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Tuesday, August 30, 2005

## MEMORANDUM

**TO:** Power Committee  
**FROM:** Charlie Grist  
**SUBJECT:** Bonneville's Conservation Implementation  
**ACTION:** This is an information item. No Council action is required.

Purpose. Tom Eckman will brief the committee on Bonneville's near-term plans for conservation implementation. This is an informational briefing on one element of power plan implementation. There is no decision associated with this agenda item.

Summary. Bonneville has entered Phase 2 of its post-2006 conservation program design. The agency is developing implementation details for its programs and has been working with its customer utilities to craft program offerings. Several policy issues are in play including reimbursement strategies and levels, desire for an early program start-up option, and implementation details for reporting and evaluation.

Bonneville will offer two programmatic approaches for the post-2006 period. One approach is bilateral agreements called Conservation Acquisition Agreements (CAA). The other approach is Conservation Rate Credits (CRC). These two approaches are similar to the bilateral and rate discount programs Bonneville now offers its utility customers. However, the post-2006 programs include modifications to conform them to Bonneville's final policy for Conservation Program Structure (6/28/05) and to its conservation budget for the next rate-case period. Included in the changes are mechanisms to reduce costs to Bonneville, screen out non-cost-effective measures, simplify implementation, reduce inconsistencies, and give utilities flexibility to tailor the programs they offer to their retail customers.

Bonneville proposes to give utility customers an option for early implementation of the post-2006 programs this fall. Some utilities have exhausted current Bonneville rate credit conservation reimbursements and desire a program start date prior to FY 2007. But completing implementation details and setting up processing mechanisms by this fall will be a challenge for Bonneville and Council staff.

Three Bonneville documents are linked to this agenda item. One describes post-2006 reimbursement strategies and levels. The other two compare the new programs to the existing programs.

*This document is an overview of program elements. For more complete information, refer to the Final Post-2006 Conservation Program Structure (6/28/05) and the Post-2006 Conservation Program Reimbursement Strategies and Levels Document (8/17/05).*

## **BPA Energy Efficiency**

### **Comparison between the C&RD and CRC Programs**

	<b>Conservation &amp; Renewables Discount (C&amp;RD) Program</b>	<b>Conservation Rate Credit (CRC) Program</b>
<b>Time Period</b>	<ul style="list-style-type: none"> <li>FY 2002 thru FY 2006.</li> </ul>	<ul style="list-style-type: none"> <li>FY 2007 thru FY 2009 (with early start option in FY 2006).</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>Public benefit funds and infrastructure development.</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of conservation resources.</li> </ul>
<b>Rate Credit Amount</b>	<ul style="list-style-type: none"> <li>0.5 mills/kWh.</li> </ul>	<ul style="list-style-type: none"> <li>No change.</li> </ul>
<b>How Customer's Annual Rate Credit is Determined</b>	<ul style="list-style-type: none"> <li>Each customer's annual rate credit is determined by their qualifying Net Requirements Load Forecasts (annual qualifying loads in kWh times \$0.0005).</li> </ul>	<ul style="list-style-type: none"> <li>No change.</li> </ul>
<b>Qualifying Rate Schedules, Contracts, and Settlement Benefits</b>	<ul style="list-style-type: none"> <li>Priority Firm Power.</li> <li>New Resource Firm Power.</li> <li>Residential Load.</li> <li>Slice product.</li> <li>Industrial Firm Power.</li> <li>IOU Settlement Benefits.</li> <li>Some Pre-Sub contracts with collared pricing provisions.</li> </ul>	<ul style="list-style-type: none"> <li>Same as C&amp;RD, except aluminum smelters do not qualify for the CRC as they are getting a cash settlement in lieu of power.</li> </ul>
<b>Incremental Investments</b>	<ul style="list-style-type: none"> <li>Customer must declare annually, in writing, that their C&amp;RD investments are incremental to what they would have done absent the C&amp;RD.</li> <li>Customers who spend more than 3% of their retail revenues on conservation or renewables can apply for an exemption from this requirement.</li> </ul>	<ul style="list-style-type: none"> <li>Customer must make incremental investments beyond what is required by state law or PUC regulation, with appropriate declarations.</li> <li>Individual projects or measures cannot be claimed under multiple BPA programs.</li> </ul>
<b>Administrative Allowance</b>	<ul style="list-style-type: none"> <li>Small customers (i.e., less than 7.5 aMWs of load) are allowed to use entire budget, up to \$32,850, for administrative costs.</li> <li>Customers with more than 7.5 aMWs of load can claim \$32,850 or up to 20% of their annual budget minus donations and renewables.</li> </ul>	<ul style="list-style-type: none"> <li>Customers are allowed to claim a percentage of their biannual budgets each reporting period, minus funds given to NEEA, renewables claims and pass throughs for low-income weatherization or other utility third party implementers.</li> <li>Up to 15% - Customers w/more than 7.5 aMWs of load.</li> <li>Up to 30% - Small customer with w/ 7.5 aMWs of load or less.</li> <li>At the end of the rate period customers will be required to true up their claimed administrative allowance with activities</li> </ul>

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	<b>Conservation &amp; Renewables Discount (C&amp;RD) Program</b>	<b>Conservation Rate Credit (CRC) Program</b>
		that qualify for the administrative allowance, so that the allowance does not exceed the percentage allowed by customer size.
<b>Energy Conservation Measures</b>	<p><b>Allowable measures and credit levels:</b> The C&amp;RD allows any measure where the energy savings can be measured or reliably estimated. The \$ credit is based on the value of the energy savings to bulk power system.</p> <p><b>Qualifying Sectors:</b> Residential, commercial, industrial, and agriculture.</p> <p><b>Small utilities:</b> Can apply entire C&amp;RD credit to administrative costs; and are not required to spend \$ on installed conservation measures.</p> <p><b>Large utilities:</b></p> <ul style="list-style-type: none"> <li>• C&amp;RD credit level is based on the value of energy savings to bulk power system for most measures;</li> <li>• Some measures are capped at incremental cost.</li> <li>• Projects greater than 100,000 kWh are capped at cost and some measures (e.g., CFLs) are capped at incremental cost.</li> </ul> <p><b>Cost Sharing:</b> Cost sharing with the end user is not required. The utility determines how much to give the end user.</p> <p><b>Consistency:</b> Conservation measure definitions, specifications, estimated energy savings and/or credit/reimbursement amounts are frequently not the same between C&amp;RD and ConAug.</p>	<p><b>Allowable measures and credit levels:</b> The CRC only allows cost effective measures, as defined by the Council using the total resource cost (TRC) and reflected in the 5<sup>th</sup> Power Plan, to be claimed. Credit levels will be determined by BPA's willingness to pay (WTP).</p> <p><b>Qualifying Sectors:</b> The same.</p> <p><b>Small utilities:</b> With the exception of a larger administrative allowance, small customers are treated the same as large customers. They will be required to implement and claim qualifying activities (i.e., conservation measures, renewables, and/or donations).</p> <p><b>Large utilities:</b></p> <ul style="list-style-type: none"> <li>• With the exception of administrative allowance, CRC funds must be spent on cost-effective measures, allowable project costs, renewables, or qualifying donations.</li> <li>• All custom projects are capped at a % of cost or a predetermined \$/kWh amount at the bus bar, whichever is less.</li> </ul> <p><b>Cost Sharing:</b> No change, but reimbursement levels will, by design, not cover the entire cost of a measure.</p> <p><b>Consistency:</b> BPA strives for consistency. Conservation measure definitions, specs, estimated energy savings and/or credit/reimbursement amounts will generally be the same for CRC and the Conservation Acquisition Agreements (CAA).</p>

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	<b>Conservation &amp; Renewables Discount (C&amp;RD) Program</b>	<b>Conservation Rate Credit (CRC) Program</b>
<b>Methods for Determining Energy Savings and Measure Credit</b>	<ul style="list-style-type: none"> <li>• Deemed.</li> <li>• Deemed Calculated.</li> <li>• Custom – projects with more than 100,000 kWh in energy savings required to have pre-approval of the measurement and verification plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Deemed (includes Standard Offers).</li> <li>• Custom – projects where the utility CRC claim is \$30,000 or more (including admin) will require BPA “Review and Comment” prior to the start of the project.</li> <li>• All projects other than deemed will require BPA pre-approval of the project’s measurement and verification plan prior to project implementation.</li> <li>• All new construction/major renovation projects, CVR projects, and customer system efficiency projects require BPA pre-approval.</li> </ul>
<b>Renewables</b>	<ul style="list-style-type: none"> <li>• Deemed credits for photovoltaic and solar water heating systems, based on estimated energy production.</li> <li>• Production credits, for renewable projects larger than 25 kW, are based on actual production.</li> <li>• Pre-application required to claim production credit.</li> </ul>	<p><b>Note: The renewable portion of the CRC has yet to receive BPA management approval and may change.</b></p> <ul style="list-style-type: none"> <li>• \$500 deemed credit for photovoltaic and solar water heating systems.</li> <li>• Production credits, for renewable projects larger than 25 kW, are based on actual production.</li> <li>• Utilities must provide BPA a forecast of all of their anticipated renewables claims three month prior to each year of the rate period; BPA may pro-rate amounts for larger utilities if program is over-subscribed. Small utilities and federal customers will not be subject to pro-rating.</li> <li>• Renewables activities do not qualify for administrative allowances.</li> <li>• Renewables claims are not allowed as part of the early start.</li> </ul>
<b>Donations</b>	<ul style="list-style-type: none"> <li>• Unlimited donations to NEEA, BEF, the RTF, and USDOE</li> <li>• Limited donations (max. 20% of total C&amp;RD) to organizations that the utility determines promote energy efficiency, conservation, or renewables.</li> </ul>	<p>Allow funding of:</p> <ul style="list-style-type: none"> <li>• NEEA</li> <li>• Pass-throughs to other organizations for cost-effective measures, including low-income agencies.</li> </ul> <p><b>Documentation of resulting kWh savings is required.</b></p>
<b>RD&amp;D</b>	<ul style="list-style-type: none"> <li>• Allowed up to 20% of total budget with prior approval.</li> </ul>	<ul style="list-style-type: none"> <li>• No provisions.</li> </ul>
<b>Reporting Requirements</b>	<ul style="list-style-type: none"> <li>• <b>Small utilities:</b> Annual letter if greater or equal to \$5,000 C&amp;RD; none if less than \$5,000.</li> <li>• <b>Large utilities:</b> Annual reporting</li> </ul>	<ul style="list-style-type: none"> <li>• <b>All utilities:</b> Reporting every six months on RTF web site, is required, starting April 1, 2007. Utilities that participate in the early start will be asked</li> </ul>

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	<b>Conservation &amp; Renewables Discount (C&amp;RD) Program</b>	<b>Conservation Rate Credit (CRC) Program</b>
	on RTF web site.	to submit their first report October 30, 2006.
<b>Progress Reporting/ Timing of Claims</b>	<ul style="list-style-type: none"> <li>Customer should tell BPA how they intend to manage their C&amp;RD budget if it deviates more than 5% from the amount that they receive on an annual basis.</li> <li>Customers can claim activity anytime during the rate period without consequences. For example, a utility can satisfy their entire obligation during the first year or they can wait until the last year to satisfy their obligation.</li> </ul>	<ul style="list-style-type: none"> <li>BPA will review each customer's progress every six months.</li> <li>If acceptable progress has not been made BPA will require the utility to submit an action plan which explains how the utility will remedy the situation.</li> <li>If after developing and implementing an action plan, progress is still not being made, the rate credit may be withdrawn (see page 9 of the Final Post-2006 Conservation Program Structure, dated June 28, 2005, for details).</li> </ul>
<b>Program or Measure-Specific Evaluations</b>	<ul style="list-style-type: none"> <li>Customers are not required to participate or provide information to facilitate program or measure-specific evaluations.</li> </ul>	<ul style="list-style-type: none"> <li>BPA may conduct process and impact evaluations as needed to refine savings estimates or to make improvements to program design.</li> <li>Participating utilities will be required to provide information for evaluation purposes, if so requested.</li> </ul>
<b>Oversight</b>	<ul style="list-style-type: none"> <li>No oversight work is performed by BPA.</li> <li>Customers are required to have an annual financial audit.</li> <li>Program manager reviews annual reports for consistency and obvious mistakes.</li> <li>No site visits or records review are performed.</li> </ul>	<ul style="list-style-type: none"> <li>Customers are required to have an annual financial audit.</li> <li>BPA oversight will be performed annually, similar to what is required in CAA and the current ConAug program. BPA will coordinate CRC and CAA annual oversight visits.</li> </ul>
<b>Repayment Provisions</b>	<ul style="list-style-type: none"> <li>If customer does not perform enough qualifying activities to satisfy the obligation acquired by accepting the C&amp;RD on their power bill, the customer will be required to reimburse BPA for the unsatisfied obligation at the end of the rate period.</li> </ul>	<ul style="list-style-type: none"> <li>No change. A true-up is required at the end of the third year of the program.</li> </ul>
<b>Regional Technical Forum (RTF)</b>	<ul style="list-style-type: none"> <li>BPA uses the RTF to make recommendations on estimated energy savings, C&amp;RD credits, and technical requirements.</li> </ul>	<ul style="list-style-type: none"> <li>BPA will use the RTF to make recommendations on estimated energy savings, the value of the energy savings, and technical requirements.</li> <li>BPA will determine WTP for specific measures on a case-by-case basis.</li> </ul>
<b>Program Changes</b>	<ul style="list-style-type: none"> <li>BPA can lower measure credits and make other program changes, such as specification or program changes,</li> </ul>	<ul style="list-style-type: none"> <li>BPA can make changes to the program requirements, specifications, available</li> </ul>

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	<b>Conservation &amp; Renewables Discount (C&amp;RD) Program</b>	<b>Conservation Rate Credit (CRC) Program</b>
	that negatively impact the customer only at the beginning of the fiscal year. Changes that add measures, increase measure credits, relax program requirements or specifications can be made at any time.	measures, and measure credit with six months notice. <ul style="list-style-type: none"> <li>• The six month notice will occur no more than once each fiscal year.</li> </ul>

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## **BPA Energy Efficiency**

### **Comparison between ConAug and the Conservation Acquisition Program**

<b>Program</b>	<b>Conservation Augmentation Program (ConAug)</b>	<b>Conservation Acquisition Program (CAP)</b>
<b>Contract Name</b>	<b>Purchase of Conservation Agreement (PCA)</b>	<b>Conservation Acquisition Agreement (CAA)</b>
<b>Original Purpose and Intent</b>	<ul style="list-style-type: none"> <li>Purchase low-cost, reliable, persistent energy savings to reduce near-term BPA system augmentation requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Purchase cost-effective energy savings to achieve BPA's share of the long-term Regional Conservation Targets as defined by the 5th Power Plan.</li> </ul>
<b>Implementation Period</b>	<ul style="list-style-type: none"> <li>FY 2002-FY 2006</li> </ul>	<ul style="list-style-type: none"> <li>FY 2006-FY 2009: BPA plans to offer the CAA in the fall (early FY 2006) for implementation.</li> </ul>
<b>Eligible Participants</b>	<ul style="list-style-type: none"> <li>Voluntary participation - open to all BPA public utility power sales customers in the Pacific Northwest, including pre-subscription contract customers and federal agencies.</li> </ul>	<ul style="list-style-type: none"> <li>No Change.</li> </ul>
<b>Allowable Expenditures</b>	<ul style="list-style-type: none"> <li>Payments are made based primarily on verified energy savings and are restricted to "tried and true" conservation measures. Purchases are made based upon reliability and certainty of savings. All ConAug investments must be incremental to C&amp;RD. All BPA purchases are subject to audit.</li> </ul>	<ul style="list-style-type: none"> <li>Reimbursements are made based primarily on verified energy savings for cost-effective measures.</li> <li>Individual projects or measures cannot be claimed under multiple BPA programs.</li> <li>All BPA purchases are subject to audit, evaluation, and oversight.</li> <li>BPA pays for verified kWh savings based upon Post-2006 Conservation Program Reimbursement Strategies and Levels document dated August 17, 2005.</li> </ul>
<b>Administrative Allowance</b>	<p>Discretionary funds of 10 percent are paid in the ESO+ and the AgSO. The 10 percent adder must be used to:</p> <ul style="list-style-type: none"> <li>Offset utility administrative costs;</li> <li>Fund additional measures;</li> <li>Increase incentive payments to end user participants;</li> <li>Or some combination of the above.</li> </ul>	<ul style="list-style-type: none"> <li>Customer may request up to 15 percent admin allowance, based on the total \$ amount of reimbursement of expenditures on qualifying measures.</li> <li>Customers will be paid the admin allowance with each approved invoice.</li> </ul>
<b>Determination of Energy Savings</b>	<ul style="list-style-type: none"> <li>BPA determines the value of energy savings (measurement and verification (M&amp;V) protocols and other analytical techniques).</li> </ul>	<ul style="list-style-type: none"> <li>All custom projects (projects for which reimbursement is based on verified savings), except when standardized, require BPA approval of an M&amp;V plan prior to</li> </ul>

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<b>Contract Name</b>	<b>Purchase of Conservation Agreement (PCA)</b>	<b>Conservation Acquisition Agreement (CAA)</b>
	<ul style="list-style-type: none"> <li>Deemed savings limited to small sub-set of residential measures.</li> <li>Customer invoices BPA; COTR determines contract compliance prior to payment.</li> </ul>	<p>implementation activity such as the purchase of measures.</p> <ul style="list-style-type: none"> <li>Where expected reimbursements are greater than \$30,000 (including admin.), the projects must be submitted to BPA for Review and Comment prior to implementation.</li> <li>All commercial/industrial and multifamily residential new construction/major renovation projects, CVR projects, and customer system efficiency projects require BPA approval prior to implementation.</li> </ul>
<b>Measure Eligibility</b>	<ul style="list-style-type: none"> <li>Eligible measures are restricted to commercially viable, measurable energy savings (e.g., hardware-related).</li> <li>BPA does not purchase fuel switching or renewable projects under ConAug.</li> </ul>	<ul style="list-style-type: none"> <li>Qualifying measures must be cost-effective, based on the Total Resource Cost.</li> <li>Unit savings values and reimbursement rates will be generally consistent with the CRC.</li> </ul>
<b>Acquisition Targets</b>	<ul style="list-style-type: none"> <li>Specific acquisition targets of 60 aMW under contract by September 30, 2002, and 100 aMW of delivered savings by the end of the rate period</li> </ul>	<ul style="list-style-type: none"> <li>In order to meet aMW goals within existing budget constraints, BPA may limit funding levels for specific exhibit elements.</li> </ul>
<b>Program Reporting Requirements</b>	<ul style="list-style-type: none"> <li>Tracking and reporting requirements are specified in the PCA.</li> <li>BPA expenditures subject to audit. BPA responsible for oversight on all ConAug investments.</li> </ul>	<ul style="list-style-type: none"> <li>Savings from all bilateral programs must be reported into the RTF reporting system.</li> </ul>
<b>Program Evaluation</b>	<ul style="list-style-type: none"> <li>Provisions are made for conducting evaluations of ConAug programs.</li> <li>BPA may conduct process and impact evaluations as needed to refine savings estimates or to make improvements in program design</li> </ul>	<ul style="list-style-type: none"> <li>Same as ConAug, except participating utilities will be required to provide information for evaluation purposes.</li> </ul>
<b>Program Offerings</b>	<ul style="list-style-type: none"> <li>Custom and standard offers</li> </ul>	<ul style="list-style-type: none"> <li>Same as ConAug with the addition of new offerings, such as the new residential measures and modified reimbursement levels (refer to specific exhibit descriptions (below) for more details).</li> </ul>
<b>ESO Plus</b>	<ul style="list-style-type: none"> <li>Rebates provided for a defined list of measures for a fixed period of time.</li> </ul>	<ul style="list-style-type: none"> <li>Reimbursements provided for a defined list of measures, with planned changes in reimbursement</li> </ul>



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<b>Contract Name</b>	<b>Purchase of Conservation Agreement (PCA)</b>	<b>Conservation Acquisition Agreement (CAA)</b>
	<ul style="list-style-type: none"> <li>• Rebates capped at 70 percent of project cost; 30 percent watt reduction required.</li> <li>• 10 percent discretionary funds provided with each invoice submitted is applicable for expenditures directly supporting program. Documentation required to support expenditures of discretionary funds.</li> <li>• Full rebate payment, excluding discretionary funds, required to be sent to end-use consumer.</li> </ul>	<p>amounts for certain items over term of agreement.</p> <ul style="list-style-type: none"> <li>• Reimbursements capped at 70 percent of project cost; 30 percent watt reduction required.</li> <li>• Administrative allowance of up to 15 percent of qualifying costs paid with each invoice submitted.</li> <li>• Reimbursements for standard T8s to be phased out over time.</li> <li>• Customer sets incentive amount to be paid to end-user.</li> </ul>
<b>AgSO</b> (Standard Offer)	<ul style="list-style-type: none"> <li>• Rebates provided for a defined list of measures.</li> <li>• 10 percent discretionary funds provided with each invoice submitted, applicable for expenditures directly supporting program. Documentation required to support expenditures of discretionary funds.</li> <li>• Full rebate payment, excluding discretionary funds, required to be sent to end-use consumer.</li> </ul>	<ul style="list-style-type: none"> <li>• Reimbursement amounts increased for selected measures.</li> <li>• Pump motors to be added to reimbursement list.</li> <li>• Administrative allowance of up to 15 percent of qualifying costs paid with each invoice submitted.</li> <li>• Customer sets incentive amount to be paid to end-user out of the BPA reimbursement.</li> </ul>
<b>E-Star SO</b>	<ul style="list-style-type: none"> <li>• Pays rebates for E-Star New Homes certified by the State Certification Office. (Incentives for non-electric homes are for specified appliances.) Rebates structured by heating zone. Allows for both BOPs (Builder Option Packages) and all Technical Compliance Paths.</li> <li>• Full rebate payment required to be sent to builder or homeowner.</li> <li>• No administrative costs paid.</li> </ul>	<ul style="list-style-type: none"> <li>• Full set of residential measures for new and existing homes.</li> <li>• E-Star Homes subsumed under a general residential standard offer.</li> <li>• Administrative allowance of 15 percent paid with each invoice submitted.</li> <li>• Customer sets incentive amount to be paid to end-user.</li> </ul>
<b>Commercial &amp; Industrial SO</b>	<ul style="list-style-type: none"> <li>• Reimbursement made based on lesser of \$0.12/kWh (verified first year energy savings) or 60 percent of project cost for all C&amp;I measures.</li> <li>• The full payment received from BPA must be passed through to the end-use consumer, except customer may retain 60 percent of their actual cost incurred.</li> <li>• BPA reviews and approves project proposal and provides notice to proceed letter.</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative allowance of up to 15 percent of qualifying costs paid with each invoice submitted.</li> <li>• Customer sets incentive amount to be paid to end-user.</li> <li>• Review and pre-approval of M&amp;V required for all calculated custom projects.</li> <li>• BPA must Review and Comment on projects with total payment from BPA expected to be \$30,000 or</li> </ul>

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Contract Name	Purchase of Conservation Agreement (PCA)	Conservation Acquisition Agreement (CAA)
	<ul style="list-style-type: none"> <li>• Notice to proceed letter binds BPA to pay for project.</li> </ul>	<p>greater, prior to project implementation.</p> <ul style="list-style-type: none"> <li>• Industrial projects will be reimbursed at 12 cents/kWh with the technical assistance provided by BPA, <u>or</u> at 15 cents/kWh with the technical assistance paid for by the utility. The utility must choose the alternative it wants when signing the first agreement with BPA.</li> </ul>