

Proposed Changes to the 1993 Billing Credit Policy

Background and Need. This Policy Supplement describes how Bonneville Power Administration (BPA) intends to apply the Billing Credits provision of the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. § 839(h)(1) (Northwest Power Act), to independent conservation activities undertaken by customers during the term of BPA's Regional Dialogue power sales contracts. This Policy Supplement is time-limited and would only be effective through October 1, 2026 and suspends and replaces the approach described in BPA's 1993 Billing Credit Policy while it is in effect.

The backdrop for this Policy Supplement is a Washington state law, known as I-937, that requires some of BPA's customers to develop and acquire conservation. Customers subject to I-937 must acquire conservation independent of BPA's conservation acquisition efforts. In 2007, as BPA was finalizing its Regional Dialogue Policy, several customers in the state of Washington noted I-937 and its potential impacts. In its Long-Term Regional Dialogue Policy record of decision, BPA decided that it would continue to use its ongoing conservation approach, which had proven itself and did not commit BPA to pay for all conservation. BPA's Long-Term Regional Dialogue Policy expressed an expectation that BPA's conservation goals would be met to a significant extent through programs initiated and funded by its public utility customers. LTRD ROD at 186. In regard to the role BPA's bilateral conservation acquisition contracts would play in BPA's future portfolio, the ROD stated that would be determined later.

In developing its Energy Efficiency Post-2011 Implementation Program, BPA stated that it would revisit issues to determine if any efficiencies and improvements to its program could be made, including BPA's bilateral conservation acquisition contracts, i.e., Energy Conservation Agreements (ECA). Since 2013, BPA has been engaged in that review and as part of its revisions to its post-2011 EE program has proposed Billing Credits under section 6(h) of the Northwest Power Act as a mechanism for allowing customers, such as those subject to I-937, to engage in independent conservation activities to develop conservation. Use of Billing Credits for conservation resources is primarily intended to incent customers to undertake independent action and result in the reduction in the amount of conservation BPA would otherwise forecast for acquisition under the ECAs. Although Regional Dialogue contracts preclude customers from requesting Billing Credits for Generating Resources, that preclusion does not apply to requests for conservation activities. BPA has not placed any limit on which customers can use Billing Credits for conservation. This Policy Supplement will describe how customers can use Billing Credits for conservation. Underlined capitalized terms shall have the meanings established for them in Regional Dialogue contracts

General Approach. At the time BPA publishes its initial rate proposal for the 7(i) process established by the Tiered Rate Methodology, BPA will forecast an aggregated Energy Efficiency Incentive (EEI) amount. The EEI is the amount of BPA's conservation Implementation Budget that BPA makes available (under the ECA) to a customer as a monetary payment for conservation energy savings that BPA is acquiring from that customer. BPA collects in its rates the cost of the aggregated EEI on a Tier One Cost Allocator (TOCA) basis from all customers with a Contract High Water Mark.

BPA will also publish the forecast monthly amount of the Billing Credit per million dollars (including interest rate assumptions) for the EEI in its initial proposal for the 7(i) process.

BPA will provide required actions and a timeline for customers that are considering whether to undertake independent conservation activity that would qualify for Billing Credits. The timeline will be established with notification requirements that allow BPA sufficient time to forecast the impacts from Billing Credits and include the associated costs in BPA's Final Rate proposal.

Billing Credit Amount. BPA will develop a formula for determining the Billing Credit amount based on the costs that BPA avoids by not providing the customer EEI funding under the ECA. The formula will be designed with the intent to reasonably assure rate neutrality for all customers, whether or not they choose to participate in the Billing Credit program.

The formula will be generally constructed as follows. BPA would determine the average annual incremental cost that BPA would incur by borrowing for, and managing the distribution of, EEI funds for the participating customers. In making that determination, BPA would use a comparable amortization period and interest rates matching those forecast in the rate case for the initial years the Billing Credit would be granted. The average annual incremental cost over the amortization period would represent the annual Billing Credit amount that a participating customer is expected to receive.

BPA's final rates would be updated to account for customer choices to forego the EEI and to include the costs of customer Billing Credits. A participating customer would agree to a Billing Credits special provision in its Regional Dialogue Contract that would define the amount of forecasted conservation savings the customer is obligated to achieve, which is expected to be the same amount that would have been achieved under the ECA.

Contract Requirements. Prior to publishing the 7(i) initial proposal, BPA shall publish standard contract language for a special provision to be included in customers' Regional Dialogue contracts that will include the administrative and reporting requirements for customers that choose to undertake independent conservation activities and receive Billing Credits. Whether energy efficiency savings are achieved through EEI funds or through Billing Credits, BPA will need to count the savings towards its EE targets so reporting requirements are expected to be nearly identical. The special provision standard contract language shall be ready for customer signature, except for customization for customer-specific information and to fill in the amount and duration of the Billing Credit once the final rate case ROD is published. Customers that participate in the Billing Credit program will be required to sign the exhibit revision containing the special provision in time for their decision to be included in BPA's final rates.