**Energy Efficiency Post-2011 Review**

**Workgroup 4**

**March 10, 2014**

**Meeting Notes**

**Co-chairs:**

Ray Grinberg, Peninsula Light

Melissa Podeszwa, BPA

**Overview/Summary**

The workgroup discussed the proposed options for changing the unassigned account allocation methodology. Most felt that a model where utilities opt in to receive funding from the unassigned account based on TOCA would work fine and be simple. If large projects cannot be capture another way then we might want to hold on to this as a solution for paying for large projects. Basing any allocation on TOCA is a concept that is familiar to the utilities already and it wouldn’t take much more work from BPA or the utility. Some utilities need funding for an entire project and if they can’t get it they won’t use the money from the UA. Some utilities would like the requests for funds for large projects to be considered on a case by case basis. The amount of funds from BPA are relatively small and they can’t be carried over from year to year because these are supply chain contracts that are not getting spent as quickly as expected so we sometimes end up with a little extra for the fiscal year. The group discussed different funding options for the large project fund including holding back some of the capital that BPA retains (30% of entire EE capital budget, other 70% goes to customers in form of EE) for capturing large projects in the region.

**Attendees by phone:**

Irion Sanger, ICNU

Brian Fawcett, Clatskanie

Margaret Ryan, PNGC

Greg Kelleher Eweb

Van Ashton, Idaho Falls

Don Newton, Flathead

Jim Dolan, Pacific

Larry Blaufus, Clark

Ashley Stahl,City of Centralia

Erik Holman, Cascade Energy (ESI)

John Wolkowiak, Tacoma

Doug Swier, Cowlitz

Vic Hubbard, Franklin PUD

Jessica Mitchell, Snohomish PUD

**BPA Attendees:**

Kim Thompson, BPA

Melissa Podeszwa, BPA

Summer Goodwin, BPA

1. Review of the Post-2011 Review BPA Working Assumptions and best practices for the meetings.

A new working assumption has been added that BPA will pursue 3rd party financing effective FY16 (October 1, 2015).

1. Unassigned Account Allocation Methodology
	1. Person 13 – has anyone looked at option B to find out what additional cost that would be?
	2. Melissa – from what we heard from those that did respond, it was the first or only choice of most of those who responded. Weighted allocation based on TOCA for who wants to participate
	3. Person 13 – I would think it’s opt in and opt out and then do the work after that
	4. Person 7 – Yes
	5. Person3 – isn’t that how it’s done now?
	6. Melissa – as far as burden, we already know their TOCA so that’s not more work but the request to opt in or opt out.
	7. Kim – and we already send out the request forms and receive them, so it’s the same burden.
	8. Kim – the last time we also heard what the cap is that they could use. We would have to consider how to set it up so it’s not too iterative.
	9. Person 5 – some utilities just have specific amounts that they need for a project. A percentage may or may not cover that. Some want requests for specific projects to be considered on a case by case basis. This is a concern of the IDEA Group.
	10. Kim – we can’t move money between rate periods, so any contracts that we are managing, we have to be relatively conservative in the second year to make sure that we know how much we will spend and any funds that aren’t could be put into the unassigned account.
	11. Person 1 – given the small amount of funding that is available, I don’t see how this could help “large projects” but it could help utilities. Using something other than TOCA approach is not going to have an impact. So this would only help large projects relative to the size of the utility.
	12. Kim – supply chain contracts doesn’t have the same flexibility as EEI. Annual budget that is managed year to year and they are use or lose.
	13. Person 15- we all need to be pushing BPA in order to accommodate a regional approach
	14. Person 11 – let’s make this as quick and simple because I don’t think we will get anything more with this small pot of money
	15. Co-chairs – do we have consensus then?
	16. ? - If we struggle with ways to help with the LPF then I would like to keep this as an option to help with large projects.
	17. Person 14– I would echo what Tacoma just said and we don’t want to hold onto funds that we are going to have pay debt service for.
	18. ? – I agree.
	19. Ray – most of us are comfortable with weighted TOCA allocation methodology and the equity that it provides. TOCA and opt in are what most of us can coalesce around but it leaves the question about how do we capture large project stuff
	20. Person 1 – yes, we have consensus on the recommendation for a weighted opt in TOCA allocation but pending a resolution of the large project fund problem
	21. Person 14 – I like TOCA weighted method but whether it’s a large amount to a utility is relative
	22. Ray – I think it’s better to use bilateral transfers than to send money back to BPA. We need to get our EERs to help with that.
	23. Person3 Ryan – I agree
	24. Ray – if it works great then there shouldn’t be any customer money to send back to BPA.
	25. Group agreed that sufficient agreement had been reached to move on to the other topics.
2. Large project fund
	1. Discussion of payback period: have to repay within two rate periods after the one that you receive it in.
	2. Person 12 - 50 percent of rate period EEI is only too large because of the two rate period payback.
	3. Person 15 – why was 50% put in place?
	4. Kim - Because we were making something available that wasn’t part of a regular funding cycle and we don’t’ really have flexibility between rate periods. I don’t think there is any magic in the 50%
	5. Kim – utility has to be able to you pay a third using current rate period EEI, next rate period you pay a third and last period you pay a third.
	6. Ray – if the opportunity arises at the end of a rate period, you might not have a third of your EEI left over.
	7. Melissa – we should clarify that for BPA a project is a single custom project.
	8. Kim – what would a regional project look like and could there be any rallying around it?
	9. Person 11 – good question. We are very focused on how we would pay for a large project and not what the right criteria are.
	10. Person 8 – could you use EEI to pay for principal payments on third party financing? Ten year loan to manage the pace of when you get your EEI back. Invoices have to be sent for 10 years to pay for it.
	11. Difficult to define a regional program that all could get behind.
	12. Kim – Post-2011 framework says we can manage 30% of the capital ourselves, what if the LPF came from that? The budget would be fixed but just be deployed in a different way.
	13. Person 7 – I think it’s fine if that LPF money came out of the 30%.
	14. ? – I think that the expectation was that the 30% would be spread across all utilities. There might be some benefit for just one or a few
	15. Person 14 – My management would have to think about that. Our perception is that that ESG and NEEA have clear benefits and savings but we may not feel that this would have the same benefit.
	16. Person 6 – I think if it’s within the 30%.
	17. Melissa – sounds like some criteria will be very important if it were to come out of the 30 percent.
	18. ? - (someone said)—criteria is important regardless
	19. Kim – if we had a concept where there was regional funding available for a LPF that truly had a regional benefit although sited in one territory. So it made additional FCRPS headroom available, and it lowered the PF rate possibly. Would that fly?
	20. Person 13- you would have to make a business case for why providing rate payer funding to something regional is going benefit us.
	21. Ray – we have to consider those of us who have to report progress towards I937 targets.
	22. Ray – what is the problem with the LPF?
	23. Person 12 – if we could pay it back over 10 years, we would be a lot more interested.
	24. Ray – I can’t get to the threshold (one custom project for LPF), I would like it if it were a customer rather than an address
	25. Person 7 – five years, just about a year more than what it is right now. (Large projects at)mills only come through every couple of years.
	26. Person 13 – I would be in favor of redefining LP to include an overarching project, even though it’s a nonstarter for us. Spreading it out over time, it doesn’t’ really matter. They are worried about what the funding is going to be every two years and they are reluctant to get into a situation where they owe in the future.
	27. Person 12 – we are considering situations where we may make our customers pay it back. Presumably the borrowing costs is lower than if BPA or the utility carries it.
	28. Person3 – because we are a pooling, it’s almost impossible for us to use it. It would have to be 50% of PNGCs total members EEI. If you have a regional program like this, I hope that you would be able to allocate the savings on a TOCA basis.
	29. Person3 – if we work really hard at this, who is going to use it? Who is interested?
	30. Kim – I don’t think we can tally that up because we haven’t seen any proposals of what couldn’t happen.
	31. Kim – when 10 year payback is proposed, I worry about having the staff that can monitor and track the savings and funds for 10 years.
	32. Person 11 – let’s make sure that WG1 knows what we are thinking about.
3. Next meeting is April 10th from 1-3. We will also plan for April 24, 1-3, in case we need it to prepare discuss the final recommendation before the May 8 big tent meeting.
4. WG 4 report out at March 20 big tent meeting:
	1. Unassigned account
	2. Initial musings on LPF/Funding Large Projects