

# Conservation and Energy Efficiency

## Financial Choices Workshop: September 4, 2002

**\$ in Millions**

	FY 2000	FY 2001	FY 2002			FY 2003		
	Actuals	Actuals	June 2001 Rate Case	Aug 2002 Forecast	Delta	June 2001 Rate Case	Aug 2002 Forecast	Delta
16 Conservation and Energy Efficiency	32.7	30.5	29.4	40.8	11.4	31.4	41.1	9.7
17 NORM - PNRR 1/			0.0	0.0	0.0	2.7	0.0	(2.7)
18 Revenue Offsets from Reimbursable Contracts			0.0	(11.5)	(11.5)	0.0	(10.0)	(10.0)

**\$ in Millions**

	FY 2004			FY 2005		
	June 2001 Rate Case	Aug 2002 Forecast	Delta	June 2001 Rate Case	Aug 2002 Forecast	Delta
16 Conservation and Energy Efficiency	31.6	44.2	12.6	32.0	40.8	8.8
17 NORM - PNRR 1/	2.7	0.0	(2.7)	2.7	0.0	(2.7)
18 Revenue Offsets from Reimbursable Contracts	0.0	(10.0)	(10.0)	0.0	(10.0)	(10.0)

**\$ in Millions**

	FY 2006			Average	Total Delta
	June 2001 Rate Case	Aug 2002 Forecast	Delta	Delta 2003-2006	
16 Conservation and Energy Efficiency	32.3	41.1	8.8		39.9
17 NORM - PNRR 1/	2.7	0.0	(2.7)		(10.8)
18 Revenue Offsets from Reimbursable Contracts	0.0	(10.0)	(10.0)		(40.0)

### Major Subcategories:

1. Market Development (Federal Reimbursable Program = \$10 million per year on average)
2. Market Transformation (NW Energy Efficiency Alliance Support = \$12 million per year on average)
3. Conservation (Legacy Contracts and Low Income Weatherization = \$8 million per year on average)
4. Technology Leadership (EnergyWeb, Innovation, and Information/Education/Outreach = \$3.8 million per year on average)
5. Energy Efficiency Staff and Related Costs (\$8.1 million per year on average)

Energy Efficiency programs are implemented to meet Regional conservation savings targets. Although every effort is made to anticipate the financial requirements of our energy efficiency programs, the numbers provided are projections, which are subject to adjustment based on changing circumstances.

### Drivers of Difference from Rate Case:

Energy Efficiency's Market Development Program is the principle driver of these increases. Market Development refers to project support services the Energy Efficiency organization provides primarily to other Federal Agencies under InterAgency Agreements. The Energy Efficiency organization expanded its projected expenses (and offsetting revenues) for its Market Development Program in response to increased demand for project support services by other Federal agencies striving to meet energy reduction requirements goals established in EPACT and various "Greening of Government" Executive Orders.

**Calculation of Revenue Offsets/Efficiency Gains:**

Market Development costs (BPA labor, materials, and subcontractor expenses) are reimbursed upon project completion. Market development costs are rate neutral. Revenues from project reimbursements offset expenses incurred.

**Consequences of Cost Cuts/Tradeoffs:**

Terminating the EnergyWeb expense budget (\$6 million over 03-06 period that is presented under Approach #2) would eliminate the initiatives for advancing our understanding, testing and deployment of new, cutting-edge technologies (i.e., communication and control for distributed generation and Demand Exchange applications, smart meters, smart appliances, etc.). It would delay BPA's (and its customers') efforts to incorporate these advancements into common practice to help reduce price volatility during extreme peak load events, solve transmission capacity and constraint-related problems, and other cost savings associated with advanced DSM technologies.

**Current Mechanisms for Enforcing Spending Levels:**

- Annual spending level targets are being put in place for FY2003-2006.
- EE Check-off Procedures require management review of expenditures over \$500.
- All expenditures over \$5,000 are reviewed by the EE Implementation Manager and approved by the EE VP.
- Monthly expenditure reports are prepared for all EE programs to monitor progress toward agreed upon budgets and to identify additional cost reduction opportunities.