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TESTIMONY of

ALLAN E. INGRAM, MICHAEL A. ROSE, JOSHUA P. WARNER,

DEBRA J. MALIN, and JOHN B. PYRCH

Witnesses for Bonneville Power Administration

**SUBJECT: CONSERVATION PROGRAMS, CONSERVATION RATE CREDIT,  
AND GREEN ENERGY PREMIUM**

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6 **SUBJECT: CONSERVATION PROGRAMS, CONSERVATION RATE CREDIT,**  
7 **AND GREEN ENERGY PREMIUM**

8 **Section 1: Introduction and Purpose of Testimony**

9 *Q. Please state your names and qualifications.*

10 A. My name is Allan E. Ingram, and my qualifications are contained in WP-10-Q-BPA-28.

11 A. My name is Michael A. Rose, and my qualifications are contained in WP-10-Q-BPA-64.

12 A. My name is Joshua P. Warner, and my qualifications are contained in WP-10-Q-BPA-58.

13 A. My name is Debra J. Malin, and my qualifications are contained in WP-10-Q-BPA-41.

14 A. My name is John B. Pyrch, and my qualifications are contained in WP-07-Q-BPA-63.

15 *Q. What is the purpose of your testimony?*

16 A. The purpose of our testimony is to sponsor the Conservation Rate Credit (CRC) with  
17 renewable option, the Green Energy Premium (GEP), associated General Rate Schedule  
18 Provisions, and those sections of the Wholesale Power Rate Development Study  
19 (WPRDS), WP-10-E-BPA-05, Sections 2.11, 2.12 and WPRDS Documentation, WP-10-  
20 E-BPA-05A, including Appendices B, C, and D that address the CRC and GEP.

21 *Q. How is your testimony organized?*

22 A. This testimony consists of six sections, including this introductory section 1. Section 2  
23 explains how the Bonneville Power Administration (BPA) is proposing to implement its  
24 Near-Term Policy for Power Supply Role for Fiscal Years 2007-2011 (Near-Term  
25 Policy) through the Final Post-2006 Conservation Program Structure to support the  
26 regional development of cost-effective conservation in the firm power customer loads  
27 supplied by BPA. Section 3 describes and explains the proposed CRC, including the

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1 amount of the CRC, and eligibility and participation in the CRC. Section 4 describes the  
2 proposed renewables option of the CRC. Section 5 describes the Green Energy Premium,  
3 why it is being proposed, and its implementation.  
4

5 **Section 2. Ensuring Regional Development Of Cost-Effective Conservation**

6 *Q. BPA issued the Near-Term Policy on February 4, 2005, and the Final Post-2006*  
7 *Conservation Program Structure on June 28, 2005. What guidance do these policies*  
8 *provide for BPA's conservation program for this rate period?*

9 A. The Final Post-2006 Conservation Program Structure adopted 5 principles to guide the  
10 development of BPA's acquisition programs in the post-2006 period. These principles  
11 are:

- 12 1) BPA will use the Northwest Power and Conservation Council's (Council) 5th  
13 Power Plan to identify the regional cost-effective conservation targets upon which  
14 BPA's share (approximately 40 percent) of cost-effective conservation is based.
- 15 2) The bulk of the conservation to be achieved is best pursued and achieved at the  
16 local level, although there are some initiatives that are best served by regional  
17 approaches (for example, market transformation through the Northwest Energy  
18 Efficiency Alliance). The knowledge that local utilities have of their consumers  
19 and consumer needs reinforces many of the successful energy efficiency programs  
20 being delivered today.
- 21 3) BPA will seek to meet its conservation goals at the lowest possible cost to BPA.  
22 While only cost-effective measures and programs are pursued, the region can  
23 benefit by working together to jointly drive down the cost of acquiring those  
24 resources.
- 25 4) BPA will continue to provide an appropriate level of funding for local  
26 administrative support to plan and implement conservation programs.

1 5) BPA will continue to provide an appropriate level of funding for education,  
2 outreach, and low-income weatherization.

3 *Q. In its Final Post-2006 Conservation Program Structure of June 28, 2005, BPA states that*  
4 *it has a strategic objective to ensure development of all cost- effective energy efficiency in*  
5 *the loads BPA serves and to facilitate development of regional renewable resources.*  
6 *How will the proposed CRC and its underlying programs serve to meet this objective?*

7 A. In the Initial Proposal, the proposed CRC is included to encourage the regional  
8 development of incremental energy efficiency gains and renewable resources by BPA's  
9 customers. This objective strives to capture all cost-effective conservation in those  
10 customer loads supplied by BPA. With that in mind, the CRC mechanism would allow  
11 BPA's customers to design conservation and renewable resource programs that best meet  
12 their needs, while meeting regional cost-effectiveness standards as developed by the  
13 Council. In addition, BPA proposes to continue its support for market transformation  
14 activities through the Northwest Energy Efficiency Alliance (NEEA) and programs for  
15 utility, Federal agency, and bilateral conservation acquisition contracts. The combination  
16 of these activities will enable BPA to achieve its share of the Council's conservation  
17 target, which will help ensure BPA meets its strategic objective.

18 *Q. Why does BPA believe it is important to encourage cost-effective conservation resource*  
19 *development?*

20 A. BPA is directed by the Northwest Power Act to encourage the development of cost-  
21 effective conservation resources. Historically, BPA has met this directive through  
22 centralized conservation acquisition programs. Conservation is recognized as a resource  
23 that is used to meet regional firm power load. See WPRDS, WP-10-E-BPA-05A  
24 Appendix D, Final Post-2006 Conservation Program Structure.

1 *Q. How much cost-effective conservation is BPA planning to develop?*

2 A. Presently, BPA's target is an average of 52 aMW per year. This number is based on the  
3 Council's current 5th Power Plan; however, the Council is presently developing its 6th  
4 Power Plan. It is expected that BPA's share of the target in the 6th Power Plan will be at  
5 least an average of 70 aMW per year. A portion of the target would be achieved through  
6 the proposed CRC. We believe the proposed CRC and Post-2006 Program provide a  
7 proper level of encouragement to develop conservation in the region, consistent with the  
8 Plan's target.

9 *Q. Do you believe the CRC and Post-2006 Program Structure will encourage regional*  
10 *conservation development?*

11 A. Yes, we do. It is important to note that BPA developed its post-2006 conservation  
12 approach with the active participation of its customers, Council staff, and interested non-  
13 customer stakeholders. Based on the input from these sources, we believe the CRC and  
14 Post-2006 Program will achieve BPA's conservation goal. Since the start of CRC and  
15 the Post-2006 Program, BPA and its customer utilities have been successful in meeting  
16 and exceeding the annual conservation target.

17  
18 **Section 3. The Conservation Rate Credit**

19 *Q. Please describe the proposed Conservation Rate Credit.*

20 A. The proposed CRC continues to cover the program implemented in the FY 2007-2009  
21 rates. The CRC would continue to be a credit on a customer's monthly power bill. It  
22 would be credit on the firm power rate available to customers purchasing power under the  
23 PF-10 and NR-10 rate schedules, and non-aluminum direct-service industrial customers  
24 (DSIs) purchasing under the IP-10 rate schedule. Acceptance of the credit creates an  
25 incentive and responsibility for customers to develop and acquire conservation and  
26 renewable resources.

1 *Q. Is the CRC related to the conservation surcharge mechanism included in the Northwest*  
2 *Power Act?*

3 A. No. The CRC is not related to the conservation surcharge that the Administrator may  
4 impose as provided in section 4(f)(2) of the Northwest Power Act. Unlike the CRC, a  
5 conservation surcharge may be established based on a recommendation made by the  
6 Council to recover costs within states or political subdivisions which have not  
7 implemented conservation measures.

8 *Q. Would BPA impose a conservation surcharge, if recommended by the Council?*

9 A. Pursuant to section 4(f)(2), the Administrator may choose to impose a surcharge based  
10 upon a recommendation of the Council to do so. The Council has not made such a  
11 recommendation. Therefore, we cannot say whether or not BPA would impose a  
12 conservation surcharge without viewing the underlying reasons for one.

13 *Q. Please describe in detail how the CRC would be reflected on the customers' power bills.*

14 A. As proposed, the CRC would be billed as a line item reduction in the customer's monthly  
15 power bill. This is the same approach used for the current CRC program. The monthly  
16 CRC amount would be set prior to the rate period based on each customer's forecast  
17 average net requirements. The CRC would be deducted as a dollar amount and would not  
18 affect calculation of other billing factors.

19 *Q. What is the amount of the proposed CRC?*

20 A. The amount of the proposed CRC is \$0.50 per MWh of forecast average net requirements  
21 made under the applicable rate schedules.

22 *Q. How was the amount of the CRC derived?*

23 A. The \$0.50 per MWh amount of the proposed CRC is based on the successful  
24 implementation of the current CRC. We believe the current level is sufficient to support  
25 BPA's long-term goal of stable conservation funding over time.

1 *Q. Why was a specific amount chosen?*

2 A. A specific charge per MWh applied to a customer's forecasted Subscription power  
3 purchases would allow the customer to prepare fixed annual budgets for conservation and  
4 renewables expenditures that are equal to its eligibility for the CRC. Use of this method  
5 also allows for simplified billing procedures.

6 *Q. Would the CRC amount be applied to forecast or actual loads?*

7 A. As proposed, the CRC would be applied to forecast loads. Specifically, the CRC would  
8 apply as follows. For Slice customers, it would be based on their individual percentage  
9 of the critical system annual amount of 7,070 aMW. For other customers, BPA would  
10 use the forecast average net requirements for the rate period to determine each customer's  
11 CRC eligibility. The use of actual loads would make the CRC amount difficult to  
12 segregate for billing purposes. The actual CRC would vary by month and would be  
13 subject to revision in situations where bills must be estimated or corrected. Low Density  
14 Discount calculations would also be complicated by monthly adjustments.

15 *Q. Are there energy savings attributed to the CRC?*

16 A. The CRC is an alternative to centrally designed acquisition programs and the traditional  
17 conservation planning process. As part of a portfolio of conservation tools, the CRC is  
18 intended to encourage BPA customers themselves to make the actual conservation  
19 investment decisions. No forecast of energy savings is included in the load forecast;  
20 however, based on our experience with the existing CRC program, energy savings are  
21 likely to be achieved. As proposed, BPA will not forecast such savings in the load  
22 forecast, but will include any and all conservation savings that are achieved through the  
23 CRC toward meeting BPA's conservation target.

24 *Q. Are customers who purchased under Pre-Subscription contracts eligible for the CRC?*

25 A. No. The remaining Pre-Subscription contracts are not eligible for the CRC.

1 Q. *Are investor-owned utility (IOU) customers that participate in the Residential Exchange*  
2 *Program eligible for the CRC?*

3 A. No. The proposed PF-10 Exchange rate does not include the CRC; therefore, customers  
4 purchasing power under the PF-10 Exchange rate are not eligible for the CRC. However,  
5 IOU customers that purchase power under the NR-10 rate schedule are eligible for the  
6 CRC. *See* General Rate Schedule Provisions, WP-10-E-BPA-07, Section II.A. *See also*  
7 Short-term Bridge Residential Purchase and Sale Agreement for the Period Fiscal Years  
8 2009-2011 and Regional Dialogue Long-Term Residential Purchase and Sale Agreement  
9 for the Period Fiscal Years 2012-2028 Administrator's Record of Decision, September 4,  
10 2008, at 37-39.

11 Q. *Are DSIs eligible for the CRC?*

12 A. Non-aluminum DSIs purchasing firm power under the IP-10 rate will be eligible to  
13 participate in the CRC. Aluminum-related DSIs are not eligible for participation.

14 Q. *Why are aluminum-related DSIs not eligible for the CRC?*

15 A. BPA conservation programs require all measures to meet cost effectiveness standards.  
16 Aluminum market price volatility and other business issues have resulted in the shutdown  
17 of most regional aluminum DSI loads. Because this volatility is expected to continue, it  
18 is not clear that the measure lives will be long enough to meet cost-effectiveness  
19 standards. The policy decision to provide the CRC only to non-aluminum DSIs was  
20 made in the policy document entitled Final Post-2006 Conservation Program Structure.

21 Q. *How will BPA determine whether the customer is participating in the CRC?*

22 A. It is assumed that all eligible customers would participate in the CRC, and this is  
23 reflected in the program revenue forecast. *See* Close-out report for FY 2010-2011  
24 Program Levels at <http://www.bpa.gov/corporate/Finance/IBR/IPR/> pages 5, 6 and 16.  
25 The CRC would be reflected on all customers' bills automatically during the first year of  
26 the rate period. Actual participation would be determined, in the future, based on the

1 actions the customer takes to implement or support conservation and renewable resources  
2 development in the region. Actions include activities or measures developed by the  
3 Regional Technical Forum (RTF) or other cost-effective measures as approved by BPA  
4 to qualify for the CRC. Customers participating in BPA's conservation programs,  
5 including the CRC, are required to report their accomplishments in the planning,  
6 tracking, and reporting (PTR) system that is used to monitor achieved conservation  
7 savings.

8 *Q. Can customers opt out of the CRC?*

9 A. Yes. Customers choosing to opt out would not receive the CRC on their monthly bills  
10 and therefore would pay a rate \$0.50 per MWh higher than participating customers.  
11 Customers may elect not to receive the CRC monthly rate credit by providing written  
12 notice during the rate period. *See* General Rate Schedule Provisions, WP-10-E-BPA-07,  
13 Section II.A.

14 *Q. Are there any penalties if customers do not participate in the CRC?*

15 A. There are no penalties proposed for customers that do not participate in the CRC.  
16 Customers must demonstrate that they have made expenditures equal to the total, if any,  
17 CRC received. However, utilities not qualifying for, or not participating in, the CRC will  
18 pay the posted rate without the CRC for BPA power purchases under their Subscription  
19 contracts.

20  
21 **Section 4. Renewables Option**

22 *Q. What is the proposed renewables option?*

23 A. Under the proposed renewables option, customers interested in pursuing renewable  
24 resource activities can elect to use a portion of the CRC for such purpose. The  
25 renewables option provides for a portion of the CRC credit to be used by the customer in  
26 support of developing a renewable resource or in the purchase of power generated by

1 renewables or other activities contemplated in the CRC/Conservation Acquisition  
2 Agreement (CAA) Implementation Manual or its successor.

3 *Q. Why does BPA believe it is important to encourage renewable resource development?*

4 A. One of BPA's purposes under the Northwest Power Act is to use the flexibility of the  
5 FCRPS to encourage renewable resource development within the region. BPA has set a  
6 goal of ensuring the development of its share of regional renewables. BPA's share of  
7 renewables is estimated to be equal to roughly 40 percent of the renewables forecasted by  
8 the Council in its most recent Power Plan.

9 *Q. What will be the benefits of providing a CRC renewables option?*

10 A. We believe the renewables option may have the following benefits:

- 11 1) Increase renewable energy supplies within the region; and
- 12 2) Meet customer interest for renewables.

13  
14 *Q. How will money be apportioned among customers electing the renewables option?*

15 A. Customers electing to participate in the renewables option of the CRC would be required  
16 to submit to BPA a funding request three months prior to the beginning of each fiscal  
17 year of the rate period. If funding requests in aggregate exceed the FY 2010 and FY  
18 2011 limits, the funding requests would be prorated to ensure the FY 2010 and FY 2011  
19 limits are not exceeded. However, the *pro rata* reduction would not apply to small and  
20 Federal customers as described in the CRC/CAA Implementation Manual or its  
21 successor.

22 *Q. How will a prorated reduction in a customer's renewable resource activity affect their  
23 total CRC eligibility?*

24 A. As proposed, a prorated reduction would not affect a customer's total CRC eligibility.  
25 The *pro rata* reduction would affect only their ability to apply their eligibility towards  
26 renewables development activities.

1 *Q. How will BPA monitor customer Renewables Option progress under the CRC?*

2 A. Customers will be required to use the CRC Reporting Software to report their renewable  
3 activities. Customers will be required to submit annual progress reports for renewables  
4 comparing their spending on eligible measures with prorated funding levels. Customers  
5 will be required to reimburse BPA when qualifying CRC expenditures are less than the  
6 customer's prorated funding level. *See* General Rate Schedule Provisions, WP-  
7 10-E-BPA-07, Section II.A.(3)(c)(3).

8 *Q. Are Slice customers eligible for the renewables option of the CRC?*

9 A. Yes.

10  
11 **Section 5. Green Energy Premium**

12 *Q. Please describe the Green Energy Premium (GEP).*

13 A. As proposed, the GEP is a dollar amount that is paid by customers choosing to purchase  
14 Environmentally Preferred Power (EPP) or Alternative Renewable Energy (ARE) as part  
15 of their Subscription power sales contract with BPA. As proposed, it would result in an  
16 adjustment to the customer's applicable firm power rate. Customers selecting the GEP  
17 would continue to receive system power deliveries from BPA. In addition, these  
18 customers would receive Renewable Energy Certificates associated with their EPP or  
19 ARE.

20 *Q. Why is the GEP proposed in its current form?*

21 A. BPA previously provided customers the opportunity to purchase EPP or ARE and applied  
22 the GEP. Based on customer demand, we propose to continue offering EPP and ARE  
23 and continue to apply the GEP.

24 *Q. Is the GEP limited to Subscription requirements power purchases?*

25 A. Yes. These purchases require a customer to commit a portion of its Subscription  
26 purchases, served at a posted requirements rate, to service at the posted rate plus the GEP.

1 This is done by designating a portion of the customer's Subscription purchases as EPP or  
2 ARE. The proposed GEP would be available to customers purchasing power under the  
3 PF-10 and NR-10 rate schedules.

4 *Q. Is there any limit to the amount of EPP or ARE that can be purchased under the GEP?*

5 A. Yes. As proposed, the amount of EPP or ARE subject to the GEP and available to  
6 individual customers would be limited by the individual customer's Subscription  
7 requirements power purchases and BPA's inventory of renewable resources included in  
8 the EPP and ARE portfolio, excluding the large Federal hydroelectric projects.

9 *Q. How would BPA price the GEP?*

10 A. The GEP would be priced at the value of the associated environmental attributes expected  
11 to be produced by resources included in the EPP and ARE portfolio and any contractual  
12 call rights for EPP and ARE. The customer's power bill would have an additional line  
13 item showing the elected EPP or ARE energy amount in MWh times the GEP.

14 *Q. How would the revenue generated by the GEP be used?*

15 A. Revenues from the proposed GEP would be reinvested in renewable research projects  
16 through BPA's Technology Innovation program. While BPA is forecasting GEP revenue  
17 for the FY 2010-2011 rate period, it should be noted that if revenue is less than forecast,  
18 the funding amounts available for the above activities will be correspondingly reduced.

19 *See Close-out report for FY 2010-2011 Program Levels at*

20 <http://www.bpa.gov/corporate/Finance/IBR/IPR/>, and the associated background

21 presentation given at the IPR workshop on May 22, 2008.

22 *Q. Does this conclude your testimony?*

23 A. Yes.

24