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June 3, 2014

MEMORANDUM

TO: Council Members

FROM: Charlie Black, Power Planning Division Director

SUBJECT: Review of BPA's Post-2011 Energy Efficiency Policy and EE Aspects of its Integrated Program Review Process

During the last several months, Bonneville, its customers, and other stakeholders have been conducting a review of BPA's Post-2011 Energy Efficiency Policy. Through this process, five workgroups have addressed numerous topics related to acquisition of energy efficiency by BPA and its publicly-owned utility customers. The post-2011 process is now nearing a conclusion and various recommendations for improvements to the BPA energy efficiency policy framework and associated implementation aspects have emerged with broad support from the participants. Information about the post-2011 review can be found at

www.bpa.gov/Energy/N/post-2011/index.cfm

Meanwhile, BPA has also just launched its 2014 Integrated Program Review, which will address BPA programs and expenditures for federal fiscal years 2016 and 2017. BPA conducts its IPR processes every two years as a lead-in to its rate cases. BPA held the IPR kickoff meeting in Portland on May 28, 2014. The presentation slides from that meeting can be found at

http://www.bpa.gov/Finance/FinancialPublicProcesses/IPR/2014IPRDocuments/May28_IPR_Kickoff_Meeting.pdf

At the Council meeting in Missoula on June 10, 2014, Richard Genece', Bonneville's Vice President for Energy Efficiency and Matt Tidwell of his staff will give presentations on the Review of BPA's Post-2011 Energy Efficiency Policy and on energy efficiency aspects of the 2014 Integrated Program Review.

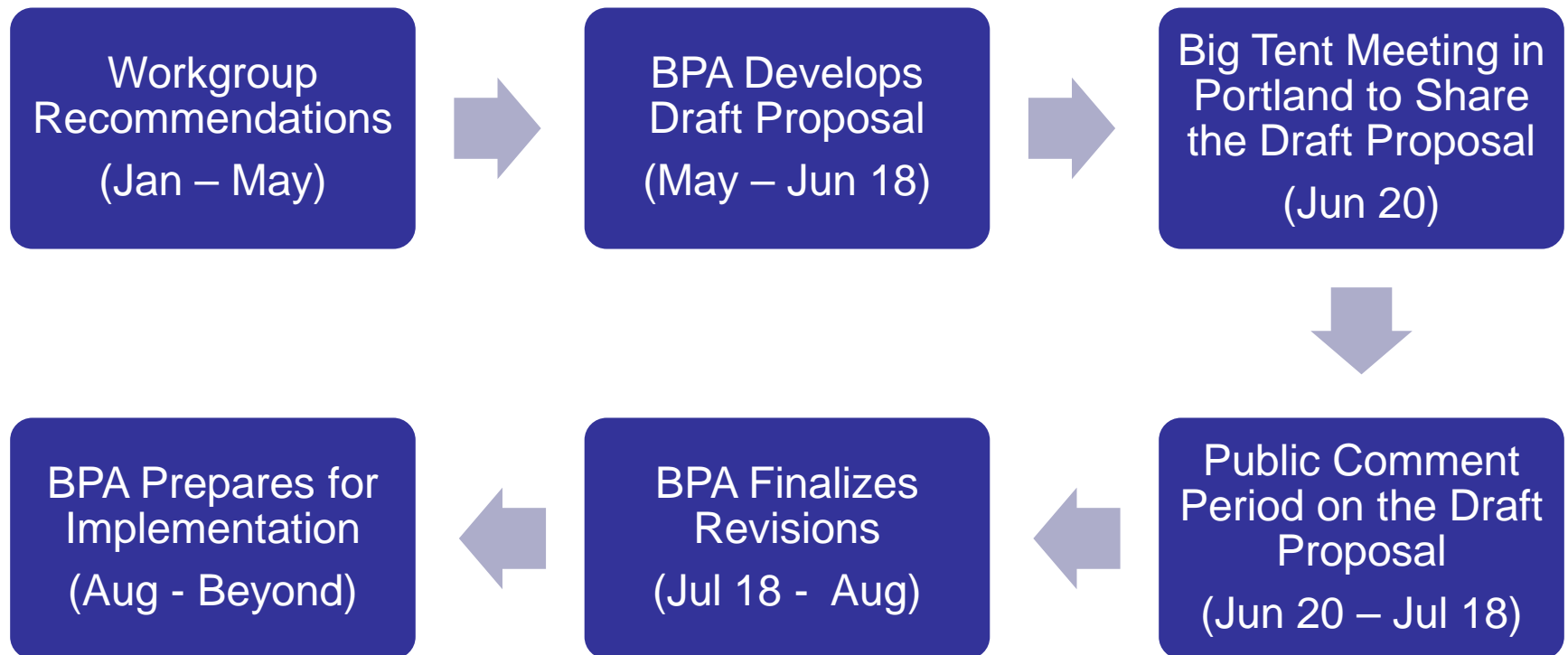
EE Post-2011 Review and Integrated Program Review (IPR) Updates

Northwest Power and
Conservation Council Meeting
Missoula, MT
June 10, 2014

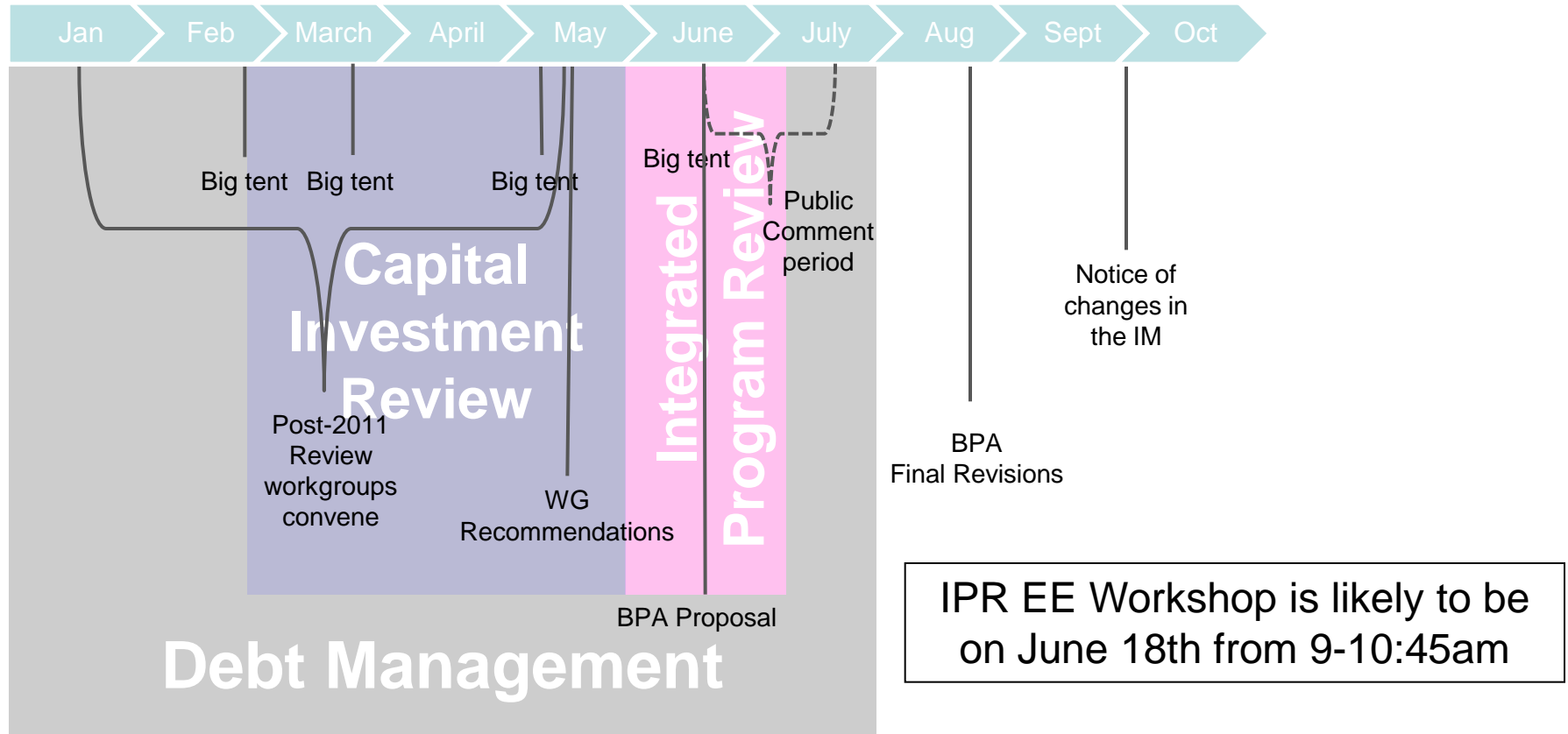
Purpose of the Post-2011 Review

- To consider and implement improvements to BPA's energy efficiency program put in place after fiscal year 2011 (Post-2011)

Process for the Post-2011 Review



Post-2011 Review Timeline in Context



Key Issues

- Utility Self-Management of Incentives
- Large Project Fund
- Inter-Rate Period Budget Flexibility

Utility Self-Management of Incentives

- Problem statement: the status quo funding model,
 1. incurs capital borrowing costs for some customers that would otherwise expense conservation; and,
 2. requires customers to invoice BPA for payment
- Workgroup recommendation
 1. move the EE capital program to expense (while mitigating the rate impact as much as possible; and,
 2. offer customers the option to request billing credits in exchange for “independent conservation”
- The goal of the recommendation is for the billing credit to equal the revenue requirement for customers that elect to self-manage their incentives so that it's rate neutral
 - **IPR/Rate Case**: there would be no change to IPR funding levels or the total related revenue requirement due to the customer self-management of incentives. EE's start of year budget would be reduced by the amount of incentives associated with self-managing customers and BPA would use the savings from reduced borrowing to fund the billing credit.

Large Project Fund

- Problem statement: BPA's existing Large Project Fund is not BPA or customer-friendly
- Workgroup recommendation: offer customers the ability to borrow more (and pay back) in order to fund large projects
- **IPR**: BPA may add the amount available to its IPR decision
- **Rate Case**: BPA may incorporate the total amount in the final Rate Case revenue requirement. Specifically, BPA would forecast increased capital spending, which would likely result in a small near term increase in the overall revenue requirement.

Inter-Rate Period Budget Flexibility

- Problem statement: Customer incentive budgets are allocated per rate period and cannot be “rolled over” to the next rate period (“use or lose”)
- Workgroup recommendation: allow customers to roll over unused incentives from one rate period to the next
- **IPR**: Total amount to roll-over would need to be forecasted on March 31 of the second year, which could be shared in an IPR2
- **Rate Case**: BPA could incorporate the roll-over forecast into the final Rate Case revenue requirement. Specifically, BPA would increase forecasted reserves and EE capital spending. This would likely result in a small increase in the overall revenue requirement.