

May 26, 2010

Mr. Mike Weedall  
Vice President, Energy Efficiency  
Bonneville Power Administration  
PO Box 3621  
Portland, OR 97208

*Submitted online at bpa.gov*

Re: NRU's Comments on BPA's Post-2011 Energy Efficiency Proposal

Dear Mike:

Northwest Requirements Utilities (NRU) appreciates the opportunity to comment on BPA's Post-2011 Energy Efficiency Proposal. NRU is a trade association composed of 50 load following customers of BPA. Many NRU members are located in rural areas, are relatively small in size, and have predominantly residential load with little to no industrial or large commercial load. As such, NRU members face unique challenges when procuring conservation savings in their service territories. Nonetheless, NRU members are committed to helping BPA achieve its share of cost-effective conservation pursuant to the Council's plan.

Over the course of the past year, BPA and its customers have met numerous times to discuss how BPA's energy efficiency program should be structured post-2011 when tiered rates take effect. Through the course of these discussions, both customers and BPA have gained a better understanding of the struggles and challenges public power faces as it works to acquire cost-effective EE, as well as developing a list of principles by which the post-2011 program should abide.

BPA's proposal captures some of the main themes of those discussions. One theme that was not captured was public power's proposition that conservation post-2011 should be handled in a similar fashion as power supply post-2011. That is, under tiered rates, customers have the ability to choose how they will serve their above high water mark load—with resources they procure themselves or through BPA at a Tier 2 rate. Public power believed it would be appropriate to mirror the treatment of generating resources with the treatment of the conservation resource by allowing customers the ability to completely self-fund their conservation programs (other than funding regional infrastructure efforts through BPA). This concept was not captured in BPA's proposal. However, BPA does call for a reevaluation of the program prior to FY 2014. We expect this conversation would again include discussion of this disconnect.

While the general structure of the program is not proposed to change dramatically, BPA is proposing a number of very important improvements to its post-2011 conservation program. Because much of the detail is slated to be developed during Phase 2, NRU strongly encourages BPA to ensure all customers—particularly those with time and travel limitations—are able to engage and provide meaningful input. Using Live Meetings (or something similar) could increase customers' ability to

participate in Phase 2. Phase 2 appears to be a unique opportunity for BPA and its customers to fully engage in how the BPA program can be improved. To maximize this dialogue, BPA should tell the customers in advance of the start of Phase 2: how Phase 2 will be set-up; what workgroups will be formed and how customers can participate; and provide an initial calendar and agendas.

Below are specific comments NRU has on the proposal.

### **Collecting Costs Through the Tier 1 Rate**

BPA proposes to collect conservation costs through the Tier 1 rate; customers will pay conservation costs based on their Tier 1 Cost Allocator (TOCA). One reason BPA is proposing to use the TOCA is that it is an existing allocator in the Tiered Rate Methodology. Additionally, BPA and customers were unable to develop a sufficiently robust alternative for allocating conservation costs. NRU appreciates the extenuating circumstances, but reiterates that conservation potential differs among service territories and does not necessarily correlate with a utility's Tier 1 load. Consequently, we encourage BPA and customers to continue working towards developing an approach where conservation costs are collected from customers on a basis that reflects their conservation potential.

Related to this, we need to make sure the rate design does not inadvertently affect utilities' motivation to self-fund. We support BPA making the assumption that at least 25% of programmatic conservation savings will be self-funded by customers. Public power utilities have a number of reasons to pursue all cost-effective conservation, such as facing price signals under tiered rates, both via the high water mark and the demand charge; conservation is the least cost, least risk resource; state mandates, like I-937; and end-use consumer demand for energy efficiency. However, we don't feel we have adequately analyzed the proposed rate design and would like to spend time doing so during Phase 2.

NRU is also concerned about BPA's determination that it will "backstop" *public power's* achievement of its share of the regional conservation target. Not all public power load is served by the Tier 1 rate and above high water mark load will grow over time. It is inequitable to require the Tier 1 rate payers to backstop the target of all of public power.

### **Incentive Funding Mechanism**

BPA's proposal to shift from the Conservation Rate Credit and Conservation Acquisition Agreement to the Energy Efficiency Incentive (EEI) ought to allow greater funding stability over time. Additionally, EEI will improve the transparency of collection and distribution of EE dollars to customers, as well as allow customers the ability to earn back the money they paid through the Tier 1 rate for incentive funding. These are worthy outcomes.

However, the proposal also calls for BPA to determine whether a customer is "on track" to fully spend its EEI. If the utility is not, then a portion of the remaining funds will be made available to other customers. While NRU appreciates the desire to ensure public power is acquiring its share of the regional conservation target, we need to be very careful that we do not inadvertently impact the need for stable funding over time. Conservation acquisition ebbs and flows over time and utilities may not always be able to spend their EEI dollars at a prescribed pace. Therefore, defining what "on track" means and under what timeframe needs to be thoroughly discussed during Phase 2. Customers need

to be able to maintain stability of funding over time and have an appropriate length of time to spend their EEI dollars.

### **Small/Rural/Residential Utility Program Focus**

NRU greatly supports BPA's proposal to create a small/rural/residential utility program focus. Tailoring programs to work in these service areas will become increasingly important as BPA's conservation target increases. All utilities should have the ability to participate in acquiring conservation and to earn back their EEI dollars. Developing programs that work in the small/rural/residential areas will help this happen.

Because many small/rural/residential utilities have limited staff resources to devote solely to conservation, NRU encourages BPA to be creative in how it engages in dialogue with these utilities. We ask that BPA recognize that while staff may have limited time to focus on conservation, it is important that their voices are heard.

### **Ongoing Communication Is Important**

As we saw over the past year of discussions, ongoing and regular conversations between BPA and customers, at both a staff and executive level, provide better understanding for all involved. Improved communication, both in terms of frequency and transparency, will be essential as public power embarks on achieving a far larger amount of conservation than before. NRU encourages BPA to have regular two-way conversations with its customers to seek their feedback on new programming, to provide information, and to maintain familiarity with what is occurring at the utility implementation level. Check-ins at the executive level would be appropriate as well.

From a long-term perspective, NRU agrees that the post-2011 program design should be flexible and able to adapt to future situations. Further, we support evaluating the program prior to FY 2014 after we've had some experience operating under tiered rates and more aggressive conservation targets.

NRU strongly urges the region—BPA, the Council, the Regional Technical Forum (RTF), NEEA, and other players—to work in a coordinated manner that is transparent and inclusive of customers. The region has a tremendous task ahead of it, and the region needs to be careful that there is not duplication of efforts or, in the alternative, things slipping through the cracks. BPA needs to develop a strategy of ongoing two-way communication with customers, whether this is through a quarterly newsletter, involving the trade associations in the communication stream, using Live Meetings, or a combination thereof.

As an example of the need for better transparency and communication between BPA, its customers and the RTF, it would be useful for customers to have access to documentation of the savings and projected costs of deemed measures developed by the RTF so customers can have a better understanding of how the data in the Planning, Tracking, Reporting system was developed.

### **Other Topics for Phase 2 Discussions**

NRU supports the other topics BPA plans to discuss during Phase 2, particularly:

- Increasing flexibility and ease-of-use (we ask that this includes discussion on measurement and verification protocol)
- Streamlining and simplifying administrative procedures, and improving the planning, tracking, reporting system (some savings are missed because reporting may be too cumbersome for some utilities)
- Moving towards evaluating cost-effectiveness at a program level versus a measure by measure level (we ask that BPA also address regional cost-effectiveness versus individual utility cost-effectiveness determinations)
- Working with customers so their load forecasts reflect planned-for conservation (“planned-for” conservation ought to include both historical trends as well as the utility’s plan to ramp up conservation efforts)
- Discussing methods of better identifying conservation potential in service territories, including the role of coordination among regional players (we ask these discussions include both guidelines for a conservation potential assessment as well as a simplified or streamlined approach to identifying potential in smaller service territories where a full-blown CPA may not be cost-effective).

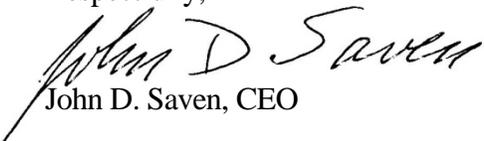
NRU and its members look forward to working with BPA during Phase 2 and encourage BPA to provide adequate time and opportunity for customers to actively engage in dialogue with BPA. BPA and its customers are in a unique position where we can intensely focus time and effort on improving BPA’s program so it will be a strong vehicle to allow public power to achieve all cost-effective conservation that is available.

As mentioned previously, in order to maximize participation by customers, BPA should provide advance notice of the Phase 2 process, meeting dates, workgroups and initial agendas so customers have the ability to prepare and participate. Further, we encourage BPA to seek feedback in a manner that recognizes time and travel constraints, particularly for the small/rural/residential program.

### **In Closing**

In closing, NRU appreciates the dialogue the BPA and its customers have had over the past year. We are particularly pleased with BPA’s decision to develop a small/rural/residential program, along with other improvements to streamline administrative efficiencies and generally make the program more flexible and usable. Much work lies ahead during Phase 2 and we look forward to working with BPA on developing the details.

Respectfully,



John D. Saven, CEO

Cc: NRU Members