



Public Power Council

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Mr. Mike Weedall
Vice President, Energy Efficiency
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97208

Re: Public Power Council Comments on BPA's Energy Efficiency Post-2011 Implementation Proposal

Dear Mike:

The members of the Public Power Council (PPC) appreciate the opportunity to comment on the Post-2011 Implementation Proposal for energy efficiency. PPC staff and member utilities have worked with BPA since the inception of the process. The collaborative work has created a program that we believe continued to improve throughout the process, will better assist utilities to capture savings, and takes steps to reflect the reality of the Tiered Rate Methodology.

We commend the hard work by BPA staff throughout this two phase process, as staff has regularly sought input from regional stakeholders. This work has provided a positive indication that BPA knows it will need to work in partnership with its customers, drawing on utility staff expertise and knowledge of individual service territories in order to achieve future targets. Since the January 12 release of the implementation proposal, BPA has continued to seek input from stakeholders which has further created optimism that some changes that have already been discussed with BPA will be implemented.

As much of this implementation proposal was crafted by employing recommendations made from the collaborative workgroups, we are generally supportive of the draft proposal. We believe, however, that there are a few areas where greater alignment with the workgroups would result in an improved program. These areas include: large project funding, conservation potential assessments (CPAs), small/rural/residential assistance, transitional funding, and improved communications.

Large Project Funding

Utilities understand the value of large projects – their often lower-cost/high-savings benefits – and want to assure that funding exists for these projects so the savings are not lost. Although the Phase 2 workgroup recommendation suggested that these projects could be achieved without a fund that was created by drawing down on every utility’s energy efficiency incentive (EEI). In the considerable discussion since then there have been concerns that employing this option within the proposed program structure would make funding these projects uncertain and difficult.

In an attempt to solve this issue, the BPA proposal also includes another option which creates a large program fund from all utilities’ EEI. This option neglects to account for the principles of equity that came from Phase 1 (and provided the structure for Phase 2).

Maintaining the equity of the Phase 1 principles and avoiding other inadvertent equity issues while also providing certainty for large projects appears available via other avenues. In discussions with BPA, utilities and other regional stakeholders, the widely perceived genesis of a solution is in overcoming the prohibition of EEI funds being carried across rate periods. Because large projects and energy efficiency savings are “lumpy”, a two-year limit in which EEI budgets can be used is impractical. To overcome this problem and create a broader solution, a number of ideas used independently or collectively have been promoted by utilities. These ideas discussed below attempt to resolve equity concerns and uncertainty in both proposed options. The ideas are not necessarily limited to:

- *4 year rolling average* – Utilities would have certainty in the availability of funds from two consecutive rate periods (a four year rolling operating period) for budgeting and implementation of programs and measures. For budgeting purposes this would mean that utilities would have budgeting values based on TOCAs on a rolling four year basis. The first two years would be the actual values for the next two year rate period and would also be the values in the case. The next two years would be estimates and would indicate the amounts for outside the rate period, but give the utility some certainty that the out year dollars it would have in the future. This is useful for utility planning purposes. With adequate planning and the ability to operate across rate periods, a utility might be able to stage certain sized projects within their existing TOCA based allocations.
- *Progress payments* – For custom projects with a completion date beyond the rate period, BPA will allow for progress payments. The payments will be made at project completion milestones that will allow the utility to invoice BPA for pre-agreed upon amounts. Final payment for any project would be made upon the project’s completion.
- *Revolving loan fund/Increased borrowing authority* – Via the most flexible mechanism, funds will be made available to utilities for large projects which would be repaid to BPA

over multiple rate periods through the utility's EEI.

- *Opt-in large project pooling* – The pooling idea has been offered in the proposal but would be difficult to employ as a solution to the issue of large project funding. To potentially work for large projects the pool would likely need to be made up of utilities with similarly sized large projects and EEI budgets. These utilities could elect to enter into a pool of this type.

Utility representatives have previously provided these ideas to BPA and have asked that BPA offer feedback and additional opportunity to find a workable solution to this considerable question.

Conservation Potential Assessments (CPA)

In the draft proposal, there are two options with stark differences concerning CPAs and BPA's role in their development: 1) a rigorous, BPA mandated CPA and, 2) a non-required, non-standardized CPA. Beginning with the first regional meeting BPA held in Portland, it became more clearly understood that the recommendation of the workgroup was not accurately captured by either proposed option, but that a hybrid of the two was the intended result of the workgroup's efforts. PPC supports this hybrid recommendation.

While a consistent approach and methodology is necessary to make CPAs valuable at a regional level, specific detail within these CPAs should be determined by each utility. BPA should play the role of facilitator/enabler for CPAs by developing tools and helping standardize data collection processes but not mandate specific requirements for CPAs or that a CPA must be completed. In light of Washington's I-937 standards and a diverse customer base, BPA should provide a broad approach that does not limit utilities in providing the most valuable assessment of the opportunities in their service territories.

BPA should serve as a repository for data collection tools, surveys, and best practices thereby becoming the hub for regional data gathering and application.

Upon BPA's request, PPC and its members have offered their willingness to be partners in exploring whether there is a CPA approach that would be useful without being burdensome and duplicative. This collective approach would provide the most benefit to individual utilities, public power at large, and the region as a whole.

Small, Rural, Residential Focus

Small, rural, residential utilities face unique challenges when looking for conservation opportunities. As a result of the challenges these utilities face because of their size, location and

density, the workgroups recommended that utilities of this kind be specifically defined and afforded a higher percentage of performance payments than utilities not defined as such.

PPC remains supportive of the definition the workgroup proposed for small, rural, residential customers. This definition breaks down as such: "small" is defined as Tier 1 load less than 10 aMW, "rural" is defined as fewer than 10 customers per mile of line (based on the calculation of the low density discount in the TRM), and "residential" is defined as residential load greater than 66% of total retail load. Additionally, we are supportive of the recommendation that small, rural, residential utilities be able to use 30% of their EEI for performance payments. All other utilities would be entitled to use 20% of their EEI for performance payments.

We understand that BPA is determined to keep performance payments to 20% or less of the overall EEI budget. Estimates used to form the proposal position appear to be overly conservative in evaluating how to meet this goal. Based on historical amounts, it appears that many utilities will put much less than 20% of their EEI toward performance payments. BPA should be less conservative in the analysis of the performance payments and create a small, rural, residential classification more in line with workgroup recommendations.

Additionally, the workgroup asked that BPA work with utility staff and regional organizations to develop additional measures that are easy for these utilities to implement as well as streamlining measurement and verification protocols. We appreciate the turnkey programs that BPA intends to develop and encourage BPA to follow through with its Phase 1 commitment to further develop and offer projects that work for utilities of all sizes and customer profiles.

Transition Funding

PPC is concerned with the cut-off date of October 1, 2010 for projects eligible for transition funding. The change from the current conservation program to the post-2011 program is significant and customers need adequate time to adjust to the new structure. While we understand the reason behind the date being the prevention of a flood of requests for projects that would qualify for this funding which could subsequently reduce the capital budget in future years, we ask that BPA attempt to provide a smoother transition for customers.

The magnitude of impacts to future capital budgets was not exhibited to Phase 2 workgroups. In order to understand potential ripple effects of changing this cut-off date, PPC requests data on the number and size of requests submitted both before and after the October 1, 2010 date, before suggesting additional changes.

Increased Communication and Education

The proposal has committed to better communication with utilities on issues of energy efficiency. While this is appreciated, the suggestions as to how to do this are insufficient. Conservation brownbags, utility roundtables, the Utility Sounding Board and other current vehicles are not effectively communicating messages to utility conservation staff and managers. This has resulted in regular problems with understanding the implications of changes to BPA programs. We are hopeful that moving ahead, the Energy Efficiency Department of BPA will

work more directly with BPA communications staff and account executives to make certain these messages are more broadly and accurately distributed. The communications staff regularly releases communications pieces on a number of other departments within BPA. With the prominence energy efficiency has recently taken in the region and because of its growing share of the overall BPA budget, the Energy Efficiency Department needs to communicate messages to BPA customers more frequently and more effectively.

PPC appreciates the opportunity to comment and maintains a strong commitment to helping BPA further develop the Post-2011 Program. As this program will be different than the one before it, we foresee elements that will continue to need improvement between the April 2011 and October 2011 updates of the program implementation manual and beyond. We are hopeful that BPA will continue to involve its customers in development of the program.

Sincerely,

/s/ Bo Downen
Public Power Council
Policy Analyst