REGIONAL DIALOGUE RENEWABLES FOCUS GROUP
NOTES 01/19/05

PARTICIPANTS

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Meeting Room
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Mainzer The last act of the group at the last meeting was an around the table vote on our recommendations—after spending about six hours trying to push people down the path of considering other options and getting a lot of resistance—which was to convey to BPA management our desire to save the C&RD. We like the world as it is. That's pretty much what we came away with. We faithfully executed our commitment to convey that to Paul Norman and others in no uncertain terms. We got some questions back: Why, exactly, is flexibility so important to all these different entities, players and personalities, and what would be the implications of actually moving away from that? What would be the consequences? Would less renewables be developed, less conservation? We hope to start out the meeting talking about these questions. Paul Norman and Mike Weedall are still in the feedback and listen mode so your input is welcome. Despite our recommendation for status quo, we do need to begin hedging ourselves against that potential situation where we do separate conservation from renewables and that flexibility is lost. If we do go down that road [separating C from R], how are we going to use the $6 million? What are we going to do with it? How are we going to accomplish it? How are we going to get some leverage out of it? I don't want to prejudge [the separation question]. Any other suggestions for the agenda?

Rosalie The ROD for the conservation is supposed to come out some time in February. Is that the schedule for this, as well?

Oliver The ROD that we are issuing on renewables is coming out in the next couple of days—the end of this week. The ROD that we are writing on renewables, the one we have been talking about, is the nature of the shift to facilitation from direct acquisition, the level of the program—those kinds of things. We put together this focus group to talk about how we would actually apply the dollars, and what we would focus on in terms of implementation and then into a facilitation type of a mode and away from direct acquisition. So this focus group has been about designing the sub-elements of facilitation and coming up with something that is the most valuable or useful to the region. What will give us the biggest bang for the buck in terms of renewables facilitation. That dovetails, whether we want it or not, with the conservation team recommendation which will be coming out later in February, because one of the key elements tying these two programs is the C&RD program. Frankly, the input of this team is extremely important, but in some ways where conservation needs to go tends to be a little bit more of a driver, and the recommendations coming out of that team about what Mike and his crew can achieve, given what they've been directed to do in terms of levels of conservation and funding, etc., is something when we talk—Paul, Mike and I, in our groups—we just recognize that separation of C from R is going to be driven significantly by what comes out on the February Conservation ROD. All that being said, what we want to do with this team is continue on down the road, trying to focus, once we get the ROD out, on what mode we are in, facilitation or acquisition, and number of dollars, and once we get the Conservation ROD out saying are we going to keep going with a combined C&RD or a separate kind of approach. We want to work with you to figure out how to best implement the program. It is not clear to me that that implementation issues need to come out in a ROD, as long as we stay within the parameters of facilitation and the dollars net investment in the program. If you all thought we ought to do something in a ROD, to get something more officially in place, etc., in terms of talking about the sub-elements of the facilitation program and how it would be structured, that is something we could think about. But we haven't been thinking we would be coming out with an ROD down the road.

Malin I would like to add to what Steve just said. We have the ROD coming out with renewables stuff in it in the next couple of days. We have the Conservation ROD in February. That will give us an idea whether the C is combined with the R or not. And what goes into rates—that's going to happen through the Power Function Review process. So there is yet another piece to this puzzle.

Chalier Can I relay to you the description of an e-mail exchange I had with John Pyrch, which makes what you just said a little bit confusing. I think it's just the nature of this whole process.

Rosalie When was that exchange?

Chalier Last week. I think it is the most recent word on what the Conservation are thinking—at least from John Pyrch's perspective. I indicated that I wanted to make a formal recommendation through the conservation work group that the C&R should be combined with a $6 million limit on the R, and have that on top of whatever Conservation budget is established through the whole preference review process. Pyrch said that the conservation work group is not the proper venue for me to be making that type of suggestion. He told me to work through the Renewables Focus Group, instead, and make your recommendation through that group. And then the Administrator will make his decision. I don't know where to go with that direction. But it makes me think this is the proper venue for us to be making that recommendation, based on his opinion.

Oliver We just met this morning with Mike Weedall and Paul Norman and I and our groups. From my point of view, they've been asking for comments on the conservation program and it is linked, at this point, with renewables, in terms of the design of that program, and people have been commenting on it, as I understand it, in that particular work group, in terms of the design of that program.

O'Connor For whatever reason, good, ill or indifferent, I think it is important [for the conservation folks] to know what we want, in their forum. We have been telling them—I have tried to say at every opportunity, like a broken record, that we want to have the flexibility to go back and forth.

Oliver And they've heard you. They reiterated it this morning.

O'Connor What they've told us is, "Thank you, but tough. We aren't going to do it, and stop saying that." Basically, that is what I feel I've been told. They've made it very clear, at least to me, that they aren't changing, and that's the way it is, period. That's the message I got, and I think everybody I've talked to got, out of that forum. They've said it in e-mails. That is where we are, as far as I know.

Shimshak I have a couple of things to say. I did not want to lose sight of the fact that we did actually have two ideas in our last meeting, lest we forget. Both of them had to do with this C&R discount. On this very issue of the Conservation people feeling, at least through many of our communications, through many people, they knew they had to capture x amount of conservation, and they thought it would take x amount of dollars, and the interest on the part of utilities to keep some flexibility and keep them together, and recognizing that the current C&RD is, I don't know, $30 or $40 million, and it could be the case that all the money could have been spent on renewables, in which case it is a much bigger dollar figure, or it could have been the case that all the money got spent on conservation, and we only put the $6 million figure in place as a safety valve in the event that nobody spent any money on renewables, so all the sudden we are left with only $6 million to have a conversation about, that was just a fall-back position as opposed to an opportunity that was provided by a flexible incentive. One idea we came up with and talked about last time was, that it [the renewable portion of the C&RD] would need to have more dollars in the next rate period—and I know everybody's allergic to more dollars, but it probably wouldn't take that many dollars if you created a bigger C&RD [combined] pot. If you had a guaranteed minimum for conservation that maybe was just a little bit under what everybody thought was necessary in order to capture the agreed upon megawatts for conservation, and you had a guaranteed minimum on the other side to capture x amount of renewable megawatts, and then you could have some flop-over room in the middle where utilities could have a flexible opportunity to spend on either or both. Maybe you could accomplish both objectives at the same time. That was the first suggestion [from the last meeting]. The second suggestion [from the last meeting] was, we talked a lot about the interest in capturing new renewables—that existing mechanisms in the C&RD didn't necessarily prioritize new renewables—and perhaps more of an incentive could be directed to those who were developing or purchasing new renewables and less of an incentive could go to those who were buying existing renewables. Those were two actual ideas that I do recall us talking about during the last meeting that tried to address this issue of the Conservation people being quite focused on wanting to make sure they accomplish their part.

Oliver Just to follow up on both of those. We actually have not ignored them. Coming out of that last meeting, we designed something [internally, which guaranteed conservation would be left whole]. We took that idea to Mike Weedal and others in his shop, letting them know we were looking at something that would provide limited flexibility, [because customer desire for it was] pretty well known. We talked about a design that would look at constant conservation dollars with some flexibility, like you talked about—minimum renewables and minimum conservation—and some sort of combined C&RD funding. So I think they are still listening. However, I think they have a pretty strong opinion about where they stand and we've been representing this team pretty diligently, even going in with compromise designs, in terms of C&RD, very similar to the one you just talked about. So people are still taking that as input. So, number one, I still think they have a strong opinion about keeping the peas separated from the potatoes, and making these into clean distinct programs that way they can have certainty about and picking up megawatts and accomplishing conservation. They are anticipating getting a set of recommendation, maybe a minority opinion along with the majority opinion, out of Conservation sometime this week.

Chalier But the renewables portion, isn't going to be put into the recommendations, or should it be?

Oliver It is a little confusing to me, that with C&R presently connected, and then to make a ROD decision on how they are going to do a rate discount program without [considering] renewables …. If you said you are either going to run the program with C&R combined or separate, either way you are impacting renewables. So it is a little confusing to me about how they say they cannot take comments on the renewable aspect, at least as it links to the rate discount.

Shimshak I've had this discussion with Weedall too, because I was concerned that they were so focused on their agenda that it would exclude the interests we had, and he said so long as you can design something that allows us to get to where we need to go, then we're OK. That is what he said, anyway. It was a passing in the hall kind of conversation. I thought this suggestion that we talked about is a way to try to accommodate both things. We haven't been specific in this group about how much is needed in order to get to any kind of goal over any period of time.

Oliver I am going to make a suggestion. I don't know how difficult it will be for a representative or two of this team this evening to draft up something for tomorrow's presentation of the Conservation Focus Group, and represent it as a Renewables Focus Group input to that particular [conservation] process. As I said, people here's representation has been made internally, but I think it would be good to get on the record so that it can be considered in the ROD as well. When I leave this meeting, I will get hold of Pyrch, Weedall and Norman and tell them that I've recommended this group make a comment tomorrow, or be given at least a ten- or fifteen-minute slot, so that we can file something, even in terms of writing. You all can decide what level of representation, maybe all of you agree or don't agree, or at least say in the context of the discussion of this focus group.

O'Connor I appreciate the fact that you guys have made that contact internally. I do not pretend that everyone on the Conservation group agrees with what I and others have been saying. A lot of them are worried that they can't make the targets given the amount of money that is there, and they are spooked about funds going off onto something else.

Shimshak And we are similarly concerned. I hope we learned to listen in 2000 and 2001. If we had made these kinds of investments a little bit along the way, we would be in less trouble than we ended up being in [during the energy crisis]. To squeeze the budgets down so far [to $6M/year] isn't useful for the region's health. I hope people will be willing to at least consider a few more Shekels in order to try to get some things in place that everybody could participate in and benefit from.

Duncan I want to understand what it is you are proposing. There are two or three different levels of substantive representation we can make here. One is just a procedural one, whether there ought to be a minimum amount for renewables and a minimum for conservation, and some allowance for utilities to shift back and forth in the middle. My sense is that we are all agreed to that mechanically, although we may have some disagreements about what those amounts and levels ought to be. We probably agree that it should not be less than the $6 million. And some might think there should be more. That's something we could represent. Then my question is how much detail do we get into thereafter on the ways you go about using the money? Is that material at this point?

Oliver I don't know that it is. I don't know what you've been talking about in the Conservation Work Group. I think for this aspect of comment, the key thing is to indicate the desire for a compromise retention of something like the C&RD program. What we talked about internally was something on the order of $30 million dedicated to the conservation part of the discount, and $6 dedicated, as a minimum, toward the renewables part of the discount. If you look at the dollars that actually have been spent—who knows what is going to happen over the next couple of years—it is not averaging much over the $6 million. So you'd have to ask, considering all the momentum there has been towards renewables over the last several years, would you really get a lot more spending on renewables [in the future than we've seen historically]? I mean you could. There are market conditions, high prices, correct tax incentives, and other things, where you could get more. So you probably need to look for some sort of a protection. We were thinking even if there were a $3 million swing that was allowed [between C&R]—we don't know if $3M is the right number—so that people can go from let's say, to $30M- $27 million for conservation and $6- $9 million for renewables in a year—how would you then restore or maintain the conservation budget to keep it consistent over a period of time? We haven't worked through all of the details, but we were suggesting that under two year rate cycles—you wouldn't know until late in the rate period if you under or overspent your targets—you would have to maybe, eat in to some reserves, essentially, a few million dollars of reserves to make up the difference, and then pick it up in the next rate period to keep the conservation funding level steady. Or, you could look at the renewable net expense management target and say, if BPA were really falling underneath the $21 million management target, and it was possible to do additional amounts of renewables under the R portion of the C&RD we could basically use what remained in the $21M management target to bolster the rate discount program, if it wasn't being used elsewhere, because it is an "up to" kind of limit. In looking at that kind of a compromise, we've talked about it, it hasn't been rejected, but nobody is really happy with it either, because it introduces uncertainty on both sides. You don't really know where you are in terms of renewables commitment, how much could get drug into it, you don't really know what is happening on the conservation commitment, and you don't really want to pull anything out of reserves. They are thinking about it. But no one is happy with it. In our internal conversations—this is very frank—people want to have defined budgets, because of external review of this, too. People are looking at external review. There is a lot of focus on that right now. We don't want to have the situation where, partly through the year we end up short, there could be a lag in the information and understanding it, and then, when the money does transfer over, when does the Conservation group get to spend it? How will they /when will they figure out that they're not going to get what they thought out of the rate discount program, because funds got shifted over to a Con-Aug kind of a program or something more direct. How do they pick that up? And what if next year people back way off of renewables? They did have the full money, but for a couple of years there is a cycle where they eat into that conservation money. Those kinds of questions, in terms of managing the programs. Conservation feels they are on the razor's edge in terms of getting the number of megawatt hours they need to get with the dollars they have in the budget. [Introducing uncertainty] makes them extremely uncomfortable. You've heard that a zillion times. That's where they are coming from, even as we are proposing a gray area swing and other mechanism which across this [C/R] boundary they remain uncomfortable. Basically, the reaction at the end of the day is that we are still in the listening mode, we are not convinced, and we really don't hear controlling arguments from parties outside, other than they like the flexibility, and the reason they do is they may not want to do conservation and it might be easier to do renewables. We come back and we think well, so, we are talking about offering a conservation discount no matter what, and maybe a rate incentive for renewables. Both will be an opportunity, but what won't be there is the ability to knock out a piece of conservation to do renewables. We know that makes people unhappy.

Shimshak I think there are two things that are important to design out of this structure. One is a competition between conservation and renewables. That is one of the last things we want. I think you want to provide some certainty that some amount of conservation and some amount of renewables will happen. You have some additional dollars, and I would encourage you not to think so small [as $6M] which could be flexible in the middle. One of the conversations we had last time, [when Steve Oliver was not available], was that part of the reason it is only an average of $6 million is that $6M is not really enough to do anything with. You've got to think about what it takes to do a project, and design [a budget amount] around that. We didn't get a chance to actually have a conversation about some different kinds of projects utilities might be interested in. The way the current C&RD works is quite constrained and there are only so many things you can do with it. You can buy some green tags to use in your voluntary programs, which is a fine thing, but it should by no means be the only thing you can do. If you actually wanted to build a project, be it a small DG project, or participate as a partner with others in a larger project, it takes more than $6M. If you don't allow enough funding, you won't get much in return. You have to think about what you are trying to incent, besides just spending money and getting a discount.

Oliver One thing we brought up to the teams, in terms of the dollars available: There is actually an expansion of the dollars available from where we were [looking at for conservation and renewables in total]. The conservation dollars being proposed [now for conservation only] were previously there for the combined conservation and renewable discount program. We left the conservation program budget at it's previous level and added an additional $6 million to the renewables program budget. That's something we talked about the last time I was with this particular group. There is an expansion of the total dollars that we put on the table for conservation and renewables.

Shimshak This is a glass half-empty or half-full situation. You may see it as an expansion. But if the opportunity was there to go beyond $6 million and take the whole C&RD, which we know wasn't going to happen, but let's just pretend for a second, there was quite a bit extra. So just to confine it to the fall-back …[is limiting]

Oliver But if you look at the actual opportunities, it's about $6 million a year.

Shimshak I understand that. Because the way the program is structured, we didn't think about what we wanted to accomplish, we thought about how much money was available.

Rosalie The problem, Rachel, is that people in the Conversation work group are pushing to increase that budget anywhere from $3 to $107 million, and if you want to increase also on top of that the renewables—I don't know how all that gets sold. The other problem here, in terms of how renewables intersects with the C&RD, is also the agency's particular unmoveability on the fact that even the rate-credit program has to be an acquisition program, and that there might also be decrement in that, and if that is a part of the structure of the rate-credit program, then even having renewables in there makes that program unworkable.

Roth I agree with what you are saying here. I think the problem we've created for ourselves is that we are doing just what you described—conservation and renewables are competing with each other in this environment. The only way I can figure a way out, you can have some complicated formula for sharing these dollars, but you are going to pay for that flexibility. What I am hearing from other utilities is they like the flexibility, but we are not willing to pay a higher price for the flexibility. Right or wrong, that is our position. I am not trying to get sideways with my representation, but I think that we probably would not be an advocate for increasing the discount simply to do renewables in addition to the dollars we have been told are available. I think that is how we see that. And by having them combined and not allocating dollars so people know what their budgets are, whether they are too big—I mean, by saying $6 million, it probably never occurred to you that now $6 million is going to be the number going forward, back when you tried to get Bonneville to backstop this. It is a result of this competitive environment that we are in between these two. I don't know the way out of it except for separating them, and there doesn't seem to be much support for that.

Chalier But there is still the budget increase. That's the problem with the Conservation group. They have been kind of dishonest from the beginning saying that we are going to keep the budget the same, so no budget increase, because the Conservation program will be eating it. But that implies that there is going to be a budget increase if the renewables discount persists. So that makes the renewables group fight for that amount of money. And so there is going to be a budget increase.

Shimshak Shouldn't we be thinking about budgets in terms of what the needs are of the utilities? Conservation is going to be the cheapest resource you can go out there and get. You are much better off investing in conservation than any other resource in order to meet your needs. Dollars are relative. If it takes more dollars in the budget to accomplish that, which is the cheapest thing you can do to meet your load, that is what you ought to do. It might be more than what is in there today—but maybe that's necessary.

Rosalie It's a little more complicated than that. I think part of the problem here is that we are sort of fixated on numeric guides or standards rather than more narrative standards, in the sense that the conservation group just adopted this 56 average megawatts per year, and that's it. Nothing else seems to matter. To me, that is kind of doing it backwards and contrary to the Council's plan. The Council said what we need to talk about is coming up with a regional *strategy*, and how we are going to get these things as inexpensively and cost effectively as we possibly can. Nobody has sat down and basically talked about [a strategy]: We need to talk about what we need in order to build an infrastructure, in order to build something that is sustainable, and to get there. Instead we keep reconstructing these little programs and trying to patch them together based on some goal that Charlie and Tom [Council staff] came up with sitting down at the computer. So then the answer becomes, let's just throw money at it. That's the way some people see it. This does not work. I agree the competition [between C&R] should be removed, and what we should be talking about is how to avoid another 2000 and 2001, which are knocking on the door saying "wake up, things need to change." Let's talk about how we build that change, not necessarily based on some made-up number. How do we build the infrastructure and how do we bootstrap some renewables and get things going?

Shimshak I agree with that, but generally speaking it does take some dollars. We have been talking, since our very first meeting, about what we would like to see happen, and then, what would it take, dollar-wise in order to get that to happen.

Carr We are going to have incredible cost pressure going into this rate period. We are seeing incredible pressure on the fish front. There's competition for dollars across the board. The guys I work for are hoping for a rate reduction from their current CRAC'd rates—they're probably not going to get one, unfortunately. So every dollar counts in this effort. I want to come back to what Angus said: Can we think about tomorrow in terms of what could be said from this group, in terms of a basic recommendation to follow on with Steve's comment. I think you were going down a path that might have some fruit there.

Duncan I was. If there is a minimum claim staked by conservation, and a minimum claim staked by renewables, the only way you also get the flexibility the customers have said they want is if you add some money in the middle of that. That is what I hear you describing the Conservation folks as saying. If they say they need $30 million a year, and you create enough flexibility so that the minimum they get is $27 million, they are not going to buy that.

Oliver Right. They will want a program funding of $30 million a year [really $35M]. The question was, would they be flexible in getting $27 one year and $33 the next? And with an opportunity for renewables if there were a proper incentive and market conditions, need, etc., to be able to move in and consume some limited amount of that for flexibility, and allow people to pick up the rate discount still in certain time periods. We haven't worked that out, other than once again to introduce that uncertainty in terms of them actually being able to run their programs from year to year, but maybe not over time, not over a 20-year period. But certainly in terms of picking up Bonneville's share, according to the Council, to implement the conservation we've picked up, but it does introduce annual uncertainty, and that causes a problem in terms of managing programs.

O'Connor To get at that, can we go back for just a minute to the $15M and the $6M? We took the $6M out of the C&RD, except the $6M wasn't really budgeted, it was there as a backstop kind of thing.

Shimshak It was a backstop that was in addition to the C&RD.

Duncan It was maximum exposure.

O'Connor It was maximum exposure. It would be pulled out of reserves, or something. So now, when we first started, we were presented with a sort of draft budget of $21 million, $15 in the facilitation category.

Oliver Actually it was really $21 in facilitation. We basically said look, if you looked at this combined conservation and renewables program we had, it was a minimum commitment of $6 million a year—and it was a minimum commitment. And there was a commitment of up to $15 million a year as well. Recognizing that neither one of those was a budget number, we are actually spending over $20 million a year on programs and purchases for renewables. The $21M is a measure, a mark to market or rather a mark to marginal costs. To explain it is always confusing. What we basically said was, given the level of incentive that is there, it is a measure of our appetite for spending on renewables. We did not want to diminish what we were currently doing. We wanted to maintain that level in the next rate period. So we took the $6 million—and I recognize Rachel saying that was a minimum, so it could have been larger—but we took the minimum level of commitment out of the C&RD and we said, let's combine that with the $15 million level of commitment we had before. Then we wanted to talk to this group about how we should spend it. If you guys told us, "We would rather have you guys buy a piece of the John Day/McNary Transmission upgrade and make it available for wind generators to cross the cut plane," like punching a pipeline into an oil field, we would have considered that. If you said, what we really want you to do is develop some…

Shimshak It wouldn't be enough money.

Oliver It wouldn't be enough money for the entire John Day/McNary upgrade, although when you amortize, it would be a pretty big chunk. I'm not saying that was a good idea. I'm just saying there were a lot of ideas on the table, and we wanted to stand with you all, and say, given that level of combined commitment, what do you want us to focus on for facilitation? So you could have come to us and said, "We don't think a rate incentive is that great an idea. Only thirty customers took advantage of that. Let's set up some other facilitations more broadly in the region." We were here to listen to you about that, and also about the magnitude, and about moving to facilitation as we got ready to issue the ROD tomorrow, or the day after tomorrow. But now we are in the mode that the ROD is done, and now we want to talk to you about what is the most effective way to use the $21M for facilitation. I want to go back to Tom O'Connor now: I just wanted to clarify that it wasn't $15 for facilitation and $6 for C&RD. We looked at it all as the same category. We looked at the rate discount, as a type of facilitation and as potentially part of the $21M. We wanted you to ratify that and say now let's move to discussing the best use of this money. You could even tell us to take more of that $21 million and increase the $6 million rate incentive, you could have said that it's [the rate incentive] one of BPA's most effective facilitation methods, and we want you to put $10 million into it. But not increase the whole package [$21M]—is where we've been and are right now.

O'Connor If that's the case—on the one hand we have the conservation folks saying they need this amount, and on the other hand the utilities are saying we are not comfortable in moving up the total [budget] pie. Lets go back to this renewables piece, if the $21 or the $15, or whatever the number is, is going to be in the rates, is there a way we can use some portion of that [facilitation pot]—along the lines of the current C&RD or —take some piece of that [unspent] money to encourage utilities to continue to step into this renewable rate incentive piece, so that it comes out of <u>that</u> category [instead of taking it out of the conservation pot or instead of adding $6M to rates??].

Oliver We actually talked about that internally. If there was going to be fundable piece, and there was room in the $21 million net, like we set it up, that wasn't being used, could we use that for flexibility?

O'Connor It might be a subscription ahead of time.

Oliver We talked about that, and it works, if we are not up against that cap [net costs approximately equal $21M]. If you are up against the cap, you lose the buffer piece of it [there is no extra money to spend on a renewable rate incentive]. I don't know if we would bump up against it. The way you get up against the cap is if the market prices fell.

Shimshak That is the risk in this concept. It has worked well as prices have gone up in the market, but if—god forbid—prices go down, then the calculation goes the other direction. Then you are sort of stuck. I do want to point out one thing that I know we have talked about before, but it bears repeating. The $15 million that is in the rates today that is going for various projects, the above market cost of these projects given the forward price curve, much of this is already committed. So what we are really talking about is if all the commitments that Bonneville has on the table at the moment actually materialize, there is very little of that $15 million that is left. So there is a tiny bit of that—we are not even talking about any new dollars, we are talking about a commitment that was made in this current rate case, no new dollars, just leftovers from this rate period—plus the minimum that was identified for the C&RD, which was the $6 million, being available for the future. I'm asking you for just a minute to think a little more broadly than that about what you think utilities want to do, and the best way is to incent them to action, or what roll Bonneville can play with utilities in order to move the ball forward. I thought that's what we were supposed to be having a conversation about.

Rosalie I can tell you one way <u>not</u> to incent the utilities is to collect money from them, give it to BPA, then BPA turn it around and give it back to the utilities—at least not <u>this</u> utility.

Shimshak But that's what C&RD does, right?

Duncan Yes, it does.

Chalier Utilities are considered to have far more local control with [the existing] C&RD versus some of the other options we were talking about, like the initiative funds, where the money is collected and then a few subscribe to that pot, or something like that.

Shimshak I was just trying to get across that it is really a fairly constrained thing we are looking at here. In my personal opinion, Bonneville has spent the money in its current budget wisely. It is under budget, unlike many other activities at the agency. It has been spent on good projects that people are benefiting from. I think that is a good track record to walk into this with. I don't think there's been willy-nilly here. But shouldn't we be having a conversation about whether there is some targeted small renewables that could be cost effective in some applications and a program about that kind of thing? Could we talk about utilities that might want to partner on a project together, and would it be useful for them to do that. Maybe there are some transmission things we could talk about that would help overcome some barriers. We keep stirring around in the same pot, and I am tired of having the same conversation over again. I'd like to see if there are any new ideas from any of the utilities you represent, so we can actually address with dollars and programs the kind of interests people have.

Duncan Before we go out on the uncertain ice of new ideas, of which I have one or two, there might be another way to slice this much money, this much flexibility.

Oliver Don't use that word!

Carr Let's say allocate.

Oliver That's not a good word, either!

Duncan I don't know whether the conservation folks will respond to this or not, but it might actually get you both more cost-effective conservation and more cost-effective renewables. That is, if you went ahead and set fixed amounts in both cases, but you allow utilities to trade some of their conservation dollars to someone else in exchange for some renewable dollars back, because some utilities will have access to better, more cost-effective conservation, and some will have access to presumably better, more cost-effective renewables. Or maybe it's just their inclinations. But that is worthy of respect, as well. So you could conceivably trade across that divide, and as long as the trades were basically even, so Mike Weedall didn't end up with even less money, probably, if it's done right, you ought to end up with relatively more conservation than if you simply assume every utility has the same profile of conservation opportunities, and everyone has the same profile of renewable opportunities.

Oliver I think that is a pretty constructive idea, from my point of view. If we set up two independent programs, and Mike Weedall basically looked to Utility A to say "I need two average megawatts of conservation," and they can pick that up out of another utility in return for doing some renewables for them. They say, "I'll develop a renewables project for you so you can get a renewables rate discount, and you do this for me and I can pick up a conservation discount." That kind of thing, I think, is pretty darn viable.

Carr That's an interesting concept. Tom, you know about this probably more than anyone here, having worked through an association before where you tried to do stuff like that, right?

O'Connor We pooled folks together.

Carr My only issue with that is the complexity of it. Is there going to be too much complexity here for folks in small utilities—Guy One-Hat kind of thing?

Duncan There might be. I think Mike Weedall and someone here would have to make sure the trades went across and evened out. If there wasn't a willing buyer, then there couldn't be a sale. I think you would have to create constraints like that.

But if someone comes in with a really good conservation project and it costs more than they have available, and someone else is coming in with a real good renewable project, it could end up being unmanageable, depending on how green eye-shade you got. But if you were a little more pragmatic than that, I don't think it would be that complicated—certainly compared to some of the complicated things Bonneville does.

Brattebo In our case, we would probably be more interested in doing renewables, the only way we could do that would be to find somebody that wanted to do our conservation. Do we allocate money?

Duncan It would have to done on a dollar-for-dollar basis.

Brattebo Each utility would get an allocation of conservation and renewables dollars?

Shimshak I think that's what you meant.

Duncan Yes. You've got a certain amount of conservation and a certain amount of renewables. You've got a project that's going to take 150 percent of your renewables dollars. Can you get some renewable dollars from EWEB in return, in exchange for conservation?

Brattebo It might be easier for EWEB, because they are a block customer. How do you do it on a full requirements customer?

Oliver I don't know. We get back to the point Eugene brought up about whether you have to make this an acquisition program. If so, I'm not sure how an IOU utility could trade —unless they do the conservation [in a full requirements public control area??]. I assume you guys have worked that out.

Brattebo So the other utility wouldn't be actually acquiring conservation or renewables for you. You would be doing it for yourself, but as far Bonneville goes, I would give up my renewable dollars and they would give up their conservation dollars.

Duncan You have $10 to spend, $8 on conservation and $2 on renewables. You trade the renewables away. Then you've got $10 to spend on conservation.

Brattebo It's not like I get their conservation if they do it for me.

Oliver It occurred in the region, and you paid for it.

Malin That's a really good idea, and I want to come back to that later. But right now, in order to get to the comments that we need to give the conservation group tomorrow, we need to focus on a couple of things. We need to ask ourselves what would happen if we separated the C from the R and what that would mean for you—what actions, what consequences would that mean? Would it mean no investment would occur? I would be very interested in giving very specific feedback to Paul on this. Otherwise we may not be able to help you.

Brattebo I can give you my opinion. There would be utilities that would find it extremely difficult to do conservation programs. But they could do a renewable—or partner in a renewable. It would mean it would make it very difficult to actually tailor a program and manage to their own specific needs.

Oliver This was the explanation we gave already. Their concern back, basically, was people have different definitions of what's cost-effective than we do, or the Council, and/or they are already being funded for conservation activities by state or other programs, or their own utility programs. So this is basically just a way to keep access for certain parties to a conservation discount program. If we are looking to achieve a certain amount of conservation and we are looking for a certain level of incentive for renewables, flexibility just causes the conservation budget to be exceeded because conservation money would go to renewables. So the reaction back is not particularly favorable in that area.

Malin Steve's point is, imagine we have already done this, separated the C from the R, and you are handed your quota of R money to spend.

Oliver They aren't handed it. They can sign up for it. They can come in and say, I am willing to do certain programs to get a discount.

Malin What would you do with that small amount of money?

Rosalie We would just go buy tags. That would be the easiest thing to do. It would be such a small amount of money, it would be difficult to do anything else, given the short of amount of time that one has to rely on it. That is basically what most people would do.

Brattebo Our utility can do anything. We are large enough. We can do conservation. We can do renewables, or any part thereof. It is the small utilities that will have trouble with it.

Roth We have already decided that we are not going to spend our C&RD money on renewables. We are going to spend it on conservation, because we've got a resource, and we think it is the best resource, and our board has endorsed that. But, at the same time we are going to offer and market renewable energy to our customers. We are buying EPP, and we're going to mark it at a premium and see what the demand is. We think that also supports renewables in the region. I can't speak for other utilities, on how that would work for them. We are not a very big utility. We are 17,000 customers.

Duncan I bet you could do a deal with Tanner Electric to trade your renewables dollars for their conservation dollars. They have a big renewable project, and they are using their C&RD money for that project. But they are just using the R part. If they could get more R dollars they would be willing to do that. And you would get more C dollars that way.

Roth But would we really get more? I am confused about what you are saying.

Duncan Not under the current structure, but under a future one in which there is a segregated pool of C dollars and a segregated pool of R dollars.

Roth So you kept the total pool the same size, but you've allocated it, which essentially made conservation smaller?

Duncan No. I think what I am hearing is that the Bonneville Conservation people propose to make the two pools separate, without your ability to trade back and forth. What we are trying to do is add some flexibility back in. The idea I put on the table was precisely something that could be taken back to the conservation group. I was suggesting that I know some of my partners in White Creek would really be interested in trading some of their C dollars—if they can otherwise only use those for conservation—trading them to you.

Roth That trading concept—we would find that an easier and acceptable approach, because we have established funds for each group, which is what we would advocate for anyway. The trading creates the flexibility.

Duncan You reduce administrative costs, too, so the utility does not have to spend administrative dollars on both renewables and conservation.

Roth But the question I have is, if at this point, there is the sense that there is not enough dollars in the total pot they were now going to allocate and trade back and forth, are you suggesting that of that $21 million, if there were dollars available, that they would go to increase the size of the pool? Is that what we are talking about?

Duncan I was not suggesting that. I would be happy to suggest that, because I think that would be a prudent thing for the region to do. But I was not suggesting that in this context.

Roth So we are spending more for that?

Duncan No. I was saying if you were capping these two amounts at $30 million for conservation and $21 million for renewables, and that is all you were going to spend, is there a way to capture the flexibility [currently available to you], and maybe get more conservation and renewables in the process, and reduce some overhead costs.

Carr Can I ask you [Thad Roth] a follow-up. Say we are not in that world. You've got an interesting idea and it needs exploration. Say we had an R discount and a C discount in your rates to Bonneville. Separate, now, separate and unequal. What would you do with the R part? Just go buy EPP or something?

Roth Are we increasing the discount itself, the .5 mil?

Carr No. You've got .1 mil for R and .5 mil now for C.

Roth So we are increasing it.

Carr Essentially they are separate, but you are right—now you go from .5 to .6.

Roth We would probably try to find a way to do something local, as opposed to what we are doing right now, which is purchasing [from BPA]. We would look to do a project that was local, which is something I would like to advocate for part of that $21 million. Although it wouldn't get us very far, I understand. I think with that number, we'd be buying tags. That kind of undermines our marketing. OK, it wouldn't be a benefit. So in that case, I'd be willing to trade. That would be a nice opportunity.

Malin Maybe we need to try to create a case for the flexibility using Angus' idea, and illustrate a flip side that if we don't have the flexibility this is the future you might be seeing.

Brattebo If the programs are separate, it [trading] could still work.

Rosalie I think it is fine to talk about it. I don't know if we can talk enough about it and work some things out so we can go in tomorrow and recommend this as the answer to the problem. I have a number of questions about it that I would like to discuss a little bit more and get some answers to. I think one needs seriously to sit down and work out some of the details and see how some of these things would work. One of my concerns is that the rate period is only going to be maybe two or three years, and the amount of time that this trading could go back and forth, there is no guarantee—I mean, it may be a big rush in the last year, but who wants to wait until the last year.

Ingram Speaking to that point, I think it would be very important to take from your suggestion that you are going to do this up front, and before the rate period bring in your trades so that everybody knows that everything is square before you enter the rate period.

Chalier But your needs change yearly.

Ingram I know, but this is only a two-year rate period.

Duncan If you got most of it done up front, I think it gets a lot easier to make adjustments.

Carr Are you talking about the difficulty of making rates?

Ingram No. I am talking about the difficulty of administering it and selling it as a program. I am saying, for a two-year rate period you would be well advised to bring your trades in, both for the administrative simplicity and to show up front that you are meeting everybody's goals. You've got to show that you are meeting the conservation target, for their cost-effectiveness.

Oliver Just to stay on topic for just a minute longer to fill the idea out. Right now people who are doing these C&RD discounts don't actually know what level of investment or commitment is going to happen annually. There are reports that happen after the end of the year, as I understand it, in terms of qualified programs, level of investment, etc. They are talking about going to biannual reports or to something more frequent.

Brattebo Are we only talking about a rate case period program here?

Oliver That is something that needs to be brought up.

Malin That is a good question.

Rosalie The conservation group is talking about the rate credit program as a rate period program. Not for the five-year period, but for a two- or three-year period.

Carr That's not good.

Duncan Doing trades or not, a two-year period of time?

Carr Forget it!

Duncan You are dealing with lead time. Just for conservation, you need some lead time.

Carr This has to be a signal for a five-year program.

Chalier I think what they said is the program will be a five-year program, but the rate itself, like a .5 or a .7, or whatever is established in the rate case, is for the rate period. But the program structure…

Rosalie That is not clear to me. Maybe the program structure, but you are going to have a three-year or two-year period in which to meet your target.

Oliver Sounds like another comment to make tomorrow.

Rosalie And the question is, are you going to be able to fold it over into the next rate period if you did not get it completed? That has never been answered.

Chalier We don't even know if we are going to get what we need for a year.

Oliver I think the comment that needs to be made is: if this is a five-year program with the rate being set [for the rate period?]. Maybe the trading period is .4 years or .5 years. I thought I understood that. We need to get clarity on this. It makes sense to me that it is really tough to do an incentive program for a two- or three-year period versus something like five.

Shimshak If you are talking about a renewable investment, which is a 20-year investment, even five years seems short for people who are really interested in risking those dollars and making that investment. There are a lot of things about this that are trying to put a square peg in a round hole.

Oliver There is going to be an opportunity in the long run Regional Dialogue process where hopefully you can—right now we are focusing on seven to eleven, and theoretically we are going to have a chance to structure things for 20-year contracts, and once you have 20-year contracts, even though there might be very frequent rate periods, maybe there is more opportunity for longer term incentives in place as well.

Duncan Just do adjustments every five years or so.

Chalier Ah, a renewables CRAC.

O'Connor I think, given the questions you posed, based on what folks have done so far, they would probably buy an increment of EPP and apply the discount to the difference between PF and EPP—which, as I understand it, you can do now.

Oliver Elliot has brought this up before. I understand that EPP is very convenient. But if Bonneville were to set up a renewables mutual fund kind of thing for investment, where people could put in a small amount of dollars, and people could subscribe to that for the two-year rate period, if we knew a year in advance, we could go buy a couple of windmills to add to Klondike or Stateline, or some product, something people could sign up for, usually to get a fifth or tenth of a turbine, etc., for investment. Is that something that besides EPP is an attractive product? As you think about it, going around the room, we were thinking of trying to come up with something that would make it convenient for smaller utilities to somehow provide dollars into something, or subscribe to some sort of investment we can make, relatively small, on their behalf.

Malin That's a really good question. Would you guys acquire?

Roth It depends on the terms, obviously. The terms might chase people off. But if the terms are something similar to what we are looking at with EPP, sure.

Chalier In reference to the $6 million pot, if the choice is between something the utilities have local control and choice over versus Bonneville investing on their behalf, they would choose the one that would provide them with local control versus Bonneville deciding what project to invest in.

Oliver Irrelevant to the dollars it costs?

Chalier I think they are concerned about shifting more money to Bonneville.

Duncan Why wouldn't they buy a piece of a wind project?

Oliver It gets to new development versus existing, which I think would be a nice addition.

Shimshak The only thing about smaller projects is they tend to be much more expensive. There are certainly applications which are cost effective for certain places and certain kinds of resources. I don't know whether your members would absolutely want to spend more money just to have it be local, or spend less money to have a piece of a renewable project.

Duncan You could offer it, and if they did not want to take it, sure.

Oliver You mentioned—each of the utility reps—represented EPP as the easiest thing. I just want to bring up that this is something we have been talking about as a team. I just wanted to make sure that this was back on people's screens, that this was of interest to people.

O'Connor If that kind of thing worked like EPP, where you did not get into trouble with requirements issues and DTA issues, and all those kinds of things, and it was Bonneville acting as an aggregator of other people's dollars, in effect, I would think that would be a good thing.

Shimshak For those utilities who are interested in EPP, because it is a convenient kind of thing, and you get to use a discount, you get some renewables out of it, and you are doing good. At some point Bonneville is going to run out of EPP. At some point there need to be new dollars in order for them to go out and get the renewables that allow you to buy a convenient product. Where are those going to come from?

Rosalie From people that demand more EPP.

Shimshak Yes, but the problem with EPP is the short-term nature of it. Renewables are long-term investments. To the extent that you are only buying a piece of EPP for a year or two or three, you never know whether you are going to come back and buy it for years four, five and six. So there is some uncertainty there. Bonneville's been doing a good job of spreading it out, and pretty much selling everything you've got, right?

Oliver Let me explain the way I think EPP works. Basically Bonneville looked at renewables as being a preferred resource we wanted to invest in. We bought it for the long term, and then what we are doing is taking the environmental attributes year-by-year [and selling them separately] asking people who are willing to basically buy down the cost of that renewable that we purchased back down to a lower price. So we basically ask them to support year-by-year subscriptions to paying for this higher-cost resource because of its positive attributes. That is a little bit different than somebody coming in and saying I want to expand my load and I want you to buy a renewable resource and I'm willing to pay for that. That is more difficult year-by-year to step into that. Once again, I want to come back to what is the net need placed on us, if we did have a statutory need to buy, we buy. But I think Rachel is right to the extent we've moved to a mode to where our Tier 1 is static, and we are not acquiring, and you guys keep that world perfect that way so that no load growth coming on to us or net requirements anyway, and we are in a situation where EPP supply is pretty much going to be static as well, and then if you get Tier 2 going on the margin, as you guys have proposed, that you guys are paying the full cost of whoever comes to us, and we put together a renewable Tier 2, that might be something people will buy into and we can pull together and aggregate that, but that would all be paid for. I assume you would keep the tags, and be paying for all of it yourselves. Or you might ask Angus or us as agents to market EPP or the tags or something for you to get some money back. In any event, I think Rachel is right, there is no new investment in renewables in Tier 1, as I understand it. Therefore our supply of EPP is pretty much done. Now the question is, is that enough to support a renewable rate discount program, if we got it going, with the level of appetite and the kind of funding? I don't know. It seems like it has been, but I don't know if it is sufficient, depending on how we size it.

O'Connor I think we would support one Tier 2 product being a renewable product. Whether that presents a problem—you may have to get a subscription in advance or something—would depend on how you do it.

Oliver I am not sure if Tier 2 purchases get you a rate discount, though.

Shimshak No, I wouldn't think so either. You would pay for that. You need power, you get power, you pay for that.

Rosalie My thought on that is, once you get to that tiered rate, you don't have a rate discount program anymore.

Carr Why wouldn't you?

Rosalie Maybe you could. People are responsible for their own load growth. Why would you have them pay into a rate discount program?

Shimshak Here is my way of looking at it. If indeed the Act has a priority of resources, conservation first, renewables second, high-efficiency co-gen, etc., and if utilities who needed power followed the same hierarchy of resources, you would go out and get your conservation first, and when you were done with that, you'd go to renewables, and so on.

Carr You could do that on your own.

Rosalie Right, you could do that on your own.

Shimshak Well, for those who did not feel capable on their own. For instance, if you were a full requirements customer—we've had this conversation before—I think that's what Bonneville would give you. If you said, I need 10 megawatts…

O'Connor I don't think the Act says that if you need resources, you have to go out and buy a renewable come hell or high water.

Shimshak No, no. They have to be cost effective. No question.

O'Connor We would support having a Tier 2 product that is renewable for requirements customers.

Shimshak I hope that is the case. I am just saying if you are a requirements customer isn't that what Bonneville is going to give you?

Carr Not necessarily. I think in the new world we are looking at, things could be very different. You could have three Tier 2 products, one being renewable, two being market purchase from mid-C, and three being combined-cycle combustion turbine power, and you could choose among those,

Rosalie Or coal-fired.

Carr Or coal-fired, or nuclear.

Rosalie Or all of the above.

Shimshak I don't think so.

Oliver Sounds like a great topic for the Regional Dialogue.

Chalier I want to revisit the idea of the mutual fund. I don't know that I necessarily understand the details of how that would be established, or what the decision process would be for that, in terms of what projects would be funded through those funds. I need more information on the sequencing of all that. I just tried to explain it to my folks, and realized that I don't know exactly what we are talking about.

Oliver Elliot, you are sort of stepping in cold on this, so I will take a quick stab at it. The concern really was that small utilities were looking for a way to participate in the renewable rate discount. If it were offered, either jointly or separately from conservation, how could they do that, especially since it is so difficult for small utilities to get in and develop a renewable resource—which sometimes, as in the case of wind, involves blocks of turbines—and remain cost effective. The issue is how do we do that? How do we participate? Elliot was saying that at any point in time there are wind developments going on, and wind developments by their nature tend to be amenable to adding or subtracting one or two turbines, or maybe more. If Bonneville understood going into a two- or three-year rate period, or even over a five-year horizon, that there were a block of very small utilities that were saying, "in order to get this rate discount I've got to acquire a tenth of a megawatt for my share of the kind of load I've got, in order to get that .5-mil or .1-mil rate discount. Could they subscribe back to Bonneville, and Bonneville aggregate that under some notice period, like a year before the rate period started? Maybe it would add up to two or three megawatts from four or five or six or ten small utilities saying we are willing to buy these average megawatt amounts of investment. At that point we would go out with some sort of project—and it would have to be tied in, obviously, to development somewhere else, because it would be hard to develop two or three megawatts otherwise, we would price it, try to tie it in to an existing wind development, and see if we can get a couple of turbines developed. In that case, let's say there was 2.3 megawatts and we needed to acquire three one-megawatt turbines, we might actually come up with—this is the whole facilitation issue—we might come up with .7 more, and we might do another, if anybody wanted to subscribe up to that, kind of announcement, until we can eat it up, or we might have to deal with putting that under the $21 million facilitation until the next time people subscribed and maybe picked up more. That's the kind of thing we would be talking about. That way it would be easy for people to bring in various amounts of dollars, relatively small amounts, and get a credit for having developed a renewable kind of project.

Shimshak And how long a commitment would people have to make?

Oliver That is one of the issues of us offering that. If that's a 20-year commitment, and if you develop those wind turbines, and you are only asking for a three- or five-year kind of commitment, what happens after that? Obviously we would be in a situation where Bonneville would have to be going out and offering that kind of product for a longer period of time, or intend to offer it for some longer period of time, a 15- or 20-year kind of thing, as long as the duration of that outfit existed. Or, it would end up becoming a burden on the renewable program, or be accounted for in the renewable program.

Duncan To the extent it could be.

Brattebo To the extent the market eventually rises to the point that renewables aren't really above market…

Shimshak Like PGE just declared in its last acquisition, you mean?

Duncan One wind project.

Roth We haven't found a wind like that yet.

Brattebo It seems like most of these projects would not need any sort of subsidy, or support, for a full 20-year period. Maybe a 10-year horizon is enough to make a project cost effective. If you look at market prices on the whole rising.

Oliver I imagine project financing would follow that, right?

Brattebo Right.

Shimshak That is another way of structuring something, where you could concentrate the dollars up front.

Oliver If we ended up getting, for example, dollars that would support 2.3 megawatts for two or three years, and we only buy a half or one megawatt, or something like that…

Shimshak Or, you could do it the other way around.

Mainzer Or, you could start from scratch. I like the idea how the conservation group has basically built a conservation power plant out there. They talk about how, during the power crisis when power prices were at $1100, the conservation power plant saved us x number of dollars. I think we need to build a public power wind project, or something like that. I mean that had broader participation. You could build it from the ground up. We could do it one of two ways. You can either use the $6 million, or a portion of the $6 million, to buy down the above-market cost of it, which creates lots of problems, or you could just start on a much smaller scale and just use the $6 million and buy yourself six wind turbines, and essentially have equity in the project, and Bonneville would just market the power. Just build that over time. That way you would get around the problems of long-term offtake contracts, and get around the problem of the program sunsetting, because the costs are paid up front. You've got some O&M over time, which presumably would amount to $100,000, or something like that. It's just another way to think about it.

Duncan Under this concept, if they are using C&RD dollars, those are five-year dollars. It's a 20-year project and a 15-year amortization period…

Mainzer That is what I am saying. Don't treat it that way. You become the project developer. You buy wind turbines from General Electric, you stick them in the ground…

Oliver That is really Rachel's idea. When you get the dollars, rather than buying an option for 20 years, buy equity in whatever you can…

Mainzer Go buy turbines. And then, as people make decisions over time, if the region decides, eventually, we want to invest more, we buy it on a site that is easily expandable, and you just keep adding turbines to it, and BPA or some other entity is the marketing agent for it, and you sell it on the spot market at $55 a megawatt hour and make money.

Rosalie Following Tom O'Connor's lead, I am going to be a broken record. What is the goal here? What is the goal with the $6 million thing? I hear talk about putting up wind machines, and clearly under certain scenarios, given the restrictions with the $6 million, maybe that's all you can do. But ultimately, to me—speaking for myself—you have $6 million, what do you want to get out of it? Oh, we'll just spread it around to everybody and see if people buy green tags or invest in some little project, or something, and we will just keep our fingers crossed and see what happens. I guess I have a little problem with that. It just seems to be wasting the $6 million out there, because then everybody feels good because we got $100,000 back on our rates, and then we bought green tags.

Duncan So you want to defer that decision to Bonneville, so we can concentrate the impact of the $6 million and get more out of it?

Oliver From my point of view, I think our utilities have said to us they want to step into our shoes in terms of marginal supply. We've said we are willing to shift from acquisition to facilitation. The whole point of the money is to incentivize parties that are at the margin to do renewables rather than conventional CO_2 emissions kind of resources. And we are asking you as a group of customers and technical experts how shall we best use this money. So if you ask us, are we just going to spread it around and will it be wasted, I want to tell you, from our point of view, what we want to do is, we want to make sure that you all are incented at the margin, and you are making resource decisions to do things in the conservation and renewable areas, just like we have. We want you to do the same things at the margin and there is a certain level of dollars that we are trying to keep really focused on, so that there is a known and understood rate impact, and it is not overwhelming. At the same time, we want to make sure it is as effective as possible. And we are asking you, how is it best to do that. To be fair, we are asking you, and we are willing to listen to you on how to do it. Our goal is not to spread it around and make people feel good and not do anything.

Duncan The magic of the marketplace.

Oliver We would like to see infrastructure developed at the margin that is non-carbon emitting, non-polluting, good-for-the-region kind of stuff rather than the other stuff.

Duncan And, in fact, I think you have seen that—not with every dollar that has gone through the C&R discount—but with an awful lot of them. The fact that these dollars went out to the individual customer utility—it is sort of an odd position, Eugene, that you seem to be taking, that this guarantees the money will be wasted.

Rosalie I am not saying that the money would be wasted. And I do not necessarily mean to imply that there has been waste. But the problem I see is that once you take that $6 million and spread it over a hundred utilities, it's not a lot of money for each utility, and in that sense, that is where I see the problem. What is a small utility, or even a large utility, likely to do? It is not necessarily going to incent them all that much to do anything more than what they are already doing.

Mainzer That was the genesis of the mutual fund idea.

Rosalie I understand the idea of the mutual fund, and I am not necessarily opposed to it.

Duncan It gives you another option if you are a small utility. Tanner is a small utility and they are using their C&R discount money to secure wind land and do the additional development and permitting costs, in collaboration with a half dozen other small folks.

Rosalie Yes, but if they got just a piece of the $6 million…

Duncan That's all they've got right now.

Rosalie No, they have a piece of $30 million.

Shimshak It really adds up to a piece of $6 million.

Rosalie No it doesn't. They can spend all their C&RD money.

Shimshak It is happening that only $6 million is being spent.

Duncan We are coming back around the barn here, Eugene, to the question of whether their share of $30 million is enough. Rachel's answer and my answer is no, it is not nearly enough. But then my intermediate answer is that they are using what they have well and effectively.

Rosalie Yes, but if we only take $6 million and divide it up and assign it to them, where now they have maybe $500,000 a year, they won't have that any more.

Duncan This is where the discussion was half an hour ago. We are kind of jumping back and forth between how you juxtapose the conservation pot and the renewables pot. So what do we do with the renewables pot? If we could get closure on one of those questions, we could move on to the other one and not have to circle back the way you just did. You are right. If we don't get some closure on that, then a small amount of money divided a hundred-odd ways becomes a far smaller amount of money divided a hundred ways. We have to deal with that issue. But it's still not very much money. Even if you could spend all of it on renewables, what are your options for spending it? You buy a share of a mutual fund? You develop your own project? There are two different questions.

Malin I would like to hear from these guys on the renewables piece.

Chalier Just to add on to that, I think that issue can be resolved by allowing utilities to pool. So, not just have the mutual fund aspect, but give them the ownership over it and the choice to invest how they wish, instead of having Bonneville as the negotiator for whatever project ends up being credited.

Oliver That's fine. There is nothing against people wanting to take the renewables discount funds and get together and build a project where they each get a share of average megawatts out if it. There has never been a prohibition on that.

Chalier That was clarifying for me. When you initially talked about the mutual fund idea it was more like we only had an option to invest in three different things. That was the way it was originally described. I did not understand that it was purely an option. That is a larger set of options. That is helpful, and I think that would be useful. But in absence of something like that—just having a separate conservation and separate renewables thing, that was only .1 mil or something, and in absence of pooling, and in absence of all these things, I think a lot of utilities are concerned that it won't go very far. They wouldn't be able to use it, and it would go back to Bonneville, which would aggregate all that money and do it on their behalf.

Shimshak It won't go very far. If we are talking about the kind of money we are talking about, it won't go very far. And your utility members would be very hard pressed to pool enough money just from the discount—it would take all of them to pool their discount money just to get something interesting to happen. We should not throw out at least contemplating having a few more dollars to work with so we could get a few more things to happen.

Roth I have a question about this geothermal project that is back in the background. Is there some date in the future that we will have an idea of whether this will happen or not happen?

Oliver It is involved in arbitration right now. We tried to get it on expedited arbitration, but it is more complex than simple, in terms of arbitration. So I don't have an exact date. But we would hope this year.

Roth That's enough. That is what I was looking out for—some sort of year.

Shimshak I wanted to make one more comment to Annick. I know that many utilities are mad at Bonneville for a variety of reasons. I just acknowledge that as a fact in the record. I think one of the things we ought to consider here is what kind of advantages Bonneville has that local utilities can make use of productively? Bonneville is a large entity. They can market stuff, integrate stuff. There are lots of things they can do as a big player that small utilities can't do, and each kind of utility ought to think of what they are best at doing and partner on those things. Maybe your members do not want to have anything to do with Bonneville, and that's OK, but they might be unfortunately adding more cost to a project than they might if they actually found a partnership where each entity could do what they are best at.

Chalier I appreciate that. I think they just need to have options, and to get to the point where they can get that trust back.

Brattebo There have been a lot of partnerships between public power and PacifiCorp in renewables.

Oliver We have 14 minutes left.

Carr I just want to quickly say, I am still in the upper left hand corner of the matrix. We like the flexibility. I kind of liked what Angus was talking about. Also the fund may be of interest, provided it is a no-load fund.

Brattebo I think Angus' idea has a lot of merit also. Being allowed to trade, and get the right mix.

Carr Bringing public and private power together.

Oliver With only a few minutes left, there is still something important to talk about. I am going to go back from this meeting, and send a message to Mike Weedal, John Perch and Paul Norman saying that they really need to be open to comments because of the relatedness of the C&RD program to how that could be designed. If people use the word renewables, it does not necessarily mean they are commenting on how we go about doing renewables, but it will be a comment on how to construct the rate discount program, and they need to pay attention to it. It really needs to get into the ROD, and be considered in their ROD. Because what we are about here, I think is, once that it is decided how to most effectively use the dollars that we have decided we are trying to apply in the ROD for facilitation.

Duncan Do you want to try to take something into this meeting tomorrow, or have folks here take it into the meeting? Do you want something written up?

Oliver I don't think it is fair to ask you all, in less than 24 hours, as a team to come up with some sort of collective recommendation. But as members of this group, what I would like you to say, either individually or as small coalitions, in the meeting is that you are participating in the Renewables Focus Group, and that this issue of how to construct the C&RD program, or separate C and R programs, is something that is important and that you have some ideas that you want to share that will impact whether it is built together or separately. And obviously what we have heard from you, you want to reiterate that you want it built together. But, if it is going to be built separately, the idea of tradable flexibility between the C and the R portions, and that type of thing, the level of funding—whatever you all want to comment on, is something you all can state and leave it at that. That way, they can build that into their thoughts, at least when they are considering the design of the C&R or the C or R program.

Shimshak Do you want us all to comment independently, or can we just put a couple of ideas up on the board, and you'll take the paper in?

Oliver I think it would be far more effective if one or two of you here could represent some thoughts coming out of this meeting tomorrow in a breakout. The other thing is I think they are taking written comments as well on their process. You could send in written comments and just say that although they said stay away from renewables, renewables are integrated with C&RD and we want to comment on it.

Malin I think it is really important for you guys to comment. And I don't even know if Steve's going to be there, because tomorrow's meeting is a conservation thing.

Chalier To be honest, I was thinking of making that comment anyway. Although it is not in our formal recommendations, that does not mean we do not want to have it considered.

Brattebo Can I put one more item on the table today. The issue of decrementing has come up on our conversation side. We haven't talked about that here.

Shimshak Eugene brought it up earlier.

Chalier It's too tough.

Shimshak We all agree, and they don't.

Carr Decrementing good.

Oliver That is one of the issues we need to work out. It is the same issue in conservation, which is if there are going to be dollars…

Rosalie But this is not an acquisition program. You haven't put this forth as an acquisition program. This is a facilitation program.

Oliver Facilitation for what? Development of resources for you to take to the market and gain profit on, or apply to load so we'll keep on serving federal power? What is it for?

Rosalie We are paying you a certain amount of money. You are giving us that money back. If we spend that money you give us, no more, no less, then why should we get decremented? After all, that's our money that we gave to you. We give you $10 for renewables. Let's say that's part of what we pay for the $6 million. You give that $10 back to us and say, go do good, and we do good, and then you're going to say Whack!

Oliver Let me give you the example. You have a one megawatt of load growth on your system. Basically we collect money from a broad array of customers. I am not sure if it is exactly the money they give us back, or it could be something where thirty entities give the money that is collected from a customer group. I don't know how we are going to set it up. That is one thing we kept wanting to talk to you about. We haven't nailed that down yet. But you get some money from Bonneville. The point of it is to develop some renewable resources on the margin, because you are stepping into the emerging load rather than Bonneville. You basically get an incentive to go out and buy a certain resource that has some positive attributes to make you hopefully feel indifferent or positive about that. You develop that one megawatt resource to meet one megawatt of load growth. From that point, you basically keep on getting the same amount of federal power. There is no negative impact. You are basically doing things to acquire to meet load growth or keep load growth from happening, in the case of conservation. But if you were basically getting paid money from Bonneville that Bonneville was collecting—an appellate purpose kind of a program for the regional benefit—and you were basically building something to take to market, what is the basis for that? From my point of view, if you were just meeting load growth with it, your net requirements were never decremented. Now if you didn't have load growth in that situation and you were going ahead and do this program, should it free up federal resources to meet load growth, or to meet other…

Duncan There is a middle ground in here.

Oliver I am sure there is. This is just a question that has been raised. I am saying that that is the discussion people have internally in terms of dollars going to parties that have been collected from customers at large.

Brattebo We are not building anything for the market.

Oliver I don't know that anybody is, frankly.

Duncan We are building something, some of which has to go to market, and some of which my partners are going to apply to load. I think their proposal—the last mile comments you guys got back in—suggested a middle ground whereby you are temporarily decremented, but as your load growth grows and you consume what you built, you have the opportunity, basically, to grow back into the amount that you were decremented. You don't lose it permanently. And then both the utilities are advantaged and Bonneville is advantaged. There is a certain sharing of risk there. My partner is building to go to market and insisting on getting some federal power.

Oliver I think that is the issue. I think there is an interest in not seeing that basically supportive resources are developed for what appears to be an arbitrage of federal power at that point. You could have built this using the dollars and not placed additional federal load on, or you could have built it and displaced federal load and taken that to market. I think it is a very legitimate issue. I don't know that Conservation has worked it out, and we haven't worked it out at this point. But I don't think it is a topic that we have really addressed in this group yet, because we haven't gotten past the C&RD, frankly.

Brattebo How would you build conservation and take it to market?

Duncan You would take the power you get from Bonneville, a freed up resource, and take it to market.

Chalier For clarification, currently with C&RD and renewables development, do you get decremented for that?

Carr No.

Chalier And the situation you were talking about, when you are collecting money from a lot to spend on a few—which scenario was that one, where you thought a decrement would be justified?

Oliver I don't remember the scenarios on the matrix slide. It would be the one that was more of a [Billing Credits?]…rather than a rate discount program. Because I have the same concern. If you give a .1 mil rate discount to everybody, I think one of the reasons—you guys don't state explicitly—but maybe you did, but is really an important one for why you would keep the C&RD together, is a .5 mil discount that you can either use for conservation or renewables—a significant discount that incentivizes people. A .1 mil discount for renewables by itself doesn't give that much incentive. One of the things we were thinking is if we are going to go to a separate renewables program, we want to talk about design with you, because rather than doing this thing where for five years if you invest, we don't have to come and get money from you because you didn't invest, and go through that hassle. I'd rather see it be something that is actually put in rates explicitly, a program of criteria set up and more concentrated, not to one or two individuals, but a more concentrated program to incentivize renewable development for parties that come in and basically meet certain criteria to develop renewables so you get them on the ground. This is better than just giving a .1 mil discount to everybody. That would mean not everybody could get it. You would actually have to have a plan, have to be developing renewable resources, and have to be assertive about it, rather than not, in order to get the dollars. If we got to the point of separating it, that is what we would need to talk to you all about. Because you could use the $6 million in a much more focused way and get more incentive out of it, or you can do it in a very diffuse way, which, as Rachel was saying, is not very useful. Or you can do it in a diffuse way and put a lot more dollars in it and get more incentive.

Shimshak I would really appreciate it if you didn't just think of it as just $6 million. If we are supposed to give comments, are those just electronic comments? And where do we send them? I cannot be in the meeting tomorrow.

Oliver I assume that John Pyrch or Mike Weedall have an internet site, or some process set up for taking comments formally.

Shimshak Geoff, you guys are going to be in the conservation meeting tomorrow. Are you going to take responsibility for walking through some of these ideas?

Carr I will probably mention them. But I might have a little different slant than you.

Rosalie You don't have to mention the dollars. It is not about dollars.

Carr Rachel, I am not going to talk about the dollars. I might say cost control support or something bland like that. But the general thrust of what I am hearing here would be nice actually to get down.

Shimshak I heard Annick say options.

Duncan If we got something written down and we sent it to Debra—are you going to be in this meeting Deb?

Malin No.

Oliver Deb, would you do me a favor and e-mail out tonight to this group the point to send in written comments on the conservation focus review?

Malin Yes, I will.

Mainzer There is one other option. We have a record on this tape recorder. It says all of this stuff. How long is it going to take us to get all of this transcribed?

Malin We are talking tomorrow.

Mainzer I know.

Oliver The written comment period will go on longer.

Mainzer So let's just transcribe that section of these comments from here and edit it out and send it in.

Duncan The meeting is tomorrow, and we are submitting written comments for the record? How influential is that going to be in a meeting tomorrow?

Mainzer I don't think tomorrow is the key bottleneck.

Duncan What I thought I was hearing from Steve, though, is having a representation in the meeting tomorrow is important.

Rosalie The meeting tomorrow was specifically set up for the subcommittee chairs of the conservation work groups to present their recommendations to Paul Norman.

O'Connor Given that structure, can we just deputize Annick as our committee chairman to say to Paul what we have been thinking?

Oliver Yes. And I will do the same thing internally. We will send you an e-mail tonight about where this team is to make comments to this process.