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April 1, 2010

MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Bonneville Presentation on its Draft Post-2011 Conservation Proposal

Bonneville has been conducting a public process with its customers and others to develop an approach to acquiring conservation resources within the new regional dialogue contracts. This policy that will be an important factor determining the likelihood that Bonneville's customer utilities will achieve the efficiency goals of the Sixth Power Plan.

The tiered rates in the new contracts create significant incentives for utilities to conserve electricity and thus minimize their exposure to higher cost resources. It is important that the programs Bonneville implements and the way they are structured help utilities accomplish the aggressive conservation targets in the plan. Bonneville has committed to its customers achieving the conservation targets in the Council's plan. It is important that Bonneville have a strategy to backstop the conservation achievements of its customer utilities should they fail to achieve the targets.

Josh Warner, Bonneville's Manager, Planning & Evaluation, Energy Efficiency, will present the draft conservation program for post-2011. Bonneville expects to release the draft proposal next week for public comment. Staff will forward you materials as soon as they are available. There will be a 30 or 45 day comment period for the Council to respond if it proves necessary.

Energy Efficiency Post-2011 Proposal

April 13, 2010

Josh Warner



Overview

- Principles
- Themes
- Key Issues
- Proposal
 - Regional Infrastructure
 - Incentive Funding Mechanism
 - Program Implementation Mechanism
 - Other Elements
- Public Comment Process
- Next Steps



Principles

- The following principles guided the proposal's development:
 - Develop public power's share of all cost-effective conservation consistent with the NW Power Act.
 - Provide services that maximize regional economies of scale, market influence and local assistance opportunities.
 - Leverage resources to maximize existing infrastructure and avoid duplication of effort across the region.
 - Ensure consistency with the principles of tiered rates.
 - Provide choices to be responsive to the diversity of needs across the region.
 - The bulk of conservation is best managed at the local level.
 - Balance increased flexibility with cost.
 - Manage risk associated with change.
 - Support long-term high customer satisfaction.
 - Advance energy efficiency in the Pacific Northwest.



Themes

1. BPA and public utility customers are more likely to succeed in achieving public power's share of the regional energy efficiency target working together in partnership.
2. BPA's regional program will support and encourage acquisition of energy efficiency at the lowest cost possible.
3. There are opportunities to acquire energy efficiency more efficiently through regional programs.
4. BPA's programs should be efficient and effective to attract utilities to participate in new programs and form durable partnership.



Key Issues

- Customer Concerns
 - Local Control
 - Equity
 - Choice in implementation



Proposal

- This proposal is intended to meet the principles as well as concerns of customers.
- Recognizes that drivers and conditions affecting energy efficiency in the NW will continue to evolve.
- EE costs will be allocated to the Tier 1 PF rate.



Proposal (cont.)

- Retains a collective public power target and does not require the establishment of individual utility targets.
- Allows for some utility self-funding of energy efficiency to a level that is appropriate for their individual service territory beyond BPA funding levels.



Proposal (cont.)

- Proposal has three primary sections:
 - Regional Infrastructure
 - Incentive Funding Mechanism
 - Implementation Mechanism



Regional Infrastructure

- Functions include region-wide activities characterized by economies of scale and activities that require regional market influence.
 - Acquisition support
 - New Measure Development and New Technology
 - Regional Support



Incentive Funding Mechanism

- Energy Efficiency Initiative (EEI) provides funding to public utility customers to implement energy efficiency measures / projects.
- EEI provides transparency in how much revenue is collected in rates and made available to each customer.
- Budget amount for EEI would be set on a rate case by rate case basis depending on the collective historic achievement of the regional target.



Implementation Mechanism

- Provides utilities a choice of implementation mechanism: Standard Agreement or Pay for Performance.
 - Options provide utilities with the opportunity to decide which implementation mechanism best fits their local needs.
 - Under either mechanism a utility could acquire savings through either BPA designed program offerings or utility designed programs or a combination of both.



Other Elements of the Proposal

- BPA is committed to reviewing the framework prior to FY2014 to ensure it is robust and meets the needs of customers.
- BPA will support the development of Conservation Potential Assessments (CPAs), or other means to assess utilities' conservation potential.



Public Comment Process

- Public Comment open from April 12 – May 26
- Public meetings:
 - Spokane, April 19 (1:00 pm to 4:00 pm)
 - Portland, April 20 (9:00 am to 12:00 pm)
 - Pasco, April 22 (10:00 am to 1:00 pm)
 - Idaho Falls, April 23 (9:00 am to 12:00 pm)
- Submit comments to:
 - <http://www.bpa.gov/applications/publiccomments/OpenCommentListing.aspx>



Next Steps

- Phase 2 of Public Process
 - BPA will continue to work with stakeholders to focus on implementation details, to ensure the framework is robust and meets the needs of our customers.
 - BPA will schedule public workshops/workgroups on specific topics
 - Planned to start in June 2010



Need More Information

<http://www.bpa.gov/Energy/N/post-2011/>

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