Energy Efficiency Post-2011 Review
Workgroup 5 Meeting
April 22, 2014
In Person Meeting at PNGC and Conference Call
Meeting Notes

Co-chairs:

Mary Smith, Snohomish
Mark Ralston, BPA

Overview/Summary

- Reviewed and finalized Workgroup recommendations on Issues 12 and 13, related to the timing of reporting of savings
    - **Reporting savings:** Includes EEI-funded and self-funded savings. Best practice is to report monthly, but utilities should report at least quarterly. All utilities would report via IS 2.0. This is a request, not a requirement.
    - **Forecasting savings:** Includes EEI-funded and self-funded savings. 20-largest utilities would continue to provide forecasts for the fiscal year, but the number of utilities could be expanded. This is currently implemented through the EERs, but the functionality could be built into NED. This is a request, not a requirement.
    - Related to forecasting savings, an analysis was presented that compared FY13 forecasts by 20-largest utilities with actual FY13 reporting to IS 2.0. This showed significant differences for some utilities but little difference in aggregate. Reasons for utility differences include Unassigned Account distributions, bilateral transfers, and imprecise instructions on the utility forecast templates.
    - **Forecasting expenditures:** Includes EEI expenditures. All utilities would provide EEI forecasts in the 2nd quarter of each fiscal year covering the last 2 quarters of the fiscal year. This would be done through the EERs initially, although a forecasting capability could potentially be built into NED. This is a request, not a requirement.
    - **Self-management and reporting requirement:** A question was posed: If self-management is adopted, how would the Workgroup feel about a requirement to report self-funded savings on a quarterly basis? Utilities explained why this kind of reporting would be challenging, and the Workgroup recommended that if self-management is adopted that the same approach for reporting savings be taken for this as was discussed previously, i.e., it should be best practice, not a requirement. This would avoid potential confusion from having a mix of reporting requests and requirements.
- Discussed Issue 10, related to requirements for implementing, reporting, and verifying self-funded savings, and prepared recommendations
    - **Non-reportables:** Discussed criteria that BPA uses to determine what savings are reportable and what are not (non-reportables). Discussed examples of non-reportables mentioned in the workgroup and whether they could potentially be made reportable in the near term. Presented analysis of non-reportables 'reported' to IS 2.0 from FY12 to

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present, which showed that most non-reportables fall in the 'not cost effective' category. BPA stated a desire to reduce non-reportables where possible and plans to continue examination of non-reportables through the QSSI process.

- **Requirements for implementation and reporting of self-funded savings:** Assuming that non-reportables could be dealt with separately, the Workgroup recommended that implementation and reporting requirements remain the same for self-funded savings as for BPA-funded savings. There was discussion of developing a pilot path for custom programs to allow innovative measures/projects to be implemented.
- **Requirements for verification/oversight of self-funded savings:** The Workgroup recommended that requirements for verification remain the same for self-funded savings as for BPA-funded savings with a couple of qualifiers: BPA should work in partnership with utilities to continue to improve the verification process, and BPA should be as customer-friendly as possible (e.g., not rejecting measures over minor details) as long as that doesn't jeopardize the cost-effectiveness and reliability of the savings.

Attendees:

Jeff Stafford, Tacoma Power

Debbie Depetris, Clark Public Utilities, P

Vic Hubbard, Franklin PUD, P

Diane Robertson, Flathead, P

Eugene Rosolie, Cowlitz, P

Jeff Lewis, Salem Electric, P

Jessica McClaws, EWEB, P

Eric Miller, Benton REA, P

BPA Staff:

Matt Tidwell

Kim Thompson

Summer Goodwin

Danielle Gidding

Meeting Notes:[1]

- **Welcome and roll call**
- **Review of agenda**
- **Overview of progress to date**
- **Review of action items**
  - BPA reviewed recommendations for Issues 12 and 13 and refined them.
  - BPA did some analysis of the hockey stick, but it was of limited utility. We looked at measure completion and when they were reported. About 80 percent of FY13 savings came in during the second half of the year. There was a little bit of the hockey stick. But the first half of the year, we had reconciliation so there was less reporting of self-funded during that time—it was a lower priority. We did see lags overall for savings, custom

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projects and self-funded measures/projects. It wasn't really a normal reporting period. BPA did not look at 2012.
    - Did some analysis of non-reportables that we'll get to later in the slides.
- **Issues 12 and 13 recommendation focused on reporting of savings, forecasting of savings, and forecasting of expenditures**
    - Reporting of Savings
        - Person 5: I thought we were focusing on having this be a best practice, not a requirement.
        - Mark: It still is a request and just for the 20 largest initially, and then phase in the others.
        - Person 8: I thought the best practice was monthly. If it's a best practice, it should apply to all customers, not just the 20-largest.
        - Mark: So to clarify, it's a best practice (not a requirement) to report savings monthly, and at least quarterly for all customers.
    - Forecasting of savings
        - Mark: it's a request, best practice, that EEI-funded and self-funded savings to be forecasted quarterly for the fiscal year for the 20-largest utilities. Will be done through the EERs, but may be built into NED.
        - Mark: BPA looked at forecasting by the 20 largest utilities for FY13 vs. actual reporting in IS 2.0, and of the 19 who provided forecasts, 6 were off by 25 to 100 percent, and two were off by more than 100 percent, but the aggregate forecast was only off by 5%. Unassigned account and bilateral transfers may have contributed to the differences as well as the forecast template instructions, which were not very specific.
        - Mary: Our emphasis in the past may have been on EEI spending and not on savings forecasts, so what BPA has from looking in the past may not be a good indicator.
        - Person 1: When we are thinking about EEI savings it's in dollars not on aMW. We know we are going to hit our savings target.
        - Mary: As we're approaching the end of the rate period, we should emphasize the increased importance of the forecast so we can better understand the hockey stick.
    - Forecasting EEI expenditures
        - Mark: The workgroup thought this should be a request and do it more regularly, on the second quarter of each fiscal year covering last two quarters of the fiscal year. The thought is to do it through the EERs initially, and once we have more normal reporting periods maybe use NED to create a forecast which the utility could adjust.
        - Mary: Their utility may not need NED to do a forecast for them. I like the changed emphasis of the reporting and forecasting—being on savings rather than dollars.

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- Self-management and reporting requirement
  - Mark: If self-management is adopted, how would utilities view a requirement to report self-funded savings? Utilities may want to hold off on reporting near the end of the rate period to retain flexibility to utilize additional EEI funds that may become available. Utilities don't currently have flexibility to change funding source from self-funded to EEI-funded after invoice approved by BPA. This would facilitate end of rate period reporting.
  - Mary: Why are we distinguishing between self-funded and self-management? There is not requirement for self-funded savings?
  - Person 5: I think our earlier reporting recommendation should be applied here as well. Otherwise we wind up with a mishmash of best practices and requirements.
  - Mary: I agree that there shouldn't be a difference. Maybe self-management should have same best practice for forecasting.
  - Matt: I just want to be clear that BPA isn't committing that there wouldn't be any additional reporting requirements with self-management.
- **Issue 10:**
  - Non-reportables presentation by Danielle
  - Requirements for Implementing, reporting, and verifying self-funded savings
    - Does WG support having same requirements for implementing and reporting self-funded measures as for BPA-funded? And same requirements for verification and oversight?
  - Non-reportables
    - Person 5: Verified reliable applies only to deemed measures?
    - Matt: For custom projects it means they would need to be consistent with M&V protocols
    - Danielle: If savings are reliable, meet BPA's eligibility criteria, and meet BPA's cost-effectiveness requirements, they are reported by BPA to the Council. If savings don't meet one or more of those criteria, they are non-reportable.
    - Mary: if they don't meet one of the criteria, the savings are totally zeroed out?
    - Danielle: A good question, but right now we zero it out. But what do you do when it's "mostly" reliable? We have to think about that more.
    - Person 5: It seems like a RTF-approved deemed measure that BPA hasn't yet adopted could be made reportable in the short run.
    - Kim: There's a relationship here to the Implementation Manual workgroup and the timing of updates to the IM.
    - Danielle: the amount of savings for this is small.
    - Mary: but that could be because they aren't able to be reported so utilities don't do them.
    - Person 1: From BPA's perspective what is the need/want to see non-reportable data other than to understand why it's non-reportable?

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- Mark: Both BPA and utilities want to reduce the amount of non-reportables.
- Person 5: I-937 utilities have been interested in using BPA's reporting system to put all their savings together in the same place in activity reports.
- Danielle: Looking at the data, it didn't look like there are very many savings that should have been reportable. We did find that some of the savings came from a custom project that didn't include non-energy benefits, so that will be resubmitted and accepted as reportable savings. It will be interesting to see with the new QSSI rules whether that helps contribute to fewer non-reportable savings.
- Mary: I don't know how big of deal this is since we don't really know how many non-reportable savings there have been in the past since they were probably not reported. There are other entities – Washington UTC and State -- that use different criteria that we could look to.
- Kim: The criteria we put in place have the intention of aligning our savings with the Council target. It's not clear that the UTC and State look at this.
- Mary: I don't know why BPA has to be the gospel for what qualifies as opposed to the utility.
- Kim: There have been reports from the Council that are even more conservative than what BPA is currently using, e.g., requiring cost-effectiveness measure by measure rather than at the TAP level. We're trying to be reasonable and thorough.
- Mary: Especially when it's more difficult to find savings, we should be encouraging creativity and inventiveness and end-use customer driven options. We should explore all those opportunities and not set up a system that stifles those opportunities. I'd like to see the workgroup come up with criteria where the savings don't get discounted to zero.
- Person 5: We aren't in 1980 anymore. We are in 2014, so we need to adapt. A number of us are doing our own CPAs and running our own programs. We know what's cost effective. There's a lot I can do and come in over TRC >1. So if I roll in something that's not cost-effective, I can't count it?
- Matt: There are lots of different yardsticks out there among different entities, and it's reasonable for them to have different criteria. How to minimize the problem?
- Person 5: We are playing by Council rules, but we have a different set of rules from BPA.
- Mary: We need to note this discussion about BPA's role and the role of the utilities in our recommendations and the criteria we might be able to come up with to allow more non-reportable savings to be reportable.
- Mary: We could report directly to the Council.
- Matt: The Council relies on BPA to verify the savings.

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- Person 5: I'm not talking about doing away with the rules, just another way to report savings toward the target.
- Matt: We're required to acquire the resource.
- Mary: Is there a scenario where a utility could do the verification based on set criteria? Could a cooperative of utility and BPA staff do verification?
- Mary: We could bring this discussion to the Council.
- Danielle: We're consistent with how the Council estimates potential. If we looked at cost effectiveness at the portfolio level, we would be looking at a higher target.
- Mary: I don't agree that there would be a higher target.
- Mary: The Council's target is a forecast. 'Target' is not in the Power Act.
- Matt: we could use the QSSI initiative as the venue for continuing this discussion.

- Capturing the savings from innovative programs, like behavioral
  - Mary: Our utility doesn't do PTCS, but we may have the same requirements as BPA. I don't see any difficulty with keeping implementation and reporting requirements the same for BPA-funded and self-funded savings, as long as we have an asterisk for non-reportables.
  - Person 1: There's no distinction from our perspective in BPA-funded vs self-funded.
  - Matt: Could leverage custom program path for new, innovative measures, projects.
  - Person 8: I like the idea of making the custom program as effective as possible.
  - Matt: We created a new chapter in the IM for custom programs and aligned it with custom projects.
  - Person 5: A concern – the path has to allow the utility to take on risk.
  - Mary: The utility will have to purchase power if the savings not achieved.
  - Matt: Pilot path for new innovative approaches – language didn't make it in IM due to resource constraints. We may want the workgroup to come up with a recommendation to allow a "pilot" path within the custom program option.
  - Kim: Need a good experimental design.
  - Kim: We have the evaluated custom program. If more speculative, would need to look at funding eligibility. With capital program we're acquiring a resource and not funding R&D.
  - Person 5: We can't be too nit-picky on requirements, otherwise we miss an opportunity.
  - Kim: How do we get a solid but not perfect proposal for custom programs?
  - Person 1 -These are mostly done by utilities who already meet their targets and they will be reported as non-reportables.
  - Mary – We don't want to lower the standards for self-funded savings but are considering how we might pay less for some measures and increase savings

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from those innovative programs. This would enable them to take more risk and expand to new areas.

- Requirements for implementing and reporting self-funded savings
    - Mary: We should have the flexibility to have something the WA auditor accepts be accepted by BPA as reportable.
    - Mary: I'm OK with keeping requirements the same for reporting and implementing self-funded savings as for BPA-funded savings.
    - Mark: Recommendation is to keep requirements the same for reporting and implementing per the IM for self-funded and EEI-funded savings.
- Requirements for verifying self-funded savings
    - Mary: If we aren't using federal dollars then why should we have to duplicate effort and spend money to satisfy requirements when we are already doing it for I-937?
    - Person 5: Is it just auditing, paperwork, checking files?
    - Matt: Also site visits.
    - Person 5: If you pick 5 lighting projects for verification, 2 could be self-funded and others could be EEI-funded. There shouldn't be a difference, this would just create confusion.
    - Mary: Should the audit sample include self-funded and EEI-funded?
    - Person 5: Are we talking about a whole different process for oversight? We should just take a 10% sample and not care about who funded it and not have something different for self-funded savings. Perhaps when they pull their sample, they could only pull BPA-funded.
    - Person 1: I could go either way. All self-funded will need same requirements – same cost to audit a given sample of projects.
    - Person 8: Is there some sort of language that could support the idea that if BPA is legally required to do oversight then it would be allowed but if they are comfortable without then the utilities would not be required to participate in it? Make it a best practice for utilities to allow oversight of self-funded measures.
    - Mary: Have utility staff certified to do audits or committee of utility and BPA staff do this.
    - Person 5: BPA would separate EEI-funded from self-funded. BPA would look at EEI-funded and follow the $. Self-funded would rely on State Auditor.
    - Person 2: State Auditor is looking at BPA requirements.
    - Mary: I don't want the extra cost of verification of my self-funded savings. If there aren't federal $ and BPA could rely on the state auditor, that would be fine.
    - Matt: Isn't the Auditor more expensive?
    - Mary: If the Auditor accepted BPA verification, that would be lower cost.
    - Person 1: We would like the state auditor to rely on what we submit to BPA as the baseline so that we can limit the amount we have to pay the Auditor.

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- Mary: I'm looking for ways to streamline.
- Matt: I'm hearing the workgroup is looking for what rationale there is for BPA doing oversight on self-funded savings. By the Power Act, if utilities ask for BPA to serve load, BPA has to. BPA needs to make the resource available and ensure it's reliable even if it's not paid for with BPA $. It's a risk mitigation measure against serving increased load in the future if it ends up not being reliable, so BPA needs to verify.
- Person 5: Their utility reports to the Council once a year on savings. They use that number, and it's not verified.
- Matt: The Council understands BPA's role in verification.
- Person 5: It's administratively easier to verify all savings rather than separating them.
- Person 1: Would like to reduce audit costs.
- Person 8: Agree with it being administratively easier to verify all savings and not separate them.
- Person 5: With State audit, they're paying WSU engineers to look at projects for 2nd or 3rd time.
- Mary: We had projects disallowed due to pre-approval requirements.
- Person 5: Auditor looks at BPA-funded and self-funded.
- Matt: State costs shouldn't contravene federal requirements.
- Person 8: Will BPA differentiate between BPA-funded and self-funded measures?
- Mary: Why does BPA need to look at self-funded savings?
- Kim: There's language in the Power Act and the regional dialogue policy about BPA's verification role. We could assemble supporting language.
- Person 5: Don't feel this is a major issue, doesn't cost that much more.
- Mary: In the effort of streamlining, if a utility has a state mandate, BPA could not do verification on self-funded savings.
- Person 5: Can we all get behind this proposal or do we not have consensus?
- Mary: I could probably get there if there was partnership rather than regulation, setting up barriers. We are in this to help each other, and the utility and BPA can both learn something.
- Mary: I'm concerned about nit-picking that disallows savings, so the Auditor doesn't count the savings and the utility incurs a fine.
- Person 5: The intent is not to penalize utilities but to help figure out how to do it better next time.
- Possible principals discussed:
    - Concern on the part of some utilities to meet I-937 targets.
    - Intent is not to penalize utilities but to help them to figure out how they could do it better next time.

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    - Matt: I hear the recommendation being along the lines of status quo for implementation, reporting, and verification. Regarding verification, BPA doubles its efforts to be as customer-friendly as possible (not trip up the customer over minor details). Particularly for I-937 utilities and self-funded savings, BPA should provide a bit more leeway and not be critical as long as that doesn't jeopardize the cost-effectiveness and reliability of the savings. Capture lessons learned.
- Terminology for describing self-funded savings.
    - Some utilities have suggested changing the terminology 'self-funded savings' to something else, e.g., 'utility-funded savings.'
    - Workgroup participants agreed that this was a non-issue and did not discuss the topic further.

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