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August 29, 2006

## MEMORANDUM

**TO:** Power Committee

**FROM:** Tom Eckman and Charlie Grist

**SUBJECT:** Bonneville Conservation Accomplishments

Bonneville committed to meet its share of Fifth Northwest Electric Power and Conservation Plan (Power Plan) targets. Since the Council had previously expressed some concern over Bonneville's conservation budgets, policies and accomplishments<sup>1</sup> staff briefed the Council at its June meeting on the agency's annual report of conservation achievements (the "Red Book"). Staff reported that according to this report, Bonneville had acquired 40 average megawatts of conservation savings in 2005. Staff was concerned that this accomplishment was below the 52 average megawatts needed to achieve the 2005-2009 targets at an even annual pace. At that meeting Mike Weed all, Bonneville Vice President of Energy Efficiency, indicated that by its own accounting, Bonneville was meeting its share of the Power Plan's targets as a result of carry over from higher conservation accomplishments in prior years. Council member Dukes asked staff to work with Bonneville to resolve the differences in perception of whether the agency was meeting the Power Plan's targets. Council and Bonneville staffs have met twice to reconcile differences in conservation achievement accounting. At least one additional session is needed to reach closure on this issue.

Staff will work with Bonneville staff to reconcile the apparent discrepancy between its claimed 2005 and anticipated 2006 conservation accomplishments and the agency's commitment to meet

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<sup>1</sup> On April 26, 2005, the Council expressed its concern that Bonneville's conservation budget appeared to be too low to acquire the level of conservation recommended in the plan and recommended a contingency plan to assure targets were met. In February 2006, Council staff reported preliminary estimates of conservation achievements by large utilities in 2005 and their proposed goals for 2006. Those estimates indicated that while the region as a whole appears close to meeting the Power Plan's conservation goals in 2005, many of Bonneville's partial requirements utilities appeared to be falling significantly short. In March 2006, as part of the regional dialogue discussions, the Council recommended that policies include provisions that effectively remove apparent disincentives for utilities to acquire conservation aggressively, both now and in the future.

the Power Plan's targets. However, staff believes that Bonneville's accomplishments should not be considered in isolation. Bonneville's achievements should be judged in the context of total regional conservation accomplishments to better assess the region's overall progress toward the Power Plan's targets. This fall the Council's Regional Technical Forum will complete its survey of the 2005 conservation achievements as well as anticipated 2006 accomplishments by all of the region's utilities, the Energy Trust of Oregon, the Northwest Energy Efficiency Alliance and Bonneville. Once this survey is completed staff will report its findings as part of the biennial plan update scheduled for the end of this year. At that time, the Council will be better able to assess whether the region is meeting the Power Plan's conservation goals and if not, determine the source of the shortfalls.

Nevertheless, staff remains concerned that Bonneville conservation budgets, its existing and emerging policies, along with utility conservation plans and budgets may not be enough to attain the Power Plan's conservation targets for the 2005-2009 period. Any conservation shortfalls in 2005 and 2006 will put increased pressure on 2007-2009 conservation budgets and programs. In particular, Bonneville's announcement that it expects its base preference rate to be about 2.7 cents/kWh from 2007-09, appears to constrain its ability to increase its investments in conservation should that be necessary to meet the Power Plan's conservation goals.

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