**Energy Efficiency Post-2011 Review**

**Workgroup 5 Kick-off**

**March 3, 2014**

**Portland, Oregon**

**Meeting Notes**

**Co-chairs:**

Mary Smith, Snohomish

Mark Ralston, BPA

**Overview/Summary**

This workgroup will focus on reporting and verification of savings. The group had their first meeting in person at PNGC. After a review of the Post-2011 review process and timeline. BPA staff explained the BPA working assumptions, which may help guide the workgroup to recommendations that are more likely to gain traction with BPA.

Terminology was part of the discussion and the group decided to use ‘reporting’ to mean reporting actual achievements in IS 2.0 and ‘forecasting’ to mean a projection of future achievements. The group developed some working proposals:

* utilities invoice EEI dollars and report self-funded savings monthly as a best practice, but must report no less than every six months
* utilities are required to forecast EEI expenditures in Q2 of the first and second year of the rate period, and
* utilities are required to report EEI and self-funded savings quarterly, possibly with a different threshold for small utilities.

The next meeting is April 1, from 10:00 a.m. to 12:00 p.m. by telephone.

**Attendees:**

P= participation by phone

Jessica McClaws, EWEB, P

Keith Lockheart, SUB, P

Diane Robertson, Flathead, P

Eric Miller, Benton REA, P

Michael Coe, Snohomish, P

Van Ashton, City of Idaho Falls, P

Vic Hubbard, Franklin PUD, P

Dawn Senger, City of Richland, P

Jeff Stafford, Tacoma,

Kathy Moore, Umatilla, P

Mike Little, SCL, P

Debbie DePetris, Clark

Eugene Rosolie, Cowlitz PUD

David Jackson, Lockheed Martin

Doug Brawley, PNGC

**BPA Attendees:**

Richard Génecé

Josh Warner

Matt Tidwell

Summer Goodwin

Kim Thompson

Melissa Podeszwa, P

Meeting Notes:1

* **Welcome and Roll Call**
* **Review of the public process**
* **Review of BPA Working Assumptions**
* **What does success look like?**
  + Person 11: address BPA’s needs and the customers’ needs at the same time
* **Clarification of the issues**
  + **Issue #10: BPA Role in Verifying Utility Self-funded Savings**
    - Person 12: can you define “flexible”? Does that mean no BPA oversight, or oversight-light?
    - Person 11: it’s not clear to me that we’re talking about BPA oversight. Does BPA perform oversight on self-funded savings with the same scrutiny?
    - Kim: it’s not just about oversight, it’s also about rules and requirements. Yes, today, we apply the same scrutiny and the same rules since the savings all get rolled up to the Council, so the oversight is the same.
    - Person 12: is that explicit in the IM?
    - Josh: I believe so.
    - Person 12: are both of the options for this issue equal for Option 1 and Option 2 customers?
    - Person 11: I have an issue with the way we define “self-funded savings.” Today, it’s tied to dollars and kWhs. We can’t have self-funded savings if they violate BPA’s willingness to pay. So, there’s a bit of a contradiction there. At some point, I’d like to discuss that.
    - Person 11: we report savings to the Council as well, so the Council accepts our savings and they count towards the regional target. I don’t know why BPA wouldn’t count those, also.
    - Person 8: There’s scrutiny from the auditor and BPA so anything we could do to minimize the cost to the utility would be good.
    - Person 12: We also have energy savings that are non-reportable that go into BPA’s database and we’re using BPA’s IS2.0 as our data warehouse, so for us we’re using BPA’s system to report to the auditor. I think this is different for SnoPUD and Tacoma. Where do they report? Perhaps this causes a problem with the state auditor.
    - Richard: we’re working to incorporate external reporting requirements into BPA’s system.
    - Person 9: we would want to keep reporting on our own.
    - Person 8: what’s the difference between self-funded and non-reportable? Isn’t it that non-reportable doesn’t meet BPA’s requirements but are still considered valid from the utility’s perspective?
    - Josh: the regional dialogue contracts include language stating that all self-funded savings must be reported to BPA.
    - Josh: We want to make sure that our rules aren’t prohibiting reliable savings from being counted. We want the non-reportable savings number to be as small as possible.
    - Richard: from my perspective, I would be interested in knowing what it would take to make the number of non-reportable savings as small as possible. Why are the savings not meeting the cost-effectiveness criteria?
    - Person 9: most of our non-reportable savings are from programs that were not BPA-approved. It’s not that they don’t comply with cost-effectiveness requirements.
    - Person 11: in some cases, the RTF has approved measures, but BPA chooses not to offer them and the utility does.
    - Person 12: the non-reportable for us are typically new construction projects where we don’t have a good handle on incremental costs. The factor BPA uses to determine incremental costs doesn’t pencil when we build a skyscraper. Incremental cost is more acute in new construction. We have a lot of customers willing to pay for fancy lighting fixtures that have nothing to do with energy savings that we can’t report.
    - Person 8: BPA doesn’t claim non-reportable savings toward the regional goal, which is why they want to be able to understand how to claim more.
    - Kim: in response to Person 11’s earlier comment about self-funded savings, I want to share a few thoughts around the definition of self-funded. In BPA’s view, self-funded savings are those that don’t drive costs to BPA. BPA funds through EEI a wholesale payment for savings. Separate from that, utilities set their retail payment strategies. Utilities can elect to pay more or less than BPA’s payment. In our view, a utility self-funds when it pays the available willingness to pay instead of BPA paying for it. It’s not meant to be a calculation of a utility’s investments. It’s really from the wholesale view rather than retail view. So from a custom project perspective, it’s about offsetting some or all of the cost BPA would bear for a project.
    - Kim: our Quality System Strategy and Implementation initiative has resulted in changes to the April 1 IM, namely making BPA approval of custom project proposals optional, which should go a long to making this less of an issue for customers.
  + **Issue #12: Timing of Utility Reporting to BPA**
    - Richard: slide 25 says controls, but it’s more about information. It could be about submitting forecasting on a regular basis.
    - Person 11: how big of a problem is it with utilities not reporting?
    - Richard: we report out every month to our executives on a green, yellow, red basis, and because we don’t have any information, we end up being red every month until the end. We would like to eliminate that lack of information/uncertainty.
    - Kim: When we moved to the invoicing model, we had a working assumption that cash flow would be a motivator for utilities to report regularly, but we haven’t seen any regularity; there’s much variability across the utilities. There’s batching of invoices and reporting every 4th, 5th, 6th month.
    - Person 8: now that we have a stable reporting environment, we might see some more regularity.
    - Person 4: I will hold off till the end to balance things like performance payments and self-funding. Under NED, we’ll have workspaces where we don’t actually invoice, but BPA will be able to see what I’m doing. Also, it’s a pipeline thing. Many things don’t happen until the end of the rate period. It would help if we had a more accurate pipeline built into NED.
    - Person 11: from our perspective, custom projects take at least a year to complete, so there will be that big push at the end. We make an effort to invoice every month, but the invoices can really vary.
    - Richard: I’d like to tackle the regularity of the reporting first.
    - Person 7: is there a methodology for determining if it’s all measures that are causing the problems, or is it just about custom projects? Are deemed measures working through the system more regularly?
    - Josh: we haven’t really broken down the hockey stick to see the break down between deemed measures and custom projects. We could look at that.
    - Person 14: we report monthly now; we used to report every six months.
    - Richard: some requirement would be better than no requirement.
    - Kim: as we progress down this road, we need to make sure we tackle the right thing. If it’s about lumpiness of projects compared to regular reporting, we might be solving for the wrong thing with a new requirement. Is it about not getting savings when we could or is it about the variability of the resource?
  + **Issue #13: Reporting and Consistency of Utility Self-funded Savings**
    - Person 11: if I have a project that is completed today, are there any deadlines on when I can report that? Can I report it in the next rate period?
    - Josh: I believe there’s nothing in the IM that talks about deadlines for reporting of projects. We’re moving to a world where completion date is used as the basis for which period the savings are actually counted.
    - Person 8: we don’t consider a project complete until it gets paid. If there’s a cutoff, there’s a potential we’d miss things.
    - Kim: would things reported after the deadline be considered non-reportable?
    - Person 11: I use my EEI first and then I self-fund. It’s somewhat difficult if you require us to forecast during the rate period --I don’t know what I’m going to self-fund.
    - Josh: we’d have to be very careful about putting something in place because that’s an important issue.
    - Person 11: I know generally the amount of kWhs, but I don’t know the breakdown of EEI and self-funded.
    - Richard: if we were to get more regular forecasting on where a utility would end up at the end of the rate period, we could get a direction of where we’re headed.
    - Person 4: the self-funding reporting is always going to happen at the end of a rate period.
    - Person 8: is it the savings or EEI spending that we lack visibility on?
    - Richard: it’s about both, but the hockey stick makes it look like we aren’t on track to spend the budget and get the savings.
    - Kim: additionally, we need some ability to predict how much money will move between the two years in the rate period. Lack of foresight is problematic for us in managing our budgets.
    - Person 7: this gets back to the issue of our inability to forecast because of the increase in funding from the Unassigned Account made available at the end of the rate period.
    - Person 11: custom projects are difficult to forecast.
    - Richard: what appears clear to me is that the more information we can get and the sooner we can get it, the better. My sense is that we’re on one end of the extreme so I’d like to see if we can move a little closer to the other end that’s palatable to everyone.
    - Person 4: a pipeline report would help with the forecasting. We’ve been forecasting, so I don’t know what else we could do.
    - Richard: I’d like to know if quarterly reporting causes heartburn for utilities.
    - Person 10: when you talk about self-funded, it’s all contingent on when the project gets completed. We’ve had a number of cases where the projected completion date has to be extended.
    - Richard: I think we could incorporate that into quarterly reporting and know that reality.
    - Kim: we have pipeline visibility on Option 1 custom projects only. Part of the challenge is that we’re currently getting only forecasting from the largest 20 utilities and we get variable responses back from those utilities. So we may ask, but we don’t necessarily hear back.
    - Person 4: there’s a big blind spot for Option 2 custom projects.
    - Kim: with the April IM changes making custom project proposal review optional, we’re increasing the blind spot.
    - Person 4: I don’t have any problem with requiring a pipeline look.
    - Person 7: we don’t have that many things that come through as custom projects, so I wouldn’t have a problem with quarterly.
    - Person 14: we wouldn’t have any problem with quarterly.
    - Person 4: it shouldn’t be too difficult since utilities should already have a general idea of funds that are encumbered.
    - Kim: BPA publishes a budget every year to Congress. The budget sets a ceiling across BPA on how much capital that can be used in a fiscal year, so in the Q2 timeframe we need an idea of how much will be pushed from year one to year two. We need to find a way to have BPA publish a budget and then work within that budget.
    - Person 11: how far do we need to go and how accurate do we need to be?
    - Josh: we haven’t received anything specifically from Finance, but something is better than nothing.
    - Person 4: utilities have the same heartburn as BPA.
    - Richard: what mechanism or sort of agreements could be put in place to give the opportunity to wrap our hands around this.
    - Person 11: once we get to NED, this will be a lot easier.
    - Person 4: what you guys are missing is a pipeline report.
  + **Prioritization of Issues**
    - Mark: any issues with combining issues 12 and 13 regarding timing of utility reporting of both EEI and self-funding?
    - Person 11: no concerns.
    - Mark: do we want to tackle issue number 10 or the issue of timing of reporting?
    - Person 11: I suggest we tackle the issue of timing of reporting since there seems to be some agreement.
  + **Timing of Reporting**
    - Person 12: what’s more important: the savings snapshot or the expenditure snapshot? We could go to quarterly.
    - Mark: we could have less frequent reporting for budgets, so long as it lines up with Q2 of the first year so we can give the budget to Congress. But for savings, we’re looking at quarterly reporting. So, to address BPA’s budget concerns, it could be less than quarterly so long as it lines with the congressional budget timing.
    - Josh: the budget reporting doesn’t need to be as frequent as the savings reporting so long as the budget lines up with the congressional budget.
    - Mary: for those utilities on a calendar year, reporting on budget isn’t going to be very good since it’s only March of a calendar year to coincide with BPA’s Q2 requirement. It’s usually not until June of the year that a good projection could be given.
    - Josh: people would just need to take their best estimates, some may come in early and some come in late, so we’ll have to manage.
    - Mary: it’s biased toward the hockey stick.
    - Person 12: for us, it’s the reverse hockey stick, we’ll use as much EEI up front as possible.
    - Person 11: in terms of EEI expenditures, I propose utilities report in the second quarter and then report in the fourth quarter or the first quarter of the second year. You could report what your final was for the first fiscal year and then a projection of your remaining dollars.
    - Mary: BPA has the QBR, so would it make sense to roll in reporting into that process?
    - Kim: the QBR is retrospective on actual rather than prospective and what’s expected to be spent.
    - Person 11: I’m hearing no less than quarterly, you either invoice for savings or you have to report savings.
    - Person 4: can we clarify difference between invoicing and reporting.
    - Person 11: invoicing is asking for payment from BPA and reporting is more of a projection.
    - Kim: for me, reporting is the rearview mirror look and forecasting is looking forward. So for EEI, invoicing and reporting go hand in hand.
    - Person 4: I don’t have a problem with quarterly, but I start to hold on to invoices to make sure I can maximize the amount of self-funded savings.
    - Person 11: I’m invoicing once a month. I don’t want at that same time to submit a bunch of other reports. I don’t have a problem with forecasting once a quarter for savings, but it’s difficult to report which part of that savings may be EEI or self-funded.
    - Mary: for forecasting, BPA is looking for just total sum of savings, not detail.
    - Mark: for invoicing and reporting of EEI and reporting of self-funded savings, we’ve talked about quarterly.
    - Kim: we’ve focused internally on requirements. We’re really only looking at having requirements that we want to enforce. So, I’m thinking about implementation and implications of any requirements.
    - Mary: I have no problem with quarterly so long as we understand that end of year quarter is different. I’m worried about actual reported through December.
    - Person 8: my issue rests with the timing of the quarterly reporting.
    - Josh: is this an aspiration or is it a requirement?
    - Person 11: I don’t want to take away flexibility on the utility’s part.
    - Richard: right now we lack visibility, so if we’re assured that if we kept it as a recommendation rather than requirement and we get the information, we’re much better off than today, but if we make it a recommendation and still don’t get any information, then we may need to search for a requirement.
    - Mary: maybe we could just report for Qs 2, 3, and 4.
    - Kim: there is an internal BPA workload issue as well as for customers. If we can make it more regular, it should be better for everyone in terms of workload.
    - Doug: we should be clear about what BPA is using the information for and what you’re trying to accomplish.
    - Kim: we aren’t getting monthly reporting on a regular cadence.
    - Person 11: forecasting would involve anything that hasn’t already been reported or invoiced.
    - Person 11: I don’t understand why an accepted completion report can’t also be invoiced rather than going back to the utility.
    - Kim: it partly has to do with how the utility decides the project gets funded, either EEI or self-funded.
    - Person 10: I have a question about smaller utilities and having the same requirements as the larger utilities. Would the smaller utilities have the same forecasting requirements? Would the provisions be different.?
    - Richard: my perspective would be that it’s the same expectation and each utility would do as well as it can.
    - Person 7: it does seem like there should be a threshold that BPA could probably figure out.
    - Richard: I think we could do some analysis on the threshold.
    - Person 11: we could have something in place without NED and then change things as necessary when we have NED.
    - Person 4: best practice for reporting/invoicing is monthly, but not a requirement. Then for forecasting, there could be a threshold for small customers but then more of a requirement.
    - Consensus: for invoicing/reporting of savings, best practice is monthly but no less than every six months.
    - Consensus: for forecasting of EEI expenditures, requirement of 2nd quarter of 1st fiscal year and 2nd quarter of 2nd fiscal year of rate period, with consideration of a threshold for smaller customers.
    - Mark: BPA needs to consider thresholds and further flesh out these recommendations.
    - Person 8: could there be statistical analysis on the frequency of forecasting?
* **Whiteboard Notes: Issues 12 and 13**
* Invoicing of EEI and Reporting of self-funded savings
  + Best practice monthly but no less than every six months
* Forecasting of EEI expenditures
  + Requirement to report in 2nd quarter of 1st fiscal year of rate period (helps with Congressional submission) and in 2nd quarter of 2nd fiscal year (to help ensure use of all available EEI funds).
  + Possible different thresholds for smaller utilities?
* Forecasting of EEI and self-funded savings (currently just top 20, but could expand)
  + Requirement to report almost quarterly (2nd, 3rd, and 4th) or is quarterly easier?
  + Where savings is a single number in forecast for rest of fiscal year? Rest of rate period? And on a rolling annual basis with the fiscal year demarcation?
  + Possible different thresholds for smaller utilities?
* Assumes current framework
* Implications*?*
  + *Take back – WG1*
  + *Unassigned account – WG4*
* Where to house it?
  + Roll it into the QBR (make it prospective in addition to retrospective)?
  + NED - can we clarify/commit to when NED will be working?
  + RD requires conservation plans, could they be used?
* Issue Prioritization

1. 12 and 13 combined
2. 10 and non-reportables
3. Ancillary issues