

March 2, 2009

**SUBMITTED ELECTRONICALLY**

Michael Weedall  
Vice President, Energy Efficiency  
Bonneville Power Administration  
PO Box 3621 Portland, OR 97208-3621

Re: BPA's Role in Energy Efficiency Post-2011

Dear Mr. Weedall,

Northwest Requirements Utilities (NRU) appreciates this opportunity to comment on BPA's policy direction for energy efficiency post 2011. We commend BPA and stakeholders for working together to carefully and systematically evaluate the important matter of BPA's future role in achieving energy efficiency. Beginning in FY 2012, public power customers will have a High Water Mark (HWM) which will limit the amount of power they can purchase at the Tier 1 rate. All load growth will then need to be met by non-federal resources or purchases from BPA at a Tier 2 rate. This means utilities will be faced with marginal price signals for serving their above HWM load and also means that utilities will receive clear price signals for pursuing and achieving cost-effective energy efficiency to keep above HWM load at a minimum. Additionally, some utilities will be facing state requirements to procure all achievable cost-effective energy efficiency. In light of the changing world, NRU staff surveyed and spoke with NRU membership to gather input. These comments encompass the feedback we have received.

NRU membership believes that it is important for BPA and customers to work collaboratively to achieve public power's share of the Northwest Power and Conservation Council's regional energy efficiency goals in accordance with the most recent Power Plan. Energy efficiency is valuable to utilities because it reduces total retail load, reduces peaks and is appealing to end-use consumers, among other reasons.

NRU membership in general believes that, in light of clear price signals from tiered rates and state mandates, BPA should limit the amount of program activities and related energy efficiency costs that are included in the Tier 1 rate. The Tier 1 rate should include energy efficiency costs that benefit the region as a whole and are best achieved at a regional level. Such costs would include funding for things like the Northwest Energy Efficiency Alliance (NEEA), planning, tracking and reporting (PTR), regional technical forum (RTF), data collection, emerging technology work and regional marketing. NRU staff and its members look forward to the opportunity to define the specific scope and level of costs that are reasonable to include in the Tier 1 rate, working off the principals discussed in the PPC straw proposal.

Utilities would then procure additional energy efficiency savings themselves, through a third-party or by opting in to a BPA-run program. The ability to choose how utilities achieve energy efficiency is

appealing in a number of ways because it: (1) allows for local control and design of energy efficiency programs; (2) allows utilities to better target specific opportunities in their territory; (3) allows energy efficiency funds to be spent directly in their service territory to maximize savings; and (4) allows utilities the option to take advantage of energy efficiency expertise from themselves, a third party, BPA or a combination.

The ability to directly tailor and manage energy efficiency via local control is preferred because, as one member said, utilities are “best suited to determine which programs will be most effective in their service territory and therefore should be given greater control as to the programs that are offered and the incentives assigned to those measures.” It is important that utilities have flexibility to customize their energy efficiency programs to match their own service territory characteristics, such as a predominantly residential load or a rural area, or unique opportunities or circumstances in their territories. For example, one utility described its desire to reduce winter loads, in part due to the fact that utilities will face expensive price signals for peaking in the winter under tiered rates. As such, this utility would like to focus on reducing heating loads via weatherization, window replacement and heat pumps but feels the current BPA energy efficiency program does not sufficiently entice end-use consumers to invest. Local control and design of energy efficiency programs will allow utilities to target energy efficiency opportunities, such as in the example, in their service territories.

Membership wants utilities to have the choice to procure energy efficiency themselves *or* to opt-in to purchase energy efficiency services from BPA. Some survey respondents highlighted the experience and expertise BPA could provide to them via opt-in programs. For example, there was mention of appreciation for BPA’s energy efficiency program development and engineering services, as well as technical support. Others pointed out that small utilities often have limited staff available to focus on energy efficiency programs, so easy to implement and administer programs are needed. BPA could provide fee-for-service opportunities for utilities to opt-in to, or provide a package of services tailored to the characteristics of a particular group of utilities that opt to participate and fund those services. However, others emphasized the need to select which programs work best for them, as opposed to programs developed for the region as a whole. Utilities commented: “let us select what works best for us...what works here may or may not work in another area or utility of our size”; “each utility should be in a position to pursue whatever energy efficiency they choose....[Energy efficiency] efforts must be targeted to the areas where you get the most ‘bang for the buck’ and what better people to make this decision than the local utility.”

NRU staff and a number of NRU members participated in the development of the PPC straw proposal. Membership supports the policy and construct described in the PPC straw proposal. This proposal allows utilities to procure energy efficiency themselves or opt-in to a BPA program. Some utilities expressed a distinct desire to procure energy efficiency themselves in order to tailor the programs to meet their service territories. Other utilities expressed appreciation for the help and support BPA has provided them historically and would like the opportunity to continue using BPA’s support by opting in to purchase energy efficiency programs from BPA. NRU members also value the role and influence BPA has in regional energy efficiency infrastructure and want to continue funding that role through the Tier 1 rate. As discussed in the PPC straw proposal, it will be important to measure and verify savings to ensure energy efficiency is truly achieved. We also note that meeting energy efficiency targets should be seen more as a continuous, fluid endeavor, as opposed to one that coincides precisely with each two year rate period. Individual utilities need to plan ahead when pursuing energy efficiency, so it is important that energy efficiency targets are not linked to two year rate periods because the short time frame doesn’t accommodate the ongoing nature of

achieving energy efficiency.

NRU appreciates this opportunity to comment on BPA's post-2011 energy efficiency policy and looks forward to future discussions with BPA and other stakeholders in developing a policy that accommodates the new world of tiered rates and state energy efficiency mandates by limiting the amount of energy efficiency costs included in the Tier 1 rate, and allowing utilities to procure additional energy efficiency themselves or by opting in to a BPA program and paying the associated costs. We also look forward to working with BPA and stakeholders in developing BPA opt-in programs that would be attractive to NRU members that may choose to purchase energy efficiency services from BPA post-2011.

Best Regards,

A handwritten signature in black ink that reads "John D. Saven". The signature is written in a cursive, flowing style.

John D. Saven, Chief Executive Officer

CC: Scott Corwin, Executive Director, Public Power Council  
Members of NRU