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February 26, 2014

Elliot Mainzer, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Dear Elliot:

We were encouraged to hear at your swearing-in ceremony last week that acquiring cost-effective energy efficiency will be one of your top priorities as Administrator. However, the Council is concerned that BPA's initial capital budget proposal includes insufficient conservation funding levels that would impair the agency's ability to fulfill your commitment.

Efficiency is now the region's second largest power resource, reducing consumers' electricity bills by about \$3 billion each year while lowering greenhouse gas emissions. BPA's actions have played a major role in this success. This has included conservation funding, as well as supporting and overseeing acquisition efforts by your utility customers. These activities help fulfill BPA's obligation under the Northwest Power Act to acquire resources consistent with the Council's regional power plan.

The Council's Sixth Power Plan included a five-year action plan covering 2010-2014. BPA identified 504 average megawatts as it and its customers' share of the regional conservation targets. Actual results for 2010-2012 indicate the region is on track to meet or exceed these targets.

The current Capital Investment Review process provides a significant opportunity for BPA, its customers, the Council and others to discuss the agency's plans to fund energy efficiency in future years. While this budget's years are beyond the five-year action plan period for the Sixth Plan, they are nevertheless within its planning horizon. Further, the Sixth Plan shows annual conservation amounts increasing each year. For example, the plan's average targets for 2015-2019 exceed the 2010-2014 average by 38 percent.

We have reviewed BPA's CIR Initial Publication dated February 18, 2014, and note that it sets forth proposed spending levels as follows (pp. 85-86):

9.6 PROPOSED SPENDING LEVELS

Without knowing the conservation targets in the Seventh Power Plan, it is difficult to confidently estimate the capital level of funding for Energy Efficiency over a ten year planning horizon. However, the five year savings target in the Sixth Power Plan is based on a twenty year power plan and it is the twenty year plan that envisions 85% of load growth being met through conservation. Therefore, it is likely a safe assumption that the savings target in the Seventh Power Plan will not be significantly lower than the target in the Sixth Power Plan. In fact, the twenty year plan assumes an upward trend of targets over time, so it is more likely the Seventh Power Plan target will be larger than the one in the Sixth Power Plan. At this point, however, such an increase is speculative. Therefore, as the regional power planning and post 2011 review processes evolve, the 10-year planning horizon for Energy Efficiency capital funding only assumes annual proposed spending levels are increased by the rate of inflation beginning in FY 2015 (as was also done in the last CIR).

Figure 55

(\$ millions)	Proposed Capital Spending Levels										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
EE Incentive (EEI)	52.6	64.4	66.3	68.3	70.4	72.5	74.7	76.9	79.2	81.4	706.7
BPA-Managed	22.6	27.6	28.4	29.3	30.2	31.1	32.0	33.0	33.9	34.9	303.0
Total	75.2	92.0	94.8	97.6	100.5	103.6	106.7	109.9	113.1	116.3	1,009.7

*This is from the Energy Efficiency strategy

This information and other statements by BPA raise significant concerns that its proposed funding levels beyond FY 2014 will be insufficient for BPA and its customers to meet the annual energy efficiency goals from the Council's Sixth Plan. Further, the rationale provided in Section 9.6 is both factually incorrect and logically inconsistent.

In particular, we take issue with claims made by BPA executives in the opening meetings of the IPR and CIR processes that the Council has not established valid efficiency targets after 2014. Although it is accurate that the Seventh Power Plan is scheduled to be completed by the end of 2015, the schedule is inconsequential because the Sixth Plan's annual efficiency targets (see attached graph) are in effect until the Seventh Plan is adopted. Therefore, BPA's proposed spending and capital budgets during the IPR and CIR should be set at levels necessary to meet the Sixth Plan's targets for 2015-2019.

In previous budget cycles, BPA formulated its energy efficiency budgets by calculating the average annual spending required to meet the Council plans' five-year targets. This resulted in step increases rather than gradual increases in spending (see the blue line

on the attached graph). As noted above, the five-year average for 2015-2019 is a 38 percent increase from the average for 2010-2014.

In the current CIR, however, BPA is proposing only 3 percent annual increases for 2015-2019, an annual average spending increase of about 9 percent. This would fall woefully short - only about one-fourth - of the 38 percent increase needed to meet the Sixth Plan's targets for 2015-2019.

In other words, BPA appears to recognize that Seventh Power Plan energy efficiency targets for 2015-2019 could *increase* from the Sixth Power Plan targets for those years. Thus it seems nonsensical for BPA to propose setting its energy efficiency budget based on acquisitions that are *below* the Sixth Power Plan amounts for 2015-2019.

We urge you to revisit these proposals and ensure that BPA's energy efficiency budgets are sufficient to meet the Council's targets. BPA's track record of acquiring cost-effective energy efficiency has been exemplary, and we trust you will agree it should remain a source of pride for the Pacific Northwest.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Bradbury". The signature is stylized with a large, sweeping flourish at the end.

Bill Bradbury
Chair

enclosure

Fifth and Sixth Plan Conservation Goals and Regional Achievements Through 2012

