



Journal

June 2015

BPA's closes out the 2015 IPR2 process, decides to move EE capital program to expense in 2016

Bonneville Power Administration has decided to move its energy efficiency capital program to expense in the fiscal year 2016–2017 rate-period.

Taking this action will reduce BPA's long-term costs and power rates by avoiding an estimated \$1.3 billion in additional debt to fund conservation programs through 2028. That was the big news coming out of the 2015 Integrated Program Review, or IPR2, process that BPA concluded in May.

This decision also upholds BPA's strong commitment to the energy efficiency program features defined in the Post-2011 Review process. In addition, because of the decision to transition EE's capital program to expense, BPA will no longer need to proceed with conservation billing credits or third-party financing for energy efficiency.

If BPA were to transition EE from capital to expense in one rate period without reducing costs or using debt management tools, BP-16 power rates would have increased by slightly more than 4 percentage points above the BP-16 initial proposal. To mitigate that effect, BPA will offset an average of \$20 million per year in the Power revenue requirement through reductions in BPA spending levels. These include reductions of \$9.9 million in Power Services (including staffing), undistributed reductions of \$2.7 million in agency services that support Power Services, and \$7.4 million per year in adjustments to the EE program (previously capitalized) that are consistent with achieving the interim EE acquisition goals.

To fully eliminate the BP-16 power rate effect associated with the EE capital-to-expense transition, BPA will use debt management actions. These actions include refinancing \$757 million of Energy Northwest bonds not previously included in the refinancing of regional cooperation debt. BPA will use \$260 million of the amount freed up in the BPA fund as a result of the extension to smooth the rate transition to expense in fiscal years 2016–2019.

The remainder of the freed-up funds, \$497 million, will be used to pay off high-interest federal debt earlier than expected for a savings of nearly \$21 million through 2028,



This decision upholds BPA's strong commitment to energy efficiency

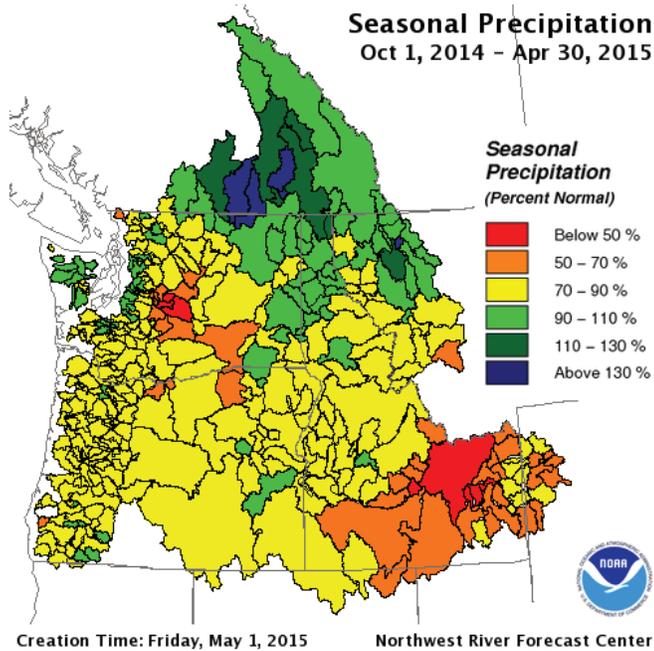
including \$1.5 million a year in interest savings during fiscal years 2016–2017. These debt management actions would not have been possible without the cooperation of the Energy Northwest Executive Board and its approval for extending Energy Northwest regional cooperation debt.

In the IPR2 close-out letter to the region, BPA administrator Elliot Mainzer stressed that moving the EE funding from capital to expense is an immediate action to reduce our total long-term debt, but it is not the only action BPA will be taking to address its long-term financial health. With an eye to being the low-cost energy provider of choice when new contracts are offered in 2028, BPA is developing a strategic framework that balances its multiple objectives while meeting its responsibilities as a federal power marketer and transmission provider. That effort includes exploring new approaches to capital portfolio management, cost management and budgeting processes. BPA is also refreshing its long-term rate forecasting capability to enable better long-term planning and decision-making. These types of actions will be ongoing as BPA places a renewed focus on its long-term cost structure and service delivery model.

Water volume okay; early runoff leads to dry year declaration

The unusually warm winter we have enjoyed this year brought higher than normal winter flows in the Columbia River Basin. However those same warm temperatures also melted snow earlier than usual, which is leaving less to melt during the peak of the runoff season.





Northwest precipitation for FY2015 as of May 1, 2015 from the Northwest River Forecast Center.

Unlike last year's early winter dry spell, which was followed by record setting rain and snow in February and March, the water volume forecast for January through July had been just below average since October. The main issue with this year's runoff is not the lack of precipitation but above-normal temperatures that caused much of the precipitation to fall as rain instead of snow, particularly in the U.S. portions of the Columbia Basin.

"Usually the January through July and April through August RFC percent-of-normal forecasts are pretty close to each other," says Erik Pytlak, manager of the Weather and Streamflow Forecasting group in BPA Power Services. "The widening gap between the January through July and April

through August forecasts highlights how much of the snowpack has already melted, made its way through the Columbia River, and is now out in the ocean. The good news is the snowpack in Canada does not usually melt until June and July, and snowpack in that part of the basin is still holding up relatively well."

The early runoff in the lower elevation snowpack, combined with below average precipitation in April, has caused the April through August water forecast by the Northwest River Forecast Center to drop to 71 percent of normal, or 62.4 million acre-feet, as published May 7 in the official final May forecast used for planning purposes. One acre-foot is a volume of water equivalent to one acre covered one foot deep with water — it's a little more than 325,000 gallons. This year became a "dry year" when the May final April through August forecast came in under 72.2 maf.

"We don't have as much water as we would like, but we're well prepared to handle the current situation," says Kieran Connolly, vice president of Generation Asset Management for BPA. "We've been through this before — as recently as 2010. We plan extensively every year, so we don't get flat-footed."

BPA has several options to mitigate power and fishery impacts in a Biological Opinion dry year. BPA, the U.S. Army Corps of Engineers, and the Bureau of Reclamation are working closely with input from the Technical Management Team to determine the best way to meet the needs of fish migrating in the Columbia River with a limited amount of water. Reservoirs are drawn down further than normal to provide more water for fish. One of the significant benefits of reservoirs is the ability to catch water and reduce the chances of flooding, or as is the case this year, release stored water during drier times. All of these options take water out of a future period when the reservoirs will need to be refilled, but they will help to reduce the need to purchase energy at potentially high prices this summer.

Energy-saving tech, trends and talk at Efficiency Exchange

Five hundred professionals shared best practices and heard about the latest energy-saving innovations and programs at Efficiency Exchange held in April in Portland, Ore. The conference, co-hosted by the Bonneville Power Administration and the Northwest Energy Efficiency Alliance, with support from the Northwest Power and Conservation Council, is a forum for the region's energy-efficiency community — utilities, implementers, contractors, vendors and others — to connect, learn from one another and find out how energy efficiency is evolving. This year's conference covered more than 34 topics, including the Internet of Things, combination water and space heating, and paths to deeper savings in commercial buildings and lighting.



Tom Eckman, director of the Northwest Power and Conservation Council's power division, said energy efficiency is still the best option for meeting the region's future energy needs.

“The world is changing around us,” said Richard Génécé, vice president of Energy Efficiency for BPA. “So it’s essential we continue to embrace partnership and strategize on ways to build on our legacy of success.”

Now in its third year, Efficiency Exchange is the biggest energy efficiency event in the region and emblematic of how the region works together.

“The Northwest is an established leader in energy efficiency,” said NEEA’s executive director, Susan Stratton. “We know collaboration.”

After hydropower, energy efficiency is the Northwest’s largest power resource. Since 1980, BPA and Northwest electric utilities have cumulatively saved over 5 average gigawatts of energy in all sectors of the economy. That translates to enough energy to power four cities the size of Seattle for an entire year or about \$3.5 billion in reduced electric bills for the people and businesses of the Northwest. The region’s energy conservation goals are set by the Northwest Power and Conservation Council, a sponsor of Efficiency Exchange.

In the closing session, a small group of speakers focused on the Northwest Power and Conservation Council’s upcoming 7th Power Plan and what it means for energy efficiency over the next five years. Wendy Gerlitz, policy director for Northwest Energy Coalition, noted that it will be important to focus on underserved populations such as low-income, renters and residents of mobile homes.

John Francisco, chief of energy resources for Inland Power and Light, which serves 13 counties in eastern Washington and northern Idaho, acknowledged that there’s not a one-size-fits-all approach for energy efficiency across the region. “It can be difficult connecting resources with customer needs,” Francisco said. “While attic insulation isn’t as sexy as solar, it works at night and may be a better option for some of our members.”

Tom Eckman, director of the Council’s power division, wrapped up the session. He observed that energy efficiency is still the best option for meeting the region’s future energy needs.

“When looking at the need for new [generation] resources, we search for cheap options first,” Eckman said. “And it’s always EE.” Eckman also noted the future will be ripe with opportunity — particularly with controls, which can provide low-cost measurement and monitoring — but the fundamental mission remains the same. “We need to explain and encourage all of the benefits of energy efficiency,” he said.

Despite their different perspectives, the speakers agreed that future energy savings are going to be harder and more expensive to acquire.

You can find more videos, information and comments from Efficiency Exchange on Conduit, an online community

that facilitates collaboration and coordination among energy efficiency professionals in the Northwest.

Gov. Inslee honors Washington industrial companies

Industry representatives from across Washington got the red carpet treatment as Gov. Jay Inslee recognized nine companies for their exceptional commitment to saving energy at the Washington Industrial Energy Leaders awards March 25 at the capital in Olympia. State leaders were joined by executives and staff from industrial companies, utilities and energy efficiency organizations at the ceremony.

“I am proud of the commitment these industry leaders have demonstrated to apply innovative solutions to achieve energy savings,” Gov. Inslee said. “A thriving industrial sector helps create and keep jobs in our state, support a strong economy and provide a cleaner environment for future generations.”

Gov. Inslee handed out six Governor’s Awards and three Sponsor’s Awards. The awards went to The Boeing Co. (Seattle City Light, Snohomish County PUD, and Puget Sound Energy), The City of Tacoma Central Wastewater Treatment Plant (Tacoma Power), Quincy Foods LLC (Grant County PUD), Inland Empire Paper Co. (Avista Utilities), Lineage Logistics (Puget Sound Energy), Shields Bag and Printing Co. (Pacific Power and Cascade Natural Gas), North Pacific Paper Corp. (Cowlitz PUD), and King & Prince Seafood Corp. and UniSea, which share a facility (Puget Sound Energy).

“It was rewarding to hear Gov. Inslee, utilities and industrial plant operators acknowledge the critical role that Bonneville and our customer utilities play in bringing energy efficiency expertise and other resources to the table,” said Brent Barclay, supervisory public utilities specialist at BPA.

Tacoma Power was on hand to congratulate Tacoma’s Central Wastewater Treatment Plant, which reduced its electricity use by 14.5 percent. “They have a dedicated energy team that is fully committed to saving energy through a variety of strategies, such as shutting down one of their oxygen generation compressors,” said Peter Meyer, commercial and industrial conservation manager, Tacoma Power. “And they’re a great example of how we’re helping industrial customers achieve cost-effective energy savings that improve their bottom line.”

The Washington Industrial Energy Leaders program was designed to recognize companies that are making exceptional progress toward improved energy efficiency. The program is sponsored by the Washington State University Energy Program, Northwest Energy Efficiency Alliance, Washington State Department of Commerce and Bonneville Power Administration, the program’s founding sponsor.

Public Involvement [updates & Notices]

BPA PROJECTS

BP-16 Rate Case [Regionwide]

BPA is conducting a consolidated power and transmission rate proceeding, BP-16, to set rates for the fiscal year 2016–2017 rate period. BPA is proposing a 6.7 percent average wholesale power rate increase and a 5.6 percent transmission rate increase. The formal rate-setting process will culminate in the filing of a final rate proposal and the administrator's record of decision with the Federal Energy Regulatory Commission in late July 2015. BPA will request approval for the rates to be effective Oct. 1, 2015. www.bpa.gov/goto/BP16.

Power

Alcoa Remand Public Process

BPA will accept public input and comment through June 8 to assist BPA in its response to the U.S. Court of Appeals for the Ninth Circuit decision issued Sept. 18, 2014. The ruling in *Industrial Customers of Northwest Utilities, et al. v. Bonneville Power Administration* related to BPA's contracts with its direct service industry customers. In ICNU, the Court instructed BPA to address four specific questions regarding service to Alcoa and the recovery of funds. Comments received during the comment period will assist BPA in its decision-making process before issuing a draft record of decision on these four issues in July 2015. www.bpa.gov/power/pl/regionaldialogue/implementation/Documents/DSI.SHTML.

Transmission

I-5 Corridor Reinforcement Project [Cowlitz, Clark counties, Wash.; Multnomah County, Ore.]

BPA published a project update with new information about the projected need for the line, as well as non-wires measures that could be used to relieve some of the congestion that the line is being designed to address. BPA continues to conduct surveys and studies to determine the potential impacts of the project. We expect to release a final environmental impact statement in late 2015, followed by a record of decision in 2016. If BPA decides to build the project, we would then focus on negotiating acquisition of the required easements from property owners and obtaining permits. www.bpa.gov/goto/i5.

Environment, Fish and Wildlife

Kootenai River restoration at Bonners Ferry [Boundary County, Idaho]

BPA issued a finding of no significant impact in May, along with the final environmental assessment and response to comments on the proposal to fund this project by the Kootenai Tribe of Idaho. The project will restore and enhance portions of the Kootenai River near Bonners Ferry. http://efw.bpa.gov/environmental_services/Document_Library/BonnersFerry/.

Crooked River Valley Rehabilitation Project [Idaho County, Idaho]

BPA, along with the USDA Forest Service, Nez Perce Tribe, and the U.S. Army Corps of Engineers, completed the final environmental impact

statement for the Crooked River Valley Rehabilitation project. The project proposes to rehabilitate two miles of Crooked River damaged by mining on Forest Service lands. The Forest Service is evaluating objections to its draft record of decision. BPA is a cooperating agency and expects to decide whether to fund this project in July. http://data.ecosystem-management.org/nepaweb/nepa_project_exp.php?project=40648.

Wallooskee Youngs Confluence Restoration Project [Astoria, Ore.]

BPA will issue a finding of no significant impact in June, along with the final environmental assessment and response to comments on the proposal to fund this project sponsored by the Cowlitz Indian Tribe. The project would restore and enhance 193 acres of tidal wetlands in the Columbia River estuary near Astoria. www.bpa.gov/goto/WallooskeeYoungs.

Programmatic Environmental Assessment for the Columbia River Estuary Restoration Program [Ore. and Wash.]

BPA, along with the Portland District, U.S. Army Corps of Engineers, will issue the Draft Programmatic Environmental Assessment for the Columbia River Estuary Restoration Program in June. The Columbia River Estuary Restoration Program was jointly instituted by BPA and the Corps to undertake the activities necessary to evaluate, protect, monitor, and restore fish and wildlife habitat in the lower Columbia River and estuary. The Corps is the lead agency on the Draft Programmatic Environmental Assessment. The Corps will post the Draft to the Corps NEPA website at www.nwp.usace.army.mil/Media/Announcements.aspx, as well as the BPA NEPA website at http://efw.bpa.gov/environmental_services/nepadocs.aspx. There will be a 30-day comment period after the draft is released.

Eightmile Ranch Coho Acclimation Project [Okanogan County, Wash.]

BPA is considering whether to fund the Confederated Tribes and Bands of the Yakama Nation's proposal to construct and operate an acclimation pond for coho salmon on the Eightmile Ranch. Eightmile Ranch, which is owned and operated by the Forest Service, is approximately eight miles north of the town of Winthrop, Okanogan County, Wash. The Forest Service and BPA jointly prepared an environmental assessment (EA). BPA will issue the final EA and a finding of no significant impact in June or July. The Forest Service will likely post their final EA and draft FONSI for public review later. http://efw.bpa.gov/environmental_services/Document_Library/EightmileAcclimation/.

CLOSE OF COMMENT

- **June 8**, Alcoa Remand Public Process

FOR MORE INFORMATION

Information on other projects under environmental review is available at www.bpa.gov/goto/NEPA.

For information about the National Environmental Policy Act in general, go to www.bpa.gov/goto/environmentalplanning.

The Journal is a monthly publication of the Bonneville Power Administration. If you have questions or comments, or you want to be added to the mailing list for any project, call toll free 800-622-4519.

To order copies of documents, call: 800-622-4520 or 503-230-7334. Written comments may be sent to: BPA, P.O. Box 14428, Portland, OR 97293-4428. Email address: comment@bpa.gov. BPA home page: www.bpa.gov. For details on BPA environmental reviews listed above, including site maps and documents issued to date, see www.efw.bpa.gov/environmental_services/nepadocs.aspx. Process Abbreviations: EA-Environmental Assessment, EIS-Environmental Impact Statement, ESA-Endangered Species Act, FONSI-Finding of No Significant Impact, NOI-Notice of Intent, ROD-Record of Decision.

