

February 14, 2011

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

RE: Comments on Energy Efficiency Post-2011 Implementation Proposal

Dear Mike:

First, we would like to express our sincere appreciation for the time and effort BPA's Energy Efficiency staff has put into the Phase 2 effort. The workgroups were very effective at discussing issues and developing proposals that attempted to address various needs. We would even go so far as to suggest that this could be a good model for future policy development in areas so important to the customers as these programs. Especially helpful was the concerted attention given this effort by the BPA staff members who assisted us.

The BPA proposal released on January 12, 2011, included a number of the recommendations the workgroups proposed, but altered some of the proposals recommended by the workgroups. Since the release of the proposal, NRU and BPA staffs have worked to address some of the issues we saw in the January 12 proposal.

Recognizing that we are continuing to work on addressing these issues, these comments are submitted to clearly describe what NRU strongly encourages BPA to include in its final post-2011 energy efficiency program.

Small/Rural/Residential (SRR) Assistance

Defining "SRR"

Small/rural/residential customers face unique challenges in acquiring energy efficiency in their service territories. These utilities tend to have limited staff, significant "windshield time," and increased administrative expenses which tends to result in higher costs for obtaining the same amount of kWh savings. As such, the workgroup proposed that customers that are "small" (defined as load of 10 aMW or less), "rural" (defined using the Low Density Discount calculation for 10 consumers per mile of line or less), **or** "residential" (defined as 66% or more residential load) receive a higher performance payment allotment than non-SRR utilities. Higher performance payments will help offset the higher costs associated with achieving energy efficiency in small, rural or highly residential areas.

We strongly recommend that BPA adopt the workgroup's definition (i.e., 10/10/66%) of SRR utilities, as the definition captures nuances associated with "rural" and "residential" characteristics, not simply size as BPA's TOCA-based proposal did.

In its proposal, BPA said it was concerned that the SRR criteria proposed by the workgroup were “based on data that is not as reliable or objectively referenced” as would not be the case if BPA simply used TOCAs to define different levels of performance payment. We disagree with this statement and believe there is adequate and readily available data for BPA to use to classify customers as “SRR” using the 10/10/66% definition. Calculations of customers’ loads and their eligibility for low density discount occur during each rate case, which provides the data necessary to classify customers as “small” or “rural.” If BPA is not comfortable with the vintage of the EIA data used to calculate “residential,” then the customers that are interested in being classified as “residential” should be responsible for submitting their most recent annual report data to BPA upon request.

Performance Payment Caps

SRR utilities should be able to claim 30% of their EEI as performance payments. Non-SRR utilities should be able to claim 20% of their EEI as performance payments. We understand BPA expects that no more than 20% of EEI is used for administrative purposes and is therefore wary about providing performance payment caps of 30% for SRR utilities and 20% for non-SRR utilities. NRU asks BPA to be less conservative and more realistic in its assumptions regarding how much performance payment will actually be claimed by utilities. It is reasonable for BPA to assume that not all utilities will claim their entire performance payment cap, particularly the larger utilities with robust conservation programs, existing staffs and strong motivation to acquire all cost-effective conservation, such as Initiative 937 in Washington and tiered rates. Even within NRU’s membership, there is a substantial range in the amount of performance payment claimed by utilities. In addition, BPA and customers recognize that the first rate period (FY 2012-13) is meant to be a transition and the EE program will be evaluated and adjusted as needed. Therefore, if, contrary to our expectations, all utilities claim their entire performance payment, then BPA can modify the performance payment caps for the next rate period. However, it is unreasonable to modify them now without evidence that utilities will indeed fully access their performance payment.

Additional Support

NRU encourages BPA to pursue the additional support efforts outlined in Section 6 of the BPA proposal, such as more deemed and easily implementable measures. For example, in order to reduce site visits, BPA could permit photographic documentation of certain measures. We also support BPA offering more turn-key programs.

Regional Programs – Incentive Funding

NRU understands why BPA proposes that customers should be individually responsible for providing incentives for regional third party programs directly from their Energy Efficiency Incentive budget. However, BPA should offer to distribute a customer’s EEI funds on the customer’s behalf to regional third party programs *if the customer so elects*. The customer would then notify BPA that they would like BPA to use a portion of its EEI budget to pay a certain level of incentives to certain regional third party programs. This would streamline the administration of these programs for those customers, BPA and the third party programs.

Conservation Potential Assessments

NRU supports BPA providing standards and parameters for customers to use if they are to perform a conservation potential assessment. This will help enable public power to aggregate data for regional purposes. NRU also supports BPA continuing to work with customers in its development of the utility conservation potential calculator. However, NRU does not support BPA requiring all customers to do conservation potential assessments. Utilities have sufficient motivation to do a conservation potential assessment and need the ability to adjust the level of detail and type of data collected based on their individual service territories and needs.

Utility Transitional Projects Fund

NRU is concerned about the proposed retroactive cut-off date and the requirement that the project incentive level exceed 20% of the customer's energy efficiency incentive budget for transitional projects. The change from the current energy efficiency program to the post-2011 program is significant and customers need adequate time to adjust to the new structure. Understanding potential ripple effects on other customers, NRU would like to see data on the number and size of requests submitted both before and after the October 1, 2010 date, before we make a suggestion on possible changes. However, pending the results of the data, NRU suggests that BPA shift funding from the proposed Large Project Fund to the Qualified Transitional Projects Fund in order to provide a smoother transition for customers. Large projects should be funded via other mechanisms, as described further below.

Large Project Funding

The allocation of incentive dollars post-2011 differs significantly from the current distribution. Post-2011, BPA will allocate most of the money collected through the Tier 1 rate for energy efficiency back to customers in proportion to the amount they paid in. This is to help preserve equity among customers. Under tiered rates, a kilowatt-hour of savings that is achieved in a service territory directly benefits that customer by reducing their exposure to above high water mark load.

At the same time, it is important to realize that large projects (such as large commercial or industrial) are an important source of electricity savings and have complexities related to timing.

NRU believes there are some approaches that resolve the issue of having funding available for large projects while still maintaining equity. We appreciate the willingness of BPA and other regional stakeholders to attempt to jointly develop a solution that addresses these needs, and we look forward to continuing those discussions. One thing we have heard often through this process and from our own membership is that consistency in funding and programming is important.

Below are several ideas that appear promising and we would like to continue working through the details with BPA to develop robust solutions to ensure large conservation projects continue to occur, while still maintaining equity among customers.

Progress Payments. Large projects often take years to complete and as such tend to cross over rate periods. Providing progress payments as the work goes on as opposed to a single payment at the end of the project will help mitigate timing issues.

Loan fund. BPA should make money available to customers with large projects so that the customer may pay back these funds over time with its EEI. The customer should also be able to “bank” its unused EEI and be able to use it in a future rate period. This can be thought of as “prepaying” the loan. To provide financing, BPA could use its borrowing authority, third party financing, or potentially use an approach that would average out a customers’ spending levels during the rate period (e.g., one utility spends less and “banks” its EEI for a future rate period and another utility spends more by taking out a “loan.” Potentially, these amounts could offset one another).

Four year rolling average. Customers should be encouraged to plan conservation projects on a four year rolling average and BPA would commit to making some level of EEI available in future years, allowing customers to plan based on an assumed level of future EEI.

Contract for extra large projects. For larger projects (relative to the utility’s TOCA), BPA should have the discretion to enter into a contract with the utility that would have BPA make a certain amount of EEI available to the utility in a future rate period. This could be the mechanism for making the loan fund work for larger projects and provides funding certainty.

Customers elect to contribute and have access to large project fund. Utilities could elect to contribute a portion of their EEI to a large project fund and then have the ability to access this fund when needed. Those contributing to the fund are directly able to benefit from the fund.

Pooling and Transferring of EEI Funds

NRU appreciates BPA proposing various ways for customers to share EEI funds among one another, such as utility pools or bilateral funds transfers. This can be a useful tool particularly when balancing the “bumpiness” of conservation potential through time and in different service territories. However, it is important that pooling or bilateral transfers are streamlined, administratively efficient and not legally burdensome; otherwise, this will discourage pooling or bilateral transfers.

Communication and Education

We support BPA’s efforts to expand communication across the region. This will both help customers learn about new measures and programs and BPA hear feedback from customers. There have been times when smaller customers have expressed a need for a certain type of assistance, only to find out that such a program already exists. This highlights the importance of BPA finding a way to effectively communicate with all its customers, small and large, west-side and east-side, urban and rural. Such communications should be two-way, where BPA provides information on new programs and also receives input from customers on what they would like to see.

Given the substantial changes that are occurring post-2011, it is even more important that BPA communicate regularly and effectively with customers so they can adapt their local utility programs as needed.

Concluding Remarks

In conclusion, we would like to reiterate our appreciation of BPA staff's willingness to engage with customers and strongly encourage BPA to use the workgroup's proposed definition of SRR utilities, work with the region to address the issue of funding large projects while maintaining equity, and ensure there is sufficient transition between the current program and the post-2011 program.

Respectfully,



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Northwest Requirements Utilities

Cc: Bo Downen, Public Power Council
Bill Drummond, Western Montana G&T
Doug Brawley, Pacific Northwest Generating Cooperative
NRU Members