

Tom Karier  
Chair  
Washington

Frank L. Cassidy Jr.  
"Larry"  
Washington

Jim Kempton  
Idaho

Judi Danielson  
Idaho



Joan M. Dukes  
Vice-Chair  
Oregon

Melinda S. Eden  
Oregon

Bruce A. Measure  
Montana

Rhonda Whiting  
Montana

March 7, 2006

## DECISION MEMORANDUM

**TO:** Council Members

**FROM:** Charlie Grist

**SUBJECT:** Letter to Bonneville on Conservation Policies

**PROPOSED ACTION:** Approve sending a letter to Bonneville Administrator Steve Wright on current and developing conservation policies

**BACKGROUND:** The Council will consider a decision to send a letter the Steve Wright regarding Bonneville's conservation policies. The letter has been drafted by staff and reviewed and revised by the Power Committee. The gist of the letter expresses the Council's concern that Bonneville's current and developing conservation policies could prevent the accomplishment of two of the primary goals in the 5th Power Plan; 1) meeting or exceeding conservation targets throughout the region and 2) redefining the roles of Bonneville and utilities in the regional electricity system. The letter points out the impediments in Bonneville's conservation policies and urges Bonneville to resolve them.

### ATTACHMENTS:

The draft letter is attached.

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March 14, 2006

Mr. Steve Wright  
Administrator and Chief Executive Officer  
Bonneville Power Administration  
PO Box 3621  
Portland, OR 97208

Dear Mr. Wright:

The Council believes it is imperative to adopt appropriate conservation policies to accomplish two of the primary goals in the 5<sup>th</sup> Northwest Electric Power and Conservation Plan (Power Plan): 1) meeting or exceeding conservation targets throughout the region, and 2) redefining the roles of Bonneville and utilities in the regional electricity system. The success of both depends on the basic principle that utilities recognize the cost of new resources when making decisions about conservation or generation resources. The Council strongly recommends that the combination of current programs and policies adopted for the post-2011 period provide incentives for utilities to acquire conservation aggressively both in the near-term and in the future.

The Council supports Bonneville's commitment to acquire its share of the Council's conservation goals in its 5<sup>th</sup> Northwest Electric Power and Conservation Plan. However, the Council expressed concern by letter of April 26, 2005, that Bonneville's conservation budget appears to be too low to acquire the level of conservation recommended in the plan. While preliminary estimates of conservation achievements by large utilities in 2005 and their proposed goals for 2006 indicate that the region as a whole is close to meeting the Power Plan's conservation goals, many of Bonneville's partial requirements utilities are falling significantly short.

Bonneville's present policy of decreasing utilities' net requirements because of load reduction from conservation is often cited as a reason for not participating in the bilateral Conservation Acquisition Agreements. While we recognize Bonneville's 2007-2009 policy on this matter has been adopted, the Council believes Bonneville must remain vigilant to ensure that near-term conservation targets are being met and must stand ready to revise programs if necessary to meet targets.

The reduction of net requirements due to acquired conservation remains a prominent issue in Regional Dialogue discussions. The continuing lack of consensus in that forum appears, at least in part, due to utility concerns regarding whether conservation they develop between 2002 and 2011 will reduce their access to federal power in the post-2011 period. The Council strongly recommends that Bonneville ensure that Regional Dialogue policies include provisions that effectively remove this or any other disincentive for utilities to acquire conservation aggressively, both now and in the future.

The Council urges Bonneville to take responsibility for conservation achievement among its customer utilities more broadly than just the loads it serves. The goal should be to promote conservation directly on Bonneville's loads and also to promote conservation on utilities' own loads through properly structured incentives and support for region-wide programs that will achieve the conservation targets of the Power Plan.

Sincerely,

~

Tom Karier  
Chair