Energy Trust of Oregon

DRAFT DISCUSSION FOR REFINEMENT-
Funding Allocation with Industrial Cap

Energy Trust of Oregon
April 18th, 2007

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Situation

- PGE has proposed an increase in public purposes charge and consequent funding for Energy Trust efficiency programs
  - No increase in public purpose charge for customers >1 MW in load.
  - No increase in available funds for those customers either.
- A provision to allow this is in one version of the Renewable Energy Standard bill. (SB 838)
- Intent of this discussion- First airing (for refinement) of issues regarding how this would be administered.

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This is Good News! But- If This Happens:

We need a consistent, rational, and executable system for limiting funding for larger customers in event of high demand for large projects. It could happen:

- One new large industrial plant has been announced, rumors of others.
- As a consequence of NEEA's activities, Energy Trust expects $ Millions in increased demand for incentives from hospitals, mostly with chains or sites >1 AMW.
- More mega-projects expected.
- Possibility of increased work with semiconductor firms

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Details Not Yet Clear

- Definition of "large" customer
- Site vs. meter as basis.
- Multi-site owners
- Average MW? Connected MW? Peak MW?
  - Legislation currently contemplates aMW
- Determined in the law or by the PUC?

These details will influence administration and impacts.

Some recommendations follow based on the analysis presented below.

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Equitable and Efficient Administration will be a Challenge

- Program activities for large customers currently spend a much larger % of the Energy Trust's electric funds than they provide to the Energy Trust through public purpose funding mechanism.
  - Industrial sector contribute 15% and receives 33%
- Large projects often provide very cost-effective savings.
- Industrial, commercial, and residential program demand each have peaked in different years.
- Three illustrative approaches are discussed next, to show the tradeoffs between equity, effectiveness, and complexity. Refinements are expected.

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Illustrative Policy Option 1- Unrestricted

No new restrictions on large customer spending from "additional" funds.

Pro:

- Simple
- Maximizes Savings

Con:

- Proposed amendment would not allow.
- No relationship between money contributed and access to funds.
  - Greater potential for smaller rate payers to fund projects from large ratepayers.

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Illustrative Policy Option 2- Large Customer $ out capped at $ in

Limit customers >1aMW (as a group) to the amount of funding they provide to the Energy Trust on an annual basis.

Pro:

- Small customers who pay higher charge would not be paying for services to larger customers who pay a smaller charge.

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Illustrative Policy 2-
Large Customer $ out capped at $ in (cont'd).

Con:

- This would be a major change in ET policy; board has emphatically rejected "dollar in-dollar out".
- Will make it very difficult to meet existing goals.
- Under this rule millions of dollars would be freed up for smaller customers *without* an increase in public purposes funding. Unclear where the additional money would go.
- Mega-projects would be problematic.

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Policy Option 3- Follow Historic Shares

In any two-year period, limit customers >1aMW (as a group, all programs combined) to the *percent* of ET electric efficiency incentive expenditures that they used on average for the period 2005-2007.

Pro:

- By using a percent, we normalize for uneven spending year-to-year.
- By using 2005-7 as the base, we get a reasonable historic average.
- The two-year provision would provide the ability to flex funding for one year to acquire mega-projects, affording the Energy Trust a source of low-cost savings.
- More savings benefits all ratepayers so long as all can participate in some year.
- More funding for smaller ratepayers than they have historically received.

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Policy Option 3- Follow Historic Shares

Con:

- This would provide large customers with more funding from Energy Trust programs than they provide to the Energy Trust at a time when other customer groups might pay an increased public purposes charge.
- Complexity will make it difficult to track and enforce funding caps.
- Energy Trust was beginning to shift funding toward commercial in 2007 without the "cap".

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Administrative Issues with Options 2 & 3

- For option 2- we must know total loads by sector & >1 aMW loads to set "shares". Not a major issue.

We need to figure out which customers had loads >1 aMW going back three years for option 3. This will be difficult.

- Need rule: Is 1 aMW for meter vs. site vs. firm?
  - Self-direct is at site level.
  - Some large customers may have meters over and under one aMW at the same site.

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Administrative Issues with Options 2 & 3 (ctd)

- Need rule that is administratively feasible: aMW, peak MW, or connected MW?
  - Self-direct is aMW.
- Customers will need to identify themselves as < or > 1 aMW to apply.
- Some may be larger one year, smaller the next. Base funding eligibility on last one or three years? At time of commitment? If their load changes it may make ET compliance difficult.
- Use reservation system to track commits by year by size class.

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Administrative Issues with Options 2 & 3 (cont'd)

- Energy Trust will need to either cross-link reservation systems across programs or allocate large customer funds at the beginning of the year.
  - Cross-link is complex and may create temptation for program management contractors to create "optimistic reservations" to maintain flexibility to meet goals.
  - Pre-allocation could result in unspent funds, but this could be addressed through mid-year correction.
- How to treat new buildings? No load data.
  - Could use utility load sheet to meet ability to serve requirement.
  - Connected load will not be fully known until building fully designed.
  - aMW and peak MW will not be known until building is fully operational.

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Conclusion

More funding for smaller customers is great! But:

- Any system of allocation may create perceived equity issues.
- Any system of allocation makes it more difficult to meet Energy Trust goals.
- Any system increases administrative complexity and will appear "bureaucratic" to customers.
  - We already manage, track and report funds across six programs and five utilities for efficiency and five programs and two utilities for renewables *and* separately track CRC-funded measures for two utilities.

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Conclusion (cont'd.)

Initial Staff Opinion: Option 3 may be the least problematic system of administration. Definition consistent with self-direct would have a larger group under the "cap" but would be least confusing for customers.

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Next Steps

- See if the legislation passes and in what form.
- Further discussions.
- As provided by the law, work out solutions with utilities, stakeholders, and PUC.

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