

Background information

IG memorandum on BPA's conservation program

October 30, 2006

On October 12, 2006, the Office of Inspector General of the U.S. Department of Energy completed a routine audit of two of the Bonneville Power Administration's innovative rate credit programs. The IG chose not to issue a formal report or request any follow-up. The IG did summarize concerns and made suggestions for improvements in a summary memo. The two programs evaluated are the Conservation and Renewables Discount and Conservation Rate Credit.

Bonneville operates nationally recognized conservation programs that have won awards from the Alliance to Save Energy and the American Council for an Energy Efficient Economy. Through its conservation programs, BPA and its customers have achieved savings equivalent to a nuclear power plant at a low cost to the ratepayers.

BPA is open to program improvements and takes suggested shortcomings very seriously.

While acknowledging that BPA is on track to meet its conservation goals, the IG report states that, in some circumstances, BPA pays more for conservation than it costs to implement the conservation measure and in other circumstances pays for conservation measures that were not cost effective.

BPA believes the following facts help to clarify both conclusions.

- The IG suggested that BPA will be paying more for some Conservation Rate Credit program measures than installation of the measures actually costs. The IG arrived at this conclusion because it used a data base showing measure costs in 2000 dollars and compared those with our data base using 2007 dollars. If the IG had adjusted the 2000 costs for inflation, the conclusion might have been different because it would have been based on an apples to apples comparison.
- BPA packages its conservation program so that some measures that may not be cost effective are combined with cost-effective measures in order to make it possible for a utility to market the cost-effective measures successfully and to actually deliver the programs. This standard portfolio approach is used across the nation by many utilities implementing energy efficiency programs because, overall, it encourages the broadest adoption of conservation measures. BPA will continue to monitor these situations and evaluate measures as appropriate.

The IG also found that the BPA oversight and data validation procedures in the new Conservation Rate Credit program are better than those in the earlier Conservation and Renewables Discount program. BPA will prepare a more comprehensive oversight plan for the CRC as suggested in the memorandum.