



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

ENERGY EFFICIENCY

July 26, 2007

In reply refer to: KL-1

To Our Partners in Energy Efficiency:

As you are aware, BPA's Long-Term Regional Dialogue Policy (Policy) and Record of Decision (ROD) were released on July 19, 2007. The Policy outlines, among other things, how utility High Water Marks (HWM) will be adjusted by the amount of conservation achieved from FY 2007 through FY 2010. The Policy includes a provision to adjust each utility's HWM for both utility self-funded and BPA-funded conservation. The HWM calculation will initially credit utility self-funded conservation at 100 percent and BPA-funded conservation at 75 percent. For further details, including the pro rata adjustment, please see the Policy, Section II Service to Public Utilities, B.2., Step 6 on page 9.

This letter is to remind you that you have a one-time only 60-day window of opportunity from when the Policy and ROD were released to change the funding source for conservation activities from self-funded to BPA-funded, or vice versa. This applies to conservation measures and projects that have already been reported to BPA in your FY 2007 bi-annual Conservation Rate Credit (CRC) report and custom projects not yet reported or invoiced. This does not apply to Conservation Acquisition Agreement (CAA)-funded conservation measures and projects already invoiced and reimbursed by BPA.

Any utility wishing to take advantage of this opportunity must submit a written request to change the funding source to your BPA Energy Efficiency Representative (EER) no later than Monday, September 17, 2007. The request should include a brief description of what you would like to change, from which category of funding (utility self-funded or BPA-funded) and from which program (CRC or CAA), as applicable. Once the request is received by the EER, you will receive instructions on how to make the changes in the Planning, Tracking and Reporting (PTR) system. All utility self-funded conservation activities for HWM credit must be verified in the same manner as BPA-funded activities. Attached is an explanation of this process.

It has taken many months to get the Regional Dialogue documents to this point of release. During this time, many of you have expressed concern about uncertainties regarding how energy efficiency would be treated. With the release of the ROD and Policy, I am sure you will see that we have a positive environment to aggressively pursue energy efficiency in anticipation of new 20-year contracts.

I would also like to mention that BPA has executed agreements with several customers to purchase energy savings through non-standard agreements. In those agreements, BPA is purchasing energy savings through negotiated programs, in lieu of BPA's review and acceptance of individual custom projects. Because the Regional Dialogue process created uncertainties relating to submission and reporting of energy efficiency projects, BPA is offering flexibility in FY 2007 to ensure that completed customized energy efficiency projects can still be credited toward the HWM calculation. If you have custom projects in process that were started after October 1, 2006, but not reviewed by BPA, I encourage you to contact your Energy Efficiency Representative. BPA is willing to negotiate the purchase of savings from those projects as part of a non-standard agreement. Please do not hesitate as BPA is limiting its purchase of custom projects started after October 1, 2006, but not yet accepted by BPA, to this fiscal year (September 30, 2007).

We look forward to working with you on your energy efficiency efforts. If you need additional clarification on changing the funding source for conservation, please contact your Energy Efficiency Representative.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Weedall". The signature is fluid and cursive, with the first name "Mike" written in a larger, more prominent script than the last name "Weedall".

Mike Weedall
Vice President, Energy Efficiency

Enclosure: Verification of Customer Self-Funded Conservation

cc: BPA Energy Efficiency staff

Energy Efficiency
Bonneville Power Administration

Verification of Post-2006 Customer Self-Funded Conservation

(July 2007)

Background and Summary

The Long Term Regional Dialogue Policy has provisions for utilities, during the FY 2007 - FY 2010 rate period to do self-funded conservation that will not decrease their High Water Mark (HWM) eligibility. BPA will verify conservation that can be credited toward a customer's HWM, even though the conservation is not being funded by BPA ratepayers. This process was formalized in the Long Term Regional Dialogue Policy (Policy) and Record of Decision (ROD), which was released July 19, 2007. The overall message is:

- Whatever is eligible to receive credit and permit oversight on a BPA-funded measure or project will be eligible to receive verified credit toward that utility's HWM;
- For deemed measures, reporting follows the procedures for reporting Conservation Rate Credit (CRC) claims - every six months (April and October). Utilities may enter data into the Planning, Tracking and Reporting (PTR) website as often as is convenient;
- For custom measures, pre-approval of the measurement and verification (M&V) approach (or pre-approval for any Distribution System Efficiency Improvements, Conservation Voltage Regulation, and New Construction custom measures) by a BPA engineer and the contracting officer's technical representative (COTR) assigned to that utility, and acceptance of a completion report on the M&V is required. All custom projects must be screened in the PTR system for cost-effectiveness;
- To count toward HWM calculations, self-funded measures must be Total Resource Cost cost-effective as defined by the Northwest Power and Conservation Council's 5th Power Plan; and,
- All claimed measures are subject to oversight and inspection by a BPA COTR or designated contractor, using the same criteria as for BPA-funded measures. The utility is responsible for record keeping, reporting, and allowing access to records for BPA oversight.

Self-funded conservation completed after October 1, 2006 will count toward the HWM calculation. In addition, only those cost-effective measures that are producing energy savings (based on measure life) on the customer's loads in 2010 will count towards the customer's HWM calculation.

Questions & Answers

1-My utility is self-funding projects that achieve energy savings. How do I know a project qualifies for credit toward the HWM?

The same requirements for claiming credits or reimbursement for BPA-funded measures or projects are required to get verified credit toward the HWM.

2-Do I wait until our utility self-funded custom project has been completed and inspected in order to enter it in the Planning, Tracking and Reporting (PTR) system?

No. Prior to implementing a custom project, the proposal must first be screened in the PTR for cost-effectiveness. Utility self-funded custom measures will require approval of the measurement and verification (M&V) plan before the measures can be purchased, just as BPA-funded custom measures require. Following approval, the project is ready for installation and the remainder of the process for the HWM calculation.

3-How often do I report self-funded conservation projects?

For deemed measures, reporting is the same as required for CRC -- every six months (April and October). Enter data in the PTR as convenient to the utility; send the report twice a year.

For custom measures, reporting begins before the measure is installed. That is, as stated in Answer 2, pre-approval is required for the M&V plan by the BPA engineer and the COTR. Pre-approval is also needed for any Distribution System Efficiency Improvement, Conservation Voltage Regulation, and New Construction custom measures. Then, after the project is completed, acceptance of a completion report on the M&V is required in order to report the self-funded custom project. Caution: this system does not provide a way to retroactively claim savings from custom measures.

4-Will utility self-funded measures be subject to oversight and inspection?

Yes. All claimed measures are subject to oversight and inspection by a COTR or designated contractor, the same as BPA-funded measures.

5-My utility did self-funded conservation in 2006, before October 1. Will those savings count toward our HWM?

No. Only self-funded measures completed after October 1, 2006, may be counted toward the utility HWM, provided they met all of the established criteria outlined above.

6-Will utility self-funded conservation whose measure life does not extend into FY 2010 count toward our High Water Mark?

No. Only those cost-effective measures that are producing energy savings (based on measure life) on the customer's loads in FY 2010 will count towards the customer's High Water Mark calculation. For example, a one-year measure installed in FY 2007 will not produce savings in FY 2010 and will not be counted.

7-Can a utility move a project from BPA-funded category to the utility self-funded category?

Yes. BPA is allowing utilities that have not been paid for measures a 60-day window of opportunity for changes, ending on September 17, 2007. Upon written requests to your Energy Efficiency Representative (EER), BPA will provide instructions on how to make the appropriate changes in the PTR system to adjust the funding source the utility originally selected. A utility could switch the funding source from BPA- to utility self-funded (or vice versa) provided no payments had been made.

8-Does the PTR website allow reporting utility self-funded activities?

Yes. The website has a "HWM Utility Funds" category for self-funded activities which will have the same conservation activities that are eligible for BPA funding.

9-Can a utility have some projects that are self-funded and others that are BPA-funded as long as I follow the approval/reporting criteria?

Yes. It is expected that individual utilities will have a mix of both self-funded and BPA-funded.