

Bonneville's Role in Conservation Post 2011
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NW Energy Coalition and Save Our *Wild* Salmon
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Thank you for the opportunity to provide comments on the proposed options for the role for Bonneville when the new power sales contracts go into effect in October 2011. The Coalition will participate in the upcoming March workshops to further refine BPA's proposal.

The economic and environmental benefits of energy efficiency have never been as clear and well acknowledged as they are today. President Obama has identified energy conservation and efficiency as cornerstones of his stimulus package and central to reducing greenhouse gas emissions. Over the past year, the region has been asking itself, how can we acquire even more energy savings in the future than we have over the past 25 years. This is a direct acknowledgement of the economic and environmental benefits that come from using our energy more efficiently. Bonneville has had a unique role in helping the region acquire energy savings and we agree that the time has come for Bonneville to evolve its programs, services and role in the region.

Even in this time of economic downturn, it is clear that the one of the most effective ways to stimulate investment and save consumers money is to ramp up the region's savings acquisition efforts and accelerate the benefits of energy efficiency. Now is not the time for Bonneville to take a back seat to state and utility efforts, instead Bonneville should rise to the challenges facing the region and take on new roles and enhance current regional efforts. Now is the time to expand our efficiency investments and raise our savings acquisition levels. Bonneville has an opportunity to be a model for the Department of Energy and the new Administration by devoting its many unique and innovative tools and services to the benefit of all the citizens of the Northwest. Expanding the role of energy efficiency in meeting the region's energy needs will help consumers and businesses, reduce greenhouse gas emissions and support wild salmon in abundance. Given the importance of energy efficiency to the region, BPA should consider using the additional borrowing authority recently granted by Congress to support customer utility efficiency programs if such action is requested.

Regional Infrastructure

Bonneville's first and largest priority for Tier 1 resources should be to maintain and expand its role in driving regional infrastructure activities. As the only large-scale multi-state regional agency with a broad mission to acquire conservation savings, BPA is ideally suited to continue to provide clear leadership throughout the region. Bonneville should evaluate its role in regional activities based upon several overarching themes:

- Creation and deployment of systems and programs that can be used by other players in the region that would not be cost effective at a smaller scale.
- Development of specific tools that facilitate action by others without need for replication. These tools reflect the expertise of experts from across the region and the country.
- Distribution and sharing of knowledge and information that is most readily accessible at the regional level.

Funding for these regional activities should be covered from Tier I rates and should be widely disseminated across the region. We recommend the following program areas as an initial scope for Bonneville's role in regional infrastructure.

- As efficiency programs expand, the role and function of the Regional Technical Forum becomes even more important. But it cannot fulfill its purpose without additional funding and permanent staff. Bonneville should be a principle funder of this regional resource. The RTF provides tools that allow consistent evaluation of savings for specific technologies and programs.
- BPA plays an important, though little heralded role in providing energy conservation services to low-income households in the region. In Oregon and Washington, this funding provides key leveraging support and bolsters existing utility programs. In Idaho and Montana, Bonneville funding contributes a substantial portion of some local agency programs for BPA utility customers. Yes, it is true that federal funding, economic stimulus dollars in particular, will significantly increase state and local agency programs. These new dollars will just allow some programs to finally meet the needs in their communities. Bonneville must not back off because of stimulus dollars, these funds may be short term and the underlying economic disadvantages faced by low-income households will remain.

In fact, the need for increased funding is growing every day. Current funding equals approximately \$5 million per year, these funds go to each state for distribution to community-based organizations providing weatherization services to qualifying customers of utilities served by BPA. In the past 3 years, Bonneville has worked with these state and local agencies to improve program effectiveness and allow more consistency with the Department of Energy weatherization program. Going forward, Bonneville and these stakeholders must continue to work together to increase program flexibility, maintain accountability and allow the states to target Bonneville funds to hard to reach communities (such as mobile home parks and clustered tribal housing) to ensure that those most in need are served. Bonneville should work with the states and local agencies to think outside the box and explore ways to use these dollars in a more creative and innovative way.

- As noted in the draft NEET report, research, development and demonstration projects are a natural for BPA given its status as a federal agency, its ability to partner with numerous other agencies and its position to leverage funding. Bonneville has been increasing its RD&D efforts, but it can and should do much more. RD&D is something that only the largest of organizations can do effectively. While there are a number of national utility and efficiency organizations that do research they do not always focus on the Northwest. This is not to say that Bonneville should do all RD&D activities on its own, in fact, we support joint efforts with national laboratories, utility trade associations, national non-profit and university research centers. With BPA funding, the unique characteristics of the Northwest can be highlighted in testing and demonstration. Too often RD&D is the “first to go” in hard economic times yet it is what helps shine the light on the path to more prosperous times.
- The market transformation programs of the Northwest Energy Efficiency Alliance capture the lowest cost energy savings in the region. Bonneville should maintain steady funding for NEEA. However, we believe (as does NEET) that NEEA should have an even larger role in regional conservation activity. If the NEEA board of directors identifies an expanded role for NEEA in the region, then BPA funding should increase to support this expanded role. Bonneville should also support market transformation activities that may go beyond the scope of NEEA as well as those on the leading edge of innovation. This is a vital role for BPA.
- Maintain leadership in deploying Smart Grid communication technologies and other demand response programs to help integrate renewable energy resources, reduce pressure on the river system to meet capacity needs and increase the overall efficiency of the federal system.

- Workforce training and development is another critical area to the success of expanded energy efficiency acquisition. Bonneville is in a unique position to look across the region at all of our training and education institutions and assess what resources each might need to ensure more workforce training to mobilize the next generation of energy efficiency experts. This is the type of systems work that will prevent reinventing the wheel at vocational schools, colleges and universities across the region.
- Media markets span utility service territories and consistent messaging across these markets can create a “buzz” around energy efficiency that drives consumers to make investments and take advantage of utility programs. The benefits of broad regional marketing and message campaigns (e.g., on littering, recycling, smoking) have been widely studied and proven to be very effective. Bonneville should be the hub that helps maintain this “buzz” on energy efficiency. Many smaller utilities would not be able to do mass messaging across regional, local and community media centers. Messaging and marketing tools, tagged and tied to local utilities, will be important to ensure the benefits of efficiency are heard.

Implementation Assistance

The capabilities and resources of individual utilities varies from the largest to the smallest. A one-size fits all approach does not seem appropriate given the increase in activity expected from many utilities. While a more targeted portfolio of services and resources that can be utilized by individual utilities is important, it is vital that Bonneville maintain a robust set of core capabilities at all times.

Bonneville is not a consulting firm. It must ensure that it is providing a broad set of services to all its customer utilities and the citizen’s of the region and not work on a strictly pay-for-service basis. There are administrative costs associated with putting a menu of programs and services together and there are costs associated with maintaining a stable of well qualified staff who can provide implementation assistance to customers and the region. As such, a substantial portion of implementation assistance funds should be drawn from Tier 1 rates. These funds will support the underlying development of turnkey programs, maintaining engineering and technical staff, development and coordination of regional third-party programs and services. Bonneville must have appropriate staffing to ensure that when a utility requests services and support Bonneville is able to meet the request in a timely and efficient manner. If BPA is required to contract out in order to provide these services to utilities then the benefits that come from decades of experience and the ability to leverage lessons learned are lost.

We do acknowledge that there are some incremental services that can and should be paid for as part of a bilateral services agreement between one utility and Bonneville. These services could include program design, marketing support, metering and verification assistance, and other technical support. Our initial thinking points to at least 75 percent of implementation assistance should be in the Tier 1 cost pool and the remainder on a bilateral basis. We will look to the workshop process in March to further refine this thinking.

Energy Efficiency Backstop

The Regional Dialogue Record of Decision says that Bonneville will ensure that the regional energy savings, as identified by the Power Council, attributed to its public utility customers will be achieved. This is a very important and appropriate commitment for Bonneville. There are important reasons why Bonneville must have a robust and proactive efficiency backstop in place post-2011 to ensure these

targets are achieved. Some have argued that Tier 2 price signals and I-937 requirements mean that BPA need not worry about its customers meeting their share of the region's energy efficiency targets. But there are many reasons why those two factors, while undeniably important, may still not be compelling enough for Bonneville to not have a practical backstop in place at the beginning of the contract period:

- Given the present state of the economy, some utilities may not be in Tier 2 for several years, and therefore not subject to a market price signal.
- Many BPA customers are not subject to I-937 mandates that apply only to the 17 largest utilities in Washington state.
- In a down economy, short-term rates impacts may shroud lifetime cost-effectiveness and therefore limit acquisition.
- Many utilities have not conducted the large-scale efficiency efforts that the higher targets we anticipate being set by the Council will require. Ramping up can be difficult, especially if they attempt to do so on their own without too much connection with BPA's programs.
- Many current programs have relied on the relatively easy-to-acquire savings from CFLs for their savings. With new federal lighting standards, CFLs are no longer where large savings can be captured easily. Utilities are going to have to dig deeper and be more creative.

For all these reasons, a good backstop is essential—and motivating—to prevent a loss of momentum as the new contracts commence. And the backstop should not be punitive. The proactive and collaborative proposal presented here will provide citizens of the region and Bonneville the assurance that targets will be met efficiently.

Collective, Not Utility-Specific, Savings Target

NWEC posits that any effort to assign individual utility EE targets is likely to be dysfunctional and contentious. Each utility's service territory is different; each utility has a different history of previous conservation programs; and each utility has unique customers and understandings of messages and approaches to meeting their needs, and the pace that they can acquire conservation savings. It is impossible to fairly allocate BPA's overall target among its customers.

Instead we believe BPA's backstop role—and trigger—should apply to the collective conservation target, rather than to individual customers. While this is still not completely “fair,” because the failure of some utilities will trigger the backstop for everyone, we feel our proposal is not too onerous on any individual customer.

Proposed Backstop

As part of the power sales contracts, Bonneville will collect conservation plans from each utility. First and foremost, Bonneville should make sure that whatever form BPA requests the plans to be submitted, it is consistent with other documentation formats already required of these utilities. For example, in Washington the qualifying utilities for I-937 have specific rules for development of their biennial conservation targets. Bonneville should accept these filings and not require additional paperwork or different formats. We recommend the following backstop approach:

1. Bonneville adds up expected savings goals of the plans submitted by its utilities, plus expected savings from regional efforts such as NEEA and code improvements. If the total is greater than, or equal to BPA's share of the Council target, no Bonneville action is needed until later true-up of actual results submitted through RTF.

2. If the total is less than Bonneville's target, a short collaborative process with stakeholders is used to understand where and why there is a shortfall. This process can address differences in assumptions and methodologies, including the division of funding and accounting for regional vs. local programs.

The major goal of the process is for BPA, its utilities and other parties to agree to adjustments in the local and regional goals that would bring the sum of the individual planned targets in line with Bonneville's overall target.

3. If the process above does not result in success, BPA would activate a "Conservation CRAC" that would provide additional revenue. This revenue would be used by Bonneville to increase funding for competitively bid bi-lateral contracts with utilities willing to accelerate their programs.
4. After-the-fact true-up would take place periodically (e.g., end of each 2-year period) to measure achievement of the goal. Any cumulative shortfall would be added to the following period's overall target.

BPA Oversight, Measurement, and Verification Role

Efficiency has met 50% of the region's load growth over the past quarter century, and close to 70% of growth in 2008. This is a great achievement. But if the region is to meet the Coalition's goal of actual *elimination of* load growth this will require top-notch reporting, monitoring, verification and evaluation of savings. The stakes have never been higher for achieving these energy savings as utilities rely on this resource for serving loads. Bonneville must maintain strong monitoring, verification and evaluation (MV&E) programs that support and enhance utility, government and business efforts. We concur with many utilities that these obligations should be streamlined, tailored and/or standardized to reduce paperwork and bureaucratic inflexibility. The more the region relies on energy savings to meet energy needs the more confidence we must have in the validity and longevity of the savings. It is time for the region to have a more consistent and standardized approach to evaluating and monitoring energy savings. Bonneville should work with the Council, public utilities, investor-owned utilities, and state regulators to ensure that investments in these resources result in the savings we expect. This type of broad cross-region, cross-utility project is appropriate for Bonneville and should be an expense of Tier 1 resources as all customers in the region will benefit from consistent standards and effective verification of savings.

Coming to a regional consensus around measurement and verification of savings will not be easy. What is cost-effective at the regional level may or may not be cost-effective at the local utility level and vice-versa. Yet, more consistency is vital to our collective success. We urge Bonneville to adopt a more flexible approach to measuring measure cost-effectiveness and therefore creating a more robust regional savings target.

We observe two perspectives on this issue:

- Utility perspective - *Any* conservation reduces load and Bonneville should count all measures that achieve savings. Typical examples of measures that have been implemented at the local level but not counted at the regional level include: heat pumps, windows and solar hot water heaters. Further, some measures such as windows that may not be cost-effective as a stand-alone measure, can and should be bundled with other measures, as an important selling tool, so should be included as cost-effective for that reason. For without the windows, other very cost-effective measures would be impossible to acquire without huge incentives. Utilities also make the point that if consumers are willing to fund measures that, based on reduced energy bills alone, would not

strictly be “cost effective,” it must be because they believe there are important non-energy benefits that are of value that are not in that calculation.

- Bonneville’s perspective - Bonneville (and Council and RTF staff) only counts savings if a measure meets the total societal cost test, regardless of whether it is cost-effective for an individual utility.

We propose an approach that attempts to bring the parties together and focus everyone on creating an effective and efficient program whose goal is maximizing energy savings.

The Council identifies two general efficiency sub-targets in its overall target: “lost opportunity” measures and “retrofit” measures. In setting its targets, the Council directs that *all* lost-opportunity conservation be acquired as the opportunities (new construction, major remodeling, etc.) arise. If not, these measures will be either lost completely or cost much more as retrofits later. The pace of these savings is therefore set not by the Council, utilities or programs, but by the pace of economic development and new construction.

On the other hand, retrofit measures can, in theory, be acquired at any time. The Council sets its annual (actually 5-year) targets for this category of measures based upon an estimate of available efficiency infrastructure, funding levels and rate impacts. What is in the retrofit target is determined by cost-effectiveness, but how fast it should be acquired is a softer, greyer, decision. Theoretically and economically, *all* of the cost-effective retrofit conservation should be acquired as fast as possible—let’s get it all in one year! But practically, the pace of acquisition is much slower and on a steady consistent basis to maintain a viable long-term infrastructure.

The wiggle-room that is inherent in setting the pace of acquiring retrofit conservation is the basis for our proposed method for blending measurement and savings targets.

- Bonneville’s share of the Council’s target for lost-opportunity measures should be a hard target for BPA, subject to backstop and a strict cost-effectiveness test based on total societal cost.
- Bonneville’s share of the Council’s target for retrofit measures should be treated more flexibly. In particular, *any* conservation, whether regionally cost-effective or not, acquired by its customers should be allowed to count toward this part of BPA’s target.

The rationale for this is that the retrofit target, unlike the lost-opportunity target, is set by the Council and used by other parties for several purposes. It determines (by subtraction) the need for supply-side resources, for example. I-937 utilities use it to comply with Washington law. But as mentioned above, the target is somewhat arbitrary as it is based on a recommendation regarding how fast retrofit conservation should be pursued.

We believe that this proposal will not result in a wholesale pursuit of non-cost-effective measures at the expense of cost-effective ones. Utility Boards and Commissions remain acutely aware of ratepayer impacts and getting the biggest bang for the buck. Yet, this approach expands the list of tools in the toolbox for local utilities to empower them to be more aggressive in their outreach to increase customer participation in their efficiency programs. We look forward to refining this concept further during discussions with Bonneville and other stakeholders.