Energy Efficiency Post-2011 Review
Workgroup 1 Meeting Minutes
May 1, 2014
PNGC Board Room

Overview/Summary

- Issue 2 – Rollover: discussed putting bounds on the rollover proposal or waiting until 3rd party financing is figured out. Group wanted a stronger statement that reiterated the importance of rollover, regardless of the BPA funding mechanism.
- Wendy agreed to provide Margaret some stronger language to include in the Workgroup Recommendations Report for the May 8 meeting.
- Doug reminded the Workgroup that all the workgroups will make recommendations and BPA will review and incorporate the approved or revised recommendations into the final BPA decision document to be presented in June.
- Issue 8 – Regional Program Administration: The group further discussed the guiding principles to include in the final recommendations report. There were some minor revisions that we discussed and will later incorporate into the final recommendations report.
- Issue 5 – Self Management of Utility Incentives: We laid out the four remaining options for the Workgroup to consider. Scott Wilson and Tim Johnson (BPA Power and General Counsel) joined our meeting around 130 pm.
- Jim Russell, Tacoma Power, walked through his proposal/example on the Capital Rate Credit. Discussions in the room on whether this approach would be worth exploring; the general consensus was yes.
- There was some discussion on accountability; the Workgroup yielded that conversation to a later time. Key business for the day was to work on the alternatives.
- Scott and Tim walked the group through a slight modification to Jim's example using a Billing Credit approach. It is currently an existing model for BPA, customers have the option to request it, and it doesn't impact the TRM. Under this approach, BPA is achieving the effect of the statute.
- The Workgroup agreed to not spend any more time on the rate-adder or the pre-pay options. We will focus on the status quo, bill credit and expense; although some suggested we do not further explore the expense option.

Decision/Action Items

- Rollover – Wendy to provide Margaret language to include in the recommendations report.
- Regional Program Administration - incorporate the revisions from the Workgroup into the final recommendations report.
- Self-Management of Utility Incentives – explore more thinking of the options discussed and try to have more examples for the May 16 meeting.
- There was a request for the billing credit policy (to be distributed before the May 16 meeting).

Welcome, Roll Call and Review of Action Items

Attendees:

Co-Chairs:
Doug Brawley, PNGC
Margaret Lewis, BPA

In Person
Wendy Gerlitz, NWEC
Mary Smith, Snohomish
Bo Downen, PPC
Ryan Neal, WAPAG
Pam Sporborg, NRU

On the phone
Eric Miller, Benton REA
Brian Fawcett, Clatskanie
Elizabeth Osborn, NWPCC
Jim Russell, Tacoma
Brad Mullins, ICNU
Larry Blaufus, Clark
Mike Little, SCL
Kathy Moore, Umatilla
Linda Esparza, Franklin PUD
Sandi Edgemon, City of Richland
Rob Currier, EPUD
Tom Schumacher, Benton PUD
Keith Lockhart, Springfield
Van Ashton, Idaho Falls
Tim Lammers, Columbia River

BPA Participants
Matt Tidwell
Summer Goodwin
Tim Johnson
Peter Stiffler
Richard Génecé
Scott Wilson
Kyna Alders

Notes[1]

Issue 2 Rollover

- Discussed whether we should try to put bounds on rollover proposal now or wait until the issue of third party financing is figured out. If third party financing happens, which it probably will, we need to know what kind of rollover customers can do.
- Person 1 – as far as rollover in the current system, is it really impossible to have rollover?
- Doug – it is pretty much
- Person 1 – I think we all agree that we need rollover and we should be bolder on this and make sure that it is a stronger recommendation than what I see worded here regardless of third party financing or not.
- Person 2 – I agree and I think this should not be limited to the one rate period. There might be a reason to go beyond that.
- Person 6 – I agree with the comment that more of slide 4 with less of slide 5.
- Person 2 –"regardless of third party financing" that is the language that should be included.
- Matt – My understanding is that if we don't move to third party, it doesn't seem very likely
- Kyna – it is a very high bar. The only time we have had a cross rate period carryover is when we have something like a treaty. If we achieve our savings target there is not a pressure to rollover.
- Wendy will email Margaret some comments on language to incorporate.
- Person 2 – we kind of glossed over early start. Someone may want to start early.

- Person 1 – that could fit under “Or based on some other criteria”.
- Person 3 – how does this work with WG 4?
- Matt – rollover and unassigned account. The funds could get rolled over. It’s not unassigned account. The UA should not be thought of as a means for distributing the things that are left over at the end of the rate period. The idea is that one way of doing that is rollover. The only way you could have unused funds being put into the UA is these funds could be put into the UA in a timely manner) early enough in the rate period) but most of the workgroup didn’t think that it was possible.
- Doug – WGs can make their recommendations and BPA will coalesce these things and use their decision document to layout how they think this should play out.

Issue 8 – Regional program administration

- Doug – mostly bullet 1 and 2 are the distinctions that we made. These are cut and paste from the meeting last week. Brent couldn’t be here and his team didn’t provide comment so we should just submit this.
- Person 2 – BPA today only has three regional programs: SimpleStpes, Smart Grocer and ESI. “Maintain a diverse portfolio of programs for “rough” equity across utilities”. We should continue the strengths of the parties (BPA and utilities). We need to reword this.
- Doug – If BPA is the best mechanism, or ETO, or NEEA, but there ought to be some more work on what the best mechanism may be.
- Matt – given that the BPA managed part of the BPA budget is paid for on a TOCA basis, we don’t want to have a program that only one utility benefits from. We have three sectors and together if you couple ESI, SS and Smart Grocer, everyone gets a little bit.
- Person 2 – can we say that a little bit better? {changed in the other document]
- Doug – what about “The expected success….”?
- Person 2 – I think there was some discussion if we had an opt in program and not enough utility’s opted in, it would make it not work. [change made]

Issue 5 – self management of incentives

- Matt walked through the four paths.
- Scott – on expense, if you go all expense you need to acknowledge the near term rate impact. We could use the flexible pf rate to help with the increase; you could have a contractual amortization over time.
- Doug – and that is allowed under the current TRM?
- Scott – it’s not called out but you would have to make sure it wasn’t harming anyone.
- Tim – we could fit it under the flexible PF rate, something like that.
- Scott – that would be through BPA or if there is a third party
- Matt – I had told the group I was working on finding out if CRC and prepay were the same? The answer is, these are two separate alternatives.
- Doug – at one time the CRC was a difficult rate to get to. Have you worked through that?

- Matt – we left it high level and Jim noodled on it and settled on his proposal. Are we ready to go there?
- Person 5 – have you decided how the prepay for conservation would be different from prepay for power?
- Matt – as far as I know, it's the same general mechanism, but not just the same thing. The differentiation is the interest rate. The mechanism for prepay of conservation would be different. We would probably say what that interest rate is, probably associated with the rate of the third party.
- Peter – I don't' think anyone has been arguing for an entirely different new prepay program. I think we are talking about the same program but changing the pricing.
- Person 5 – but the goal of prepay for conservation is to match up with other financing that utility would have gotten to anyway
- [everyone agreed how Person 5 said it was good: the credit is for the exact amount of the EEI they would have gotten]
- Peter – principal component of prepay would hit as cash (reduction in revenue); amortization is included in the rate. That mismatch could increase or decrease rates. We really need to get some numbers out there to show folks how it would work.
- Doug – is it a more complicated minimum net revue requirement? We don't' think it is a fatal flaw.
- Person 5 – Re Prepay (Pat 3), I really do appreciate your effort Matt but it still seems like a lot of work for BPA staff that utilities are not interested in.
- Matt – I think that's fine to move on then.
- Doug – Peter, you said that prepay would have a different pricing mechanism than hydro prepay?
- Peter – from my understanding there would not be another trench. The price that Energy Northwest negotiates what would be the price.
- Person 4 – wouldn't we be setting up two prepay programs that would compete? And to follow up on Person 5's comment there isn't much interest in the current prepay and I don't think there would be for a new one.
- Matt – let's move to capital rate credit and have Jim walk us through his proposal and then Scott and Tim will talk about their riff on Jim's proposal.
- Person 9 – the ideas is assuming 100 million and 80 percent would remain with BPA and 20 would go to self management. When BPA sets rates there would be two line items: one associated with the debt service BPA would incur and a separate for the money paid to those who opt out. So the composite cost would be as if all were getting EEI. Everyone would pay the same and then during the fiscal year, the customers who elect to self manage would receive a credit. So BPA only incurs 80 million. So the conservation credit paid would be locked in as if they stayed with EEI but there could be a difference in the rates if you could lock in the interest costs before the end of the rate case. If interest rates forecast at 4.5 and they were 5, it would only be a $200 difference. So I think the risks of locking in the rate are pretty low…….One

additional issue. I think you would have to scale the TOCAs to account for the opt-outers, so they get the same amount of money as status quo.

- Person 5 – how would that work?
- Person 9 – you would reduce the EEI amount by 20 percent and then redistribute via TOCA
- Person 1 – it's monthly so how do you make sure that they are spending it on conservation?
- Person 9 – you might have to pay some back.

- Matt – this is financing from reporting but we assume reporting is pretty much the same but you would work out in the contract how they would pay back the discrepancy—maybe a true up like we had under CRC.
- Margaret – but we haven't gotten to that.
- Matt – can you talk about how this continues on for the 12 year period?
- Margaret – the second period would just be compounded on.
- Person 3- does this really make those feel like self-management is interesting, does this scratch that itch?
- Person 2 – the financial side, yes
- Person 9 – Well, I understand why BPA has to do what they have to do with transfer of funds better.
- Tim – I think when we did the 75/25, I think that was part of the bargain of regional dialogue. That 25 was kind of a leap of faith and BPA would pick it up if not met. Our advice was that might be more than what we can do statutorily but let's try. Conservation is the exact same type of resource as every other resource. So if we are going to go down this path where more is self funded there is more risk.
- Person 9 – wouldn't conservation be a simple reduction of your load and net requirements could be reduced that way?
- All – yes, but it happens subtly and not as directly
- Person 1 – If the costs drop below a certain amount that affects the cost of borrowing, right?
- Matt – There is a certain amount of cost to administer to third program.
- Kyna – it's not that you get a better interest rate with more borrowed. The overhead costs are basically fixed.
- Doug – BPA might have the ability to finance for longer periods. So instead of borrowing for two years they might be for four or five years. We don't know for how long BPA would go out and borrow for.
- Tim – yes
- Person 5 – so the only piece that the utility would be credited back is the un-accrued interest. They would still have all of the admin embedded in their rates. If that's the case, would Mary be ok?
- Person 2 – we would be ok because we are just talking about EEI and not the remainder of the capital budget, we let go of that already.
- Person 5 – if you could do the analysis that would be great because we are concerned about the rate impact. And how the change to expense, what other concerns auditors might have is something we would like to know more about.
- Person 3 – what would it look like to step down?
- Matt – yes, I will look into those
- Matt – Tim and Scott have been thinking about how to nest the billing credit in the statute

- Scott – we don’t allow it for generation but we didn’t say that for conservation. It requires an independent action of a customer that you wouldn’t otherwise do to acquire a resource. Otherwise the Administrator would have done it. So the idea is, customer does it and the administrator doesn’t have to.
- Tim – customers have a right to request this kind of credit to request billing credits for generation resources. It doesn’t say you can’t do it for conservation.
- Scott – there has to be kind of “no losers test”. There is nothing that says you can’t say the billing credit policy if customers go out and do something independently so is there a way to go out and finance that. So finding a way to get something on the books to do what Person 9 wants to do. You can use the same math that Person 9 did but change the labels?
- Person 5 – how does this fit in with 75/25 split and if a utility still took EEI but then provided 125%, could they get a bill credit?
  Scott – That’s a fair question but that would not be something that BPA would have done otherwise.
- Person 2 – you would then make this “all or nothing”?
- Scott – yes. You end up in the same place. The labels change a little bit and you end up basically in the same place but instead of “Conservation Credit” it says “Billing Credit”. No one is harmed by this independent action. Doesn’t require a change to the TRM.
- Person 1 – what’s the difference?
- Tim – it’s within the current rate/TRM. The customers can’t just say they are doing it. This is something that is there for them to meet load. It won’t be like a decrement but it will dampen load and we will be able to track it because it is measured and verified.
- Person 1 – so the contract would actually say what the amount of acquisition is that they are bringing in. They estimate a certain amount of savings, what happens if they don’t reach it?
- Scott – there is still a need to talk about the implementation rules and backstop.
- Margaret - would we true up to dollars and not to savings?
- Tim – not sure at this point.
- Matt – Person 9’s creation of a credit made folks uncomfortable but Scott and Tim found a way to put it under our current statutory ability.
- Tim – this has an effect but it’s statutory. It may have an effect on the REP later. It is conservation achieved in the region so it meets that part of the Council’s Plan. The billing credit is a cost that gets spread across our rates. That is called a 7(g) cost. The credit would come back to the customers doing the resource activity
- Tim- BPA is achieving the effect of the statute. So having customers do the conservation even without… {Editors note – lost the thought…}
- Matt – Moving to 75/25 and then Person 9’s proposal, you get further and further away from BPA achieving its requirements.
- Matt – as a non-lawyer I would distinguish two things: Act doesn’t’ say you have to acquire a target; it says you have to be consistent with the plan. On the other hand, totaling up the achievements is different.
- Person 5 – why was “acquire” a big deal for rate adder but not for this?
- Person 1 – we interpreted your take on the REP that “BPA would no longer acquire” was a big problem but it seems like it would still be a problem.
- Person 4 – so under the statute today would be BPA be obligated to do this?
- Tim – yes. Even IOUs and DSIs could. If we have difficulty with our problem, we would have to figure it out. It could be the solution that we are looking for to go forward.

- Doug – my understanding was the biggest problem with Rate adder was change to TRM. And the implication for the REP just complicated it. TRM was the big issue.
- Doug – in fact over time the 25% gets bigger by customer's own volition. You guys still try to set your budget based on that.
- Person 1 – it seems like the 75/25 may even be undesirable. It seems like it would make it simpler not to have that.
- Doug – we used that to figure out what was going to happen. You could still get rid of 75/25 but you would still need to figure out how to set the budget.
- Person 1 – I'm not sure I agree with that as the reason for the budget. Utilities wanted more responsibility to do things on their own.
- Person 2 – part of it was also that not all public pay in and is supposed to serve as backstop but they don't have revenue to support it.
- Doug – I have observed that those who do self funding most are well beyond 25%, more like 35%
- Person 2 – and that doesn't account for all conservation spending.
- Matt – 75/25 only works because funding is connected to TOCA. It's based on all load from BPA customers (excludes MidCs). SCL has a small EEI budget relative to its load so it brings a lot to the savings target.
- Doug – they could get a big billing credit. If you are pursuing this, what do you need to do to preserve the equity?
- Matt – spend your EEI and expectation that self funding occurs. If SnoPud goes bill credit and doesn't deliver anything, then they are in the same boat and we have to think about the backstop role.
- Doug – here is a mechanism that we didn't think of before.
- Tim - and if there are warts then you figure out how to get rid of them.
- Doug – it seems like every time we have gone down the bill credit road, someone felt like it wasn't fair.
- Person 1 – this is the same as acquiring any other resource. Would this have any implications for the TRM and a utility's high water mark?
- Doug – What is the next step on this?
- Matt – do some more thinking on the implementation issues for May 15.
- Doug – the rate adder is not a bad option but there has to be enough of Public Power (PP) to move that. If there isn't then it's not a good mechanism.
- Person 3 – because there has been scant details we haven't been able to get feedback from executives when we have asked because they didn't' understand what was on the table. I'd like to see this group say, which are the three best options and have BPA put full detail behind it.
- Person 9 – So that would be bill credit, rate adder and status quo [is this right?]
- Person 5 – we wouldn't push for something else and we would be happy with status quo. I am not sure that we would push for something else. We acknowledge that SNOPUD may want to. Change to the TRM is a no-go for our membership. I think there is some fatigue on the issue and it's time to move forward and settle. Bill credit option is totally new and I feel like if I bring it to them in three months they would think it's overwhelming.
- Person 3 – sometimes we wear ourselves out but feel pretty good about where we are. Some people still want to see what real benefit is provided. If we could see that the rate adder is the greatest thing since sliced bread, who knows what PP at large would say. We still need more detail. I'm not ready to give up yet.

- Person 5 – if you could flesh out benefits to customers that we haven't considered in addition to not being harmed.
- Kyna – I am not sure that finance sees any more benefit to any of these because third party relieves pressure on the capital borrowing.
- Person 4 – some of my customers are interested. The options we have explored haven't really shown how to hold harmless. Also the administrative oversight - how does that work? Maybe it's quid pro quo. I'd like to get further down the road on that.
- Person 1 – Though the process we have been concerned about the accountability. We would like to see what BPA thinks that would look like to make sure BPA is doing its part under the Act and not getting out of that responsibility. We put a placeholder there in the process: if self-management, then need to consider backstop.
- Person 2 – could a pilot and I937 be a way to flesh out the accountability mechanism?
- Person 1 – probably not
- Matt – No more effort into rate adder or prepay. Status quo, bill credit, expense. I want you to get more comfortable with bill credit. If we move down that road, we would have to get GMs involved.
- Person 2 – I would say don't even explore expense
- Matt – we won't spend much time on it.
- Doug – PNGC is going to consider the expense path at their next meeting.
- Person 11 – I want to look at bill credit since it is something that we could all go off and do now.
- We will reconvene May 16. For perhaps our last meeting.
- Doug – will BPA consider a pilot on this? Have you thought about it?
- Tim – why? We have a concept and we would like to work it through the policy that would be needed. The question is the number of utilities who would participate. Once we do it, we make it available to everyone.
- Person 2 – to get something underway sooner would be better.
- Request for the bill credit policy.