



Utility Goals for the Efficiency Resource:

Impact of PUC Rulemaking Project No. 39674 on Future Programs



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CATEE Conference
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Overview

- Frontier Associates
- EUMMOT
- Utility Program Overview and Results to Date
- Impact of Latest PUC Energy Efficiency Rule
- 2013 Energy Efficiency Portfolios





Who is Frontier?

Frontier Associates, LLC

- Founded in 1999 by Bill Brooks & Jay Zarnikau
- Energy Efficiency and Renewable Energy Consulting Firm
 - Energy Pricing & Resource Planning
 - Energy Efficiency & Renewable Energy Programs
 - Market Research
 - Regulatory Assistance
 - Database Solutions
 - EUMMOT Administrator

Putting together successful
energy efficiency solutions.





Who is EUMMOT?



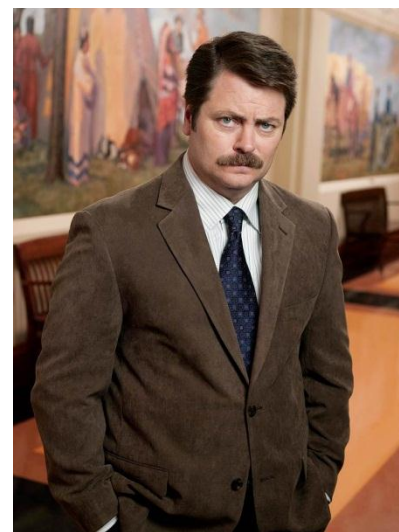
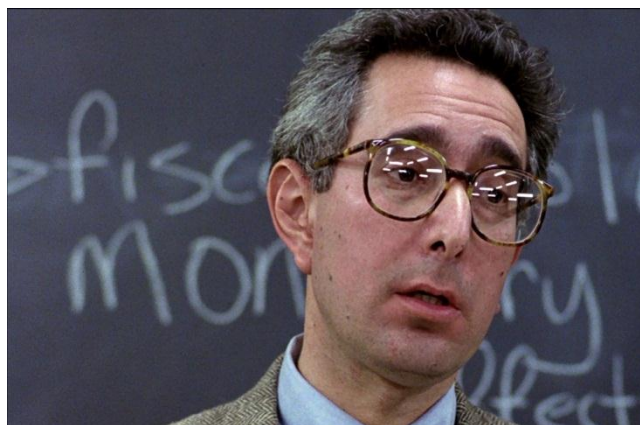
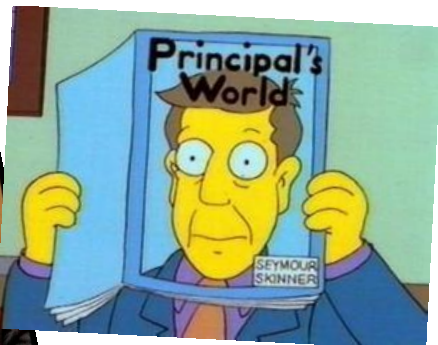
Electric Utility Marketing Managers of Texas (EUMMOT)

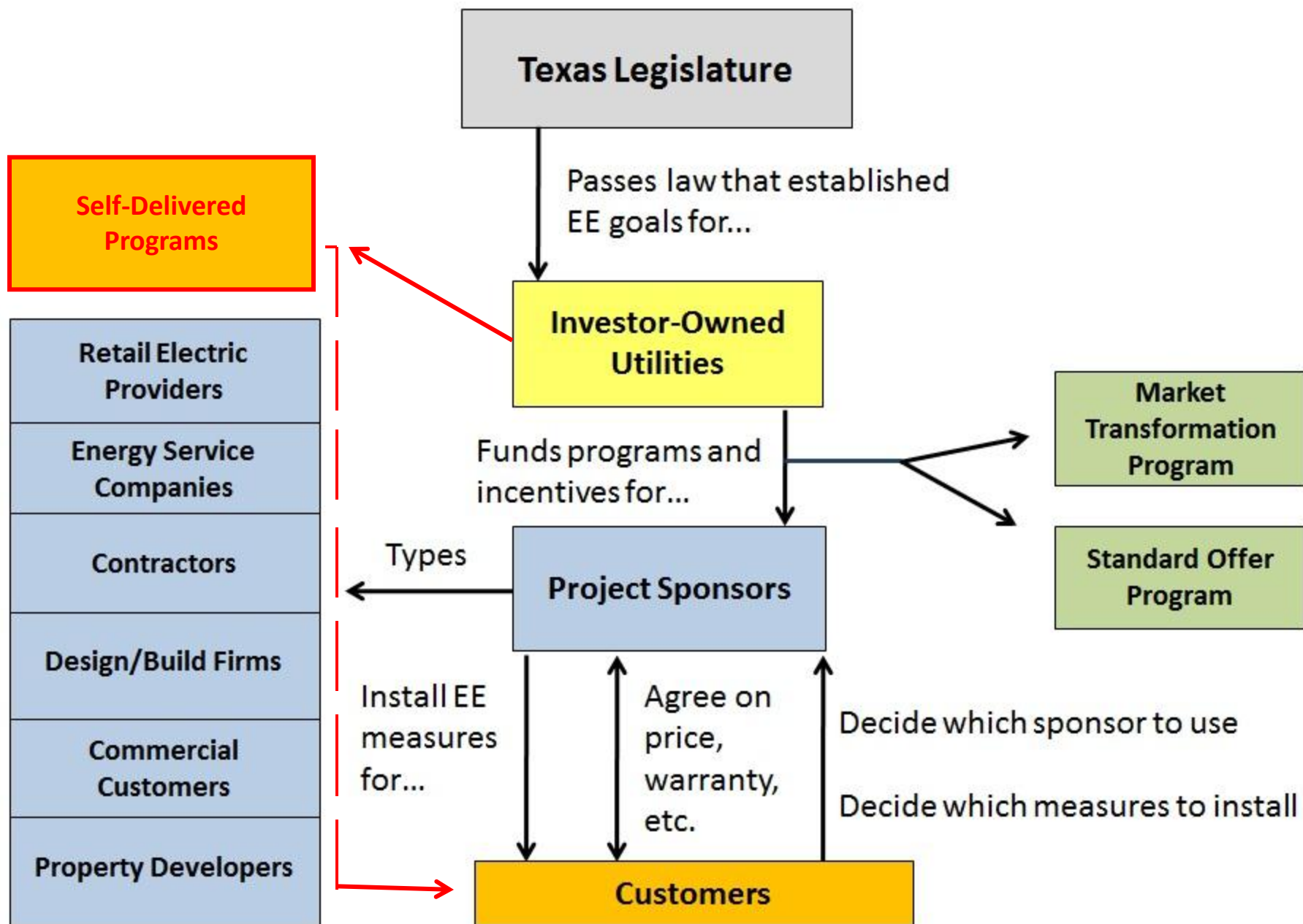
- Voluntary organization of electric investor-owned utilities (IOUs)
- Formed to address utility industry energy efficiency issues
- Facilitates coordination among program managers





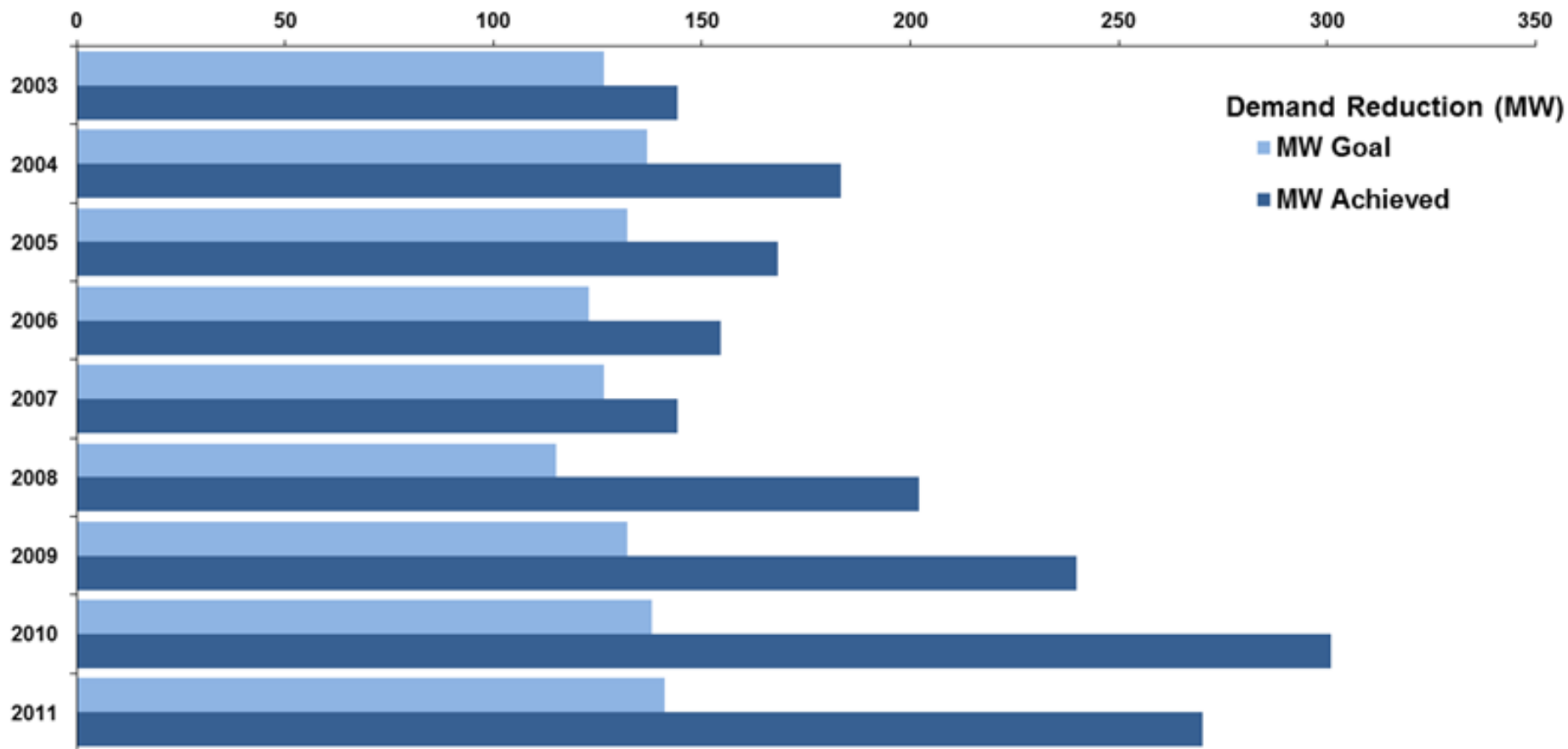
Who are *you*?







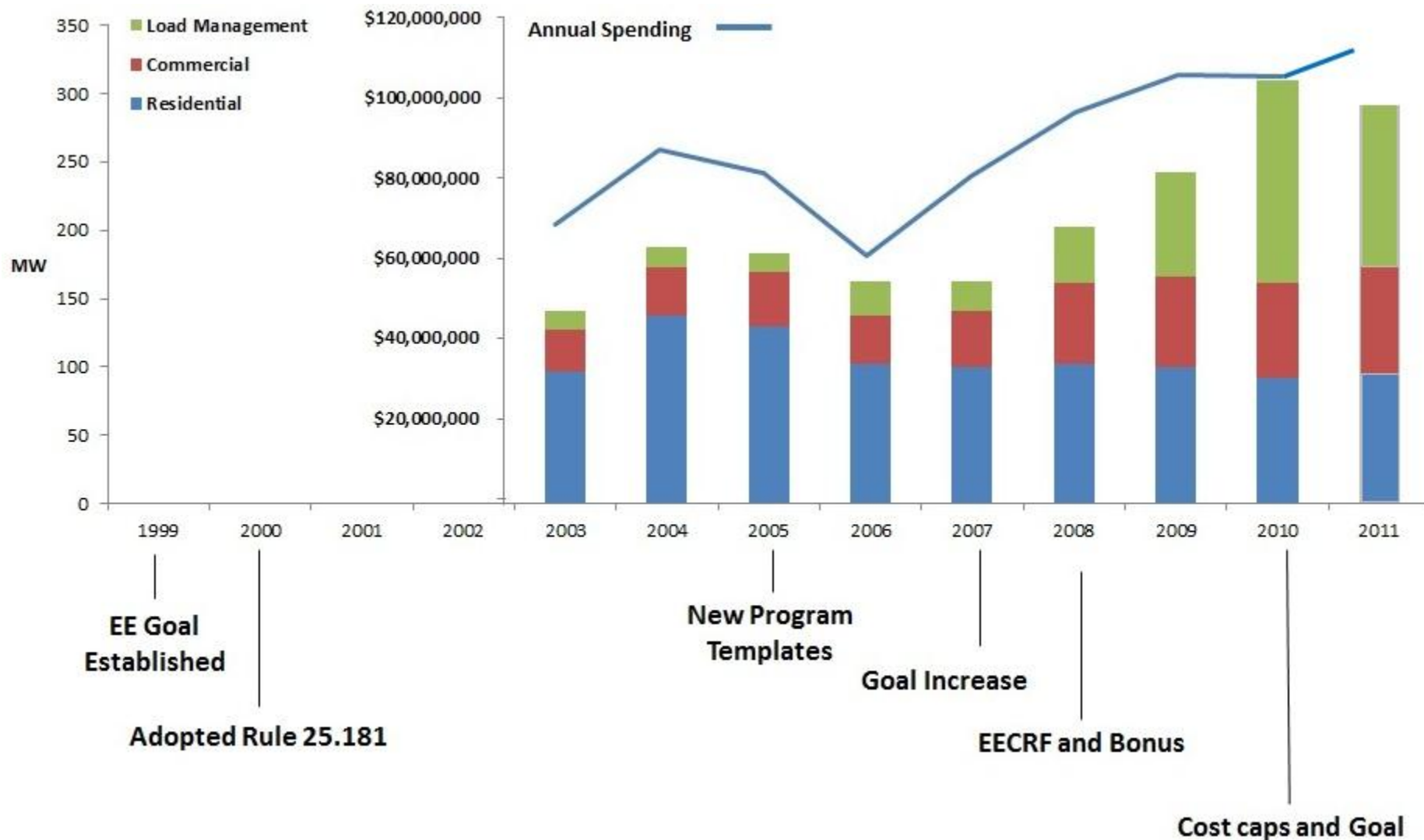
Demand Reduction, 2003 - 2011



** Approximately 1,900 MW of peak demand reduction and 4,600 GWh of electricity savings **

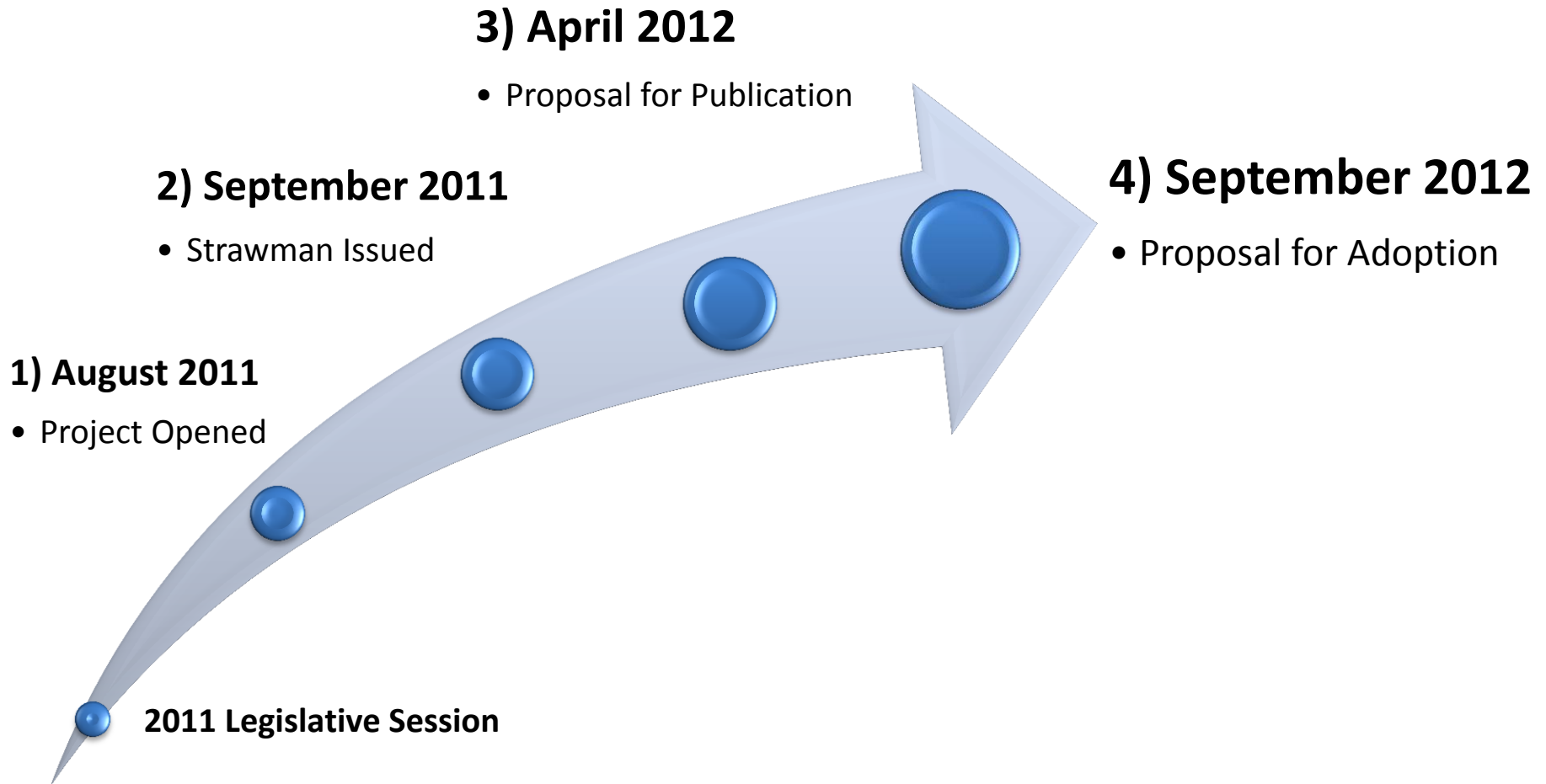


Implications of Energy Efficiency Rules Over Time...





PUC Rulemaking: Project No. 39674



Issue	PUC Substantive Rule 25.181		Proposal for Adoption (PFA) Summary		Notes/Implications
	Current Rule	PFA			
Load Management (LM)					
Preamble Q1: Transition LM to ERCOT	NA	NA	NA	LM is safe; mandatory transition is not appropriate at this time; no caps applied	
Preamble Q2: Performance Standards; Equipment Incentives	NA	NA	NA	Current standards are approved; utilities should continue to develop own performance standards and coordinate with ERCOT	
Requirements for LM Programs	NA	(m)(6)	Utilities must work with ERCOT to identify eligible loads and shall integrate such loads into the ERCOT market to the extent feasible	No real impact on how utilities are currently interacting with ERCOT (<i>Impacts to note?</i>)	
Definitions					
Conservation load factor (formerly "Capacity factor")	(c)(2)	(c)(6)	The ratio of the annual energy savings goal, in kWh, to the peak demand goal for the year, measured in kW and multiplied by the number of hours in the year	Language cleaned up but meaning did not change. Utilities can continue to calculate energy goal based off of demand goal (and not kW actually achieved)	
Industrial Customer	NA	(c)(30)	A for-profit entity engaged in an industrial process taking electric service at transmission voltage, or a for-profit entity engaged in an industrial process taking electric service at distribution voltage that qualifies for a tax exemption under Tax Code §151.317 and has submitted an identification notice pursuant to subsection (w)	Industrial customers allowed to opt-out	
Peak demand reduction	(c)(25)	(c)(45)	Reduction in demand on the utility's system at the times of the utility's summer peak period or winter peak period	Adds winter peak	
Peak period	(c)(26)	(c)(46)	For the purpose of this section, the peak period consists of the hours from 1 pm to 7 pm (June, July, Aug, Sept) and from 6 am to 10 am and 6 pm to 10 pm (Dec, Jan, Feb), excluding weekends and federal holidays	Adds winter peak hours	
Rate class	NA	(c)(49)	For the purpose of calculating EECRF rates, a utility's rate classes are those retail rate classes approved in the utility's most recent base-rate proceeding, excluding non-eligible customers		
Self-delivered program <i>Others to be added as deemed necessary</i>	NA	(c)(52)	A program developed by a utility in an area in which customer choice is not offered that provides incentives directly to customers. The utility may use internal or external resources to design and administer the program	Implementing SB 1125: ERCOT utilities may petition the PUC to offer self-delivered programs in a contested case hearing (e)(5)(E)	
Cost-effectiveness					
Cost-effectiveness standard	(d)	(d)	Utilities must achieve goals through a portfolio of cost-effective programs	Preamble clarifies that ALL programs must be cost-effective, not simply the overall portfolio; only leeway exists with first year (Pilot) MTPs and LI (which must be cost-effective under SIR method)	
Cost-effectiveness calculation	(d)(1)	(d)(1)	Similar to current rule; new language clarifies that performance bonuses are included in program costs	Bonus and EM&V costs should be included in the calculation (<i>what about other costs related to EECRFs [utility/muni EECRF proceeding expenses]? </i>)	
Avoided Costs	(d)(2) and (3)	(d)(2) and (3)	No major changes to actual costs used	Updates language to calculate avoided costs for nodal market	
Annual Energy Efficiency Goals					
Energy Efficiency Goals	(e)(1)	(e)(1)	See rule for details	Overall, no major changes. <i>Potential debate: When will a utility be able to switch to % of peak demand?</i>	
Winter Peak Demand	NA	(e)(3)(G)	Utilities may apply peak savings on a per project basis to summer or winter peak, but not to both summer and winter peaks	Utilities can now get credit for winter peak demand reduction. Need to develop deemed savings	
Energy Efficiency Cost Recovery Factors (EECRFs)					
Costs to be Recovered: General	(f)(1) - (5)	(f)(1)(A) and (B)	EECRF shall be calculated to recover forecasted program expenditures, over/under recovery including municipal and utility EECRF proceeding expenses, performance bonus and EM&V costs allocated by the Commission	See rule for differences between utilities who collected some EE costs through base rates	
Cost Allocation: Customer class vs rate class	(f)	(f)(2)	Commission may approve an EECRF for each eligible rate class. These costs shall be directly assigned to each rate class that receives and under the programs to the maximum extent reasonably possible	Costs must be assigned at rate class level (no "customer class" option); Utilities will have more than one EECRF (commercial).	
Costs to be Recovered: Utility and muni expenses	NA	(f)(3)(A) and (B)	EECRFs are considered ratemaking proceedings; Utility and Muni EECRF proceeding expenses for only the immediately previous proceeding can be included		
Cost Recovery: Customer charge vs energy charge	(f)(6)	(f)(6)	For residential customers and for commercial rate classes whose base rates do not provide for demand charges, the EECRF rates shall be designed to provide only for energy charges. For commercial rate classes whose base rates provide for demand charges, the EECRF rates shall provide for energy charges or demand charges, but not both.	No longer have the choice to recover costs based on a customer charge or an energy charge.	
EECRF Cost Caps: Costs subject to caps	Not specified - In general: (f)(1) - (5)	(f)(7)	Total EECRF costs EXCLUDING EM&V costs and municipal EECRF proceeding expenses, and inclusive of any performance bonus and any EE costs recovered in base rates and adjusted for changes in load subsequent to the last base rate proceeding shall not exceed specified caps unless a good cause exception is filed	M&V and muni EECRF proceeding expenses are outside the EECRF cost caps (utility EECRF expenses are under the cap)	
EECRF Cost Caps: Amount allowed	(f)(8)	(f)(7)(A) - (D)	Cost Cap levels unchanged	Res caps on a per customer charge removed from rule based on cost recovery decision; Comm caps to be applied to the aggregate comm customer class and not to individual comm rate classes	
EECRF Cost Caps: Annual increase	NA	(f)(7)(E)	PY 2014 and forward, res and comm cost caps shall be calculated to be the prior period's cost caps increased by a rate equal to the most recently available calendar year's percentage change in the south urban CPI, as determined by Fed Bureau of Labor Statistics	EECRF cost caps will increase based on inflation each year after 2014	
EECRF Filings: Filing deadline and effective date	(f)(4)	(f)(8)	Non-ERCOT must file by May 1, effective Jan 1 of following year; ERCOT must file by June 1, effective March 1 of following year		
EECRF: Procedural Schedule	(f)(10)	(f)(9)	See rule for ERCOT and Non-ERCOT utilities. In no event shall the effective date of any new or adjusted EECRF occur less than 45 days after the utility files a compliance tariff consistent with a final order approving the new or adjusted EECRF	New procedural schedule	
EECRF: Details that must be provided in application	(f)(9)	(f)(10)	Many new requirements. See rule for details.	Much more detailed data required; must be provided in Excel format with intact formulas. <i>(f)(10)(H) requires utilities to report and project which service providers may receive more than 5% of a utility's overall incentive payments (may prove difficult?)</i>	
EECRF: Application must show the following	(f)(11)	(f)(11)	Many new requirements. See rule for details.		
EECRF: Scope	(f)(12)	(f)(12)	Scope includes extent to which the costs recovered through the EECRF complied with PURA and EE Rule and the extent to which the costs recovered were reasonable and necessary to reduce demand and energy growth. The proceeding SHALL NOT include a review of program design to the extent that the programs complied with the EIEP process.	Scope of EECRF focused on costs and not expanded to include program design issues.	
Reconciliation	(f)(13)	NA	NA	Reconciliation removed from EE Rule	
EECRF: Notice Requirements	NA	(f)(13)	Notice of EECRF application is deemed reasonable if utility provides written overview to specified parties	Utilities no longer required to publicly post EECRF application (newspapers, etc.)	
Performance Bonus					
Bonus: New metric for calculation of max bonus	(h)(3)	(h)(3)	Maximum bonus is equal to 30% of the utility's total net benefits	Net benefits are defined in section (h)(2) as: Total avoided costs - Total program costs. <i>Assume that "program costs" do not include M&V?</i>	
Bonus: Potential for reduced bonus	(h)(4)	(h)(4)	Language expanded to state that a bonus may be reduced for utilities with a lower goal, higher admin spending cap, or higher EECRF cost cap		
Bonus: Good cause exception	NA	NA	NA	Language from the Proposal for Publication stating that utilities that receive a good cause exception may be disqualified from the performance bonus was rejected.	
Utility Administration					
Administration	(i)	(i)	% allowable a admin spending the same, however new details added (see rule for details)		
Administrative Spending Cap	NA	(i)(1)(G)	Utility EECRF proceeding expenses are not included in the administrative spending caps	Explicitly states utility EECRF costs won't count against 20% max admin cap. <i>What about muni EECRF expenses (assuming they would not count against it based on precedent...?).</i>	
Evaluation, Measurement and Verification (EM&V)					
EM&V	NA	(q)	New section to the rule; PUC will hire independent EM&V contractor to evaluate programs starting with PY 2012; creation of TRM	Major change compared to current EE Rule. However, EM&V Section was reduced a fair amount compared to the Proposal for Publication	
EM&V: Required expenditures	NA	(q)(10)	Utilities shall be assigned the EM&V costs in proportion to their annual program costs and shall pay the invoices approved by the commission. 2013 and 2014 costs shall be approved in EECRF proceedings initiated in 2013.		
EM&V Costs: Related to admin spending and EECRF cost caps	NA	(q)(10)(B)	EM&V costs shall NOT count against the utility's cost caps or admin spending caps	EM&V costs excluded from both the 20% max admin cap and EECRF cost caps. NOTE: EM&V costs MUST be included in cost-effectiveness testing	
Deemed Savings	NA	(i)(4)	Ties into utility administration (i)	Preamble clarifies that the utilities are responsible for keeping deemed savings updated (there will be interaction with EM&V contractor under section (q) to revise/update DS, as necessary)	
Industrial Opt-Out					
Definition of Industrial Customer	NA	(c)(30)	A for-profit entity engaged in an industrial process taking electric service at transmission voltage, or a for-profit entity engaged in an industrial process taking electric service at distribution voltage that qualifies for a tax exemption under Tax Code 151.317 and has submitted an identification notice pursuant to subsection (w)	Industrial customers allowed to opt-out	
Industrial Opt-Out	NA	(w)	identification notice	Follows CenterPoint/TTEC language	
Other Issues					
Targeted Low Income EE Programs	(p)	(r)	Each utility shall ensure that annual expenditures for the targeted LI EE program are not less than 10% of the utility's energy efficiency budget for the program year	Implementing SB 1434: ERCOT Utilities must end up spending at least 10% of total projected budget on LI programs	
Energy Efficiency Implementation Project (EIEP)	(q)		Explicitly requires utilities that don't publish new programs in EEP to file a program template and provide notice to EIEP	Role of EIEP more explicitly defined. New language seems to follow Oncor's recommended language	
EEPR Filing Requirements	(m)(2)	(n)(2)	See rule for details.	Some additional filing requirements (see rule for full list), including: details on self-direct programs if applicable, links to program manuals for current program year, etc.	

- (e) % Peak kW
- (w) Opt Out
- (c)(46) Winter kW

Energy Efficiency Goals

- (r) 10% Low Income
- (f)(7) Cost Caps
- (f) Cost Assignment & Allocation

Budgets & Cost Recovery

Evaluation

- (q) EM&V Contractor
- (f) Reconciliation

Program Design & Implementation

- (c)(52) Self-delivery
- (d) Cost-effectiveness
- (s) EEIP (Vendors)
- R&D





Impact of Changes

Impacts Vary Based on Your Perspective:

- Project Sponsors
- Implementers
- Evaluator
- Energy Managers (Schools/Small Business)
- Utilities (ERCOT vs. Non-ERCOT)
- Ratepayers





2013 Energy Efficiency Programs

2012 EEPR: Projected Budgets and kW similar to 2012

- Potential for New Programs/Measures:
 - Winter kW: Outdoor lighting
 - Building Codes
 - Behavioral Programs
 - Removal of Solar Programs?



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