Energy Efficiency Post-2011 Review
Workgroup 4 Meeting 1
Thursday, February 13, 2014
1:00pm to 3:00pm

Overview

Workgroup 4 is tackling Unassigned Account Allocation Methodology and Large Project Fund as well as an added overarching topic of other ways to capture large projects (as requested by Workgroup #1). In our first meeting we reviewed the Post-2011 process and workgroup expectations and reviewed the assigned issues and possible options suggested in the initial scoping document. It was determined that we would focus on each issue individually, starting with the Unassigned Account. The group also decided that coordination with Workgroup #1 and possible joint discussion may be warranted for the large project issue.

Decision/Action Items

-Unassigned Account Allocation Methodology will be the focus of March 10 Meeting

-Poll will be sent prior to the meeting to gauge participants top three options for UA allocation

-If possible, Workgroup #4 will likely attend a portion of Workgroup #1 to collaboratively discuss the topic of large projects

Meeting Notes[1]

Co-chairs:

Ray Grinberg (Peninsula Light)

Melissa Podeszwa (BPA)

Other Attendees:

Kathy Moore (Umatilla)

Wendy Gerlitz (NWEC)

Lisa Atkins (EWEB)

Bo Downen (PPC)

Van Ashton (Idaho Falls)

Brian Fawcett (Clatskanie)

Doug Swier (Cowlitz)

Jed Morell (City of Monmouth)

Jim Dolan (Pacific County)

Jim Russell (Tacoma)

Larry Blaufus (Clark)

Mike Little (SCL)

Van Ashton (Idaho Falls)

Vic Hubbard (Franklin)

John Wolkowiak (Tacoma)

Jessica McLaws (EWEB)

Brad Mullins (ICNU)

Eugene Rosolie (Cowlitz)

[1] Out of respect for privacy, only attribution to comments from BPA staff and workgroup co-chairs is included in these meeting notes.

BPA Participants:

Josh Warner

Mark Ralston

Matt Tidwell

Kim Thompson

Summer Goodwin

Margaret Lewis

- **Welcome and review of agenda.**
- **What does success look like?**
  1. **Ray Grinberg:** we want certainty in our ability to acquire savings. So we want flexibility. We don't need more process. We want flexible programs that allow us to achieve the energy savings.
  2. **Person 16:** getting a mechanism in place that is useful and fair for everybody.
  3. **Person 17:** my hope is that we don't make this too complicated and keep it simple, without additional administrative burden on BPA and the utilities.
  4. **Person 8:** would like to see that funds aren't left on the table at the end of rate period. Money should be put to good use and nothing should be too restrictive.
- **Review of Facts and Figures document:**
  1. **?:** bilateral transfers are current flexibility mechanism and it worked pretty well. Kudos to the EERs and BPA who made it easy to use.
  2. **Person 14**: ditto
  3. **?:** what is managed capital?
     - **Kim Thompson:** Money that we use to fund regional infrastructure that can be capitalized. Today we have just a few: services we support under ESI, ESG, green motors and the funding for Energy Smart Reserve Power (ag districts with no utility). It shall not exceed 30% of our budget and scale down if appropriate. If expenses are low this could flow to the unassigned account, but there is no guarantee that there will be any money in this account.
  4. **Person 14**: did any of the utilities that received funding from the Unassigned Account have EEI remaining at the end of the rate period?
     - **Matt Tidwell**: yes, there were 19. The highest percentage was 30% left over as a fraction of original budget and the average was 1.8%.
  5. **Person 10:** How were bilaterals used? Were those large projects?
     - **Ray Grinberg**: we pursued bilateral transfers early on in the rate period. But in this rate period and the next one, certain utilities not wanting to spend their funds may wait until later.

  - **Melissa Podeszwa: clarification of bilateral transfer:** no criteria, one utility had budget remaining, transfer from one utility to another and they pay it back in another rate period.
  - **Person 14**: regarding the bilateral transfers, we put in $1.9 of bilateral transfers and then on Oct. 1 we reversed the transfers.

- **Issue identification**
- **Issue #1- Unassigned Account Overview**
  1. **Melissa Podeszwa**: review of input we've received on the Unassigned Account.
  2. **Person 11:** I thought we tried to eliminate the amount of gaming by having an upper limit.
  3. **Matt Tidwell:** Utilities could do one of two: you could ask for as much as you want or ask for the full amount, even if they didn't want the whole amount. That led to the perception of gaming. They did it so they could get the maximum.
  4. **Person 14:** some utilities honestly asked for what they needed whereas others asked for the full amount. Some asked for $28k and after the pro rata distribution they only got $1k.
  5. **Kim Thompson:** The second time, we communicated out how the distribution would be made but some made a sincere specific ask, while others made a request just to get something
  6. **Ray Grinberg:** I feel like the problem statement doesn't capture the problem of timing. I recognize that it takes a while, but if the amounts are available toward the end of the rate period, there will always be that gold rush mentality.
  7. **Person 10:** we definitely pushed people in order to get the monies spent since it was near the end.
  8. **Person 17:** the timing is everything. If we focused on "need" that would require too much time to process the requests.
  9. **Person 18:** need to keep in mind no matter which one we pick, there are going to be problems with it.
  10. **Kim Thompson:** I agree, the purpose is to find the best option we can and one that we can all defend in its implementation.
  11. **Ray Grinberg:** we just have to choose the least bad option.
  12. **Person 16:** the TOCA weights the distribution toward the bigger utilities. The status quo is a bit more toward need. I miss the regional pool of money that you could use to achieve savings from beyond the reach of the utility. The biggest thing is what you're going to pick for methodology, but for least cost, that would take awhile to figure out and be more complex.
  13. **Person 18:** regarding the two buckets issue, when we talked earlier, there were two sources of funding: BPA-managed capital and funds returned from utilities.

The capital dollars is the responsibility of all the utilities. The funds returned from a utility are those utility's rate payer dollars. So we may want to look at these two buckets in different ways and they get allocated in different ways. Those dollars from the BPA-managed capital could probably be used to the benefit of all the utilities and not just those utilities that can use it at the end of the rate period. For example, maybe there was some regional infrastructure project or something. So we should think about the buckets differently. Maybe you turn it over to NEEA to run some of their programs that are regional in nature. Maybe use it to support other programs. Or maybe turn it over to transmission.

14. **Person 19:** who would get credit for the savings?
15. **Person 18:** it depends on what we're talking about in terms of the money available.
16. **Person 17:** I'm looking at the two bucket options as way to reduce the gaming. It's not unusual to allocate the funding to all participants. My main issue is about timing and notification. Learning about available funds in July to have them spent in September is difficult. You can end up just substituting BPA money with self-funding money. You could say it has to be sooner than July in the second year. I think we could drop options C and D unless we could have more than six months before the end of the rate period.

- **Issue #2- Large Project Fund Overview**
  1. **Melissa Podeszwa:** There are "large project fund projects" and there are large projects that are large relative to a specific utility. WG1 has asked this workgroup to consider other ways to capture large projects.
  2. **Kim Thompson:** the LPF is up to $10M per rate period. It's not budgeted because we don't know how much would be requested in a given rate period. When the requests happen, we have to secure the funding internally within BPA in the existing rate period. In future rate periods, some of the funds are coming from LPF repayments from utilities have previously accessed the fund.
  3. **Ray Grinberg:** is this something utilities would want to do the way it's structured? Very few utilities used it. But without it, it does leave the utility with one less option of capturing the project. Being a residential utility, the threshold of 50% is impossible for me to meet, so as is it's useless to me. So I'd rather have some other flexibility. The LPF as of today only have limited functionality for certain utilities.
  4. **Person 13:** we were in the same thought pattern until we recently got a large project. We're trying to figure out how the borrowing back relates to I-937 in

terms of borrowing from ourselves in the future. Would we be able to meet future targets?

5. **Person 10:** the threshold is too high for us as well. But even if it were lower, we wouldn't borrow from the future. So the LPF is useless for us.
6. **Person 16:** borrowing against the future also isn't an option for us.
7. **Person 8:** Were either of the utilities that used the LPF from Washington.
8. **Kim Thompson:** no, they were not.
9. **Person 8:** those under I-937 would have a hard time with the repayment component.
10. **Person 16:** We aren't I-937 and we would not entertain it.
11. **Ray Grinberg:** I heard from some that even if we lowered the threshold, you wouldn't be interested, but from others I heard that if we lowered the threshold, you might be interested.
12. **Person 19:** As a pooling group we wouldn't be able to entertain this unless the threshold was very low.
13. **Person 11:** our attitude was that it was hard to give money to a for-profit organization with people's money when that money could go to the people. Under today's guidelines we tell the industrial customers that they are on their own if it's going to take a big chunk of our budget. It's a policy and moral mindset. If there was another pot of money, we would pursue it or if an I-937 utility wanted to do it in our territory and claim the credit for it.
14. **?:** it's not something that we just want to throw out. It's really a contractual issue between that utility and BPA. To come up with a policy that spans all the utilities or burdens us with more bookkeeping doesn't seem to be the way to go. Even though it's a once in a lifetime mechanism, I think we need to leave the mechanism there. It may not be it, but we need to find a mechanism.
15. **Person 16:** we also want to make sure this doesn't go back on the original TOCA basis for the framework.
16. **Person 19:** there were projects that sat because utilities didn't have the money to fund them. Maybe somebody in Finance could think of budget roll over just for large projects. Another option is how we fund NEEA, could we have something similar for large projects, but it's a regional fund that is set aside. There wouldn't be a payback and the costs would be spread across all utilities.
17. **Person 6:** so one solution would be to have $10M that is reduced from the EEI portion.
18. **Person 18:** we did talk about this in WG1. It could be a revolving fund and the utility would pay it back overtime.

19. **Person 20:** we have viewed the failure of the LPF as a function of the repayment provision. I also like not tying it to the rate period timeline but instead tying it to the project timeline. We could be supportive of a revolving fund and not tying it to a two-year rate period.
20. **Person 18:** the utilities should pay it back because we have this idea of equity in the 20-year contract.
21. **Person 6:** the theory was that it benefits the whole system.
22. **Person 12:** that's not accurate.
23. **Person 16:** that was the old model.
24. **Person 18:** my suggestion would be that the payback period is 10 years.
25. **Person 2:** maybe there's a hybrid approach. Partially revolving and partially no payback. The efficiency you get from these big projects does benefit everyone. I understand the dollar in is a dollar out, but going too far down that road really dilutes the reality of EE as a resource that benefits everyone. There's a point to which the equity piece no longer works, so we may need to come up with a blend/hybrid approach.

- **Issue prioritization and scheduling**
  1. **Person 18:** my vote is for one at a time (seconded and third by others)
  2. **Person 19:** we could quickly tackle the Unassigned Account issue. So we could get it out of the way, compared to the other bigger issue.
  3. **Melissa Podeszwa:** okay, we'll tackle the Unassigned Account first.
  4. **Melissa Podeszwa:** we're looking at March 10th for our next meeting. I'll send out an update to the meetings.
  5. **Person 17:** could we take a straw poll on the options for the Unassigned so we could knock down some options. Could you do a straw poll for the top three and then we drop out the ones
- **Next steps**
  1. **Big tent meeting February 26**
  2. **Next meeting March 10th.**