. The EE Post-2011 Policy Framework provided the following on BPA’s backstop role: “If the programs in place at any given time are insufficient to achieve the necessary level of savings, then new programs, as well as looking at other avenues, would be explored and evaluated, to meet the targets.”⁶

Options –

- A. Status quo: BPA’s backstop role, as defined today, remains as-is.
- B. Explicit definition: BPA’s backstop role is more explicitly defined.
- C. No backstop: BPA has no backstop role.
- D. Conditional: BPA has a backstop role only under certain conditions or for a certain segment of customers.

5. Unassigned Account Allocation Methodology

Problem statement – The current pro-rata methodology for allocating funds in the Unassigned Account potentially causes:

- A customer to *request* the entire amount of funds available even though it may not need/want the entire amount as a means to receive the largest allocation amount possible, which leads to a perception of “gaming,” and,
- A customer to *receive* more allocated funds than it can use.

⁴ Energy Efficiency Post-2011 Policy Framework, August 18, 2010, http://www.bpa.gov/Energy/N/post-2011/pdf/2010-08-18_EE%20Post2011_Policy_Framework_FINAL.pdf, p. 5.

⁵ Energy Efficiency Post-2011 Implementation Program, http://www.bpa.gov/Energy/N/post-2011/pdf/Post2011_Implementation-Program_FINAL.pdf, p. 15.

⁶ Energy Efficiency Post-2011 Policy Framework, August 18, 2010, http://www.bpa.gov/Energy/N/post-2011/pdf/2010-08-18_EE%20Post2011_Policy_Framework_FINAL.pdf, p. 8.

As part of this conversation, what is best means to allocate BPA-managed capital that BPA determines it does not need; should these funds be treated the same way as funds put in by customers?

Options –

- A. Status quo: allocation is based on a pro-rata allocation of the funds available with the ability for customers to request a “conditional” amount and receive the lesser of the pro-rata or conditional amount.
- B. Tier One Cost Allocator (TOCA): allocation is based on TOCAs (much like initial rate period EEI budgets are proportionally allocated on a TOCA basis) of those customers requesting funding.
- C. Least cost: allocation, or at least a portion of the funds, is based on “least cost” projects (to be defined). Customers would submit a form with project details and BPA or a group of BPA customers would select which customers receive funds based on least cost.
- D. Need: allocation is based on a demonstration of “need” by customers. Customers would submit a form with project details and BPA or a group of BPA customers would select which customers receive funds based on “need” (to be defined).
- E. Two buckets: BPA funds in the Unassigned Account are allocated on a TOCA basis and funds returned from utilities are allocated on pro-rata basis (or some other combination).

6. Large Project Fund (LPF)

Problem Statement – The LPF is administratively burdensome for BPA (i.e., difficulties with internal budgeting and tracking LPF repayments) and there has been limited demand to date for the funding mechanism given a utility’s requirement to pay back any funds received. On the other hand, some customers would like modify the qualifying criteria for the fund (i.e., a project’s reimbursement must be at least 50% of the utility’s rate period EEI budget) to make it easier to access funds and, therefore, increase demand for the fund.

Options –

- A. Status quo: the LPF remains as-is.
- B. Termination: the LPF as a funding mechanism is terminated; those utilities with outstanding repayments are still required to repay.
- C. Requirements modification: the requirements for accessing the LPF are modified, such as the 50% of rate period EEI budget threshold requirement is lowered or removed to allow more qualifying projects; the repayment requirement is removed; etc.

7. Frequency of Changes to the Implementation Manual

Problem Statement – Depending on one’s perspective, the current frequency of changes to the Implementation Manual (IM) may not be frequent enough or too frequent.

Options –

- A. Status quo: BPA continues with required six month notices for increases/decreases to savings and reimbursements and adding/substituting requirements (new measures, optional lighting calculators, and removing requirements requires no notice).
- B. Flexible manual: BPA implements changes to the IM anywhere from immediate (i.e., no advance notice needed) to the current six month notice, depending on the change.

- C. Annual manual: For increases/decreases to savings and reimbursements and adding/substituting requirements, BPA changes the IM annually (as opposed to every six months).
- D. Hybrid: BPA implements certain changes to the IM on an annual basis with other changes occurring more frequently.

8. Directing EEI Funding to Low-Income Residential Energy Efficiency

Problem Statement – The current framework may not ensure EEI funds are adequately dedicated to low income residential energy efficiency, in particular, weatherization.⁷ For low income energy savings acquired through the work of Community Action Agencies, customer utilities may not be receiving credit for those savings occurring in their service territories.

Options –

- A. Status quo: the EEI framework is left as-is with no means to direct EEI specifically toward low income investments.
- B. Low income incentive: BPA and public power devise an incentive targeting low income residential.
- C. Low income requirement: BPA and public power devise a requirement targeting low income residential.
- D. Savings credit: BPA and customer utilities devise a means to ascribe credit to utilities for low income savings acquired through the work of Community Action Agencies.

9. Utility Self-Funding

Problem Statement – The existing 75% BPA-funded and 25% utility self-funded split for delivering programmatic energy savings was created in the Post-2011 framework. Some utilities would like to take this further and “opt-out” of paying in rates for EEI funding only. Additionally, some utilities would like BPA to consider using a Cost of Service Analysis to determine the allocation of BPA’s expense and capital costs.

Options –

- A. Status quo: the 75/25 split remains as-is.
- B. Percentage change: a split remains but the 75/25 percentages are adjusted either up or down.
- C. EEI opt-out: electing utilities opt-out of the EEI paradigm if certain conditions are met. This option *does not* include opting out of paying for the BPA-managed portion of EE’s capital budget. (BPA will entertain well-formed proposals that meet specific criteria supplied by BPA.)
- D. Cost of Service Analysis: BPA costs are allocated to customers using a Cost of Service Analysis.⁸

10. BPA Role in Verifying Utility Self-funded Savings

Problem Statement – Under current rules, utility self-funded savings must be reported to BPA and follow the same business rules as BPA-funded savings. This is done to ensure consistency among BPA-funded and utility-funded savings for the rigor of the savings and for when they get rolled together for regional reporting purposes. However, having the same requirements for utility self-funded savings may be burdensome for some utilities. BPA’s role in verifying self-funded energy efficiency is somewhat flexible since BPA does not have the

⁷ Note this issue is separate from BPA’s \$5 million grant for low income energy efficiency.

⁸ Providing this option should not be interpreted to mean a willingness or ability by BPA; rather, it is being captured to reflect customer input received.

same fiduciary interest in assuring proper expenditure as it does with federal funds. However, all parties interested do want to ensure the quality of the savings.

Options –

- A. Status quo: Self-funded savings must be reported to BPA. BPA verifies that the savings satisfy the BPA rules and requirements in order for those savings to be included in BPA’s summary of regional savings.
- B. Different levels of review: Self-funded savings must be reported to BPA, but instead of BPA verification of compliance with BPA rules and requirements, a different bar is set for self-funded savings. (BPA’s treatment of non-reportable savings could also be explored.)

11. Limitations of the Post-2011 Framework

Problem Statement – The design of the Post-2011 framework may be constraining public power’s pursuit of all cost-effective conservation consistent with the NW Power Act, which was a core principle of the initial Post-2011 public process. Additionally, the framework is based on BPA paying for energy savings on a “widget-by-widget” basis, which may not afford the opportunity for public power to capture savings via new, innovative programmatic approaches.

Options –

- A. Explore: BPA, customers, and stakeholders explore any inherent constraints of the Post-2011 framework to acquiring “all” cost-effective conservation and capturing savings via new programmatic approaches.

IV. BPA-generated Issues of Importance

12. Timing of Utility Reporting to BPA

Problem Statement – There are no controls on or structure to the timing of utility savings reported to BPA, i.e., utilities are free to report savings at any time during the rate period. This lack of structure causes gaps in visibility for BPA’s monitoring of savings progress and budget expenditures.

Options –

- A. Status quo: no controls on the timing of utility reimbursement claims made to BPA.
- B. Controls: controls are put in place to ensure timely and regular reporting of utility savings to BPA.

13. Reporting and Consistency of Utility Self-Funded Savings

Problem Statement – From BPA’s perspective, reporting of utility self-funded savings are, or seem to be, lacking in 1) regularity (to help BPA with monitoring progress and planning), i.e., utilities can report self-funded savings when they choose, and 2) adequacy, i.e., BPA is concerned all cost-effective utility self-funded savings are not being reported to BPA per the terms of the Regional Dialogue contracts.

Options –

- A. Status quo: any utility self-funded savings are able to be reported at any time during the rate period.

- B. Regular reporting: all utility self-funded savings are reported on a regular basis, such as quarterly (rather than at any time during the rate period).

14. Performance Payments for Regional Programs

Problem Statement – Customers can claim performance payments for savings resulting from regional programs (e.g., Energy Smart Grocer) even though most administration costs are borne by the program implementer. This increases the overall cost of the regional program (and makes fewer funds available for acquisition of savings) where a utility may not actually incur costs.

Options –

- A. Status quo: utilities can claim performance payments for regional programs that cover labor costs.
- B. Restriction: utilities cannot claim performance payments for regional programs that cover labor costs (perhaps unless they can document that they incurred costs).

15. Regional Program Administration

Problem Statement – BPA administration of regional programs (e.g., Energy Smart Grocer) is more difficult without the direct acquisition program model and when funding commitments are variable or not firm. In order to optimize regional program performance and lower administrative costs, the region would benefit from considering conditions under which a direct acquisition program would be appropriate or by securing firm incentive funding commitments ahead of budget-years to appropriately size and focus the third party implementer's efforts. From the customer perspective, it can be problematic to commit EEI funding up front but then have the third party unable to deliver the corresponding forecasted savings.

Options –

- A. Status quo: BPA has neither control of funding to directly acquire savings via a regional program nor a mechanism to secure firm utility funding commitments for regional programs.
- B. Direct acquisition: Under certain conditions, BPA is able to control a portion of incentive funding to directly acquire savings via a regional program.
- C. Firm utility commitments: Prior to finalizing a third party contract for a regional program, BPA has the ability to secure firm utility funding commitments for the program.

V. **Process Approach**

1. Approach and Timing

BPA will work collaboratively with customer utilities and stakeholders to address the issues within scope for the Review through the combination of regional meetings and workgroups. BPA plans on holding a regional, "big tent" meeting in February, March, May and June. Ahead of each meeting, workgroups will meet and then report out at the regional meetings. Reporting out from the workgroups could consist of issues discussed to date and highlights of those discussions; recommendations; outstanding concerns

and areas of interest; etc. Participants at the regional meetings (who may or may not also be workgroup participants) would consequently have the opportunity to stay abreast of progress made as well as provide feedback and help further the discussion. BPA also plans on holding the regional meeting in June to coincide with BPA's release of a draft proposal (containing changes shaped by workgroup recommendations) for public comment. BPA will provide a schedule containing dates and locations for the regional meetings. All related meetings will be posted [here](#).

Five workgroups, each co-chaired by a BPA Energy Efficiency Representative and a non-BPA representative, will convene to discuss the issues identified in this scoping document and develop recommendations for consideration by BPA when it develops the draft proposal. Below are the workgroups and issues from the scoping document to be addressed by each workgroup. Rather than grouping issues by workgroup according to balance of work, issues have been grouped according to interrelationship. This is most clearly seen in Workgroup One, which covers all issues relating to the overarching model of Post-2011, such as budget issues.

Workgroup One: Model for Achieving Programmatic Savings

- EEI Allocation Methodology Using TOCAs
- Utility Self-Funding
- Two-Year EEI Budgets
- BPA "Take Back" of EEI Funds
- BPA's Backstop Role
- Performance Payments for Regional Programs
- Regional Program Administration
- Limitations of the Post-2011 Framework

Workgroup Two: Implementation Manual

- Frequency of Changes to the Implementation Manual

Workgroup Three: Low Income

- Directing EE Funding to Low-Income Residential Energy Efficiency

Workgroup Four: Flexibility Mechanisms

- Large Project Fund
- Unassigned Account Allocation Methodology

Workgroup Five: Reporting and Verification of Savings

- BPA Role in Verifying Self-funded Savings
- Timing of Utility Reporting to BPA
- Reporting and Consistency of Utility Self-funded Savings

Workgroups are scheduled to meet from January through April (BPA understands some issues may not be fully addressed during this window). BPA will propose a schedule containing placeholder dates for workgroups that avoids simultaneous workgroup meetings (with as little conflict as possible with other regional meetings not connected to the Review). Workgroup meetings may or may not involve an in-person component, but all will involve conference call capability.

Customers and stakeholders interested in participating in Workgroup One are encouraged to mark their calendars on Thursday, January 16th for the workgroup's first meeting, which will be an all-day, in-person meeting (with conference call capability) in Portland at PNGC Power (meeting details will be provided). Subsequent meeting dates and times for Workgroup One will be worked out during the initial meeting, but participants can expect to have meetings as often as once every two weeks due to the number of issues to address. For all workgroups, BPA will provide a schedule [here](#).

2. BPA sideboards

With the issues scoped for the Review, BPA will turn to identifying the sideboards/boundaries, if any, for each issue so that these can be shared with customers and stakeholders ahead of workgroups beginning their work. The purpose of this is not to stifle discussion or solutions before they have had a chance to be aired; rather, given the short timeframe for the Review and the value of customer and stakeholder participation, BPA – in accordance with feedback received during the November 22 kick-off meeting – does not wish to explore areas that are counter to the agency's statutory obligations, financial policies, strategic direction, etc. Any sideboards that are identified as a result of internal work during the months of December and January (and later, as needed) will be shared externally.

3. Reporting out data from the FY2012-2013 Rate Period

BPA will take the data-related questions raised during the November 22 kick-off meeting and answer as many as possible, depending on data availability and granularity. BPA will distribute externally a data document with the aim of informing Post-2011 Review discussions.

4. Communication

General BPA communication concerning the Post-2011 Review will be sent to a distribution list from an email address dedicated specifically to the Review. The distribution list includes those participants from the initial Post-2011 public process as well as those who attended the November 22nd kick-off meeting. Customers and stakeholders will have the opportunity to ensure they are included on the distribution list. Communication concerning the specific workgroups will come from and be solicited by the workgroup co-chairs. BPA will use BPA's public involvement webpage to solicit comments on the scoping document (December) and the draft proposal (June). For communication not pertaining to these two specific documents, BPA customer utility representatives should contact their Energy Efficiency

FINAL: January 7, 2014

Representatives. Non-BPA customer utility representatives should contact Matt Tidwell at eepest2011review@bpa.gov. All meeting materials, workgroups documents and meeting notices will be posted to the [Post-2011 webpage](http://www.bpa.gov/Energy/N/post-2011/) at <http://www.bpa.gov/Energy/N/post-2011/>.

VI. Appendix (Updated)

Plan for the Post-2011 Review

DRAFT: 1/7/2014

OPEN TO REVISION

	Fiscal Year 2013									Fiscal Year 2014											
	Q2			Q3			Q4			Q1			Q2			Q3			Q4		
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep
BP-14 Rate Case	█	█	█	█	█	█	█	█	█												
Internal BPA alignment on process and issues	█	█	█	█																	
Perform informal stakeholder outreach (e.g., phone calls and meetings) to identify "issues of importance" and get input on process approach					█	█	█	█													
Communicate out to stakeholders BPA's process approach for the Review; convene "data collection" meeting							█														
Develop a scoping document that synthesizes the "issues of importance" and explores some options for addressing the identified issues							█	█	█	█	█	█									
Stakeholder meetings to discuss the scoping document (Portland kick-off meeting and Fall Utility Roundtables)										█	█										
Incorporate feedback received during meetings into an updated scoping document										█	█	█									
Formal stakeholder meetings to work out solutions to the "issues of importance" identified in the updated scoping document (regional meetings and workgroups)													█	█	█	█	█	█			
Develop "Draft Proposal" based on feedback from regional meetings and workgroups																		█	█	█	
Public comment period on "Draft Proposal"																		█	█	█	
Develop final "Post-2011 Review" based on public comments																			█	█	█
Prepare for any agreed upon changes, i.e., draft necessary IM language																				█	█