

Questions and Answers from Conservation Program Power Function Review Workshop February 8, 2005

Q. Provide a list of offsets to the generating projects for conservation.

A. We assume that this inquiry relates to how much conservation is being developed such that it “offsets” the need to purchase and/or develop generating resources. Page 6 of the Conservation PFR Management presentation provides a table that shows the delivered and projected savings from BPA’s conservation expenditures for the 2002-06 rate period. These aMW savings can be considered equivalent to the “offsets” to generating projects.

Q. Are non-wires measures included in Transmission Acquisition budget? Does TBL pay a share?

A. With respect to non-wires measures, TBL pays for the following:

- Peak measures;
- All of the direct load control costs;
- Their share of the demand exchange (it serves both business lines); and
- Energy conservation measures (pay for peak value in the transmission location context, typically 5 to 10% of the installation cost).

Q. BPA’s Record of Decision (ROD) for the Regional Dialogue issued last week contains principles BPA will pursue in its conservation program. Among the principles, BPA will use the Council’s plan to identify the regional cost-effective conservation targets upon which the agency’s share (approximately 40 percent) of cost-effective conservation is based. Please provide the math on this principle, with the assumed IOU and DSI service levels.

A. The Council’s 5th Power Plan identified 700 aMW of regional conservation over the 2007-11 period or 140 aMW per year. BPA had determined that its annual share would be 56 aMW/year or 40% of the regional conservation target. This was based on the 2003 White Book information (averaged over the 2005 to 09 period) where the federal load BPA was projected to serve was 7,782 aMW. This did not include the 2,200 aMW of IOU exchange load, but it did include 117 aMW of DSI load. The regional load was 20,472 aMW. Therefore, BPA’s approximate share of the regional load was 40% (7,782 aMW divided by 20,472 aMW).

Q. What is the process for determining the appropriate level of funding referred to in BPA's principles.

A. In the 4th and 5th conservation principles adopted in BPA's Policy for Power Supply Role for FYs 2007-11 (February 25, 2005; page 11), BPA indicates that it "will continue to provide an appropriate level of funding" for administrative support, education, outreach and low income weatherization. The statement was intended to ensure that all parties knew that BPA planned to include these costs at a level that would be worked out with the region in terms of what it might take to get the work done. This would be accomplished with an eye toward a lean budget and with consideration of sharing responsibility with customers who have a stake in the outcome of a successful conservation program. BPA will propose an "appropriate level of funding" for these activities in its Post-2006 Conservation Program Proposal. This will be distributed for a 30-day public review and comment period. BPA will take the comments it receives on its proposal into consideration prior to finalizing its Post-2006 Conservation Program structure.

Q. Provide more information on the accomplishments of the conservation programs (i.e., number of ConAug utilities and aMW savings achieved).

A. There are 48 utilities that have participated in BPA's ConAug program and 16 federal government agencies. Since the program began in 2001, we have accomplished 70 aMW of savings at an average cost of \$1.2M/aMW.

Q. Provide the math behind the C&RD breakdown (\$30 million conservation, \$6 million renewables) on the program expense table.

A. Over a three year period, customers have claimed nearly \$19 million in credits for renewables under the C&RD or \$6.3M/year. Over a four year period, customers have claimed \$122 million for conservation and other related activities under the C&RD. This equates to about \$30.5 M/year (see attached Table #1).

Q. The conservation program capital budget is projected to be \$32 million annually for the 2007-2009 rate period. Provide a table that would display the total conservation program, expense and capital, together.

A.7. See attached Table # 2.

Q. In regards to Conservation, do you have a projection of what you would achieve if you continue along with your current program?

A. If we continued the current portfolio of energy efficiency programs with **no changes**, it is projected that we would get about 43 aMW/year of installed conservation savings. The estimated breakdown is provided below:

<u>Program</u>	<u>Budget</u>	<u>Savings</u>	<u>\$/aMW</u>
C&RD	\$28M/year	13	\$2.2M
ConAug	\$24M/year	20	\$1.2M
3rd Party (NEEA)	\$10M/year	10	\$1.0M

However, there is an important caveat to this projection: the current C&RD includes many measures that are not cost-effective under the new Power Plan (e.g., some current heat pumps and window measures). So if we were to continue the same program without changes, we would not be getting 43 aMW of cost-effective conservation, but probably about 35 aMW/year that could be counted toward the new cost-effective target.

Q. Will BPA adjust the conservation target and how if the IOUs are included in the C&RD program?

A. If the IOUs participate in BPA’s proposed Rate Credit in the 2007-09 period, then BPA would count all aMW of conservation accomplished by the IOUs using BPA funds toward the 56 aMW target.

Q. Could you provide the cost/MW for conservation over time for both BPA and the region?

A. According to the Council’s 5th Power Plan, over the 1980 to 2002 period, the region’s average cost/aMW for conservation is \$2.2M/aMW. Over a similar period, BPA’s conservation programs average about the same (\$2.1 billion divided by 930 aMW; see pages 26 and 28 of the Conservation PFR Management presentation).

Q. What does regional conservation do over time and does it mimic BPA’s trend?

A. See page 23 of the Conservation PFR Management presentation for the regional history of conservation accomplishments. See page 25 of the same presentation for BPA’s conservation accomplishments over time. The roller coaster-type pattern is the same.

Q. What does backstop to the region mean for BPA?

A. The proposed “backstop to the region” role suggests that BPA would fill in any gaps in the Council’s conservation targets that were not accomplished by the utilities. This “backstop” role is not practical because it presumes that BPA can go from a dead stop in its conservation programs to resurrecting them quickly and filling in the gaps for utilities --- the ultimate roller coaster approach. BPA plans to work with its customers “upfront” to ensure that its share of the Council’s conservation target is developed, but BPA will not include any additional funds in its rates to serve as a “backstop” for utilities that do not achieve their conservation acquisition responsibilities.

Q. Can the chart on pg. 23 of the Management package be done in dollars too?

A. Yes, see attached Table # 3 which gives the region’s historical incremental investments in conservation for the 1991 to 2002 period. (Note: The Council does not have reliable cost information for the entire region for the period prior to 1991.)

Table 1 - BPA Power Function Review:

Table 1 - FY2004 C&RD Report (as of 12-27-04)

	FY01		FY02		FY03		FY04		FY01, FY02, FY03 & FY04	
	Savings (aMW)	\$	Savings (aMW)	\$	Savings (aMW)	\$	Savings (aMW)	\$	Savings (aMW)	Total \$
Residential	3.538	6,012,019	12.498	23,306,927	8.370	18,030,405	7.504	16,363,253	31.910	63,712,604
Commercial	0.342	693,513	1.745	2,722,520	3.896	7,226,121	3.160	3,814,121	9.143	14,456,275
Industrial	0.442	105,154	0.680	1,583,202	1.431	2,517,343	1.443	1,583,057	3.995	5,788,756
Agricultural ¹	0.261	315,912	0.363	485,897	0.334	447,004	0.222	287,755	1.181	1,536,568
Utility System	0	0	0.109	39,769	0.218	493,207	0.162	202,202	0.489	735,178
Other ²	0.007	1,574	0.160	222,550	0.218	485,197	0.053	145,922	0.438	855,243
NEEA/ETO ³	0.042	45,133	2.960	3,695,197	3.370	4,102,061	0.903	961,701	7.275	8,804,092
Conservation Total	4.633	\$7,173,305	18.515	\$32,056,062	17.837	\$33,301,338	13.447	\$23,358,011	54.431	\$95,888,716
Administration		0		4,019,249		4,374,099		3,450,375	-	11,843,723
Admin - Small Utils ⁴		0		503,524		501,029		516,240	-	1,520,793
Low Income Wx ⁵	0.014	922,098	0.209	3,004,274	0.192	3,104,291	0.193	3,321,957	0.608	10,352,620
Donations ⁶		28,897		172,501		204,339		334,923		740,660
RD&D Projects		0		67,910		35,467		44,337	-	147,714
Renewables ⁷		81,482	0.006	5,627,096	0.007	8,484,322	0.041	4,746,731	0.055	18,939,631
Irrigation Scheduling		966,625		328,448		250,000		229,812		1,774,885
Grand Total		\$9,172,407		\$45,779,064		\$50,254,885		\$36,002,386		\$141,208,742

Notes

1 - Energy saving in the Agriculture sector does not include energy savings from Irrigation Water Management.

2 - Other includes measures such as street lighting, Vending Miser, and LED traffic lights.

3 - Proxies were used to account for energy savings from Northwest Energy Efficiency Alliance activities in FY01-FY04 and Energy Trust of Oregon activities in FY02-FY03. Energy savings and \$ claimed are listed in Table3 below. The \$ listed for ETO, have not actually been claimed, but were added to this report to account for the energy saving being used as a proxy for their activity. PGE/ETO will submit reports for FY02 and FY03 activities in the near future, removing the need to use a proxy to report their activity.

4 - Small utility adm. accounts for C&RD for those utilities that have 7.5 aMW of Net Requirements Load (\$32,850 or less).

5 - Energy savings attributed to Low-Income Wx are where utilities claim C&RD credits by measure. These energy savings are not included in the Conservation Total above. Where utilities claimed credit for donations to US DOE weatherization subgrantees, energy savings were not reported.

6 - The donations reported here do not include Low-Income Wx, or NEEA.

7 - Energy savings reported are for Direct Application Renewables only (i.e., Photovoltaic and Solar Water Heating). Energy savings reported here are not included in the Conservation Totals listed above.

Table 2 - BPA Power Function Review:

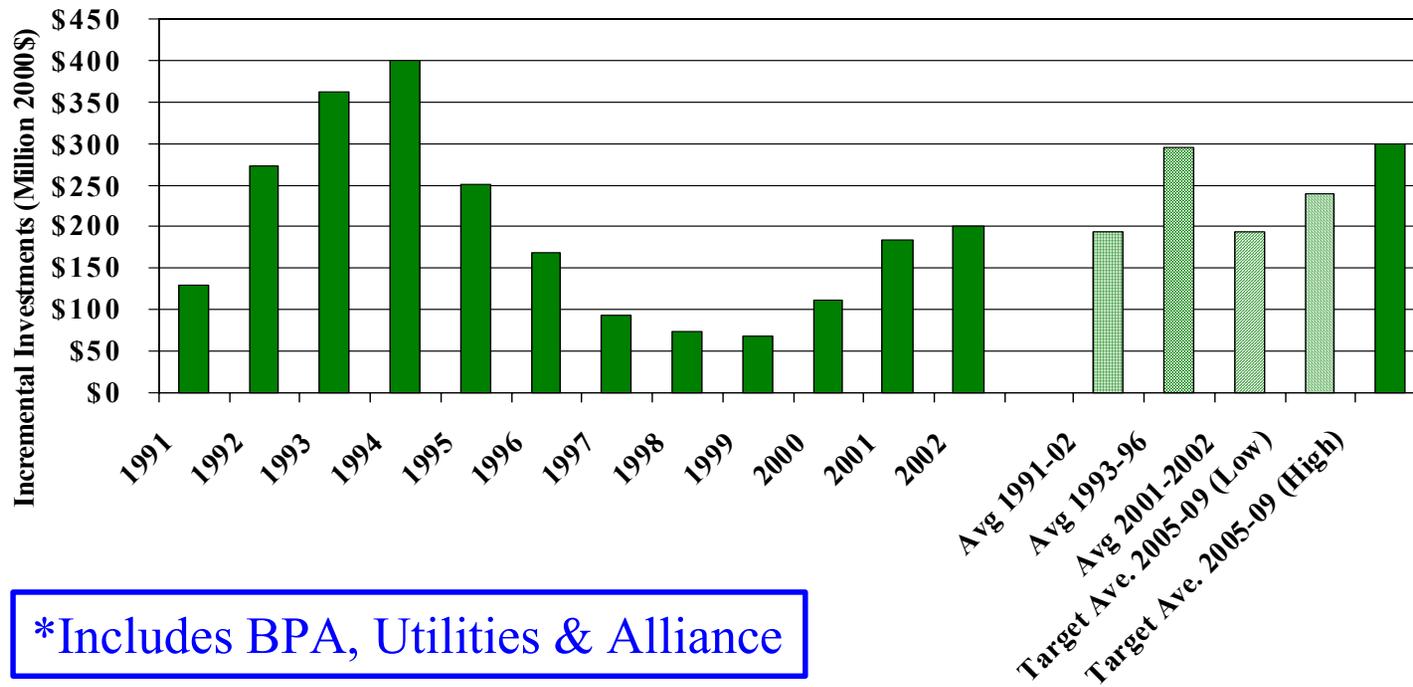
Capital and Expense Components of the Conservation Program

(in millions of \$)

	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>Total</u>
EE Acquisition Capital	32.0	32.0	32.0	96.0
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EE Acquisition Expense (includes \$10m/year for Market Transformation)	48.0	48.0	48.0	144.0
Generation Conservation (Expense)	23.9	22.8	22.3	69.0
Low Income Weatherization	5.0	5.0	5.0	15.0
EE Development (Reimbursable)	12.9	12.9	12.9	38.7
Energy Web/Non-Wires Solutions	1.0	1.0	1.0	3.0
Legacy (Contract Closeouts)	3.7	2.6	2.1	8.4
Technology Leadership	1.3	1.3	1.3	3.9
PBL Sales/Support for Cons. (Expense) (includes Planning and Evaluation)	1.5	1.5	1.5	4.5
Conservation Support (Expense) (includes staffing and related expenses)	6.5	6.7	7.0	20.2
Conservation Debt Service (Expense)	<u>5.2</u>	<u>5.2</u>	<u>5.2</u>	<u>15.6</u>
Totals	117.1	116.2	116.0	349.3

Table 3 - BPA Power Function Review:

Historical Utility System* Conservation Investments Compared To Council's Estimates of Investments to Meet 5th Plan Targets



***Includes BPA, Utilities & Alliance**

