

PPC Response to Request for Input on Consequences

BPA and the Administrator have questions and concerns regarding the way in which the post-2011 conservation program would operate if the structure suggested by utilities is adopted. This paper addresses some of the primary concerns of BPA. Some of these questions and concerns include:

- 1. BPA has a high level of customer satisfaction and is concerned that the proposed approach will implement penalties on customers that degrade the relationship between BPA and the penalized utility.*
- 2. How the proposed approach will differ from the status quo and whether or not it will be an improvement.*
- 3. How targets will be established, disaggregated and met by individual utilities.*
- 4. The process by which performance will be determined and the consequences of non-performance.*

Customer Satisfaction

Utilities agree that achieving conservation savings is not only an obligation, but also a business and customer service imperative. If a utility has chosen to operate its conservation program independent of BPA and in doing so fails to capture the intended savings on its own, it may be required to opt-in to the BPA conservation program subject to an agreed-upon process for reviewing the utility's efforts, its conservation potential and its target. The ultimate consequence of a utility's failure to achieve its conservation target would be a mandatory opt-in to the Bonneville programs, including the obligation to fund acquisition of its remaining portion of its unmet conservation target. This may be prorated and include full funding for previous years of unmet targets.

The overall structure of the conservation program suggested by utilities includes a collaborative working relationship with BPA. By working collaboratively to find solutions to problems, BPA avoids "penalizing" a utility. The process established for reviewing utility targets and accomplishments would be designed to maintain a positive working relationship with the utility while ensuring that utility provides the necessary resources to capture the identified savings potential. BPA can work with utilities to ensure the utilities are aware of their responsibilities, collectively assess progress towards achieving targets, and potentially contract with the utilities to assure the utility conservation plan is being met.

This structure should create greater customer satisfaction with the conservation program as it allows utilities choice in how conservation savings may be achieved instead of BPA requiring mandatory participation in a program.

Are Choice and Flexibility in the Delivery Method of Conservation Better?

BPA has worked with utilities to improve its current program so that it is more utility-friendly and easier to implement. Many of these changes may be found at http://www.bpa.gov/Energy/N/pdf/ContinuingInnovations_inBPAEEPrograms.pdf BPA has committed to continuous improvement of its program offerings. And, when the straw

proposal is completed, BPA would like to compare the current structure and the proposed structure.

Utilities have made and intend to continue making this comparison, but reasons behind the desire to implement the proposed structure follow:

- While the current structure is BPA-centric, the straw proposal allows a utility to focus on the potential in its territory and the mechanisms that work best locally. This basic principle creates numerous other differences in the working relationship and the goals being met.
- While the current structure makes BPA an enforcer or gatekeeper, the proposed program makes BPA a partner in achieving conservation targets.
- Under the current structure's CRC, the goal is to maximize the dollar credit. Under the straw proposal the goal is to maximize kWh savings.
- Current structure lacks utility planning and data collection. Under the proposed structure there would more utility planning and data collection and presumably resulting in better information available for regional planning.
- The underlying rationale for the current structure is to end the conservation "rollercoaster" and meet BPA's share of the Council's regional target. The rationale for the new structure is for utilities to optimize their operations to achieve conservation, meet their state mandates, meet the utility's share of the Council target, and avoid above High Water Mark purchases.
- The current structure frequently causes utilities to operate with uncertainty due to BPA changing measures, credit for measures, etc. Under the proposed structure the utility avoids this uncertainty by controlling the measures and its own willingness to pay.
- The current structure inevitably results in the cross-subsidization of some utilities by others, something that is not supportable under tiered rates and that the straw proposal eliminates.

Targets

Bonneville has said that its goal is to ensure that the public power portion of the regional target is achieved. At the same time, most of the actual conservation acquisition will be at the local utility level. This raises several issues for discussion regarding how to set and enforce targets.

Council Target Setting

In order for utilities to achieve their targets, the Council must disaggregate its regional conservation target by year and by component parts. It will need to be determined how each of the individual sources of conservation – e.g., changes in building codes, appliance standards, market transformation, utility programs, etc. – combine to achieve the annual and long-term regional target. Once the regional target for all Bonneville customers is established, it will have to be further disaggregated into individual utility targets based upon each utility's load characteristics and customer profile. Finally, an

interval or range will need to be established for the individual targets that accounts for assumptions about the impacts of economic conditions, rates of penetration, commercialization of technologies, introduction of new codes and standards, and other variables. This will enable each utility to accurately determine how the regional conservation target is applicable to their service territory. Disaggregation would provide greater transparency to the Council's assumptions and assist the region in achieving its conservation targets by providing information that will better determine where to make investments, how to focus program efforts and where coordinated activities are essential.

The current method for assigning conservation is ad hoc and thus inequitable. With many utilities required to perform Conservation Potential Assessments (CPAs) it is important that there is alignment between those CPAs and the Council's recommended "target". While the utilities have several ideas on how to accomplish this goal it will be necessary to work with Council staff and BPA. This collaboration is especially necessary in ensuring the Council provide the data utilities and BPA will need to accurately and fairly determine overall and individual utility targets.

BPA Program Participants

BPA program participants will have an aggregate conservation target against which conservation achieved by all the participants will be counted. To establish the aggregate target, BPA, in conjunction with the customer, must consider each participating utility's individual load characteristics by looking at sector size, geographical location, etc. It is important that conservation potential be assessed based on actual potential, and not simply on the size of a utility's total retail load. All conservation achieved by the participants will count towards the pool's target. Determining, to the extent practicable, the conservation potential among participating utilities is an important step for the region to better understand the availability of potential conservation, and then procure such conservation in the most effective manner.

Finally, it is very important that the BPA pool's target is established solely by analyzing the service territories and conservation potential of the participating utilities. The BPA pool's target *must not* be the difference between the sum of the self-managing utilities' conservation targets and BPA's share of the region's target. Any discrepancy between BPA's share of the Council's goal versus the sum of the self-managing utilities' targets and the BPA pool's target will be resolved as described in the section "Adding Up Utility Savings to the Sum of the Regional Target."

Utility Managed Programs

Utilities managing their own programs/portfolios will be expected to meet several requirements while running their own programs. These requirements include: a conservation potential assessment, an implementation plan and a showing of the availability of funding for incentives and procurement. Upon meeting these requirements, often at great expense to the utility, the utility's target shall be established and upon meeting this target, the utility shall be deemed to have fully met its obligation.

The requirements for setting and achieving targets will be coordinated with state planning and reporting requirements to minimize duplication of effort by utilities. Additionally, utilities that opt to fund and procure conservation outside of the BPA program have the ability to pool their achievements to meet a pool target.

Adding Up Utility Savings to the Sum of the Regional Target

BPA would compile all of the conservation plans submitted and determine whether in sum, the targets meet public power's share of the Council's target. If the total is short of public power's share of regional targets, BPA would convene a collaborative working session with utilities, the Council, and other appropriate parties to determine why there is a shortfall and how it should be addressed. This review would also examine what portion of the targets should be achieved through market transformation, codes and standards, a regional third-party program, etc.

Utilities would track and report energy savings and costs quarterly (this requirement may be different for very small utilities). If a utility that has taken an individual target is not making adequate progress, BPA would pro-actively work with that specific utility to examine the reasons for that shortfall and, if necessary, help them increase the effectiveness of acquisition. This assistance would be at the individual utility's expense.

Presumably every two years (coinciding with rate periods) BPA would assess individual utility and overall progress toward the targets. If, collectively, public power is behind in achieving the targets, BPA would convene customers and key stakeholders to discuss progress and identify why we are behind and to develop a strategy to catch up.

If a utility exceeds its target, there should be a mechanism in place that allows the utility to bank the excess conservation. Failing to provide this mechanism places an undue penalty for utilities accelerating conservation acquisition in response to customer, technology or market opportunities.

Consequences of Non-Performance

As mentioned previously, a single utility that is not achieving its targets will initially work internally and/or with BPA to determine the reasons for the shortfall and whether the mitigating strategies employed by the utility will assist in meeting its goal. If, after going through an agreed-upon process for reviewing the utility's efforts, its conservation potential and its targets, the utility is unable or unwilling to take the necessary steps to achieve its targets, that utility would automatically opt-in to the BPA program and be required to provide appropriate funding to enable BPA to acquire conservation toward its target and the public power share of the regional target on its behalf.

If collectively, public power is not achieving its share of the regional target at a specific milestone, BPA will work with utilities and the Council to determine the problematic issues and address those in a way that is equitable for utilities participating in the BPA program as well as utilities that have chosen to meet their own conservation goals.

BPA should work with the Washington utilities that have commitments to acquire conservation savings under I-937 to ensure the state uses funds from any penalties to meet conservation goals. BPA should also ensure that utilities that are exposed to I-937 penalties are not also penalized by BPA for the same failures.

Because there will be regular reporting by all utilities, BPA will be able to easily track the amount of conservation that is being done in the region. Utilities envision the individual targets, as well as the regional goal, to be determined on a 5-year schedule concurrent with the Council's power plans. During this 5-year period, there will be periodic reviews to determine whether a utility is on target for meeting its projected goal.

As mentioned previously, concurrent with each 2-year rate period, BPA and the utility will assess whether the utility is on track to meet its target. When there is bilateral agreement, the parties will chart the remaining obligations of BPA or the utility. For disputes, a review board will be created which consists of BPA and utility representatives and other regional representatives such as the Council. When a determination is not clear or there is disagreement between BPA and the utility as to whether or not the targets will, or can be met within a utility's service area, the review board may be called upon to issue a ruling and determine BPA and/or the utility's course of action.