

# keeping

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# CURRENT

## CONSERVATION IS BACK IN THE SPOTLIGHT



When the words *energy* and *shortage* bump against each other, it sparks interest in energy conservation. And they have bumped up against each other in a new Northwest Power Planning Council study that foresees a 24 percent chance of an energy shortage during a winter in the near future.

Recognizing the prospect of energy shortages, BPA is working with the council to acquire a minimum of 166 average megawatts of cost-effective conservation during the 2002-2006 period.

Conservation is on the rise again.



## CONSERVATION NEVER WENT AWAY

But conservation isn't back at the Bonneville Power Administration because it never went away.

In fact, conservation plays a prominent role in BPA's FY 2002-2006 power rate case in the form of the conservation and renewables discount.

BPA is offering utilities and direct service industries a rate reduction incentive of up to 0.5 mills per kilowatt-hour to develop their own conservation and renewables programs. Through a discount on their monthly power bill, BPA will match, dollar for dollar, the money utilities or DSIs spend on new programs, programs in addition to what they were already planning to implement.

BPA is budgeting \$30 million a year for the discount program. If the agency's financial performance is substantially better than forecast in the rate case, BPA

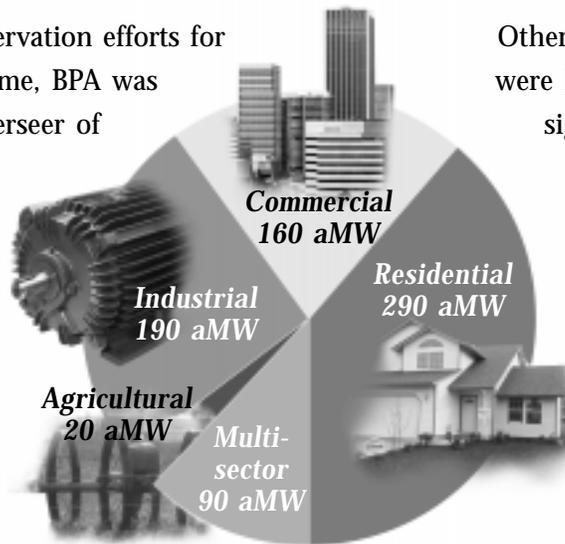
will make additional funds available for more activity in conservation and renewables.

Conservation and renewables also play a prominent role in another part of BPA's 2002-2006 power rate case. The agency is projecting that it will need to "augment" its current power supply with at least 1,000 aMW to meet demand. Various groups are weighing in on how much of that acquisition should be through cost-effective conservation. As mentioned earlier, BPA and the Northwest Power Planning Council agreed on a target of 166 aMW. This conservation acquisition could come through a variety of programs — the conservation and renewables discount, the market transformation efforts of the Northwest Energy Efficiency Alliance (see the bottom of page 3) and new efforts similar to BPA's traditional "legacy" programs.

## THE LEGACY CONSERVATION PROGRAMS

BPA has been a leader in conservation efforts for nearly two decades. During that time, BPA was the region's central funder and overseer of conservation initiatives. Since the passage of the Northwest Power Act of 1980, BPA has invested over \$1.75 billion in conservation. That investment in a clean, inexpensive "conservation power plant" provided the region with about 750 aMW of energy savings — nearly as much power as is generated by WNP-2, the Northwest's nuclear plant.

Many of the BPA-funded programs touched the public directly — for example, Super Good Cents housing programs, programs to wrap water heaters and install low-flow showerheads, and the program to increase the insulation standards for manufactured homes. The numbers are impressive: over 400,000 existing homes weatherized and over 80,000 new energy efficient homes.



*BPA programs have provided the Northwest with 750 aMW of conservation – nearly enough energy to serve the combined electricity needs of the cities of Tacoma and Port Angeles.*

Other programs that affected consumers were less obvious but, perhaps, even more significant. For example, the changes to state building codes to increase energy efficiency in homes continue into the future.

Some of the biggest savings acquisitions came from the commercial and industrial sectors. Over 10,000 commercial buildings and 400 manufacturing firms have improved energy technologies and equipment because of the BPA programs. This includes major improvements in the region's aluminum plants, which use a large portion of the region's electricity.

While the programs were centrally funded by BPA, they required a region-wide effort that involved the region's public utilities, state and local governments, private firms and consumers themselves.

While saving the 750 aMW was a major accomplishment, the nature of the conservation game changed in the early 1990s because of deregulation at the wholesale level and the development of a new generation of gas turbines. Utilities were competing to keep their rates low and any additional costs attributable to conservation were difficult to absorb.

The governors of the four Northwest states created the Comprehensive Review of the Northwest Energy System in 1996 to assess the impact of deregulation on the utilities in the region and to find ways to retain the benefits of the hydro system in the Northwest. The Comprehensive Review recommended that BPA not be responsible for meeting any of the region's load growth and, therefore, not acquire any new resources. This shift away from BPA's centralized conservation purchasing programs led to the Comprehensive Review's recommendation that the region's utilities take up any slack by investing 3 percent of their retail energy service revenues in conservation and

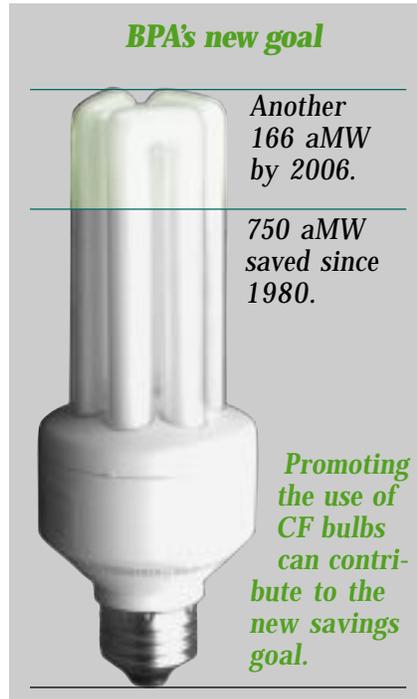
renewables.

In reducing its role in directly funding conservation, BPA didn't drop conservation, but it did change conservation's look.

BPA is still conducting some direct-funded conservation as it winds down its legacy programs, primarily in providing funding for low-income weatherization. BPA also supports its public utility customers by providing technical assistance in their conservation projects.

In fiscal year 1999, BPA received two conservation awards of note. The Good Cents Energy Services Group of Atlanta, Georgia, presented the agency with the Golden Rooftop Award for its manufactured housing program that resulted in over 81,000 manufactured homes meeting energy efficiency

standards. And BPA shared the Federal Energy and Water Management award with the General Services Administration and the U.S. Army for an innovative financing program that freed up more federal money for conservation.



## MARKET TRANSFORMATION

The emphasis of the new and continuing programs is on market transformation techniques. Most legacy conservation programs attempted to influence consumer choice in buying energy-using equipment, for example, by offering a rebate to buy the more energy efficient kind. Market transformation attempts to influence the manufacturers and distributors so store shelves contain only energy-efficient equipment in the first place. This approach is gaining acceptance nationwide because it is a cheaper and more direct way of changing consumer behavior.

In this region, the Northwest Energy Efficiency Alliance is leading the way on market transformation. The Alliance was founded in 1996 by BPA, the region's

investor-owned utilities and others to bring affordable energy-efficiency products and services to the marketplace. BPA provides over half of the Alliance's funding — up to \$15 million a year. Some of the Alliance's major efforts include Energy Star programs that promote the use of compact fluorescent lights and of resource-efficient washing machines that save energy, water and detergent. By January 2000, the Alliance reported that 78,000 Energy Star washing machines had been sold through its Resource Efficient Clothes Washer Program. On average, each unit saves about 7,000 gallons of water a year (as much as one person drinks in a lifetime) and about 325 kilowatts per year.

Total savings in the Northwest amount to 550 million gallons a year. The energy saved totals nearly 3 aMW.

Other Alliance programs cover promoting the use of premium efficiency motors, strengthening building codes, demonstrating energy-efficient lighting fixtures and increasing the efficiency of silicon crystal growing facilities. Many of the programs, including the Lighting Design Laboratory in Seattle and Super Good Cents Manufactured Housing, originated at BPA but were transferred to the Alliance to broaden their financial base and expand their regional scope.

BPA itself became an Energy Star partner in 1999 and is promoting the program among the region's

public utilities, 25 of which have also joined the partnership. Energy Star is a collaborative program headed by the Environmental Protection Agency and the Department of Energy that also includes various utilities, manufacturers and distributors. The Energy Star logo on consumer products identifies them as energy efficient. By participating, BPA becomes part of a national marketing effort to boost consumer awareness. BPA expects to work with other utilities in the region to expand their marketing dollars to increase attention on conservation. The overall national goal of the program is to prevent pollution and reduce the use of energy by promoting energy-efficient products.

## IT'S ABOUT HELPING THE REGION AVOID AN ENERGY CRISIS

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BPA is committed to conservation as one of its public responsibilities. Even when it isn't in the news, conservation makes sense to and is valued by many residents of the region. Several surveys have shown that the public values conservation for economic and social reasons.

Especially when power prices are high, conservation is often the most economical way to acquire more power. Conserving power is often less expensive than building new generation plants. Beyond economics, many people value conservation because it reduces the need to burn nonrenewable fossil fuels, avoids air pollution and encourages individual action to address energy consumption.

And, as the nation has seen energy shortages and huge price spikes in the Midwest and on the East Coast, a new form of conservation is arising to deal

with those problems. Using price signals and other incentives to reduce demand at critical high-use times, BPA and utilities can save money and reduce the need to operate the oldest, most polluting power plants. This may also be a technique that can postpone or avoid construction of new power lines.

While the nature of BPA's involvement in conservation may change in response to the changing energy industry environment, the agency's commitment to conservation is bedrock solid.

Too often in the past, conservation has been turned to mainly in times of energy crisis. The Northwest now has an opportunity to prevent an energy crisis by actively pursuing the many forms of conservation that are now available. BPA stands ready to do its part and demonstrate the strength of its commitment to conservation.

## FOR MORE INFORMATION

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To find out more about BPA's conservation efforts and programs, visit BPA's Energy Efficiency Web site at:

<http://www.bpa.gov/Energy/N>

If you have specific questions about BPA's conservation activities call, 800-973-7479.

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