

# Post-2011 Review

## Workgroup 1: Model for Achieving Programmatic Savings

January 16, 2014



# Agenda

- Introductions
- Purpose and Objectives of Post-2011 Review Process
- Scheduling
- Operational Excellence
- Desired Outcomes for WG1
- Post-2011 Facts & Figures
- Issue Identification
- Prioritization of Issues
- Scheduling & Discussion of Possible Sub-Groups
- Discussion of Issues (time permitting)
- Next steps - 2:45 pm
- Adjourn – 3:00 pm

## Quick Overview on the “Post-2011” Process

- EE’s framework aligns with the implementation of BPA’s Regional Dialogue power sales contracts
- *Prior Post-2011 public process*: conducted from January 2009 to March 2011
- *Then*: BPA committed to public review process after sufficient experience had been gained
- ***Today***: undertaking that process to review and consider improvements to the BPA energy efficiency policy framework and associated implementation elements put in place on October 1, 2011

# Proposed Timeline

DRAFT: 1/7/2014

*OPEN TO REVISION*

	Fiscal Year 2014								
	Q2			Q3			Q4		
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep
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								■	■

# Big Tent Meetings

## Four Regional “Big Tent” Meetings Scheduled

- Meeting #1 Tacoma, WA (Tacoma Power to host)  
February 26 9:00 a.m.-3:00 p.m.
- Meeting #2 Eugene, OR (Emerald People’s Utility District to host)  
March 20 9:00 a.m.-3:00 p.m.
- Meeting #3 Kennewick, WA (Benton PUD to host)  
May 8 2:00 p.m.-5:00 p.m. (Efficiency Exchange Conference)
- Meeting #4 Kalispell (Flathead Electric Cooperative to host)  
June 25 9:00 a.m.-3:00 p.m.

# Workgroups

<p><b>Workgroup One: Model for Achieving Programmatic Savings</b></p> <ul style="list-style-type: none"> <li>• EEI Allocation Methodology Using TOCAs</li> <li>• Utility Self-Funding</li> <li>• Two-Year EEI Budgets</li> <li>• BPA Redirect of EEI Funds</li> <li>• BPA's Backstop Role</li> <li>• Regional Program Administration</li> <li>• Limitations of the Post-2011 Framework</li> <li>• Performance Payments for Regional Programs</li> </ul>	<p><b>Margaret Lewis and Doug Brawley (PNGC)</b>  <b>Proposing First and Third Wednesday</b></p> <p><b>Seven Meetings Tentatively Scheduled:</b>  <b>1/16, 1/29, 2/19, 3/5, 3/26, 4/9, 4/23</b></p>
<p><b>Workgroup Two: Implementation Manual</b></p> <ul style="list-style-type: none"> <li>• Frequency of Changes to the Implementation Manual</li> </ul>	<p>Dan Villalobos and Ross Holter (Flathead)</p>
<p><b>Workgroup Three: Low Income</b></p> <ul style="list-style-type: none"> <li>• Funding Low-Income Residential Energy Efficiency</li> </ul>	<p>Boyd Wilson and Eugene Rosolie (Cowlitz)</p>
<p><b>Workgroup Four: Flexibility Mechanisms</b></p> <ul style="list-style-type: none"> <li>• Large Project Fund</li> <li>• Unassigned Account Allocation Methodology</li> </ul>	<p>Melissa Podeszwa and Ray Grinberg (Pen Light)</p>
<p><b>Workgroup Five: Reporting and Verification of Savings</b></p> <ul style="list-style-type: none"> <li>• BPA Role in Verifying Self-funded Savings</li> <li>• Timing of Utility Reporting to BPA</li> <li>• Reporting and Consistency of Utility Self-funded Savings</li> </ul>	<p>Mark Ralston and Mary Smith (Snohomish)</p>

# OPERATIONAL EXCELLENCE

- Group Norms/Courtesies
- Communications
  - calendar invites – helpful?
  - materials to you in advance
  - dedicated note takers
  - meeting summaries/strive to have notes available within a week
  - Materials posted on BPA's Post-2011 website
- Discussions
  - Meetings need to progress; try not to get bogged down on a topic
  - Questions/Comments/Thoughts/Suggestions
    - In person participants, please use the notecards on the table
    - Live Meeting participants, please post your comments and we will capture them

# What does 'success' look like to you?



# Facts & Figures

## Comments on the Document....

# ISSUE IDENTIFICATION REVIEW

**Outcome:** At the conclusion of this review, you will have enough information to assist you in voting on the prioritization of the eight issues this workgroup will undertake.

*Here we go.....*



# BPA Working Assumptions

- BPA must fulfill its statutory obligations, e.g., BPA must “acquire” conservation (defined in BPA policy as an exchange of funds)
- Any proposal must work within the existing Regional Dialogue policy and contracts
- Decisions need to be made in the context of other dynamic agency drivers (e.g., CIR, IPR, Access to Capital)
- Funding levels will be decided in the CIR and IPR processes
- Any proposal must be consistent with BPA’s financial and procedures and reviewed by BPA finance for consistency with sound business principles
- Any proposal should not adversely impact customers that choose not to pursue a particular alternative
- Any proposal should not consider customer “a la carte” funding of EE costs/services (i.e., picking which EE costs to pay for) OR

# Issue #1 - EEI Allocation Methodology Using TOCAs (Scoping Doc. Item 1)

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).

## Issue #2 – Two-Year EEI Budgets, aka Roll Over (Scoping Doc. Item 2)

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.<sup>3</sup>
- 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.

## Issue #3 – BPA Redirect of EEI Funds (Scoping Doc. Item 3)

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.”<sup>4</sup> 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...”

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.

## Issue #4 – BPA’s Backstop Role (Scoping Doc. Item 4)

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.”<sup>6</sup>

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.

## Issue #5 – Utility Self-Funding (Scoping Doc. Item 9)

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.



## Issue #6 – Limitations of the Post-2011 Framework (Scoping Doc. Item 11)

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.

## Issue #7 – Performance Payments for Regional Programs (Scoping Doc. Item 14)

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).

## Issue #8 – Regional Program Administration (Scoping Doc. Item 15)

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.

### 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.

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- Funding levels will be decided in the CIR and IPR processes
- Any proposal must be consistent with BPA’s financial and procedures and reviewed by BPA finance for consistency with sound business principles
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- Any proposal should not consider a “menu of services” approach to funding of EE costs/services (i.e., picking which EE costs to pay for)

# Issue Prioritization - Pick Your Top 5

1. EEI Allocation Methodology Using TOCAs
2. Two-Year EEI Budgets (“roll over”)
3. BPA Redirect of EEI Budgets (“take back”)
4. BPA’s Backstop Role
5. Utility Self-Funding
6. Limitations of the Post-2011 Framework
7. Performance Payments for Regional Programs
8. Regional Program Administration

# Prioritization of Issues

# Scheduling & Sub-Group Discussion

- Do we have consensus on the proposed scheduled meeting dates?
  - ❖ Tentative Work Group Dates: January 29, Feb 19, Mar 5, Mar 26, Apr 9, Apr 23
  - ❖ Scheduled Big Tent Dates: Feb 26, Mar 20, May 8, June 25
  - ❖ In-Person? Conference Calls?
- Do any of the Issues need to have sub-groups to assist in the facilitation of the discussion?  
Recall, Jan-May WG meeting dates...
- Recommendation to BPA; BPA will be the final decision-maker

