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RE: Post-2011 Review

Dear Richard:

Thank you for this opportunity to comment on proposals regarding the Bonneville Power Administration's (BPA) energy efficiency program. PPC appreciates the robust process conducted by BPA in recent months, dubbed "Post-2011 Review". This process had broad participation by the region, including the many consumer-owned electric utility members of the Public Power Council (PPC) who are those charged with, and committed to, capturing energy efficiency savings for the benefit of electricity consumers.

This process was designed to improve BPA's energy efficiency program by offering utilities greater flexibility and efficacy in order to best achieve energy savings. The manner in which issues were collectively identified by BPA and its customers across the region, and then subsequently addressed in workgroups co-chaired by utility staff and BPA, serves as an exemplary model. Given the scope of the review prescribed by BPA, this process was very helpful. Many issues addressed by the workgroups found common ground resulting in consensus recommendations to BPA.

From these recommendations BPA has proposed a number of changes to the program that customers expect will improve the program and offer the region valuable savings in the years ahead. We appreciate BPA's commitment to continued engagement with the region in efforts to improve the program beyond this process. In drafting the final version of this program, however, we believe BPA should consider and apply the following comments.

Expensing the Program

A question grappled with throughout this process was one of capitalizing or expensing the energy efficiency program. Workgroup 1 recommended that BPA provide the region with information regarding the impacts of moving the program funding back to expense over a period of multiple rate periods or during a near-term rate period where other rate pressures were not as great as they appear in the current CIR/IPR processes. BPA has subsequently begun doing this in its debt management process.

Expensing conservation due to its relatively short measure life, its classification as a regulatory asset, and in offering the ability to avoid debt service may be a reasonable way to finance energy efficiency. However, in a vacuum without a sense of the relative rate impact at the time of moving the program back to expense, it is premature to determine whether to support BPA taking this action. PPC is supportive though, of BPA continuing to work with the region to determine whether there is an appropriate time to return to expensing the program with minimal rate impact.

Self-Management of Energy Efficiency Incentives (EEI)

In considering the best way to allow utilities to self-manage the incentive element of their programs, it appears a billing credit may be most feasible. This mechanism is regarded as moving the program somewhat toward the basic principles that were identified at the outset relating to the self-management option: 1) maintaining equity principles that were adopted when the program changed in 2011; 2) allowing utilities interested in managing their own programs to do so without detriment to those utilities that choose to stay fully within the BPA program; and, 3) alleviating pressure on use of BPA's Treasury borrowing authority.

The option is intended to allow utilities selecting it to avoid BPA having to borrow for their incentive funding. Thereby, these utilities would also avoid BPA accruing interest on their behalf. PPC is generally supportive of BPA's proposal to adopt the billing credit option and believes it can offer some additional flexibility for utilities. This support, however, comes with caveats.

Because there has been little detail provided by BPA regarding the contracts utilities would need to sign, it is unclear whether the billing credit option will actually offer utilities a viable option for self-management. While PPC understands that BPA wishes to ensure that utilities taking this option will provide savings that can be counted toward targets, utilizing the billing credit should not be overly onerous. BPA has stated that it will require the contract with utilities choosing this option to allocate an energy savings target. This is a requirement that those remaining in the program do not have.

While utilities are not necessarily averse to this standard and agree there should be reasonable assurances that self-management continues to provide regional cooperation, BPA should be careful to ensure the following:

- There must be recognition in the program that not all utilities are the same. The contract for the billing credit must provide a workable solution for all types of utilities, small and large, as well as urban and rural.

- Any energy targets must be compatible with the energy targets that are required by state law, current or future, including Washington's I-937. Where utility conservation potential assessments do not align with an applied portion of the regional target, BPA should work with the utility to reconcile the difference.

- For those opting for the billing credit, the energy target per a utility's TOCA-based share should apply in the same manner as the current program. BPA currently assumes a 75/25 percent split between the BPA program and utility self-funding in collecting for the BPA program regarding public power's share of the regional efficiency target. This should continue to be applicable as opposed to applying a 100 percent assumption of an energy target to utilities opting for a billing credit.

Roll-Over of EEI Across Rate Periods

In order to make program funding more flexible, BPA has proposed rolling over up to five percent of the start of rate period EEI budget, with each customer being able to roll over up to five percent of its own start of rate period EEI. PPC supports the added flexibility offered by this option and believes it will prove beneficial in capturing savings.

Large Project Funding

PPC supports BPA's proposed Large Project Program (LPP) that would assist utilities in capturing large projects. This mechanism should enable those utilities whose rate period efficiency budgets are incapable of acquiring large projects to acquire these savings via assistance from the LPP. This program allows for these participating customers to repay these costs in future rate periods.

It is unclear, however, as to whether the costs of participating in the LPP can be repaid with a utility's future EEI. PPC supports the use of a utility's future EEI for repayment of its participation in the Large Project Program.

While this flexibility mechanism is generally supported, PPC would like to see additional detail from BPA regarding the rate structure that would be put in place to provide this option. To date, this detail has been minimal and BPA needs to provide assurances that it will be applied equitably to participating and non-participating utilities.

Low Income Energy Efficiency

PPC is supportive of BPA's proposal to continue coordination of regional parties to determine how to more effectively reach low-income customers. We agree with the workgroup that considered these issues in their identification of better communication between utilities and Community Action Programs (CAPs) as a way to more effectively reach low income customers.

BPA's proposal does not adopt other recommendations of the workgroup. These can be addressed and further developed in the ongoing coordination among utilities and BPA. Many aspects of delivery of programs in the low income realm have a local focus and are being addressed by utilities at the local level.

Implementation Manual Updates

PPC appreciates BPA's proposal to update the implementation manual annually. The proposal is a marked improvement from the current updating frequency. That said, while we understand the impetus for risk aversion in taking that route, we note that the analysis of the workgroup taking up this topic saw benefit with minimal risk to program management in their proposal to update the manual every rate period.

Moving ahead, we believe that BPA and its customers should continue this discussion to determine whether a rate period update would provide more benefit without significant addition of risk. If it is determined that is the case, BPA should fully implement the workgroup's recommendation to update the manual on a rate period basis.

Finally, PPC appreciates BPA's understanding that the issues around energy efficiency and the drive to find the most effective way to capture savings have not been fully solved by the completion of this process. To that end, we are supportive of BPA's commitment to formally continue working with customers on these issues beyond the close of the Post-2011 Review.

Certainly, there will be both new challenges and new solutions in the future to capturing energy savings. PPC and its members are dedicated to this task. We appreciate BPA's work on this Post-2011 Review and look forward to working together to meeting the challenges ahead.

Sincerely,

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