

Comments of the NW Energy Coalition
on
BPA's Energy Efficiency Post-2011 Straw Proposal

The Straw Proposal has many positive elements, and we appreciate the efforts of the parties in designing it. However, we are struck by the Proposal's lack of urgency regarding the climate challenge we face. This is specially striking when compared to the statements and policies being proposed by the Obama Administration.

As part of the federal government, Bonneville must take a much more aggressive role in the effort to reduce greenhouse gas emissions far below current levels. While serving all load growth with clean energy (energy efficiency and renewables) is important, it will result in little reduction in emissions (of course it will prevent new emissions). Instead of following the lead of its customers, BPA must take a leadership role in *reducing* emissions within the region. That ultimately means phasing out the region's existing coal plants. Such a task requires acquiring much more conservation than is expected from this Straw Proposal.

The region's need to reduce greenhouse gas emissions and the level of efficiency identified by the Council, the Coalition and other analysts will require Bonneville and its customers to get beyond the status quo approach to the delivery of energy savings. A broader implementation strategy with more positive incentives and tools to accelerate acquisition will be vital to the success of this endeavor. These include:

- Setting aggressive goals congruent with scientifically accepted targets for reduction of carbon emissions. The Administration, individual states, the WCI, the IPPC and others have all set slightly different goals and baselines, but they all call for roughly 20% reductions over the next 10-15 years, and 80% reductions by mid-century. BPA should adopt such a goal as an overriding principle and work to get the Power and Conservation Council to adopt it as well.
- Avoided costs must include a robust CO2 adder of at least \$50/ton. With typical natural gas prices in the \$4-8/MMbtu range, an adder of that magnitude makes the cost of new coal power relatively equal to the cost of wind or gas. Any serious carbon regulation will therefore have to create price or comparable mechanisms at that level to effectuate the shift away from coal. Therefore it is prudent for BPA to internalize this cost now in calculating measure and program cost-effectiveness in order to be consistent (and proactive) with this result.
- A determination to fund EE acquisitions at a level comparable to that of supply-side resources (including the environmental benefits) if needed. The region has long-attempted to do EE on the cheap. Unlike supply side investments whose costs are spread to all consumers, we have expected end-users to directly pay for the majority of the costs of EE measures. This approach does not treat EE as a resource. This penny-wise, pound-foolish policy has severely limited penetration rates—ultimately forcing the region to expend much more money on additional polluting resources. While it is natural for Bonneville and its customers to want

to hold down its costs, too much concern with upfront utility costs ends up hampering EE program success and actually increases overall costs to society. Especially in tough economic times, when consumers are reluctant or unable to think longer term, it is up to BPA and its customers to be willing to pay up to the full cost for EE measures if they are still cost-effective compared to a supply-side resource.

For Bonneville, this means a renewed commitment to acquire *all* cost-effective measures. That means higher incentive payments or other mechanisms to stimulate higher penetration levels should be anticipated. This requirement should apply to all programs run by BPA, and also to the backstop mechanism that covers customers' programs. Low penetration rates should not be acceptable, as it makes it that much more expensive to capture missing opportunities at a later date. Utilities should be incentivized to attain high penetration rates in all of their programs, regardless of whether they are funded primarily by customers or by Bonneville. While this approach may challenge the Council's "achievability" factor, it is appropriate, given the need for energy savings and emissions reductions, for BPA, utilities and the Council to assume and therefore go after a higher level of measure/program penetration.

- Placing a higher priority upon developing and commercializing new and emerging technology. The region cannot wait for the next CFL. BPA must put a higher priority on commercializing technologies and developing innovative delivery methods that show promise. That also means more and broader pilot and demonstration programs. Bonneville must be prepared to take more "dry hole" risks. We are pleased to see this in the Regional Infrastructure section of the Straw Proposal and we expect sufficient and sustained Tier 1 funding level as well as active collaboration with NEEA, national labs, etc.
- Incorporating load control targets and strategies into efficiency goals. BPA needs to see its EE efforts as one integrated piece of an overall climate strategy. In the past, regional EE focused almost solely on energy savings rather than capacity. But it will take much more load control and smart grid technologies to integrate the amounts of intermittent wind and solar that is required to meet our climate goals. These technologies are difficult to implement and their benefits may not be realized by every utility individually. In addition, the price signals that would incent these types of investments are not clear in our region, because we do not have developed hourly or sub-hourly markets or capacity markets. Therefore it is incumbent upon Bonneville to take a longer-term leadership role in this area by promoting and requiring its customers to incorporate smart grid strategies and targets into their programs.

Finally, there are a number of smaller points we would like to make with regards to the Straw Proposal.

- Principles – "Advance energy efficiency in the PNW" should be the first principle. We would redraft this principle to say: advance energy efficiency

in the PNW to maximize greenhouse gas emissions reductions and economic benefits to the region.

- It is unclear what “Balance increased flexibility with cost” and “Manage risk associated with change” mean. More detail is necessary.
- Regional BPA EE Infrastructure – bulk purchasing of energy efficient products seems to be an important leveraging opportunity that should be moved from utility specific Implementation Assistance to Regional Infrastructure.
- Setting Targets – The Straw Proposal does not indicate a timeframe for the savings targets. It says that BPA will assess progress every 1-2 years but it does not identify the savings target timeframe. FYI, Washington 937 utilities do a ten-year conservation assessment every two years and identify a savings target for each two year period.
- The Straw proposal should identify a timeframe in which BPA convenes stakeholders to discuss progress and the catch-up strategy. In our view this should all happen within a three month period.
- BPA Backstop Role – The work with individual utilities, the catch-up funding and requirement to participate in BPA’s programs is all appropriate but could delay acquisition of savings. As an additional backstop, BPA must be clear that it will acquire the savings directly if work with an individual utility does not produce energy savings.

The NW Energy Coalition appreciates this opportunity to comment and will continue to work with all parties. Thank you.