



## Department of Energy

Official File

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EXECUTIVE OFFICE

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In reply refer to: A-7

Dear Customers and Stakeholders:

We greatly appreciate your contributions and the spirit of partnership in the discussions on Bonneville Power Administration's (BPA) role in energy efficiency during the Focus 2028 and Integrated Program Review public processes. You engaged deeply across many important and challenging issues and helped identify solutions through open, thoughtful and creative engagement. Through the dialogue we learned a great deal about each other's interests and the risks and rewards for taking action or not. Thank you for your thoughtful comments and participation in this process.

Following are some outcomes from our conversations and public processes that we believe are responsive to many of the issues that were raised and discussed.

### **BPA's vision – strengthening a legacy of energy efficiency achievement.**

BPA's energy efficiency program meets a fundamental obligation to acquire conservation under the Northwest Power Act and, notwithstanding current low wholesale electricity prices, energy efficiency remains a low-cost hedge against industry, regulatory, and market changes. As such, energy efficiency will continue to play a key role in helping BPA meet its load obligations and deliver the best value for its customers, constituents and the region. BPA recognizes that energy efficiency opportunities are not distributed evenly among its customers and the cost to implement measures can vary across customer service territories. The changes below attempt to create flexibilities that recognize these realities without jeopardizing BPA's overall energy efficiency goals.

### **Demonstrating the value proposition of energy efficiency, not just the costs.**

BPA will continue to acquire cost-effective energy efficiency by incenting customers to implement measures that provide a carbon-free risk hedge in a changing utility environment, despite the short-term pressures of current power markets. Throughout the Focus 2028 process, BPA has been asked to demonstrate the value of the energy efficiency acquired by BPA. To help with this, BPA posted a model it collaboratively developed on the financial and rate impacts of energy efficiency. BPA expects to continue conversations on the value of energy efficiency and will continue to advance its modeling and analytics with the goal of incorporating the results into future decision-making processes regarding energy efficiency.

### **Reassessing how BPA determines its energy efficiency goal.**

Under the 2007 Long-Term Regional Dialogue policy, BPA committed to pursue the development of energy efficiency equivalent to all cost-effective efficiency in the service territories of those public utilities served by BPA. Today, BPA uses a 42 percent load share of the Northwest Power and Conservation Council's regional goal as a proxy for that commitment. BPA expected that its energy efficiency goals would be met to a significant extent through programs initiated and funded by its public utility customers. Since 2008, when BPA and its

customers commenced implementation of Regional Dialogue, BPA has heard a strong desire from customers to reconsider the basis for setting BPA's energy efficiency goal. It is clear that perspectives around goal-setting are heartfelt, with a number of potentially divergent outcomes. After more than a year of conversation, BPA is committed to exploring and evaluating alternatives for determining its energy efficiency goal. The Bonneville Resource Program is a likely platform for this analysis. As a result, BPA intends to work with the Council, customers and interested stakeholders to explore how its Resource Program could be used as an input in determining BPA's energy efficiency goal for BP-20 and beyond. This work will include public workshops where methodologies, models, budget and staff commitments are discussed; it is anticipated to provide several additional non-EE related benefits to BPA; and, importantly, it does not have a predetermined outcome.

### **Increasing self-funding.**

Guided by the Council's plan, BPA and its public utility customers achieve BPA's energy efficiency goal through: 1) programmatic savings via bilateral Energy Conservation Agreements (ECAs) between BPA and its public utility customers or customers funding their own independent energy efficiency initiatives; 2) market transformation savings (via the Northwest Energy Efficiency Alliance); and, 3) Momentum Savings (representing consumer efficiencies produced outside of utility programs or market transformation efforts). Since the beginning of the Regional Dialogue construct in 2012, BPA has planned on achieving 75 percent of the programmatic energy savings portion by reimbursing customers for verified and delivered energy savings up to a fixed amount, as established in customers' ECA Implementation Budgets (commonly referred to as the Energy Efficiency Incentive or "EEI"). BPA has planned for the remaining 25 percent to be achieved directly by customers, on average, with no payment from BPA ("self-funded savings").

This "75/25 split" between BPA and its customers has resulted in public power successfully achieving its goals. BPA believes the successful delivery of self-funded savings by customers sets a firm basis for increasing their self-funding percentage an additional 5 percent, thus decreasing BPA's share by the same amount. BPA's pilot of changing to a 70 percent share aligns with data that shows customers, on average, actually delivered 29 percent of overall programmatic savings during the first four years of the Regional Dialogue contracts. As a result, BPA will adjust the program cost of funding the ECAs down which, in turn, will reduce the amount of funding available to customers under their individual Implementation Budgets. The reduction in ECA funding will be reflected in BPA's BP-18 Initial Rate Proposal.

BPA will closely monitor and evaluate the self-funding achievement over the coming rate period. To allow for a complete evaluation, customers must report all self-funded savings within nine months after the end of a rate period, prior to the next Integrated Program Review. If the self-funded savings reported to BPA by customers do not meet the 30 percent level in the FY18-19 rate period (33 aMW, as indicated in the Energy Efficiency Action Plan), BPA will reassess whether to readjust its share back to 75 percent and return to the current 25 percent self-funded level.

### **Improving the customer experience with BPA's Energy Efficiency organization.**

BPA is committed to refining and streamlining its energy efficiency program. To achieve this, the Energy Efficiency organization has launched a formal continuous improvement initiative, Efficiency Forward, to identify and implement changes with the aim of making the organization more effective and efficient, to the benefit of customers, stakeholders and BPA staff. Over the next three months, Energy Efficiency, in consultation with customers, will begin to: 1) evaluate

and, if justified, realign how BPA oversees and evaluates its EE program for the purposes of compliance and savings reliability; 2) finalize, communicate and execute the plan to stabilize and improve upon BPA's reporting systems; 3) assess the costs/risks and benefits of a rate period Implementation Manual, as committed to in the Post-2011 Review, and make a determination of whether to move to a rate period cycle of Implementation Manual updates beginning in BP-18; and, 4) explore with small and rural customers any residual barriers to achieving savings and how BPA could provide additional personnel to work with customers to help overcome identified barriers.

**Providing more flexibility regarding the EEI funding mechanism.**

One outcome of the review of BPA's Energy Efficiency approach during Focus 2028 is a growing understanding of the desire for more EEI flexibility. Here are two actions BPA will take in this regard:

- Increase Implementation Budget Rollover. As a result of the Post-2011 Review public process, BPA introduced the flexibility of allowing customers to roll-over no more than five percent of their Implementation Budgets from one rate period to the next. BPA will revise this to allow the greater of 10 percent of a customer's rate period budget or \$50,000 (not to exceed its initial rate period budget.) This change is aimed at assisting smaller customers who have expressed concerns about flexibility and funding large projects.
- Streamline the movement of Implementation Budget funds between customers. Currently, a form with signatures from both parties is necessary for every bilateral transfer of EEI. Effective November 1st, BPA will allow customers to authorize a third party to request BPA to transfer funds on their behalf without the need for customer signatures. This change is aimed at making it less administratively burdensome to transfer funds between customers, which would particularly benefit smaller customers.

Accompanying this letter are redlined and updated versions of the "Revised Energy Efficiency Post-2011 Implementation Program." From this point, BPA will begin implementing the program changes that we believe will improve upon the current EE program and support BPA's goal of creating and delivering the best value for our customers and constituents.

Thank you again for your engagement in this process. We look forward to continuing the Northwest public power legacy of energy efficiency achievement.

Looking ahead across 2017, we will continue to focus on our long-term financial strength and competitiveness. We had expected to develop a new strategic plan for BPA by the end of this year, but have lengthened our timeline based on the input we received. Our customers and stakeholders have requested more meaningful engagement in BPA's strategic development process, so we are designing a collaborative approach to deliver a stronger, more widely accepted strategy for BPA. There will be more details on this timing and next steps in this process in the coming months.

Sincerely,



Elliot E. Mainzer  
Administrator and Chief Executive Officer