**Energy Efficiency Post-2011 Review**

**Workgroup 1 Meeting Minutes**

**May 28, 2014**

**PNGC Board Room**

**Overview/Summary**

* The meeting was to review the draft recommendation that was sent to the Workgroup on Tuesday, May 20. We discussed the purpose of the meeting: to identify the recommendation and revise the recommendation to more clearly identify them and the subsequent alternatives contained therein.
* There was some discussion on whether the workgroup will continue post June 20, to respond to BPA collectively or individually.

**Decision/Action Items**

* It was determined the Workgroup will dissolve after today’s meeting. The charge of the Workgroup was to prepare a recommendation on the issues and submit them to BPA. We have concluded that task. Further comments on BPA’s June 20 document will come from the individual utilities.
* The recommendation report was revamped to specifically call out the Workgroup recommendations.
* Language was added that further discussions on these recommendations be coordinated in consultation with public power and regional stakeholders after the June 20 meeting.

**Welcome, Roll Call and Review of Action Items**

**Attendees:**

**Co-Chairs:**

Doug Brawley, PNGC

Margaret Lewis, BPA

**In Person**

Wendy Gerlitz, NWEC

Mary Smith, Snohomish

Bo Downen, PPC

Pam Sporborg, NRU

Eugene Rosolie, Cowlitz

Margaret Ryan, PNGC

Jim Russell, Tacoma Power

**On the phone**

Duffell Gray, Coos Curry

Brad Mullins, ICNU

Eric Miller, Benton REA

Brendan O’Donnell, SCL

Jim Dolan, Pacific County

Mattias Jarvegren, Clallam

Chuck Thurman, Monmouth

Kevin Smit, EES

Rob Currier, EPUD

Ross Holter, Flathead

Tim Lammers, Columbia River

Tom Karier, NWPCC

Sandi Edgemon Richland

Ryan Neal, WAPAG

Larry Blaufus, Clark Public Utilities

Linda Esparza, Franklin PUD

Jess Kincaid, ODOE

Dan Morehouse, EWEB

Kathy Moore, Umatilla

Kyle Roadman, EPUD

**BPA Participants**

Matt Tidwell

Summer Goodwin

Josh Warner

**Notes1**

* Doug – we are going to walk through the recommendation for Self-Management. There might need to be a workgroup after June 20 to work on the contract language subsequent to receiving the BPA proposal.
* Doug – we wrote a pretty extensive recommendation for this because it needs a lot of detail. There is language in there about moving back to expense, the second point is the “Billing Credit”. Both are recommendations. There are four alternative views that are included in the recommendation as well.
* Matt – Could we get some sort of gauge from the workgroup on the interest to a move towards expense?
* Doug – Ok. That is a fair ask.
* Person 3 – there was discussion about this yesterday at PPC. There was support for this. I think it would be helpful to flesh this out and see how much support there is for moving back to expense.
* Margaret Ryan, Mary Smith and Bo Downen support it
* Person 20 – It would be expensive to move back. How would we figure out a way to address that? Would it be here in the group?
* Doug – there is a way to figure out how to make that more gradual so it doesn’t hit all at once. This would be a workgroup expression to maybe have BPA do it in a stepwise fashion, not all in one rate period.
* Person 20 – support for the move back to expense.
* Person 21 – we are interested in looking at moving expense back but we are concerned about the rate impact but especially in the next rate case where there is already a significant increase. Question is when is the right time?
* Person 3 – Let’s add that to the language (stepwise and timing)
* Person 4 – we need to see the rate impact analysis from BPA and we would want it to be for all of public power, before we would have an opinion. It’s all of IPR, CIR and Debt Management.
* Person 7 – CIR and IPR both
* Doug – it circles back at the end of the IPR
* Person 2 – in the capitalization it would be important to SNOPUD that the move to expense would not leave any debt left after 2028. “And then find an approach for utilities to self-manage their conservation incentive amounts,” SNOPUD doesn’t agree with that part of the recommendation—we want to do it now. I don’t see any reason why it can’t happen now.
* Person 5 – I have concerns about using the words “Appropriate and Stepwise.” We need to be clear that if we keep with capital there are rate impacts.
* Person 7 – the sooner we can do this the better. The longer we wait the bigger the bow wave and then layer on top of that the potential rate increases
* Matt – in the run up to the next power sales contract in 2026, the question is whether you capitalize or expense. One option is that in 2028 you are no longer carrying any debt but what that might that mean for others …
* Person 2 – we would like BPA to prepare some analysis on that. We don’t want to be responsible for the debt that others are carrying on our behalf when we didn’t ask them to borrow on our behalf.
* Doug – Do you view that the moving to the billing credits would lose support for the move to expense?
* Person 4 – we just want all of public power to move together to expense.
* Person 7 – self-management/billing credits is optional and doesn’t seem administratively burdensome. It is optional.
* Person 2 – I’d suggest some words be added to the first paragraph to make the point clear that self-management is optional.
* Person 3 – some in the group think this is an A (self-management) then B (expense) others think that we are supportive of A but it is not required to get us to B.
* Matt – let’s not require “stepwise” because we may come up with a good option that isn’t stepwise. AGREEMENT.
* Person 10 – does billing credit violate the no ‘menu of options’ rule?
* Person 7 – I took the no menu of options to mean that BPA is not going to bifurcate the BPA managed cost. Some utilities say that they don’t want to pay for the BPA EE staff because they have their own.
* Doug – going to add a paragraph about the move to the expense
* Person 21 – I don’t’ know if I can support the actual move to expense. I can support the exploration of moving to expense but not support it without knowing the rate impacts.
* Doug – we made the distinction that we are only dealing with the capitalization of EEI and not the capitalization of the rest of the EE components (including the other 30% that is capitalized now) because that opens a can of worms.
* Person 3 – I think if BPA looks at moving back all of the EE components, that’s fine but that’s not what this workgroup was looking at. Person 3 and Person 2 – a footnote would be appropriate
* Person 10 – can someone give me a brief primer on the CIR and how this gets finished out?
* Doug – IPR starts this afternoon to figure out what the revenue requirement is for the next two years, parallel to that is the CIR, and it deals with BPA’s capital requirements going in to the same rate period. Customers are invited to participate in that. The third leg of the stool is Debt Management. IPR kick off is today, this afternoon.
* Doug – add a placeholder to the paragraph about support for moving back to expense.
* Person 1 – I have one concern about moving back to expense. We moved to capital due to the will of the utility voice. From the perspective of the NWEC, there is already a considerable amount of pressure to keep the budgets low. My concern about moving back is that the pressure that caused utilities to move to capital is going to come up again and this will diminish the utility interest in funding EE altogether.
* Person 2 – part of the beauty of the arrangement is that it gives utilities some choice to capitalize or expense if they want to if BPA is expensing it.
* Matt – there is some connection to the Plan and the targets. We have to get to the targets and then decide how to fund it - whether expense or capital.
* Person 5 – that pressure is always going to be there.
* Person 1 – if you move back to expense the budgets are going to go up in the short term and some utilities are not going to like it. We need to recognize it. It’s a lot when you do it but it’s even more when you capitalize it and that sticker shock during the transition might have an impact on EE budgets.
* Person 3 – and to Matt’s point about the engagement with the target. They are agnostic to how it gets paid. Four years ago, it made sense to move it to capital.
* Doug – moving on….the next element is billing credits.
* Person 5 – utilities that want to capitalize can and those that want to expense can under the billing credits option.
* Matt – we are running to ground the net billing notion of financing having to do with Energy Northwest and whether that would be available to all customers.
* Person 4 – when you bring that back to the group can you let us know what the rationale behind why this is or is not an option? So that our legal staff can work through the same path.
* Person 21 – it almost seems like we agree with the legal conclusion and I don’t’ think that is the case. I think that qualification should be called out more.
* Person 1 – I am concerned that the billing credits satisfy BPA’s statutory obligation to acquire conservation.
* Matt – in the contract it will say that you have to deliver a certain amount of conservation.
* Person 2 – I keep going back to the example that we had a large customer and the savings from that project were not allowed because we didn’t have preapproval in an email even though it satisfied BPA’s other requirements.
* Person 1 – there is a working assumption that the status quo (application of the reporting system and IM rules) be used even for billing credits. Maybe we should call it out.
* Matt – billing credits is just the financial tool. We are not changing other stuff.
* Person 1 – because it hasn’t been established, I think we need to.
* Person 1 – because there is an assumption that customers self-fund 25 percent and EEI pays for 75 percent, there is a lot of NWEC confusion about whether the utilities who do billing credits still have to do the 25 percent self-fund. I think you need to explain that.
* Person 3 – could there be a recommendation by this workgroup to continue to flesh out some of these details. There seem to be a handful of issues that are unresolved.

Congratulations to the Workgroup were shared around the room. Many thanks to PNGC for their continued hospitality and all the Workgroup participants for their patience and endurance through the race. **JOB WELL DONE!!**