



Department of Energy

Bonneville Power Administration
P.O. Box 3621
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ENERGY EFFICIENCY

September 22, 2014

In reply refer to: PE-1

Dear Customers and Stakeholders:

For more than 30 years, the Bonneville Power Administration (BPA) and its public power customers have been leaders in reducing electric energy use and making conservation the region's second largest resource. Since the spring of 2013, BPA has collaborated with you to enhance and improve BPA's energy efficiency program. The outcome will be a number of improvements to the program that will enhance our collective efforts to meet our energy savings goals and enrich life in the Northwest.

Background on the Process

From January 2009 to March 2011, BPA's Energy Efficiency (EE) organization conducted the [Energy Efficiency Post-2011 Public Process](#) to align EE's program with BPA's Long-Term Regional Dialogue Policy and Tiered Rates Methodology. BPA agreed to review its program after sufficient experience had been gained to consider improvements to the BPA EE program put in place on October 1, 2011. In the spring of 2013, BPA began planning for such a review and officially launched the "[Energy Efficiency Post-2011 Review](#)" (Review) in November 2013.

To facilitate robust collaboration with customers and stakeholders, BPA prepared the "[Post-2011 Review Scoping Document and Process Approach](#)" (Scoping Document) which contained fifteen issues of importance that had been earlier identified by customers, stakeholders, and BPA. With the Scoping Document as a starting point, five workgroups were created to discuss the issues and provide BPA with recommendations for resolving them through changes to the program.

In May 2014, the workgroups provided their [recommendations](#) to BPA. BPA then completed its "[Proposed Revisions to the BPA Energy Efficiency Post-2011 Implementation Program](#)" (Proposed Revisions), which proposed revisions to the "[Energy Efficiency Post-2011 Implementation Program](#)." The proposed revisions took into consideration the recommendations provided by the Review workgroups.

BPA sought and received public review and comments on the Proposed Revisions from June 18, 2014 to July 19, 2014. On June 20th, 2014, BPA held a public meeting in Portland to discuss the Proposed Revisions and discuss your questions and concerns. In response to the Proposed Revisions, BPA received public comments from 32 parties. The comments received were thoughtful and valuable and were all seriously weighed and considered. BPA has now decided on a course of action for each of the issues raised in the Scoping Document.

Accompanying this letter are BPA's "[Energy Efficiency Post-2011 Review Response to Public Comment](#)," a redlined version of the "[Revised Energy Efficiency Post-2011 Implementation Program](#)," and the final "[Revised Energy Efficiency Post-2011 Implementation Program](#)." With these documents, BPA concludes the Post-2011 Review public process. From this point, BPA will begin implementing the program changes.

The sections below highlight some issues of critical importance. More details can be found in the documents accompanying this letter.

Funding for Energy Efficiency

Throughout the Post-2011 Review process, some customers expressed interest in moving EE's capital program to expense. While noting customer concern about the rate impact of such a move, BPA appreciates customers bringing the issue forward. Based on customer input and initial consideration, there are several rationales for BPA changing its cost treatment for energy efficiency from capitalization to expense. These need to be thoroughly studied before making any decisions. Therefore, BPA will further evaluate, in collaboration with customers and stakeholders, moving from capital to expense.

BPA will engage the region in evaluating the business case for moving to expense and strategies for making a capital to expense transition, if warranted, prior to the BP18 initial proposal. A decision on what to assume in the initial proposal would occur in the 2016 Integrated Program Review with opportunity for public input. BPA will also engage customers and stakeholders to think through any changes to the EE program that would be necessary as a result of moving to expense, such as modifying the EEI funding mechanism and budget flexibility mechanisms.

In the meantime, as stated in BPA's [Access to Capital Strategy](#), BPA is pursuing third-party financing for funding approximately 70% of EE's capital program (EEI portion) with FY 2016 as the target date for implementation. Under third-party financing, an outside entity will be added to energy efficiency contracts, but program implementation will remain largely unchanged. Customers will continue to achieve energy savings pursuant to the Implementation Manual and BPA will continue to serve as the Program Manager, approving all invoices and designing program specifics. The key difference is that customers will receive payment from a third party instead of BPA.

Conservation Billing Credits

Even though the expense question remains unanswered, BPA is proceeding with its proposal to grant conservation billing credits in exchange for independent conservation, beginning in FY 2016. Billing credits offer customers an opportunity to avoid BPA borrowing from the US Treasury for conservation. To accomplish this, BPA will conduct a public process in October to review revisions to BPA's 1993 Billing Credits Policy and draft contract language, with a goal of having contracts signed by the end of March 2015.

Low-Income Energy Efficiency

In the Proposed Revisions, BPA proposed and is now committed to sponsoring and managing an ongoing low-income workgroup that picks up where the Post-2011 Review low-income workgroup left off. BPA is committed to the success of the new workgroup. To ensure the collaborative momentum is maintained, BPA has scheduled the first workgroup meeting for November 6th in Portland. If you are interested in participating in the workgroup, please contact your Energy Efficiency Representative if you are a customer or Summer Goodwin (sggoodwin@bpa.gov) if you are not a customer.

Closing

On behalf of BPA, I want to thank the many customers and stakeholders that participated in the process. In a relatively short period of time, you helped BPA think through and arrive at solutions to many issues, some quite complicated. Your collaboration and engagement has been a key reason that we are on track to exceed our savings goals for the period 2010-2014 and what gives me confidence that we will be a strong position to do so in the future. I look forward to continuing to work with you to help us maintain our position as national leaders in energy efficiency.

Sincerely,



Richard Génece
Vice President, Energy Efficiency