Conservation billing credits

Background
During BPA’s Energy Efficiency Post-2011 Review, customers expressed an interest in pursuing conservation activities that do not depend on funding through the Energy Efficiency Incentive. In response, BPA has decided to offer conservation billing credits during the 2016-2017 rate period. The program focuses on conservation activities by BPA customers and their potential to reduce the administrator’s need to acquire other conservation resources. BPA has concluded a public process to change its conservation billing-credit policy and develop billing-credit contract language in order to implement this program. Customers must decide by April 2015 if they want to pursue conservation billing credits.

What would be needed for BPA to offer billing credits?

Modify the billing credit policy
To offer billing credits under Regional Dialogue contracts, BPA needed to modify its 1993 billing-credit policy. The revised policy creates an option for customers that prefer to fund independent conservation activities directly rather than with budget funding under BPA’s Energy Conservation Agreement implementation, otherwise known as EEI. Customers that choose billing credits will be credited an amount equivalent to BPA’s cost if it had borrowed the funds it would have provided under the EEI.

Establish billing-credit contract language
Customers that choose conservation billing credits will receive revisions to their Regional Dialogue contracts. The revisions will establish the amount of the credit for each customer, the corresponding funding for their independent conservation activity and the expected conservation savings from such activity. Customers pursuing conservation billing credits will continue to follow BPA’s Energy Efficiency Implementation Manual.

Questions and answers

Why would a customer be interested in billing credits?
Customers that want to fund energy efficiency programs at the outset, rather than have BPA spread those costs over time, may prefer billing credits. Up-front funding could affect a customer’s retail rates in the near term but would avoid interest costs later, creating financial flexibility for the utility in the future.

What will the rate effects of billing credits be on customers that don’t participate in the program?
Billing credits are designed so that customers are neither harmed nor advantaged financially by another utility’s choice.

How long would billing credits last?
The billing credit will be provided in equal monthly amounts for the same period of time that BPA would have financed the EEI funding. This is currently 12 years.

How would minimum spending and acquisition levels be established?
Minimum spending levels will be based on the Tier One Cost Allocator EEI allocation for the rate period. The minimum acquisition range will be based on the customer’s Tier One Cost Allocator share of the programmatic savings target used by BPA in its energy
efficiency action plan for the rate period in question. The acquisition range will be from the TOCA-based target to 50 percent below the TOCA-based target.

**What will happen if a customer’s conservation efforts do not meet the minimum spending and acquisition levels agreed to in the contract?**

The amounts of the billing credit will be reduced if a customer fails to meet the financial and energy savings targets established in the language of the billing-credit contract.

**Will there be financial incentives for a customer to exceed the minimum savings expected under the contract?**

No. Billing credits will mimic the cost of the EEI, and savings will vary depending on the energy efficiency measures a customer undertook. BPA is not offering to provide additional incentives beyond the billing credit because it would be contrary to the directive under the Northwest Power Act that the rate impact on other customers be no greater than if BPA acquired resources in an amount equal to that actually saved by the customer’s energy efficiency measures.

**How would implementation verification under billing credits differ from the EEI?**

It won’t. All energy efficiency activities have to meet the rules established in BPA’s Energy Efficiency Implementation Manual, including the oversight review process, under either approach.

**What benefit will BPA get from billing credits?**

In addition to creating a funding model for utilities that prefer not to capitalize energy efficiency incentives, as requested by some customers, billing credits will reduce the amount of money that BPA must borrow to meet its energy efficiency goals.

**How will billing credits and third-party financing work together?**

Both billing credits and third-party financing would relieve pressure on BPA’s limited Treasury borrowing authority. The forgone EEI amount from each billing-credit customer would reduce related third-party borrowing by a like amount. Unless BPA and the customers agree to a different approach, third-party conservation financing is intended to be BPA’s main financing tool with the start of fiscal year 2016. Assuming BPA does put third-party conservation financing in place for fiscal year 2016, customers that do not participate in billing credits must execute third-party energy conservation agreements, also known as ECAs, to receive conservation funding.

**Key dates**

- **January 2015**
  - Final ROD, policy and contract language published.
- **February 2015**
  - Customers decide whether to take billing credits.
- **April 2015**
  - Billing-credit contract language executed.
- **May 2015**
  - Billing-credit decisions reflected in BP-16 rate case.
- **October 2015**
  - Implementation of billing-credit policy begins.

**For more information**

Please contact Scott Wilson, senior customer account executive, Bonneville Power Administration, PSW-6, P.O. Box 3621, Portland, OR 97208-3621; toll-free telephone 800-282-3713; direct telephone 503-230-7638 or e-mail skwilson@bpa.gov.