

**Focus 2028 Listening Session
Boise, ID (ICUA Meeting)
March 17, 2016**

Focus 2028 Overview

: In looking at budget, has BPA looked at the balance of its FTE and what direction is it going – growing, shrinking, holding the line? Worried about the cost of BPA.

: Will have budget trends and direction in upcoming IPR. Do not have the answers right now, but the process in May and June will include this direction.

: Concern about reducing costs – BPA is in a great situation b/c they have a lot of staff retiring – are opportunities to reduce staff. The expectation is that there is success and finding efficiencies. Get technology to work for you to reduce staff time and staff levels. Looking for the same focus on efficiencies and reduced costs that the customers push for at their utilities. Right now have no or negative load growth and we are asking them to reduce load – they currently want to get the money back into their members hands because they pay for it in rates.

: Came into this business from the natural gas business and learned process of how they get their power, schedule it, etc. Thinks the utilities forget what a service the BPA load management is. In natural gas, have a whole staff who are doing service to make sure loads match the commodity. Is some real value in the services that BPA provides on a daily, hourly basis. From a big picture standpoint, worries a little bit about the time it takes to build Tx facilities and the over-coming possibility of DG that would strand the Tx investment down the road.

: Is not just the cost, but is the impact on the business model. If they have no load growth, but are being asked to reduce load, then they have to cut staff and push costs to increased member charges that lead to changes in board and leadership. Can't save to zero.

: Have done a good job getting everyone in the room. Constituents have to understand that every dollar that is received comes from rate payers back home. Impacts of increased costs hit the ratepayers – ratepayers are down by the poverty level in a lot of eastern territories. Are back in the same boat we were in in 1996.

: Power Council needs to also be educated that BPA is not an open pot of money – it comes from the ratepayers.

: Concern that BPA doesn't return money to customers and ratepayers when there is budget left over. Not only is Idaho income very low, but it is declining.

: Trying to understand Focus 2028 as it relates to IPR and CIR process – timeline seems pretty tight. Hoping that these discussions aren't for naught and that BPA doesn't just drive its own agenda. Wants to see BPA taking steps to actually get to

change. How is Focus 2028 process going to inform IPR? Thinks that sometimes BPA goes beyond its statutory obligations and listens too much to the Council. For example, EE: if you were using EE as a resource, it shouldn't be driven by a Council process, but should be driven by whether BPA needs the resource.

: Been working with Focus 2028 for 8 months. Hears that there are discussions amongst employees. BPA is a big ship. If BPA isn't reacting soon enough, the ship isn't going to turn. In a for profit biz model, the business looks at the external factors coming at it and reacts, rather than reacting from internal out. BPA needs to start acting like a business rather than a bureaucracy. Are 8 months into it and don't see anything has happened in 8 months.

: Has seen a little movement in that Elliot has started a process that has people looking at this internally. Are some utilities that are growing that will embrace EE as a resource and BPA's rate structure is set up to send that price signal. BPA could take the risk, step back a bit and let price incentives work. Whether utilities somehow bid into EE market or something. The way it is collected now, whether needed or not, use it as a customer service program because they have to pay for it. Seems like it would work better for a PMA to acquire the resource where it is most needed for the lowest cost. Still need some help in the engineering resources, other support. The way we fund it looking forward needs to be based on need. Opt out of paying for the piece that isn't the infrastructure (the EEI). Are doing a lot of work in market transformation, new technologies – don't have a problem paying a reasonable charge for that as long as they feel it is run effectively. Think we may find that the utilities that need it will spend it and not need much help from BPA.

: The Council: expect BPA to carry some water in pushing back on what the Council decides. From the utility perspective, need to hold the Council accountable for their assumptions that they do not agree with and support. Fish – are talking a lot about EE, but EE is a small piece of the total budget, especially on the BPA side. How do they help on Fish & Environmental? Has the biggest impact on BPA rates if they can make some headway on it. Probably need to get the statewide organizations coordinated to address the EF&W issues.

: About 4 years ago, were in Sun Valley. Richard was new. Remembers clearly that he said he was excited and here are all the things we are going to do: please don't tell us that we will do things. Doesn't feel like we have done well. The reporting processes haven't changed. The incentives have changed and they now don't work.

1. Our targets are not right. Don't set the example for upholding EE using the ratepayer dollars.
2. Has great concerns with those who have outside interests who have such an influence at BPA that they have much to gain monetarily from keeping the programs alive. Feels like he is not at the table to hear the problems and be in the discussions. Needs to be much better communication and a place at the table.

3. Think about the average at BPA is that for every dollar they give us, get \$0.50 back. Through process of getting partial money back, have great concerns about some things: 30% of the \$1 going in EE is for paying debt. If this was in their coop, would be cutting other costs. Are third party programs and areas in which Dick Stroh can't help them. For example, consulting work for irrigation systems: Dick has been told the private sector has the abilities and structure to do that, so the EE engineers should not be doing the job of the private sector in helping on irrigation systems.
On budget, don't see the details on how the funding is spent.
4. Window incentives have gone way down, but low income incentives are too high and are out of balance. Have trouble spending money each year.

: The money is their member's money, why can they not take the funds and bring them back into the member rather than spending it on energy efficiency. If __ starts to take more control of the EE program, where does the balance come in to use of the EE dollars?

: Shift to self-funding can make a change by reducing the BPA funding and giving more flexibility. Rollover provides some flexibility

: If you don't have any load growth, then start marketing the EE to the end users. Are sending the signal that EE should be paid for by the utility and end users shouldn't do it without getting paid for it. If you have a lot of large customers, then incentive payments go right to bottom line of large customers.

BPA's Target

: as you look at the 42% and as you see the IOUs taking out coal and other resources, seems like the 42% needs to be re-jiggered. Seems like we may be packing more of the region's EE load than we should.

: In IOU world, IOUs can earn a rate of return on EE. Reading Power Plan and trying to understand the mathematics. BPA load is 42% of the load in the region, but doesn't have 42% of the load growth. Read Chapter 5, BPA's loads and resources: BPA's load growth is 250-550 MW out of 1,500 to 4,000 MW of the region's load growth. On average is 13% of the load growth in the region per the Seventh Power Plan. Doesn't think it would be victory to shift to something just lower than 42%. Would mean following the Plan and looking at load growth. When look at it from a cost-effective standpoint, statements are made about selling surplus into the market and making money from it – doesn't hold up when power costs are really low. When BPA does additional EE, the surplus goes into the spot market and is purchased by IOUs to serve loads. Look at target as a minimum – if a utility has load growth, they should be looking at additional EE resources.

: Has no load growth. Believes it should be a smaller target and a different funding mechanism for EE. Would possibly retain the dollars and roll it out as customer service. Potentially flopping the 75-25 self-funding ratio would be a good fix. See the

big difference in low income incentives, see some people getting a lot of money who aren't really very low income. Doesn't feel good that the bills are high, then they are rolling out a program that isn't equitable. Some incentives are too rich: can roll out a lightbulb program at annual meeting and make money off it. Not sure anyone has a great sense of what the savings really are from EE. They roll out lightbulbs and give it away – then the region assumes they are all installed. See some inefficiencies in being able to give away CFLs one year, then LEDs the next year. Although EE is a small budget item, seems like a reachable area for them.

Self-funding

: Would hate to see a target for each utility. When their mine is up and running, they pay a huge cost and generate a large EEI – weren't able to utilize the EEI. Conservation potential is limited. Would want BPA to recognize that small utilities reach a point where there is not new conservation to do.

: If shift to self-funding, is there more flexibility to pay for things that need more payment due to restrictions from BPA. Will there be a kWh goal and will how they meet the goal be up to them? Look at rules around self-funding.

Program Efficiencies

: Idea of achieving EE where there is EE. IDEA group – prior to this contract, they functioned as a pooling group and were able to achieve conservation where it was at, rather than in the best place in the group. Under this contract, seems like there are a lot of cumbersome rules about how the pooling group can work. Feels like they should just be allowed to operate as a pool or a JOE to achieve conservation. IDEA is a JOE, but their customers each have their own power sales contract. Is there a mechanism not to have to have all of the paperwork to coordinate amongst themselves?

: Flexibility. Have a 2 year rate period and large projects take some time. Would be good to have either a 4 year rate period or more roll over between rate periods. Good with the self funding, as long as it is connected to a reduction in the target.

: BPA technical support is critical, especially on irrigation/agriculture and probably industrial. Want to feel that there is value in the infrastructure that BPA continues to support. Market is very different in rural Idaho than in the I-5 corridor. A number of the ID utilities have performed CPAs: the need may be there, but the measure has been deemed mature. Maybe a conservation assessment could inform potential changes.

- 1) count kWh, not dollars
- 2) Need more flexibility
- 3) Self-funding

- 4) Cost-effective conservation and market transformation: cost-effective conservation in the I-5 corridor compared to rural Idaho is very different. Are still trying to get people to put in standard heat pumps. Are all kinds of single paned windows they could change out. What works in the I-5 corridor doesn't always work in rural Idaho. Has some real-life examples of these. For example, has 10 HVAC service contractors in the area and only 2 are PTCS certified.

: Windows, the incentives on MF, single family, low income. Is a big difference in the incentives and that is problematic when there are people who are right on the line.

: Thinks there is new technology out there that we don't look at. Prepay programs. With AMI meters, members can set their own conservation targets. Opportunities for tracking behavioral savings that can be tracked but don't cost dollars. Prepay: although it does tend to be low income, there is a behavioral component and there are savings there. Is a voluntary choice and the members get regular updates. Would like to be able to capture the kWh savings without spending dollars, except just tracking the savings.

: Find that people are making better choices based on monitoring their usage in prepay.

: Prepay started as a tool for people who didn't pay their bills. Now people are using it as an energy efficiency tool.

: Reporting over the past 3-4 years has been nightmarish. Second go-around at reporting system has not been as seamless as should be. Somehow, can we figure out a way to just give BPA the simple information necessary and not build a big monster system that no one understands. Has to be some way to do it cheaper and more simple than what BPA has been trying to do.

: Give us the opportunity for our members to do things that work for where they live, rather than giving them programs that they have to fit into. Things are different in each individual cooperative. Create the flexibility to allow the cooperatives to do the things that work in each cooperatives. Some of the things that might be good EE measures aren't in there.

: Has HVAC contractors on the PTCS list who refuse to do PTCS projects because of the paperwork required.

: the marketplace that exists in Nevada, customers may have an inefficient electric heating system, but they aren't going to upgrade it because of the cost. Could the utilities work with BPA to develop a standard that works for the customers.

: Concern about the LEPA/LESA measures and the inability to update the IM to allow for those measures in the IM.