

**Notes from Focus 2028 Listening Session
Tacoma Power
March 7, 2016**

Intro:

Current Market Context:

: We've always had a long term view on EE because <> is a long utility – don't need new resources for 20 years, yet continue to pursue EE because they don't want to need to buy generation. Look back at the last 10 years and are essentially the same load as 10 years ago. That is a long term trend. Have eliminated load growth with EE.

: <> is long on power. Region hasn't grown in terms of load in a long time. Is curious about the capacity discussion that comes out of the Seventh Plan. Wonder what capacity markets will look like and how we can work together to see the capacity value of EE. Not sure that current structures of measuring and reporting really serve the benefits of capacity.

: Can reflect what is seen in her membership. About half of the utilities have decided to pursue non-federal resources under TRM. Originally, assumed 100 MW above HWM in 2012. Really had just a couple MWs in 2012. Seeing lack of load growth, decline in load. Some is due to EE, some is economic. See stories of utilities with no load growth, but increase in number of customers because of improving efficiency in new housing stock, multifamily, etc. From utility planning perspective, carbon is a big deal, members are active on hedging risk on carbon. Customers have taken on responsibility for making sure they stay below Tier 2. Customers have matured and taken on more responsibility in power planning. Customers have become more interactive and cognizant of their loads. Market transformation is doing a lot to keep loads down. Customers still see price signal of the marginal energy purchase.

Topic #1: BPA's Target

Outcomes from the 29th:

- Focus on needs-based approach. (does Council model match BPA needs?)
- BPA interested and committed to working with Council on understanding BPA's needs
- Working with Resource Program on BPA's needs

Discussion:

: Did 42% come from the TRM ROD? Sounds like it is an older direction, needs to be revisited. **When the Council looks at BPA's needs, it should look at the customers' needs.** Some customers have RPS state goals, other customers have business needs. This doesn't have to get real complicated where BPA needs to duplicate the Council's process, just use the info available – the CPAs and the business needs of the coops. **This number and goal need to be updated.**

: **Is <>'s position that it is an outdated model.** The 42% gets trickled down to the TOCA and then you have an SRR out there who wants to run a residential program. Disconnect with programs direction that residential may be becoming more of an upstream and midstream program. Need flexibility built into the system that helps BPA and its SRR customers meet their needs. The SRR load costs a little more to maintain and coops are not-for-profit. Customer interest is to keep the rates low. Council plan and 42% are outdated.

: Would refer us to PPC comments. **Would also like to argue that BPA should not use an energy ratio to set their target.** 1) know of no evidence that the EE opportunities are equally spread based on energy usage. 2) Need in the plan is based on peak capacity, so an energy ratio is not appropriate. If you look at who is long on peak, you would find the publics are long and the IOUs are short.

: Seems like there is some momentum for looking at a CPA. Comment is that, **if BPA is going to put time to scope and manage a CPA process, it is a big, messy process to understand people's needs.** Would encourage BPA to think hard about how much resource should be put towards this analysis.

: In the meeting in Portland, were a lot of people who threw up roadblocks about how to do this – a CPA is difficult, what are the legal obligations? Realize that changing something is always more work than not changing something. **PPC will gladly work with BPA, along with the customers, to put some meat on the bones behind the target. Need to work with the Council and with the customers.**

: BPA is not afraid of change or avoiding change, we are embracing change. Whatever BPA considers, is going to be well thought out. The integrity of the process is important. Change may not have been considered in the past because of TOCA. TOCA made it a non-discussion.

: Offers from customers to help us with the methodology and development of CPAs, is a lot of expertise amongst our customers.

: Has seen that the staff people are really good to work with. Could easily get to some common understandings about how potential assessments might be done. Confident that the IOUs would be helpful too.

: Aggressive conservation in territory has led to a whole different CPA process than the larger utilities. Are doing CPAs and seeing that the market transformation is playing a big role in CPAs, also momentum savings. Have been standing by and hoping the Council would help be a little more flexible in delivery of the program. Don't have the measures in their quiver that the larger utilities have.

Topic #2: Self-funding and backstop

: Effort by PPC – a lot of conversation behind comments. Among the utilities, would like to see the increase be more reflective of reality. When we look at numbers, don't capture all of the contributions and costs that the utilities absorb. Increasing the number gives customers more flexibility. **Supports moving towards a flip to 25-75.**

: Definition of backstop: BPA would take action to backstop the savings if its customers were not going to hit the target. This has been pretty vague in the past. If we go to more self-funding, put more trust in the customers and want BPA to have something to fall back on.

: <> doesn't have a number in mind, **but it is not 100% self-funding.** <> values a number of BPA's programs. <> is most important single site customer and could not have been successful in serving them without BPA. Are a number of other programs that we may not participate in, but they should support. Would like to get to a number that is more like 75% self funding over the longer term. Backstop role: largest concern is that for most of his career, has seen utilities as the only players in the EE game. In the last 2-3 years, have seen explosion in third party support and implementation of EE without the utility involvement. **Sees opportunity in flexible approach in current market context to bring solutions to the backstop issues. Would suggest we consider more flexible third party approaches,** not necessarily building an affirmative solution to preventing a potential problem.

: In regards to EEI, is a little different from program management. Is it possible that some of the EEI may move to a more regional fund, particularly around regional programs in residential? **Would like it to be less transactional** – focus more on kWh savings, not on the details of managing the dollar portion. Also allows the customers to do more measures in non-federal areas that can't be supported with EEI. Would add more flexibility to current model.

: Support increasing self funding percentage. Data provided during IPR 2 that 29% of savings were utility funded. Sees a transition to assumption based off the reality of customer self-funding. Sees risks in the transition. A couple things to think about in backstop: 1) **the public power proposal is a package deal: Need to reevaluate target before changing self-funding and do the two together.** 2) **SRR utilities are located in WA and OR and want to support marijuana projects.** 3) **rate period to rate period spending is a struggle.** Allowing more self-funding allows customers to manage larger projects over a longer time horizon. Not proposing a specific number, but thinks BPA should acknowledge that self funding has been higher.

: Overview of Public Power Proposal. Three elements: 1) Target; 2) self funding; 3) program efficiencies to reduce costs passed on to rate payers and to make sure that administrative requirements are making sense and whether admin burden on customers can be decreased – can upfront requirements be moved from up front to

the backend, evaluation, etc. In number 2, has not specifically said it, but **implied that the amount currently in the BPA wholesale rate for EEI should be reduced**. Budget for other elements of the program should not necessarily be decreased. Have had discussions with BPA and others that we need to crawl before jump and not move to 75% self funding immediately. Devil is in the details in all three of these pieces. Need to start to see how we really change the program.

: Backstop role – if you solve the target issue, this becomes less of a concern. If you have a number for public's needs that is very different from the Council's number, and you take a backstop based on the Council number, then utilities will have to do some conservation that is not cost effective for them. <> is an outlier utility in that they would like to see no change in self-funding that is concerned about how conservation is funded and delivered. But we could live with a proposal back from BPA if the different elements <> talked about are included. **Need a real rate reduction that happens and is not offset by increases elsewhere in conservation**. Will get money from the rate reduction to invest in conservation. Is sustained throughout the RD contracts, then policy makers will understand. Should not be winners and losers amongst utilities. Utilities still need to do conservation after increase in self funding. Would like to make sure proposal would not do anything to encourage or incentivize a reduction in the cost-effective savings being accomplished today.

: If there is a philosophical reason for going to 25-75, why not go all the way to 0%? Is there much of a difference to flipping to 25%? Is that a burden on the Power Act?

: Have gotten guidance that the EEI is how BPA acquires conservation from a legal perspective, so need some EEI funding.

: As part of Post-2011, came down to different legal interpretations of what acquire means in the Power Act. The full self-funding solution was too far in BPA's interpretation, so is not on the table this time around. Didn't want the proposal to be DOA this time around. Some utilities are also not interested in going to full self funding.

: Customers? Is it in the realm of possibility? Seems like an opportunity to meet the majority of the customer needs pretty easily.

: The self funding is an average, hard to have different averages.

<> has greatly benefited from some BPA programs. Want to air a couple of thoughts. Are a number of key drivers for EE that have nothing to do with BPA: I-937 goals, IOUs have IRPs. EE is a competitive resource from a level cost basis. Idea of a backstop is only useful for utilities that are not included in these categories: small utilities, not in <> area. **Consider that whatever backstop solution we come up with will acknowledge the difference between the needs of different utilities**. The measures are quantitatively different: measures and EE in <> are different from what we would do on the I-5 corridor. **Sometimes makes more sense to do a**

surgical approach to fixing a known problem, than to use a general approach that is less efficient.

: As an I-937 utility, might be okay with a penalty (already have one from the state). Depending on the backstop, as it gets harsher penalties, becomes more important to make sure that target set becomes more accurate. Is a really broad range for backstop: could use the rate period, other time periods. **One size fits all backstop might not be appropriate.**

: Is a good opportunity to think forward. EE in general is getting more complex. At some point, may need to create a market for EE, rather than just creating penalties and incentives. Can we bring market forces into the game to balance out the utilities that want to do more or less EE?

: One way to manage change is to do a slow increase: could start out by going to current state of 30%. From NRU's perspective, need to keep in mind that even if you take EEI out of the BPA rate, at the end of the day, the utilities are still paying the costs. **Need to look at costs holistically for the utilities.**

Topic #3: Program Efficiencies and Realignment

Is not just about reducing the cost, is about thinking about how to make things easier, more implementable.

: Wondering if it would simplify life if the program were structured more as a pay for performance. If the customer could identify the savings they acquired, whether it be a BPA calculator or other, and move away from the willingness to pay model. Customer just submits savings and gets EEI on a flat payment per kWh.

: Start with the RTF – RTF does rigorous work on developing UES measures that should be cost effective. RTF puts out the measures, BPA implements programs around measures. Here are a few stories:

- EER spent a whole day helping a member on the phone who spent 3 days working on oversight review. Have RTF measure, submit an invoice, then get calls and questions from COTR (“This seems a little excessive, did the customer really do this?” is an example where a customer had installed a large number of light bulbs). Then another person did oversight – 3 days researching the 40 measures BPA had selected. Had to put together all the documentation, scan them, send to COTR for review. COTR sent back pages of comments and things concerned about. EER concentrated on the red, bad comments. Realized in the process that the customer should have claimed a different ref no (off by 2 numbers). Took more hours to correct the issue for a **net value of \$2.50**. Need to step away and look at the risk vs. rigor of the program and the collection of data. Total oversight of 14 members, came down to \$1,600 to correct. **Proposal: look at a kWh “loss factor”/realization rate for savings and reduce the burden of oversight and review.**

- **Market lag:** need help in market lag. NEEA has committed to doing work on this and holding conversation at Efficiency Exchange. Don't feel that a lot of effort should be put into this unless BPA and RTF are in the conversation.
- Take a serious look at the reporting mechanism. BPA does not have the resources to create and build a proper reporting and tracking tool. **Ask that the customers look towards a regional approach:** Council, NEEA, BPA to collaborate on reporting system and approach.

: Market lag is not just an issue in rural areas. Have serious market lag issues in the Tacoma area. Measures are going away that are stranded opportunities in Tacoma.

: Had to do oversight and it was a huge hassle. There is no regional effort to develop a reporting system that we can combine all regional data into one place, right? Are a lot of costs associated with challenging reporting system in terms of reduced time, getting the savings in the door, and spending time with paperwork. Developing a software system isn't cost-effective for a small utility – really need a regional solution.

: Thinks that BPA has an incredible awesome EE staff, and it feels like things are taken personally by some. If BPA wants to ramp up evaluation, that is a cost to BPA. **Before ramping up evaluation on the backside, look at giving customers a little break on the front end.**

: Implementation Manual. Is glad it went to annual. Looks at the list of measures and see that it has grown and grown and grown. **Would urge another look at rate period IM that is half as thick, and simplify the UES list and combine things.** This would save tremendous amounts of time in reporting. Have found that no data system is plug and play – would be hard to find an answer out there that is out of the box. As much as the I-937 utilities may not want to admit this, the reality is that the reporting they give to BPA creates the template for the audits, so they can't lose the rigor of the reporting. Want to simplify reporting, but make sure that the rigor is there so they can meet obligations of I-937.

: Recommends that our evaluators look at statistical significance in splitting out measures – is the difference between measures statistically significant?

: Example: in distribution of bulbs and showerheads, have to keep the green sheets for every measure for oversight report. Thinks that may be overkill in today's world. Number of lighting measures has grown enormously – hard to track all the data. **Measures could be simplified and combined into buckets.**

: RTF has confirmed their working guidelines – includes that, if there is more than a 10% difference in savings within a measure set, they will create a separate measure. BPA is trying to balance the ability to report more savings with the simplification.

: For example, DHPs, report one measure for 1 or for 8 heads, but savings is really different. **Wants simple** – 4000 measures is way too many.

: Example of Energy Savvy and ability to get simplified data from audits. Vendors are out there who try to simplify the delivery. Is not as complicated as we used to think it was.

: Call for simplicity has always been countered by a need for flexibility – trying to simplify and be flexible at the same time.

: Create measure-based savings estimates. A number of utilities have had success with meter-based savings. Have incredible monitoring and real-time data in a lot of technologies. Achieve significant savings just through operational improvements. **Concern that the IM and measures will keep us behind the industry.** The continual focus on “what can we get the auditor to buy off on” makes us heads-down on the IM and not thinking about the other ways to get savings from buildings.

: The SAO does not want to be an EE expert. They want to be auditors – to go into books and see if they did what they said they would do. The auditors want simplicity and are looking to BPA. They perceive that BPA is the regional expert who can put their stamp on something. **If we can make process simpler and BPA can still provide their verification of savings, then it could work with the SAO.**

: Repeated verification creates another burden on program implementation. Going for perfection makes it challenging. RTF estimates are within an error range, but we try to get other numbers down to the very penny. Needs to be recognition that the more burden we put on people to prove every detailed kWh, the more it costs to achieve the savings.

: NED is dead.

: How would folks feel about BPA reconsidering performance payments? Would customers assume that BPA continues to collect performance payments if move away from 75%-25%?

: It is something you have to talk about with customers. It is something that will depend on the size of the utility on their response. There is an embedded amount of money in the EEI. Is a kWh performance issue. Is going to be tough. Should be talked about. <> would have been fine with \$0 performance payments. It is your money as the utility. The problem is the cycling of money that all has to be together. Because performance payments are already embedded in rates, it needs to be considered. If you reduce the EEI, reduce it. Thinks that performance payments should go down with reduction in EEI, but not go away – is still a cost in managing the programs.

: Echo what has been said about the market transformation lag. Would encourage work to figure out how to handle lag. Maybe updating IM every rate period takes care of it.

: Was chair of SRR workgroup in Post-2011 where the performance payment numbers for SRRs were determined. Wouldn't want to see that dropped without working with that group of utilities.

: Why even open this up? If talking about things to change near term, not worth the effort. If thinking about future changes (2028), is worth the conversation.

: Just teeing it up because it comes up when you talk about the reasons for self funding.

: Focus on realignment issue: if you know the market context you are in, do you adjust portfolio related to that market? If you are long on power, and have cheap market power. What does that mean for short term measure lives? If you know something is going to be a standard in a few year, what do you do? What about markets where there is already a lot of market momentum?

: This is very complicated. NEEA is trying to figure out a similar question: where are we going to go with market strategies? Are a lot of different factors as you go down the road of power planning.

: The savings are included in the Council's target. Would you then take them out of the target?

: We should ask the Council to help with defining what of this should be in the target. Feels like sometimes we chase our tails for I-937 target and Council target. Today, there is incentive to spend money on these measures because they count against the target.

: Consider the impacts on measures if BPA goes to a need-based target.

: **Would like to suggest opening up a short comment period before the Portland wrap-up.** Some of this stuff is difficult to articulate verbally and it would be useful to lay everything out clearly in comment. Would also be opportunity for NRU members to submit comments when they won't be able to make it to the listening sessions. Short 2 week comment period towards the end of March.