

IMPLEMENTATION MANUAL

for the

**CONSERVATION AND RENEWABLES
DISCOUNT**

**ADMINISTRATOR'S RECORD OF
DECISION**

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I. Background

In recent years the Bonneville Power Administration (BPA) has been examining ways to further the development of conservation and renewable resources in the Pacific Northwest. As part of its Power Subscription Strategy, BPA decided that it would include as part of its initial 2002 wholesale power rates proposal a conservation and renewables discount mechanism. *See* Power Subscription Strategy, Administrator's Record of Decision at 136. Consistent with this earlier decision, the Conservation and Renewables Discount (C&RD) Implementation Manual (Manual) describes the guidelines and measures that are necessary to implement and effectuate the policies of the C&RD power rate discount established in the BPA 2002 wholesale power rate proceeding, as finally approved by the Federal Energy Regulatory Commission. The C&RD is a power bill credit that will be made available to BPA regional wholesale power customers that take action to further conservation and renewable resource development in the region. In light of the region's experience with recent price volatility in the wholesale power market and increasing demand for generation, there is significant need and value for the benefits associated with the development of conservation and renewable resources in the region. BPA believes that the region will realize substantial value through lower energy costs, fewer emissions, less investment in transmission and distribution infrastructure, better customer service and higher system reliability by the development of more electric energy conservation, renewable resources, and new distributed energy technologies in the Pacific Northwest. Therefore, BPA considers the C&RD power rate mechanism or approach and the Manual to be integral foundations to future conservation efforts and the development of renewable resources in the region. Implementation of the measures contained in the Manual by BPA customers makes them eligible for the C&RD power rate discount of 0.5 mills/kWh.

A. Summary of the Manual

With this record of decision (ROD), the Administrator formally adopts the proposed Manual. The Manual provides the basic framework and implementation guidelines to be used by customers participating in the C&RD. The Manual is intended to provide customers with information on the technical aspects of the guidelines and measures that implement the C&RD as set forth in BPA's 2002 General Rate Schedule Provisions. For example, the Manual provides the guidelines on eligible activities and expenses for conservation, renewables, donations to qualified organizations, and low-income weatherization. Understanding these guidelines is important because through self-certification the customers will take full responsibility to ensure the successful implementation of the measures contained in the Manual. BPA's customers reporting requirements and the rules for customers that want to pool resources and form a pooling organization are also explained. Finally, the measures included in the Manual were developed, at BPA's request, by the Northwest Power Planning Council's (Council) Regional Technical Forum (RTF) along with input from BPA's customers and interested persons. The RTF identified and recommended a list of qualifying measures and related information for BPA's consideration. The Manual contains all those recommendations made by the RTF which have been approved and adopted by the Administrator.

B. Public Process

On October 11, 2000, BPA published notice in the Federal Register (65 Fed. Reg. 60414 (2000)) announcing that it would take public comment on the proposed Manual and the technical implementation measures being recommended by the RTF. The comment period began on October 11, 2000 and closed on November 27, 2000. Bonneville held six public meetings regionwide on October 24, 2000, in Eugene, OR; October 31, 2000, in Portland, OR; November 2, 2000, in Tacoma, WA; November 8, 2000, in Heyburn, ID; November 9, 2000, in Pasco, WA; and November 15, 2000 in Spokane, WA. In addition, interested persons had the opportunity to provide written comment. Approximately 97 individuals and organizations submitted over 200 written comments.

II. Response To Public Comment

A. Comment On C&RD Policy

Comment: Flathead Electric Cooperative, Inc., expressed concern that the policy guidelines will already be “cast in concrete” before they have developed a good understanding of the implications of those policies, including the chance to comment on them in this public comment period. *FEC, CRD-076*. Some parties suggest that the Manual should be flexible and allow for adjustment if programs are determined to have problems that need correction or adjustment. *Id.*

Response: There have been several opportunities for persons to express their concerns and/or support for the C&RD. Over the last two years BPA, its customers, and public constituency groups and persons have actively discussed and shaped the C&RD. *See Power Subscription Strategy Administrator’s Record of Decision, at 136*. As part of BPA’s 2002 wholesale power rates proceeding, BPA proposed and established the C&RD. *See 2002 Final Power Rate Proposal Administrator’s Record of Decision, at 10-92*. In February 2000, BPA began work on the Manual and requested customers to publicly participate in a C&RD Implementation Issues Working Group process. This process has given customers ample time to participate. BPA recognizes that for those that have chosen to wait until the end of the process to absorb and understand the material, getting up to speed can be a daunting task. However, BPA does not believe anybody will be disadvantaged by the adoption of the Manual because it is designed to be flexible. Measures will be reviewed on a regular basis in response to customer concerns and issues. And, if necessary, BPA will make changes to the Manual if a guideline or measure is not capable of being implemented. Proposed additions, deletions, and/or changes of a technical nature will need to be submitted to the RTF. Currently, the RTF has committed to meeting at least quarterly to consider new proposals. BPA has agreed to make a decision within 30 days after receiving a RTF recommendation.

Comment: The C&RD should be offered to all BPA customers with pre-subscription contracts, regardless of whether those sales have collared pricing. *Spokane public meeting, CRD-081*.

Response: BPA has already decided that regional public agency customers with pre-subscription contracts without collared pricing provisions are not eligible for the C&RD. *See* 2002 Wholesale Power Rate Schedules, at 77.

Comment: Were societal benefits taken into account, after all BPA is part of society, right? *Tacoma public meeting, CRD-047.*

Response: BPA acknowledges that it is part of society; nonetheless, BPA will only provide credit to customers for the value that the bulk power system receives from actions taken in accordance with the Manual. BPA will continue to have discussions with interested parties about including the value of societal benefits, as this becomes a more demanding topic.

Comment: Federal law directs BPA to capture all cost effective electricity savings prior to purchasing power on the market or building new generation. *WDTED, CRD-067.* Neither the C&RD program nor the supplementary conservation augmentation program provides the assurance that this law will be met. *Id.* BPA needs to develop a complete plan for achieving these regional savings to which the agency is accountable. *Id.* We are concerned that BPA has set no minimum target for electricity savings leverage through the C&RD. *Id.*

Response: BPA does not agree with this party's assertion regarding BPA's statutory direction made in this comment. BPA has many obligations, which it must fulfill simultaneously. In this regard, BPA must meet both its obligation to serve its customers and its obligation to take efforts to achieve conservation. BPA is directed by statute to meet the electric requirements of its utility customers and is authorized to purchase resources to meet such obligations. 16 U.S.C. §839d(a)(2). BPA is also directed to maintain efforts to achieve renewable resources and to take into account any planned conservation savings. 16 U.S.C. §839d(b)(5). While such planned conservation efforts may result in reductions in energy consumption, BPA must also plan to meet its power marketing obligations. The C&RD is just one of the tools that BPA is using to capture cost-effective electricity savings. BPA's conservation/augmentation approach is another example of taking steps toward achieving the best conservation results for the region.

Comment: Assume that an industrial customer receives an incentive for a conservation measure with a 15-year measure life. *McMinnville, CRD-018.* What happens if that end user chooses to become a customer of an IOU or power marketer after 5 years? *Id.* Is there a stranded cost clause in the C&RD? *Id.*

Response: The C&RD is not an acquisition program and as such it does not have language intended to deal with stranded investments. The risk of stranded conservation costs between the utility customer and its end use consumer lies with the utility customer. It seems reasonable that customers may wish to consider adding language to their own conservation contracts with their own end users to cover stranded conservation costs.

Comment: In order to allow a customer to continue offering its consumers conservation incentives once it has spent all of its C&RD funds (i.e., early in the rate period) can the customer submit a conservation/augmentation proposal? *Portland public meeting, CRD-043*. If so, what would they be required to do to keep C&RD funds and achievements separate from conservation/augmentation funds? *Id.*

Response: A customer can submit a conservation/augmentation proposal any time there is an open window to submit such a proposal. If a customer thinks that it will qualify for all of its C&RD eligibility before the end of the rate period, then conservation/augmentation is an option it could pursue. If a customer chooses to submit a conservation/augmentation proposal, it would need to explain how it will keep the C&RD conservation achievement separate from the conservation achievements under conservation/augmentation. BPA staff will help customers determine what is appropriate based on each specific proposal.

Comment: What is a Dividend Distribution? *Clallam PUD, CRD-016*.

Response: The Dividend Distribution Clause (DDC) is a rate mechanism that will redistribute excess BPA reserves back to customers. It is triggered by a specific reserve total as reported in BPA's mid-year financials. The DDC is described in the 2002 GRSPs. It also includes an explanation of the public process that will be triggered for the administration of the distribution.

Comment: Bonneville and the Power Council need to revisit the conservation targets that the Council set for Bonneville and the region. *Tacoma public meeting, CRD-052*.

Response: This comment goes beyond the scope of the Manual and the RTF recommendations. However, BPA understands that the Council is currently working on a new regional load forecast, which will include conservation targets. The new load forecast will also affect the value of the energy savings to the bulk power system. Whenever a new load forecast is endorsed by the Council, BPA will consider such new forecast changes in load, but only at the beginning of the Fiscal Year (October 1).

B. Comments on Section 3 - RTF Recommendations

Comment: The installation of an efficient residential air conditioner in western Washington, where a majority of the region's residential growth is taking place, is not an electricity saving measure. *WDCTED, CRD-67*. This is predominantly a load building measure. *Id.* We request that BPA distinguish some measures, such as efficient residential air conditioning, and identify major parts of the region in which they are acceptable measures, and which major parts of the region they are unacceptable measures. *Id.*

Response: This is a technical matter deserving review by the RTF. BPA reserves the right to supplement this record of decision after it has had sufficient time to review the

RTF's recommendations following its review of the comment on the technical matter raised above.

Comment: Are standards and specifications necessary? *Tacoma public meeting, CRD-045; Tacoma Power, CRD-066.* Is there a way to provide enough detail to the RTF recommendations and the C&RD implementation guidelines to ensure that measures are installed correctly and that deemed values are reliable without setting legal standards and specifications? *Id.* The specifications referenced in the RTF recommendations become part of the contract between BPA and the customer utility, and as such may be subject to strict audit similar to the old receipt an acceptance procedures of previous BPA programs. *Franklin PUD, CRD-004; Clallam, CRD-006, CRD-013, CRD-016.* Utilities would like to have the flexibility to modify or otherwise change their programs in response to their specific market situation, as long as the intent of the specification is maintained. *Id.*

Response: Yes, standards and specifications are necessary. However, BPA does not agree that they will become part of the Utilities contract with BPA. Nevertheless, standards must apply to ensure that customers actually achieve program goals. BPA believes that it is reasonable to adopt and add the term "substantial compliance" to Section 3 in the its Manual related to all RTF specifications. Since customer self-certification is an important aspect for participating in the C&RD, such language will provide a standard by which to assess whether customers are able to meet specific measures. With customers taking on this type of responsibility they also assume the liability for health and safety concerns related to meeting specifications outlined under the measures. BPA agrees with the RTF's recommendation that BPA require that the utility have certified energy auditors inspect conservation work to insure that installed measures are in substantial compliance with the specifications. To that end, BPA needs to make sure that energy auditor training and certification is available. BPA also assumes customers will adhere to prudent utility practice to ensure that any energy auditors they use meet all applicable accreditation standards.

Comment: Will BPA require certified energy auditors or inspectors, in order to be in compliance with the weatherization specifications? *Franklin PUD, CRD-003.*

Response: Yes, BPA will keep the requirement for certified auditors. Certified auditors are a key part of the quality assurance process behind the savings estimates represented in the deemed list. BPA believes that certified auditors will be a reasonable mechanism to measure whether a customer has met the standards in the specifications. Otherwise, the savings levels would likely have to be discounted. BPA is committed to help rebuild the infrastructure for certifying auditors and inspectors. However, until this infrastructure is in place, utilities may use the "dipstick" approach to auditing.

Comment: The web based reporting software should be designed to track customer's achievements and/or costs for both Option A and Option B conservation approaches. *Pasco public meeting, CRD-078; Spokane public meeting, CRD-095.*

Response: BPA agrees. The reporting software will be designed to accommodate both Option A and Option B approaches.

Comment: Bring back the Green Book. *WSU/EP, CRD-070*. The region needs a way to track conservation achievements. *Id.*

Response: BPA has designed the Manual so that the RTF will track regional conservation achievement of those customers participating in the C&RD. In preparation, the RTF has been collecting data, at the utility level, covering the past three years to fill in gaps in its database. The data collected will be released to the public in a report containing information similar to that found in the Green Book.

Comment: The region has come a long way in the development of manufactured housing with higher energy efficiency and other market transformation efforts. *WSU/EP, CRD-070*. Now a large part of the manufactured housing market is transformed. *Id.* We recommend that the RTF consider hook-up standards for a variety of technologies and markets and how they would interact with the C&RD Program. *Id.*

Response: This is a technical matter deserving review by the RTF. BPA reserves the right to supplement this record of decision after it has had sufficient time to review the RTF's recommendations following its review of comment on such technical matter.

Comment: How seriously will BPA take the RTF's recommendations? *Spokane public meeting, CRD-091*.

Response: BPA has and will continue to take the RTF recommendations very seriously. It is BPA's desire to base technical decisions regarding measures used in the Manual on prudent and defensible data. BPA feels that the RTF possesses the ability to provide excellent data and recommendations.

Comment: One of the RTF's qualifying measures is solar water heating installed to EWEB solar specifications. *Clallam PUD, CRD-016*. Will BPA pay for the licensing fee? *Id.*

Response: Licensing fees will need to come out of the value of the energy savings for the installed measures or claimed as an administrative cost.

Comment: We do not believe BPA needs to consult with the RTF on issues, technical or otherwise, before finalizing the C&RD implementation guidelines. *Tacoma Power, CRD-066*.

Response: BPA is not required to consult with the RTF; however, BPA has decided to rely on recommendations made by the RTF to implement the C&RD. The RTF was developed as an unbiased third party to focus on technical issues. Having an experienced and qualified group of experts available to evaluate proposals and make recommendations is of considerable benefit to BPA and the Region.

Comment: The current residential weatherization deemed savings estimates require three or more measures to be installed, and thus excludes numerous conservation opportunities where less than three measures are all that remain to be done. *Eugene public meeting, CRD-010; Clallam PUD, CRD-013, CRD-019, CRD-023; Milton Freewater, CRD-028; McMinnville, CRD-033, Cowlitz PUD, CRD-061, Columbia River PUD, CRD-065; Lincoln Electric, CRD-068; FEC, CRD-076; Spokane public meeting, CRD-085, CRD-090.*

Response: The savings estimate for residential weatherization, as a package, was based on a program that requires three measures. However, savings estimates can be derived for individual measures such as wall, floor, or window insulation. Therefore, BPA agrees with the RTF recommendation to develop additional residential weatherization measure savings estimates for component level insulation upgrades that will be based on a per-square-foot of component installed.

Comment: The current BPA program specifications for residential weatherization and ESD/ESP have limitations on the date before which a building or piece of equipment must be in-service in order to be eligible for funding. Some parties suggested that this language is too restrictive and would limit the number of homes or businesses that could pursue energy conservation projects. *McMinnville, CRD-033, Cowlitz PUD, CRD-061, Columbia River PUD, CRD-065.*

Response: The in-service date was originally intended to focus program efforts on building/equipment with the most need and assumed that buildings/equipment built after a certain period (usually 1986) were covered by new codes or standards, which did not have significant cost effective savings opportunities. However, BPA agrees with the RTF's recommendation to eliminate the date eligible requirement from the program specifications and allow deemed measures to be classified according to vintage, where appropriate, in order to maximize the eligible population. This recognizes that since 1986 new codes and specifications imposed by states and local governments have changed and become more stringent. The new deemed measure values, based on vintage, will reflect the energy conservation potential based on the current practice in place at the time the equipment was installed or the building was constructed.

Comment: The warranty requirements for non-metered solar photovoltaics are considered too onerous and not in keeping with industry practice. *WSU, CRD-030; Energy Northwest, CRD-59; WSU/EP, CRD-070.*

Response: BPA agrees with this comment that as currently proposed the warranty requirement is somewhat strict. BPA believes that the requirement should be more flexible and will change the warranty requirements for solar photovoltaics to require: (1) that the output of the system be warranted at 80% of the rated output, for a period not less than 20 years, and (2) that the balance of the system be covered for parts and labor for five years.

Comment: We do not want Bonneville or the RTF to disapprove research activities simply because the proposed projects do not receive co-funding from either the federal government or the Northwest Energy Efficiency Alliance. *WDCTED, CRD-067.*

Response: The RTF's criteria for RD&D does not require co-funding, rather it indicates a preference for projects that are co-funded: "Projects that are co-funded by regional or national organizations responsible for promoting renewable resources, such as the U.S. Department of Energy should be given preference, however co-funding is not required. Co-funded amounts are excluded from the C&R Discount credit." The cost-sharing preference will be maintained for conservation and renewables RD&D. However, the RTF will add clarifying language to its current criteria.

Comment: The Performance Tested Comfort System (PTCS) requirement for heat pumps and air conditioners is unreasonable and should be eliminated for several reasons. *OTEC, CRD-027; Lewis PUD, CRD-064; Northern Wasco PUD, CRD-072; Benton PUD, CRD-073.* For starters, PTCS certified contractors are not readily available through out the region. *Id.* Training/equipment is expensive and prohibitive if there is only one or two systems, install annually, that requires PTCS. *Id.* Many utilities have prescriptive duct sealing program. *Id.* And finally utilities want to be able to offer an incentive for energy efficient heat pumps and air conditioners. *Id.* Without a PTCS certified installer available, the utility will lose the opportunity to influence end users when they decide whether or not to purchase an energy efficient unit or the least cost unit. *Id.* How can utility staff and local installers obtain PTCS training? *Clallam PUD, CRD-021.* Who will pay for training? *Id.* There are no certified PTCS installers in our area. *FEC, CRD-076.* The PTCS requirement is unrealistic. *Id.*

Response: After reviewing these comments regarding PTCS and the difficulties many utilities would face in meeting this requirement, the RTF recommended that deemed savings estimates be developed for heat pump and central air conditioning units that are installed using a non-performance tested duct sealing approach. BPA agrees with this change. The new savings estimates will reflect lower deemed levels than units installed using PTCS duct sealing. The RTF also recommends that BPA help develop the PTCS delivery infrastructure region wide. BPA agrees to consider steps that it can take to help develop and support such an infrastructure.

Comment: Small-scale renewable installations, done as a demonstration, should be allowed under RD&D for reimbursement. *Clallam PUD, C&RD-009.*

Response: In considering this comment, BPA agrees that there should be some additional incentive to support development of small scale renewables. Therefore, BPA will change the criteria for small renewables demonstration projects so that such projects will not be required to go through RTF review provided the following requirements are met: (1) project costs, eligible for the C&RD, are capped at \$20,000 per utility, per year; (2) the output of the project is metered at frequent intervals; and (3) the project's system performance is reported to the public, via the world-wide-web as well as local reporting mechanisms.

Comment: The RTF time frame should be shortened considerably, say 30-60 days after submission. *Lincoln Electric, CRD-068; FEC, CRD-076.*

Response: We understand the utilities' need for timely decisions by the RTF. The RTF plans to meet quarterly, but is currently meeting monthly to deal with the backlog of issues. The RTF's recommendations state that requests for additions to the deemed measure list can occur quarterly, and deletions will occur on an annual basis. The RTF has committed to forwarding a recommendation to BPA in 90 days after receiving a request, or will inform the petitioner that more time is needed to consider their request or that more information is needed. BPA has committed to responding to the petitioner in 30 days after getting the RTF recommendation. For simple RTF decisions the timeframe may be shorter.

C. Comment on Section 4 - C&RD Conservation Implementation Issues

Comment: Regarding section 4.1.2 (Option A -- \$ for \$ Cost Reimbursement) and 4.1.3 (Option B – Value of Energy Savings) parties commented that customers should be allowed to move from Option A to Option B and vice versa. *Tacoma public meeting, CRD-049; Heyburn public meeting, CRD-077; Spokane public meeting, CRD-094.*

Response: BPA has considered and evaluated this recommendation. Section 4.2 (Selecting an Option) will be modified to give customers the ability to move back and forth between Options A and B. Although BPA is concerned with its ability to administer customers moving between options, BPA nonetheless will agree to this modification only if a customer meets the following factors:

1. A change from one option to the other will be allowed only at the end of a Fiscal Year (FY).
2. Customers must close out their records on conservation achievements or costs for the period prior to the current reporting period. Customer changing from Option A to Option B must close out records on conservation achievements and costs under Option A. Customers changing from Option B to Option A must close out records on conservation achievements under Option B. This includes administrative allowances, conservation achievements and/or costs depending on which conservation option they used prior to the change.
3. What a customer has spent prior to the change on administrative activities will be used as the basis to determine what it has left to spend on those activities for the remainder of the rate period. When a customer has used up its allowance for administrative activities, it must cover those activities by getting credit for installing qualifying measures or pay for them out of the customer's own budget.
4. If a customer wants to change conservation options more than once during the rate period, BPA is willing to consider and may approve such changes on a case-by-case basis.

Comment: The motor management program should be added as one of the Option A eligible measures. *Spokane public meeting, CRD-093*. Customers choosing to do Option A should be allowed to do industrial conservation projects and claim costs. *McMinnville, CRD-002; Portland public meeting, CRD-044; Spokane public meeting, CRD-087*. Power factor improvements save energy and should be allowed for utility system improvements under Option A. *Spokane public meeting, CRD-096*.

Response: The “Option A - Limited List of Qualifying Measures and Activities” was determined based on two principles.

1. We must know enough about these measures and activities to be confident that the value of the estimated savings will exceed the estimated cost needed to install those measures.
2. The amount allowed for administrative activities (20% of the conservation spending) plus the cost to install the measure does not exceed the value of the energy savings to the bulk power system.

Motor management programs, industrial conservation projects, and power factor improvements do not or may not follow these principles. Please note that in the final Manual we have added administrative cost options under option B to make it more attractive to mid-sized and large utilities. We have also tried to ensure that the administrative requirements under option B are not a burden (e.g., we have asked the RTF to develop user-friendly software for tracking and reporting conservation achievements).

Comment: We agree with the derating of individual measures, but BPA should credit the full value when packaged with less cost effective measures, such as in a Super Good Cents home. *McMinnville, CRD-033*. BPA should pay more than 80% of the value to the bulk power system for installed measures. *Portland public meeting, CRD-042; Tacoma public meeting, CRD-050; Tacoma Power, CRD-066; WDCTED, CRD-067; PPC, CRD-069; Holmes, CRD-072*. Under Option B, \$32,850 is not enough for administrative costs and should be increased. Allowable administrative costs, under Option B, should be based on a percentage of the eligible C&RD fund just like Option A does. *Portland public meeting, CRD-041; NWPPC, CRD-062; Spokane public meeting, CRD-088*. Why is amount credited per qualifying measure derated by 20%? *Clallam PUD, CRD-013*.

Response: It has always been BPA’s intent to credit customers the full value of the energy savings, when that amount is reasonable. Administrative costs are part of the cost of installing conservation measures and running conservation programs. BPA’s proposal to derate the value of the energy savings to the bulk power system was an attempt to account for the administrative funds that customers are allowed to claim. Otherwise, customers would have been credited 100% for the value of the energy savings, plus some percentage for administrative activities.

To make sure that every customer gets at least 100% of the value of the energy savings to the bulk power system, BPA will modify Option B, in response to the comments above. BPA agrees that for many utilities with net requirements of greater than 37.5 aMW, the \$32,850 does not cover a realistic percentage of their administrative costs. Originally, the \$32,850 was proposed to help customers justify hiring at least a part time person to provide conservation services in their service territory. Therefore, BPA will allow customers using Option B to claim either \$32,850 or 20% of their conservation expenditures for administrative activities with minimal documentation. Credit per installed measure will remain at 80% of the value to the bulk power system since customers may elect to use up to 20% of their credit for administrative and marketing activities. This approximates the full value of the energy savings to the bulk power system (20% admin. cost + 80% measure cost).

Comment: Commercial/industrial projects with less than a one-year simple payback should be eligible for C&RD credit. *Tacoma public meeting, CRD-048; EWEB, CRD-063; Tacoma Power, CRD-066.*

Response: This limitation was originally applied to conservation and industrial *measures* in the October 3, 2000 draft of the C&RD Implementation Manual. However, the intent was to exclude commercial and industrial *projects* with less than a one-year simple pay back. Projects typically involve more than one individual measure. By combining less cost-effective measures with highly cost-effective measures, most commercial or industrial projects should qualify. Please note that neither BPA nor many other utilities pay for projects with less than one-year payback.

Comment: Measures with negative capital cost should not be eliminated. *NWPPC, CRD-062; Tacoma Power, CRD-066.*

Response: BPA has decided not to screen out measures with a negative capital cost. Such measures will be treated as exceptional cases and reviewed on a case by case basis. If needed, the value credited per such exceptional measure will be adjusted.

Comment: The two (2) times capital cost cap on payments for conservation measures should be eliminated. *NWPPC, CRD-062; Tacoma Power, CRD-066; WDCTED, CRD-067; Lincoln Electric, CRD-068; PPC, CRD-069.* Capital Costs do not reflect the varying costs in individual service territories. *FEC, CRD-076.* Lincoln Electric recommends that the RTF allow utilities to determine the capital cost in their area or to do away with capital cost period and pay the stated present value to the region. *Lincoln Electric, CRD-068.*

Response: Limiting the C&RD credit to two (2) times the estimated capital cost was proposed to deal with exceptional cases where the value of the energy savings was 2 times, or greater, than the estimated capital cost. Rather than using a blanket limitation on all measures, BPA has decided to review, on a case-by-case basis, those exceptional cases where costs appear to be exceptionally low compared to the value of the energy

savings. After this review, BPA may adjust the fixed credit that a measure is credited based on the facts associated with the measure.

Comment: BPA should give renewables, on the customers' side of the meter, more credit than the proposed 80% of the value to the bulk power system. *Tacoma public meeting, CRD-053; EWEB, CRD-063.*

Response: Un-metered renewables smaller than 25 kW on the customers' side of the meter are being treated as conservation under Option B. Deemed values for small un-metered renewables can be found in Appendix L of the RTF recommendations.

Comment: BPA should allow, dollar for dollar, reimbursement for local spending by customers in support of the Energy Star program and the Northwest Energy Efficiency Alliance. *Tacoma Power, CRD-001, CRD-005, CRD-066; Tacoma public meeting, CRD-051.* The Alliance has made it known that utility support is essential if the NEEA Market Transformation objectives are to be met. *Lincoln Electric, CRD-068.* We propose that any and all utility expenditures for Alliance related activities (whether that expenditure be labor, incentive, advertising, or marketing) be allowed as an eligible C&RD expenditure. *Id.* If necessary, create a separate line on the reporting system for Alliance activities. *Id.* This element (support for Alliance) need not be constrained by and administrative category caps (\$32,850 or 20%). *Id.*

Response: BPA will not change this portion of the C&RD implementation procedures. Throughout the several public workshops held to discuss the C&RD, BPA and interested parties consistently agreed that a requirement of any "dollar for dollar" reimbursement option would include some cap on administrative, promotional, overhead, or other costs credited to the C&RD participant. The amount of the cap for Option A and Option B has been set at 20% of the customer's conservation spending. Opportunities exist within the structure of the C&RD to support the activities referenced in the comment.

Comment: Bonneville should be doing more to incentivize loan programs as a way to develop sustainable energy conservation programs regionally. *Tacoma public meeting, CRD-054.* With a loan program, how much credit would the customer receive and what would it be based upon? *Benton PUD, CRD-015.*

Response: BPA believes that loan programs are an effective way of developing sustainable energy efficiency programs. BPA does not believe, however, that it must do more to incentivize loan programs than is proposed in the Manual. For example, under Option A or Option B loans are allowed. Under Option A the customer's actual costs will be credited. Administrative and processing costs up to 20 per cent of the customer's conservation expenditures can be claimed costs. Third party closing costs, interest, escrow, and interest buy down costs will be fully reimbursable under Option A.

Under Option B customers will be credited based on the value of the energy savings for the qualifying measures installed. With up to 20 per cent allowed for administrative costs

and 80 per cent based on the value of the energy savings to bulk power system, the customer has the ability to recoup more than the actual cost of implementing a loan program. The full value of the energy savings attributable to each measure installed under the loan program is potentially eligible for the C&RD.

Comment: One party asked whether a project completed before the rate period begins (i.e., between now and October 1, 2001) would qualify for the C&RD. *McMinnville, CRD-018*. As a follow-up to this, the party asked what if an end user does not pay for the project until after the rate period begins? *Id.* The C&RD should prioritize investments that capture energy efficiency lost opportunities. *WDCTED, CRD-067*. The C&RD has no added incentive or required target for energy efficiency measures that are best captured at the time of construction. *Id.* Because the C&RD emphasis is on flexibility we believe, given the limited size of the C&RD, that the emphasis should be on priority investments. *Id.* Launching the C&RD in October will delay the implementation of performance tested comfort systems (PTCS) until the following spring and raise the likelihood that utilities will not include PTCS in the design of the C&RD offering. *Mattil, CRD-057*. As part of a certified installer PTCS training, technicians should be allowed charge related costs, including in field cost, to the C&RD during the Ramp Up Period. *Id.* Why are projects with long lead times treated the same as projects completed early in the rate period. *McMinnville, CRD-018*. After all, a project completed early provides more benefits to the bulk power system during the rate period than one finished toward the end of the rate period. *Id.*

Response: BPA recognizes the concerns raised in the above comments and shares the concern that opportunities may be lost between now and the date the C&RD becomes effective. Therefore, BPA agrees that a limited exception is appropriate to allow customers to account for costs related to measures installed between now and the effective date of the C&RD. Customers will not get credit for any previously existing projects, with the exception of qualified Renewable Energy Facilities that began commercial operation on or after May 1, 1999. Customers wishing to take advantage of this limited exception must confirm in a written letter submitted to BPA that they agree to participate in the C&RD for power they will purchase under their new contracts and that credit received under the exception will be applied for purposes of the rate period effective October 1, 2001, through September 30, 2006. Only measures installed after BPA receives this letter will be considered for C&RD eligibility.

D. Comment on Section 5 - Renewable Resources

Comment: If Bonneville is really interested in promoting renewable generation, regardless of size, BPA should be willing to life cycle cost central station renewable resources. *Portland public meeting, CRD-038*. This has already been done for small un-metered renewables on the end user's side of the meter, where the value to the bulk power system was determined using the measures entire measure life. *Id.* Value the electricity produced by (central station) renewable sources over the useful life of the plant as opposed to the rate period. *Columbia River PUD, CRD-065*.

Response: For renewables, BPA adopted the approach taken by the federal Renewable Energy Production Incentive (REPI), which is based on metered output of qualified generating facilities. Several customers have had positive experiences with the REPI. The National Renewable Energy Laboratory has been able to manage the REPI with a very small staff. The combination of ease of participation and ease of administration made the REPI a good model for the renewables part of the C&RD. Under a life cycle cost approach, customers would have to divulge their costs. Customers and others who participated in developing the renewables part of the C&RD strongly opposed having to provide cost information.

Small un-metered renewables ended up being treated like energy conservation measures, and a different approach to dealing with them was adopted. Deemed values for small un-metered renewables can be found in Appendix L of the RTF recommendations.

Comment: Will the minimum dollar amount BPA has dedicated to renewables be increased? *Tacoma public meeting, CRD-046.*

Response: No. BPA has committed to a spending level of \$6 million for renewables through the C&RD. As stated in section 5.18 of the Manual, if this level is not reached through customer C&RD eligible activities, BPA will increase its internal spending to cover the shortfall.

E. Comment on Section 6: Low Income Weatherization

Comment: Many utilities have their own low-income weatherization programs with rules and guidelines that are different than State CAP guidelines or BPA grant requirements. *Tacoma Power, CRD-066.* Individual utilities should be allowed to set their own standards for low income weatherization programs offered in their service territory and claimed under the C&RD. *Id.*

Response: One of BPA's public purposes is to encourage the development of conservation and renewable resources. In doing so, BPA has a special interest in supporting weatherization, particularly low-income weatherization programs. *See* 16 U.S.C. § 839d(a)(1)(A). One of BPA's strongest commitments in support of low-income weatherization is to keep the current infrastructure in place and keep it healthy through budgeting \$3,000,000 per year under the current program. A goal of our standards is to make the implementation of low-income weatherization administratively simple for both the community action agencies and the utilities by continuing the use of our present standards. The comment above does not demonstrate a benefit for changing the present standards. BPA wants to avoid the situation where utilities that intend to fund local community action agencies negotiate new standards. Such a situation would increase the administrative burden for the community action agencies, which would now have to meet two or more differing standards.

If a utility is currently operating a low-income weatherization program, it is appropriate to grandfather such a program into the C&RD without requiring the utility to use community action agency or BPA standards and guidelines. We applaud utilities that have been running low-income weatherization programs. However, if a utility wishes to start a new low income weatherization program, then BPA recommends that such a program be in substantial compliance with those programs currently funded by BPA grants or the U.S. Department of Energy Low Income Weatherization Program.

Comment: Must the funds directed to low income weatherization be spent on electrically heated homes? *Eugene public meeting, CRD-011.*

Response: Yes. If the customer chooses to do the weatherization work then it is required to apply those funds to homes whose main source of heat is electricity in order to receive credit under the C&RD Program. Similarly, if a customer donates funds to qualified third parties they need to specify that those funds go to weatherize electrically heated homes.

F. Comment on Section 7: Un-Limited Donations to Qualified Organizations

Comment: Regarding Alliance activities there should be credit for market penetration in service territory. *FEC, CRD-076.*

Response: Without further elaboration in the comment, BPA is at a loss to completely understand the concern or suggestion raised. The C&RD credits customers for conservation measures that their actions cause to be installed. It is incorrect to assume that credit will be given to a utility for conservation measures that another party's actions have caused to be installed. This would result in giving credit to someone for doing nothing. For example, under the C&RD a customer cannot claim C&RD credit for the actions taken by the Alliance. If a customer chooses to donate funds to the Alliance, they will receive dollar for dollar credit for the entire donation. The credit is limited to the donation dollar amount. Credit for installed measures will not be given to a donating customer for any actions taken by the Alliance. Donations to the Alliance do qualify for 100% credit under the C&RD Program.

G. Comment on Section 8: Limited Donations to Qualified Organizations

Comment: Customers should be able to decide whether a donation to Qualified Organizations in the "Limited" category meets the criteria established by the RTF. *Tacoma Power, CRD-055; Energy Northwest, CRD-059; Klickitat PUD, CRD-060; Tacoma Power, CRD-066.* Examples offered include Seattle Lighting Lab, Western Sun, The Energy Innovation Center, and the Wind Research Cooperative. *Tacoma Power, CRD-066.*

Response: BPA agrees to let customers decide if whether a donation to Qualified Organizations in the "Limited" category meets the criteria established by the RTF. The customer will need to document, and keep on file, why they believe that the non-profit

organization receiving the donation meets the RTF's criteria. If customer fails to document how an organization meets the RTF's criteria or BPA finds that the organization receiving the funds clearly does not meet those criteria, the customer will not be allowed to claim the donation as a qualifying expenditure.

H. Comment on Section 9: Reporting Requirements

Comment: Some parties commented that Montana utilities are required to file an annual report of their uniform system benefits (public purposes) (USPB) expenditures with the Montana Department of Revenue. *Portland public meeting, CRD-040; Lincoln Electric, CRD-068, FEC, CRD-076.* This USBP report has a list of broad categories for various expenditures and utilities simply fill in the blanks with the dollars allocated to each broad category. *Id.* This method should be incorporated into the C&RD reporting requirements. *Id.*

Response: BPA has reviewed a sample Montana USBP report and found that the level of detail is not adequate to meet the reporting requirements for the C&RD. For example, it did not require the reporting of the kWh energy savings by sector (i.e. residential, commercial, industrial), or the number of units installed. In contrast, we require this type of reporting in order to provide adequate detail of the measures installed and to be able to track regional conservation achievements. Customers will be asked to use the RTF's Reporting Software. However, if a customer chooses not to use the RTF Reporting Software, they will need to report their program costs and achievements in the manner specified in Section 9 of the Manual.

III. Environmental Compliance

The Manual is consistent with BPA's Business Plan Final Environmental Impact Statement (DOE/EIS-0183, June 1995), the Business Plan Record of Decision, signed August 15, 1995.

IV. Conclusion

After having considered fully the comments made by parties in response to BPA's draft Manual, BPA will make the changes noted above in BPA's responses to comment and accordingly publish the Manual in its final form.

Issued in Portland, Oregon, on February 12, 2001.



Stephen J. Wright
Acting Administrator and Chief Executive Officer

Acronyms Used for Commenters

Benton PUD	Benton County Public Utility Dist.
Clallam	Clallam County Public Utility Dist.
Columbia River PUD	Columbia River Public Utility Dist.
Cowlitz	Cowlitz County Public Utility Dist.
CRD-###	Refers to Comment Log Number
Energy NW	Energy North West
EWEB	Eugene Water and Electric Board
FEC	Flathead Electric Coop.
Franklin PUD	Franklin Public Utility Dist.
Holmes	Steve Holmes, Energy Manager
Klickitat	Klickitat County Public Utility Dist.
Lewis PUD	Lewis County Public Utility Dist.
Lincoln Electric	Lincoln Electric Coop. (MT)
Mattil	James Mattil, Performance Tested Comfort Systems
McMinnville	David Christie, McMinnville Water and Light
Milton Freewater	Pat Didion, Milton Freewater Light and Power
Northern Wasco	Northern Wasco County Peoples Utility Dist.
NWPPC	North West Power Planning Council
OTEC	Oregon Trail Electric Coop.
PPC	Public Power Council
Tacoma Power	Tacoma Power
WDTED	Washington Dept. of Community, Trade and Economic Development
WSU	Mike Nelson, Washington State University
WSU/EP	Kristine Growdon, Washington State University/Energy Program