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June 4, 2019

### DECISION MEMORANDUM

**TO: Council Members**

**FROM: Charlie Grist**  
**Conservation Resources Manager**

**SUBJECT: Issue paper on energy efficiency values and challenges**

**PROPOSED ACTION:** Council approval to release the paper "Energy Efficiency:  
Values and Challenges"

**SIGNIFICANCE:** Throughout the development of the Seventh Plan, utility general managers presented to the Council on the challenges they face in implementing energy efficiency. In part a response to this, the Seventh Plan identified three action items for Bonneville to quantify the value of conservation, explore different efficiency implementation approaches, and identify barriers to conservation acquisition (BPA-5, BPA-6, and BPA-7). While not directly tied to these Action Items, Council staff have developed a white paper outlining the value of conservation, with a focus on how those benefits flow back differentially to utilities particularly on the Bonneville system.

### BUDGETARY/ECONOMIC IMPACTS

None

### BACKGROUND

The Seventh Plan highlights the value of conservation to the region. This includes direct value to the utility system, as well as to end use customers and the society at large. It is clear, however, that energy efficiency does not provide equal value to all utilities. The purpose of this paper is to explore the broad value of energy efficiency, as well as how that value flows back differentially to utilities with a focus on the Bonneville system.

## **ANALYSIS**

A draft paper was released for comment in February 2019. The Council received written comments from Bonneville, PNUCC, Northwest Requirements Utilities (NRU), Public Power Council (PPC), and Idaho Falls Power. Staff reviewed the comments and made recommendations for changes to the paper. Proposed changes are incorporated into the final draft of the paper linked below. Staff will also be drafting a response to comments document that will be posted later.

Changes from the previous version of the paper are summarized below:

- The Executive Summary was expanded to underscore the Council's roles regarding Bonneville and to give context to the paper's focus on Bonneville impacts
- A discussion was added on the topics of avoided reserves and risk to Section 2, which covers the regional perspective. References to the Council's 2016 Residential Electric Rates report were removed
- Section 3 was retitled to "Efficiency Value in the Bonneville System". Most changes in Section 3 are for clarification, or editorial. Clarifications were made to the discussion on Tier 1 and Tier 2 cost allocation. Throughout the paper, references to Tier 1 and Tier 2 customers were rephrased to reflect that the tiers are a rate construct, not a power product or customer category. A few additions and corrections were made in Tables 4 through 7, and to some of the historical expenditure data. Changes to facts regarding Bonneville EE programs, rate structures, and other matters were reviewed with Bonneville for accuracy
- A short discussion on state regulatory and policy drivers was added to Section 5: Challenges to Energy Efficiency. Statements about potential solutions were removed. The discussion of long-term versus short-term impacts was moved forward

## **ALTERNATIVES**

The alternative is that the Council could continue to revise the paper and release it later.