

**REGIONAL DIALOGUE**  
**BPA TECHNICAL WORKSHOP ON CONSERVATION ISSUES**  
**Tuesday, January 7, 2003**  
**BPA Rates Hearing Room, Portland, Oregon**

*1. Greetings and Introductions.*

Mike Weedall of BPA welcomed everyone to today's meeting, led a round of introductions and a review of today's agenda.

*2. Purpose of the Meeting.*

Weedall explained that the purpose of today's meeting was to engage in a substantive discussion of the Conservation Section of the Regional Dialogue. He said some participants in the Regional Dialogue process had expressed concern about the lack of clarity and universal understanding of the terminology used in the Conservation and Renewables Discount (C&RD) process. We heard a desire for Bonneville to sit down with Council staff, industry representatives and public interest groups to obtain some clarity, Weedall said.

With respect to the specific focus of today's meeting, Weedall continued, there are some issues we're unlikely to make much progress on, because various regional entities have staked out hard positions on them -- for example, the issue of what is the load base against which conservation targets should be set. We would certainly like to make some progress today, he said, but to do so, we'll need to focus on areas we can drill down into -- the C&RD program itself, for example, and whether it should be enhanced or significantly changed to become, say, a resource acquisition program.

We have just received the first annual reports from most of the utilities working with C&RD, Weedall said, and while we haven't drawn any major conclusions about those reports, we can give you an early snapshot of what they contain, and use them as a springboard for discussion, to talk about how the C&RD program might be optimized over the next few years.

We would also like to get some feedback from Council staff about how conservation targets will be set, and how disaggregated they should be, Weedall continued. Another word that kept popping up during the public hearings process is that BPA should function as a "backstop" to the C&RD program, he said -- we want to discuss exactly what is meant by that term. We can also talk about how the role of the Regional Technical Forum (RTF) might be enhanced, and some of the practical financial issues such an endeavor will face. Last, but not least, said Weedall, is the question of whether customers' loads should be decremented by the amount of conservation they deliver, and the potential disincentive to acquire conservation resources this represents.

How will partial requirements utilities be treated, in your view? Jim Litchfield asked -- is their full load subject to C&RD requirements, or only that portion served by Bonneville? I would lump that under the items that we will not discuss today, the load base against which conservation targets should be assigned, Weedall replied.

Where do you expect to deal with that issue? another participant asked. This is one of those areas where everyone's position is already pretty clearly staked out, Weedall replied – there hasn't been a lot of movement on that issue, so rather than asking everyone to reiterate those positions, we felt it would be a better use of our time not to deal with it today. We will, however, have to deal with that issue when we write our recommendations to the administrator, Weedall said.

### *3. Proposed Issues Not to Be Discussed at Today's Meeting.*

#### *A. Load Base Against Which Conservation Targets Should Be Assigned.*

### *4. Proposed Issues To be Discussed at Today's Meeting.*

#### *A. C&RD Background.*

John Pyrch from BPA explained that the C&RD program was designed as a way to re-engage customers in conservation through a rate discount. Overall, he said, I think it's fair to characterize the program as a success, because virtually every Bonneville customer that qualifies for the program -- more than 120 in all -- participates. Pyrch described the background and purpose of the C&RD program; the group discussed the reasons why, up to this point, the C&RD program has not been considered a resource acquisition program. He then distributed a document titled "Preliminary C&RD Report," and spent a few minutes going through its contents.

- FY 01 Results: \$8.3 million spent (\$7.4 million on conservation); 3.85 aMW installed.
- FY 02 Results: \$28.5 million spent on conservation measures; 14.87 aMW installed, \$5 million spent on renewables (with qualifications); \$4.3 million spent on "administration"; \$3.25 millions spent on "donations" (including low-income weatherization); total spent in FY'02: \$39.3 million.
- Total C&RD credits claimed so far: \$47.6 million of 26% of the total credit available (based on \$37 million per year budget = \$185 million for the 2002-2006 rate period)
- Should be spending about 20% per year for a steady state approach.

The bottom line is that the C&RD program is doing what we intended it to do, said Pyrch; however, it is not a conservation acquisition program. Ken Keating from BPA added that there are still another 13 utilities who have not yet reported on their FY'02 C&R activities; that means there may be as much as \$8 million in additional C&RD to report. Also, Keating said, one of the things the C&RD program did was make it possible for the generating publics to contribute to the Northwest Energy Efficiency Alliance. This represents not only key funding, but buy-in, on the part of the publics, to the Alliance's activities, Keating said – they become part of the team.

#### *B. How Could the C&RD Be Transformed Into a Resource Acquisition Program?*

Keating noted that, under the approach favored by the Power Planning Council, the region will adopt a steady-state 20-year approach to conservation and renewables acquisition program for 2006 and beyond. There is general agreement in the region that the Council will set cost-effectiveness

targets, and we will then go out and get those cost-effective resources. Keating said the current C&RD approach allows credit for all conservation activities, whether or not they are cost-effective; he noted that transitioning to an approach that favors cost-effective conservation could drop 60%-70% of the measures on the RTF list of deemed measures.

Keating then touched on the administrative and oversight structure of the current program, noting that the current program stipulates minimal outside oversight of what customers choose to do – publicly, he said, we do not question what customers choose to do. We also deliberately took out any evaluation requirement, Keating said; the utilities are required to do incremental activities and keep financial records, of course. What we’re hearing from our customers is that the RTF should make the recommendations as to what needs to be evaluated in the future.

If we enter a resource acquisition mode, there will be an evaluation component, Keating said; we will take advice from the RTF and others as to what should be evaluated, because there are a lot of things that we would like to know.

Keating touched on the concept of “incrementality”, noting that, under the conservation part of augmentation (Con Aug), Bonneville will not pay for conservation increments that would have occurred anyway as the marketplace evolves. Under the current C&RD program, however, that is not a requirement, other than setting an efficiency baseline from which savings are calculated. There are various other aspects of the incrementality question that will also need to be discussed, if the decision is made to turn C&RD into a resource acquisition program, Keating said.

The other aspect of making a rate credit program work as an acquisition program is, can we make it more cost-effective? Keating continued. One way to do that is to stop paying based on the value of the savings -- rather, you need to pay for resources that, in a way, take advantage of the economic efficiency value of cost-effective conservation acquisition. Some utility practices in the past have diluted the value the C&RD program can bring to the region, he said – we don’t want to be paying nearly the full avoided cost for the alternative resource that wasn’t acquired. There is no regional economic value there. The dollars have to be targeted at what we actually want, he said – the kilowatt-hours.

We have built in a lot of freedom on infrastructure and administrative costs in the current program, Keating said; the Council has suggested that we need to tighten up some of those requirements to bring about more cost-effectiveness, but it’s hard to say how we would do that without going to a much more centralized approach. Another idea the Council has put forward is to increase the ability of program participants to respond to new information, Keating said. Currently, the program can only be changed once a year; it would be feasible to argue that we could change the program a little more often – say twice a year – although that needs to be balanced against the need for stability in the C&RD program.

Litchfield noted that much of what the BPA representatives have been discussing so far could be grouped under the heading of refinements to a fairly new program. Geoff Carr agreed, noting that by and large, the customers’ feeling is that the current C&RD program works well. One thing we would like to see is incentive levels that more closely reflect what’s going on in the marketplace, he said; that could be accomplished by going to a twice-a-year process for amending the program. By and

large, however, he said, we want to be sure the C&RD program isn't just scrapped. Pyrch replied that the C&RD program would be in place at least through 2006; one of the things we need to talk about today is what happens after 2006. It sounds as though you would prefer that the program continue past 2006, rather than going to something like a rate discount approach, Pyrch said. That's correct, Carr replied.

Sheryl Carter said the public interest groups singled out a modified C&RD program as something they would like to see continued. I was wondering about the process for discussing those suggested modifications, she said – do you want to discuss them in detail at today's meeting? We may not necessarily get to all of them today, Weedall replied; however, we are very interested in your input, and if there's something we don't get to today, we would welcome any written input you might want to provide. Certainly we want today's discussion to be as robust as possible, however, he said.

Tim Johnson from BPA said his understanding of the joint customer proposal (JCP) was that its intent was to limit Bonneville's future load obligations. If we're not out acquiring resources, he said, then the customers should be. One of the concepts we're wrestling with, in the context of the JCP, is, why are we acquiring conservation if we're not trying to serve future load growth? If you have a C&RD program that is in the hands of the customers, isn't the customer, then, responsible for acquiring conservation resources? One worry we're dealing with internally is that, at some point in the future, some or all of that additional load could come back, Johnson said. In that case, he said, the question will be, has Bonneville acquired some conservation that will help when it goes out to acquire resources to meet load?

Scott Brattebo observed that conservation savings occur at the utility level. True, said Johnson - the question then is, how do those savings get delivered to Bonneville? That's the whole resource conundrum here, he said. But if the conservation occurs at the utilities anyway, whether Bonneville does their program or the utilities do their programs using Bonneville's funds, what's the difference? Brattebo asked. The difference is a matter of efficiency, another participant replied. We can fix that, Brattebo observed. The group devoted a few minutes of discussion to the question of exactly how conservation is acquired, as well as the differences between the C&RD and ConAug programs.

Johnson observed that if the C&RD program is modified to become more of a conservation acquisition program, it would be necessary for Bonneville to receive a measurable return on its investment. When we do conservation through a rate discount, he said, we don't necessarily expect a measurable return; our view is that if we do achieve that, that's good.

Litchfield observed that, in his view, the current program amounts to a tax; essentially what Bonneville is saying is that, if utilities perform, according to the applicable standards, then they can avoid the tax. If they fail to perform, then they're taxed, and Bonneville then uses those tax revenues on the appropriate conservation measures, Litchfield said. Keating replied that, in his view, any future Bonneville resource portfolio should include a rate discount-type mechanism. If we turn the C&RD program into a resource acquisition program, he said, the difference is that there would need to be some changes in terms of accountability, evaluation, oversight and responsibility, to ensure that the region gets what it pays for, basically. He added that, if this direction is chosen, Bonneville would like to work closely with its customers to ensure the delivery of a quality, cost-effective conservation product, without having to resort to draconian enforcement measures.

Steve Weiss endorsed this idea; he said that, in his view, improvements could be made to make conservation resource acquisition a good tool. It might be worthwhile to talk about those changes, he said; in my view, these enforcement and legal issues are off to the side. Is this a deal that goes forward, he said, or do we just continue with the same program we currently have? Personally, he said, I think we should try to fix the things you've listed, beginning with the fact that things on the C&RD list should be cost-effective, with a few special exceptions, such as education. We need to reduce the free riders, he said.

A general process discussion ensued, with various participants noting that they are not prepared to resolve far-ranging changes to the C&RD program today. Weedall noted that this would be an ongoing process; he asked that the other participants in today's meeting go back to your offices, digest the Council comments, and formulate written comments, if they want to provide them. We can then come back to our meeting next Tuesday, prepared to discuss this issue in detail, Weedall said. Pyrch agreed, but noted that BPA will be coming out with a conservation and renewables proposal in the next month, so time is not unlimited. We want to be sure that proposal is positively received, not met with resistance on the part of those who will participate in the program, he said.

We've looked closely at the Council's recommendations, said Carter; we agree with many of their recommendations, including the need for more detailed oversight and administration. We would also like to emphasize very strongly that conservation is, in many cases, the most cost-effective resource available. Liz Klumpp added that, in her agency's view, there is a need for a regional threshold for work in the R&D component of conservation and renewables acquisition. Tom Eckman agreed, noting that, under the current program, that R&D component is spotty at best.

Charlie Grist noted that, in his view, one of the key questions to emerge from this morning's discussion is, what process will be used to modify or improve the program for the post-2006 period. I think that's correct, Weedall replied.

Bob Nicholas of Snohomish PUD said he would like to have a little time to mull over what he has heard this morning; he said that, in his view, while the C&RD program could likely be modified or improved, his utility does not want to see it destroyed.

In response to a question from Weedall, there was general agreement to table this portion of the discussion until next Tuesday's meeting, when the participants will have had an opportunity to review the Council's comments (available via the [www.nwppc.org](http://www.nwppc.org) website) and develop their response. At that point, he said, we will go through the principals of an enhanced C&RD program.

I'm still having problems with the resource acquisition concept, in particular, the idea that Bonneville would, in some cases, have no responsibility for future load growth or the acquisition of C&R resources, Rosalie said. How are we going to be sure the customers eat their broccoli, so to speak? he asked. Johnson agreed that this could be a difficult issue to resolve, particularly in the SLICE arena.

### *C. How Disaggregated Should the Council's Targets for Energy Efficiency Be?*

Eckman provided some background on the Council's past efforts, noting that, in general, the Council tries to provide a single regional target, shared out by load. That's a crude way of doing it, he said, because not all load is the same. It's not really working, particularly for the smaller utilities, he said, and I don't really see how it's going to work any better in the future. Disaggregating the responsibility is probably going to be the best we can do, said Eckman; we should probably focus generally on where we think the investments need to be made, so that we can get the budget levels right for market transformation, local acquisitions, R&D and infrastructure – rather than identifying specific targets for each utility.

Where would you put low-income weatherization? Pyrch asked. We've never done that before, Eckman replied, although we have been collecting the limited data that is available in that area. We don't collect income information, for example, so that would represent a fair step away from what we've done in the past, Eckman said.

In response to another question, Eckman said conservation resources would continue to be broken out by sector – commercial, industrial and residential. And what's the time-frame for completion of the next Power Plan? Pyrch asked. The fall of 2003, Eckman replied.

You may want to get a good idea of exactly what "weatherization" means if you decide to add low-income weatherization, one participant observed – there are those in Oregon who believe, for example, that "weatherization" includes new low-income housing. Good suggestion, Eckman said. He added that the number of low-income residents in the Northwest is growing – it's a very fluid number, he said, which adds another layer of complexity in assessing targets and potential.

The Council's analytical approach will hopefully be able to help the region decide what it's possible to do, Grist observed – the hard part is going to be setting appropriate budget levels for each piece of the C&R pie. I'm not sure the Council's estimates will be fine-grade enough to be used as the basis for those calculations, Grist said; however, we should be able to rely on a variety of regional resources to develop those targets. Eckman noted that, to a certain extent, those targets will be self-defining, and that many of the participating utilities will decide what is and is not doable in their own service areas. It gets sticky, deciding who, exactly, is responsible for what, but we will lay out the overall regional pie, Eckman said. Litchfield noted that, in the past, the Council has been able to develop an aggregate target for each sector that can be used as the basis for the future C&RD credit. We might be able to do that, Eckman replied, but the models and data used to develop that analysis have not been very well maintained.

When we do this, Eckman added, it will be a public process as part of the Power Plan's development. In other words, he said, it's not going to be just a back-of-the-envelope calculation, and anyone who wishes to do so will have an opportunity to review and comment.

*D. How Can A Structure Be Developed That Has Bonneville Playing a Meaningful and Productive Role As A “Backstop” For the Region? What Exactly Does “Backstop” Mean?*

Weedall noted that this is a question to which he has devoted a great deal of thought. Those who commented during the public comment process this fall thought about it a lot as well, Weedall said. Carter laid out some of the NRDC’s concerns surrounding this issue, notably, the lack of an effective “stick” to go along with the C&RD “carrot.” One participant noted that the idea of having to chase after non-compliant participants isn’t very workable; that fear, and the legal mechanisms necessary to prevent that, made the original public interest group proposals on this issue very complex. We could bring in the appropriate people to talk about rates, Johnson replied, but to me, such a change would require a restructuring of our entire rate structure.

The group discussed how the C&RD payment process works, currently; one of the issues for the public interest groups is the fact that BPA currently “pays” its customers up-front, in the form of a rate discount, before the utility actually acquires the resource. Brattebo noted that the investor-owned utilities, at least, are required to place those funds in escrow, and at the end of the year, any unspent funds must be reimbursed to Bonneville. There is a contractual mechanism with some teeth in it to that effect, Johnson said. Introducing a “pay-as-you-go” standard to the rate would be an extremely complicated matter, he said – it’s not based on achievement of performance.

We understand that the current C&RD program amounts to a credit, and that the utilities benefit from having that credit up front, Litchfield observed – frankly, I don’t think the Council’s recommendations in this area would be easy to implement, and would turn this program on its head. Why don’t we stay with the program as it is currently structured, he said, but add some remedies for utilities that are not in compliance with some reasonable standard of what the program is designed to achieve. I think we’re also in agreement that those remedies must be implementable more often than every five years, Litchfield said.

Another participant observed that the financial data do not indicate a problem with the current system; all utilities that receive the C&RD are required to furnish Bonneville with an annual report detailing how the funds generated by the discount are spent. In most cases, people are spending more money than they receive through the C&RD program, Rosalie observed. Perhaps some sort of hybrid approach, halfway between “pay-as-you-go” and the current system, would be appropriate, Klumpp suggested.

I’m struggling with what the problem is here, said one participant – do you have any concrete examples of cases in which utilities have taken the money and failed to perform? Yes, we have a number of situations where utilities have failed to deliver conservation they have promised in blood to do, Weiss replied – also, the current five-year horizon is too long. One utility participant noted that, in the case of his utility, it is likely that, although some degree of underspending may occur in the first year or two, once all of the cost-effective resources have been identified, they will spend all of the money available for all five years in Year 3. And I think most utilities would like to preserve that kind of flexibility, Litchfield said.

So what happens if you do have a real deadbeat, one who takes the money, then does nothing

and tells Bonneville they have no plans to do anything? Litchfield asked. There are no enforcement teeth in the current agreement, beyond the requirement that customers provide annual reports, Pynch replied. He added that the deadline for the reports is October; so far, Bonneville has received reports from 71 of the 84 participating utilities, IOUs and DSIs, so there are some who have so far failed to document what they're doing.

My concern is that we're throwing the baby out with the bathwater here, on the supposition that there are a lot of bad actors out there who are gaming the system, Rosalie said. That's not our concern at all, Klumpp replied; the reality is, however, that these situations do occur. No one is suggesting that BPA sit idly by for five years, waiting to see what people do, Rosalie replied; we're saying there needs to be a mechanism for Bonneville to enforce the provisions of the contract and, say, suspend the credit until the required reports are furnished.

Litchfield reiterated that, in his view, a yearly check-in, coupled with a contractual remedy for lack of performance, would sufficiently address this issue. I don't think anyone is talking about setting up some sort of a police state, he said, but simply some means of assessing whether or not participants are living up to their end of the contract. If we tell Bonneville as a group that such an approach would be acceptable, adding remedies for utilities that are not in compliance with the program's provisions, that would be the best approach, said Litchfield. Frankly, the way the program is currently set up is beneficial to the utilities, he said; if we add remedies for poor performance that can be implemented more frequently than every five years, that should be sufficient. If we try to restructure the way the C&RD program is implemented, he said, we're going to be here a lot longer than just February.

One clarification, before we leave the impression that we're all agreed on this, Klumpp said – we still think pay-for-performance makes more sense than an up-front rate credit, and we will be very interested in the specific details of such an enforcement mechanism, if that is the direction we decide to go. Keating spent a few minutes going through the energy acquisition funding mechanisms available to Bonneville, including up-front payment, backing bonds, payment for performance, and payment for an acquisition program through a billing discount.

Obviously there are several tools available to us, said Pynch; it sounds as though we want to make sure we have a rate discount mechanism that's working, then figure out some other pots of money we can bring to bear – all of the funding doesn't have to come through the rate discount mechanism.

From a practical standpoint, the rate discount program is not a panacea, said Eckman – it works best for locally-designed and implemented programs, but there are other areas, in the case of utilities that get themselves into financial difficulties, for example, and need BPA to backstop them so that the C&R program can continue, that a rate discount program isn't going to solve the problem. It's more than just backstopping malfeasance and inability to perform, he said.

This has been very helpful to me, and let me offer a couple of thoughts, said Weedall. First, as we've all heard, there are a variety of tools available to us. It is true that 20% of the utilities have yet to turn in a report; that may mean they're not doing anything, he said. I guess that a year from now, we'll know more. Personally, I find it hard to believe that BPA doesn't know what's going on with the 13 utilities that have yet to send in their reports, Rosalie said – if they don't, they should. Litchfield



observed that this a new program, still in its shakedown phase; some initial problems are to be expected.

The group discussed the current degree of oversight Bonneville within the current C&RD program; Pyrch reiterated that there is no mechanism, currently, for verifying the actual implementation of the measures Bonneville is paying for. That was part of the contractual agreement, he said.

Ultimately, it was agreed that BPA will develop a list of potential measures to deal with underperformance; the group will then review and comment on that list of measures, to ensure its adequacy.

*E. How Should the RTF Be Redefined and Enhanced to Meet Evolving Regional Technical Needs?*

Pyrch noted that Bonneville has provided nearly \$2 million in funding to the RTF over the past two years (for software development, travel and other support services); he explained that BPA would like to make the RTF an eligible entity to receive C&R credit. That may be a way to provide some short-term funding from the IOUs and others in support of the RTF's activities, Pyrch said.

There is a suggestion, currently, that we formalize the RTF somewhat, he said, perhaps adding two or three paid staff members to provide support to the group, as well as a more formal membership appointment process, Pyrch said. He noted that there is a need to be careful about how much utility representation there would be on such a group. We think the role the RTF plays in cataloging the measures and their associated savings is a valuable one, said Pyrch; they provide technical, not policy recommendations, to Bonneville, which then reviews those and implements recommendations. Conservation-related recommendations should come from the Council, Pyrch added.

Weedall said that, while there is obviously interest in an enhanced version of the RTF, Bonneville has no additional funding available to pay for such an expansion. Again, however, those funds may be forthcoming from some of those who benefit from the RTF's expertise but are not currently paying for it, Eckman observed.

Liz Klumpp noted that all of the formal proposals that have been submitted to BPA suggest that the Council be asked to set a megawatt target for conservation and renewables. There is also language to the effect that Bonneville will develop a budget to be put into a rate discount mechanism; however, that language doesn't make clear whether that target would be an enforcement mechanism, she said. Would the conservation target be the driver in determining whether or not a utility has met its goal? she asked. Also, how would that target be translated into a budget?

Two comments, Pyrch replied -- first, establishing a conservation target for Bonneville and the region is one thing, but what you aren't doing is saying how much would need to be spent to meet that goal. That needs to be left up to Bonneville, Pyrch said, because we think we can drive that cost down, something we have been fairly successful in doing in the past. We're starting to get some information from the C&RD program, about what is being done under that program, but for the reasons mentioned earlier, we have less control over those costs, he said. In the post-2006 time-frame, Bonneville feels

that there are some things we could do to help reduce those costs, Pyrch said. We would prefer not to be in a situation in which the region is dictating Bonneville's budget, he said. To me, added Weedall, the driver needs to be energy savings target, but if it's a rate discount and the funding level isn't sufficient to allow that target to be met, that's a potential problem area.

*F. Should Customers' Loads Be Decrementd By the Amount of Conservation They Deliver?*

Weedall said the purpose of this agenda item was to stimulate group discussion of the Council's recommendation on this topic: "Bonneville should not require a decrement in the customer's net requirements for savings achieved. Such a decrement would be a strong disincentive to active participation by the customers in the development of conservation. The Council believes that Bonneville has sufficient discretion in its periodic determinations of utilities' net requirements to ensure that utilities are not penalized by their conservation achievements." Sounds like an excellent recommendation, Litchfield observed.

How will that work 20 years down the road? Carr asked. My understanding of the JCP is that SLICE customers would still be subject to Bonneville's annual review of their requirements, Litchfield replied; if they have done enough conservation, that requirement would be a problem. As a matter of conservation design, Litchfield replied, I agree with the Council that to tell customers that every megawatt of conservation they do will come out of their Slice, that's a huge disincentive to do conservation.

In response to a question from Steve Weiss, Johnson explained how the process works under current Slice contracts. I haven't heard that anyone wants to change that system, Johnson said. The joint customers proposed that we stay with that current paradigm, Litchfield said; after 20 years, however, all bets are off. Johnson added that, if customers have acquired non-federal resources to serve their load, those are the resources they can lay off if they want to maintain their federal SLICE. So in the end, the utilities get the market price of conservation? Weiss asked. Correct, was the reply. That's the incentive we want, Weiss said.

My feeling was that the Council's recommendation had to do with SLICE customers that weren't going to place their load on Bonneville, said Litchfield. I want to be sure there is no disagreement with this, Keating said – does everyone agree with this? One clarification, said Eckman – one of the reasons this is important is that ties back into the cost-control aspect of the C&RD program. The original premise of the C&RD was that we had to pay value, he said, because, otherwise, the value of saving conservation was the PF rate. If you're getting full market value for that resource, you can then take the C&RD payment down, away from value, and make it more cost-based, rather than value-based. If you're not getting market value for that, that means you're going to get a decrement out of your net requirements. If you only get PF for it, then we have to pay higher value for that kilowatt-hour, Eckman said.

I would say that, for the full requirements customers, this issue is still up in the air, said Weiss. They're automatically decremented, which means that, under a non-tiered rate scheme, they're losing PF rate, and they're not getting the market value of that decrement. They get a pool credit, Litchfield said. They get a pool credit, but they don't get it directly, said Weiss. Johnson replied that Bonneville would still be maintaining those customers' service up to Tier 1 based on upon what you're balancing,

in terms of conservation. With that, the meeting was adjourned.

**5. *Next Steps.***

The next meeting of this group was set for Tuesday, January 14. Meeting summary prepared by Jeff Kuechle, BPA contractor.