

BP-12 Power Rate Case Workshop 7(b)(2) Conservation Treatment

Key Points:

- Conservation resources included in the resource stack and added to Priority Firm loads in the 7(b)(2) Case should reduce the Administrator's load obligation.
- Conservation resources are assumed to have a limited "useful life;" that is, they become obsolete as time passes and technology improves.
- Prior conservation savings amounts that were excluded under the Subscription contracts because they did not reduce the Administrator's load obligations are to be restored in the BP-12 resource stack because these savings will have informed the CHWM determinations (i.e. reduced the Administrator's load obligations). These additional savings for FY2003-FY2009 total 65.7 aMW.
- The amount of conservation costs and savings contained in the BP-12 resource stack are significantly higher than the levels contained in the WP-10 resource stack due to the Council's Sixth Power Plan. The proportion of capitalized conservation costs in relation to total conservation costs has also increased significantly, see Exhibit 8.
- The amount of REP benefits could change markedly depending on the determination of the amount of conservation resources that are included in the resource stack going forward (FY2012-2028). The amount of conservation savings to include in the resource stack hinges on 1) the replacement of obsolete conservation with "legacy" conservation (that conservation which informed the determination of Initial CHWM for the duration of the Regional Dialogue contracts), 2) which service territories implement conservation, and 3) customer elections for service of Above-HWM load.

Key Methodological Changes:

1. The Council's assumption for the composite useful life of conservation resources was changed in the Sixth Power Plan (FY2010-2014) to 13 years.
 - ◆ Conservation useful life changed from 15 to 13 years for conservation resources acquired after FY2009 in the 7(b)(2) Case. Amortization period for capitalized portion of conservation program costs would be changed from 15 to 13 years for conservation resources acquired after FY2009. Capitalized costs would be recovered over a shorter period of time.
 - ◆ Past Methodology of excluding conservation resources that are fully amortized before the end of the rate test period (FY2017 for BP-12) would be maintained (resources are considered obsolete at the end of their amortization period).
 - ◆ Conservation for FY2003-2017 would be included in the resource stack. Conservation resources pertaining to the years FY2003-2009 would be amortized over 15 years, while resources pertaining to the years FY2010-2017 would be amortized over a 13-year period.

2. Tiered Rate Methodology changes the determination of the amounts of BPA-funded conservation which reduce the Administrator's load obligation, and therefore can be included in the resource stack.
 - Customer elections would be the basis for determining inclusion of customer-specific conservation going forward (FY2012-2017). Conservation will be aggregated by distinct groupings of individual customer amounts depending on these elections:
 - Where a customer is at or below its RHWM, BPA-funded conservation would be included in the 7b2 resource stack.
 - Where the balance of a customer's Above-HWM load election is either at the load-shaping rate, or in the form of Tier 2 purchases, conservation would be included.
 - Where the balance of a customer's Above-HWM load elections are self-supplied, conservation would be excluded (subject to replacement based upon legacy conservation effect on Initial CHWM and the RHWM Augmentation limit).
 - Conservation investments prior to FY2012 would continue to be included in the resource stack based upon the useful life/obsolescence considerations.
 - Because past conservation investments informed the initial CHWM, and set the RHWM Augmentation limit, a certain amount of the conservation going forward will need to replace these levels of past conservation when they become obsolete.
 - BPA staff are open to exploring with rate case parties different approaches for addressing the replacement of obsolete conservation that informed CHWM commitments for the duration of the 17-year (FY2012-2028) Regional Dialogue contract period.
 - Different views are currently under consideration and could result in a change in the amount of conservation savings in future rate case resource stacks by as much as 300 aMW when compared to the level of conservation savings in the WP-10 resource stack.