

Conservation Billing Credits

**ADMINISTRATOR'S
RECORD OF DECISION**

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I. INTRODUCTION – CONSERVATION BILLING CREDITS PROGRAM

The Bonneville Power Administration (BPA) and customers that are served with federal power under long-term Regional Dialogue power sales contracts have been engaged in discussions concerning BPA's current program for achieving conservation. As part of those discussions, customers requested that BPA develop alternatives to the existing program that could continue the successful achievements of conservation by BPA and the customers. BPA spent several months considering this request and developing an approach that would balance the customers' request with BPA's obligations under law. The approach developed with the Conservation Billing Credits program strikes such a balance and provides customers a reasonable path that encourages and supports customers' participation in pursuing independent conservation activities on a regional basis.

In 2007, the state of Washington passed a law known as I-937 which requires some of BPA's customers to develop and acquire conservation. This law does not apply to BPA and does not remove BPA's duty to "acquire such resources through conservation" consistent with the Northwest Power and Conservation Council's (Council) power plan. However, because the Council's conservation target is set for the entire Northwest region (not just BPA), the reality of I-937 means that only some of BPA's customers are required by state law to undertake independent conservation activities that help to meet the Council's target. As a result, this reduces the amount of conservation BPA would otherwise have to acquire.

The Pacific Northwest Electric Power Planning and Conservation Act of 1980 16 U.S.C. § 839 et seq. ("Act" or "Northwest Power Act") defines conservation as any reduction in electric power consumption as a result of increases in the efficiency of energy use, production, or distribution. BPA treats conservation as a resource. Specifically, if BPA needs a resource to meet or reduce the electric power demand, it must follow the statutory priority of resource acquisition in the Council's plan, which places conservation as the first resource BPA must turn to.

The Council sets a conservation target (for the Northwest) in its power plan, and BPA acquires conservation that the Administrator determines is consistent with that target. One way that BPA "acquires" conservation is to buy energy savings from its power customers, pursuant to Energy Conservation Acquisition (ECA) contracts. These contracts achieve conservation by reducing the loads served by BPA power.

During BPA's Energy Efficiency Post-2011 Review public process, some of BPA's customers, particularly those subject to I-937, asked BPA for a mechanism that would allow them to engage in independent conservation activities and, as a consequence, reduce the cost specifically allocated to them in their power rates related to BPA's conservation acquisition contracts. To address the customers' request, BPA proposed to use a statutory tool known as billing credits.

The billing credits provision of the Act allows BPA to provide a credit to a customer to reflect the cost of certain conservation activities that customer has independently undertaken. Specifically, Section 6(h) states: “If a customer so requests, the Administrator shall grant billing credits to such customer, and provide services to such customer at rates established for such services, for conservation activities independently undertaken . . . by such customer . . . which reduce the obligation of the Administrator that would otherwise have existed to acquire other resources under this chapter . . .”

This tool appears well-suited to address the request made by some of BPA’s customers. Namely, it would reduce the amount of conservation acquired through conservation acquisition contracts, reduce the customer’s budget allocation under that agreement, and it would allow the customer to receive billing credits for conservation activities they undertake.

Public Process

As noted above, BPA engaged in a lengthy multi-month effort with its customers and stakeholders to discuss revisions to BPA’s Post-2011 Energy Efficiency program. This review led to the Conservation Billing Credits program proposal. BPA described its Conservation Billing Credits program proposal in five documents: (1) the “Proposed Changes to the 1993 Billing Credit Policy,” (2) a Federal Register Notice dated October 10, 2014, (3) a Fact Sheet, (4) a draft Exhibit D provision for the Regional Dialogue contract which would govern the Conservation Billing Credits program, (5) and a handout/PowerPoint presentation for a public workshop held on October 24, 2014.

In the Federal Register Notice (FRN), BPA described the scope of its proposed action as follows:

BPA proposes to revise its [1993] Billing Credits Policy to offer a Billing Credit program for conservation pursuant to section 6(h) of the 1980 Pacific Northwest Electric Power Planning and Conservation Act that focuses on the independent conservation activity of BPA's customers and the potential of that activity to reduce the BPA Administrator's need to acquire resources from conservation. BPA's existing Billing Credits Policy interprets the Billing Credits provisions in the Northwest Power Act, prescribes criteria for customer and resource eligibility, and establishes procedures for granting Billing Credits. With the proposed revision of BPA's Billing Credits Policy, BPA would consider customer requests for Billing Credits in exchange for a customer's independent acquisition of conservation performed during the FY2016-2017 rate period and throughout the duration of customers' existing Regional Dialogue contracts.

Federal Register Notice, 79 FR 61301, October 10, 2014. The FRN also established a 5-week comment period in which interested parties were “invited to comment on the proposed policy revision.” *Id.* (emphasis added). BPA received 13 comments from customers, customer groups, and other constituents. There were a number of comments on matters that were outside the scope

of this process and are noted below. All comments received have been reviewed, considered and are addressed in this record.

II. SUBSTANTIVE ISSUES RELATING TO BILLING CREDITS

1. Should the Conservation Billing Credits program require that participants meet a minimum spending target?

BPA proposed to include a minimum spending target based on the amount the participant's status quo Tier One Cost Allocator (TOCA) based Implementation Budget would have been.

Comments

Several commenters expressed some level of agreement with BPA's proposal to establish a spending target in the billing credit contract. Snohomish agreed that the proposal should frame the obligation in terms of qualified conservation expenditures. Franklin, NRU, and the Northwest Energy Coalition noted their support, and PNGC noted it was not opposed to the proposal as long as there was a "grace band" (range) using the performance payment structure established in the Implementation Manual. PNGC, at 3.

WPAG's comments, however, were not supportive of including the spending target. WPAG suggested that BPA drop the spending target included in BPA's proposal since it is not required under statute. Specifically, WPAG noted that "§ 6(h) does not base the amount of billing credits for independent conservation actions on the amount spent by the customer. Instead, § 6(h) billing credits are to be based on the amount BPA would have spent (and recovered through rates from its other customers) to acquire resources in an amount equal to that actually saved by the activity for which the credit is granted. Therefore, in order to be consistent with the requirements of § 6(h), BPA should discard the minimum funding requirement, but retain the obligation to achieve a minimum verified energy savings." WPAG, at 3.

WPAG argued that including the spending target "unnecessarily punishes efficiencies and creative solutions that utilities may be able to achieve by undertaking independent conservation activities. If a customer participating in the billing credit program can meet their required minimum level of energy savings at a lower cost than their default EEI budget, then so much the better for that utility and its ratepayers. We can see no reasonable objection to such an outcome so long as BPA's other customers are paying the same Tier 1 Rate that they would have paid if no billing credits had been granted." *Id.*

Analysis

BPA appreciates the support for the spending target expressed by a number of commenters and is not convinced by WPAG's comment that a spending target is unnecessary. BPA agrees with the principle in WPAG's argument that acquiring savings at a lower cost is admirable and to be

encouraged. If BPA implemented its conservation activities by requiring that each customer meet a customized specific savings target based on its achievable potential and load characteristics, WPAG's comment would have merit. This, however, is not how conservation is being implemented. Given the same amount of Implementation Budget, each customer will achieve a different level of savings as they choose the measures that work for their service territory that are consistent with the Implementation Manual. Some utilities have access to lower cost measures than others due solely to their load characteristics. BPA relies on those with lower cost measures to achieve higher savings levels than average in order to meet its overall savings target. As such, the spending target ensures that customers with lower cost savings continue to pursue additional conservation just as they would under the Implementation Budget ECA base case.

Conclusion

BPA will retain the spending target in the Conservation Billing Credits program.

2. Should the Conservation Billing Credits program require that participants meet an energy savings target?

BPA proposed to include an energy savings target based on the amount of the participant's status quo TOCA-based Implementation Budget divided by the average programmatic incentive costs used by BPA in its energy efficiency action plan for the rate period in question. BPA proposed including a savings range to address issues of equity that would occur if the target was based solely on average savings.

a) WHETHER THE SAVINGS TARGET IS REQUIRED BY STATUTE

Comments

Three commenters expressed opinions about whether or not a savings target was required by law. Both NWEAC and WPAG felt that the savings target was required under statute. NWEAC stated that Section 6(h)(3) of the Northwest Power Act clearly requires billing credit payments to be based on savings. NWEAC, at 2. WPAG offered "no objection to this proposal since it appears necessary to meet the requirements of § 6(h), which require some showing of actual savings before BPA can grant § 6(h) billing credits for independent conservation activities." WPAG, at 3

Snohomish did not believe that an energy savings target is required by applicable law, noting that the billing credits provisions of the Northwest Power Act are focused on the general notion that billing credits should be offered to a customer only where that customer's activities have resulted in real electric power or reserve savings to the Administrator. They pointed out that the Implementation Manual only allows payment for approved measures, which ensures that BPA only pays for energy efficiency measures that result in electric power savings. Snohomish concluded by noting that "Sections 6(h)(6) and 6(i) also do not require specific aMW targets, but

rather only require that the methodology used also be published, and that the billing credits contract ensures effective oversight of the program. BPA accomplishes all of the goals of the Northwest Power Act, from ensuring that billing credits are paid only for actual power savings to ensuring that acquisition costs are appropriate, without including a specific aMW target in the billing credits contract.” Snohomish, at 2.

Analysis

As explained above, the Northwest Power Act directs BPA to treat the conservation of electricity the same as a generating resource. *See*, 16 U.S.C. § 839a(4)(A)(ii) (treating conservation measures and resources the same in that both must be reliable and available to meet or reduce electric power demand); 16 U.S.C. § 839b(e)(1) (the statutory priority of resource acquisition in the Northwest Power and Conservation Council’s plan places conservation as the first resource BPA must turn to); 16 U.S.C. § 839d(a)(1) (setting forth BPA’s on-going duty to “acquire . . . resources through conservation”).

The Act is clear that a resource—generation or conservation—receiving a billing credit from BPA must result in a reduction of the Administrator’s obligation to acquire other resources to meet customers’ requirements. Specifically, the Act states: “If a customer so requests, the Administrator shall grant billing credits to such customer, and provide services to such customer at rates established for such services, for conservation activities independently undertaken . . . by such customer . . . *which reduce the obligation of the Administrator that would otherwise have existed to acquire other resources* under this chapter” 16 U.S.C. § 839d(h)(1)(A) (emphasis added). Likewise, the amount of the credit must be set to credit the customer “for the savings resulting from” the customer’s conservation activity.” 16 U.S.C. § 839d(h)(3). Finally, the rate impact provisions refer to “an amount equal to that *actually saved by the activity* for which the credit is granted.” *Id.* Since enactment of the Northwest Power Act, BPA has interpreted these provisions to mean that the actual savings from a billing credit resource must be identified in contract and tracked.

In BPA’s Conservation Billing Credit program proposal, the basis of the measurement for the billing credits is the amount of cost BPA is relieved of incurring. BPA has heard the customers’ concerns about a fixed savings target. In response, BPA has proposed a range of savings (also called a grace band) that BPA will expect billing credit customers to deliver. To stay consistent with the above provisions of the Northwest Power Act regarding actual savings/changes in net requirements of the customer, the Conservation Billing Credit program converts the cost savings to BPA under the ECA into forecasted energy savings by establishing an expected range of savings under the billing credit contract provisions. Specifically, BPA has proposed a forecasted range of savings based on the measures customers can choose from the Implementation Manual.

To assuage fears that there is a penalty associated with under-delivering the expected savings—either as a target or range of savings—BPA did not propose that there be any penalty applied to

customers participating in the Conservation Billing Credits program. There is none. At the most, BPA's proposed Exhibit D (Conservation Billing Credits) language to the power sales contract provides that the amount of the billing credit would be reduced proportionally by the amount of a customer's failure to perform either savings or spending. If both targets are missed, the largest failure will be the one used to determine the reduction. However, the customer will still receive a monthly credit for the 12-year period of the Conservation Billing Credits program. This issue is addressed in greater detail below.

The Conservation Billing Credit contract language needs to reflect what the utility's independent conservation activity is achieving in terms of actual savings and changes in the customer's net requirement. Failure to reflect this would make the contract inconsistent with Northwest Power Act section 6(h) and subject to legal challenge for violation of statute.

Conclusion

BPA will retain the savings range requirement, as more fully described in the final Conservation Billing Credit Policy and Exhibit D of the Regional Dialogue contract, because BPA believes actual savings are required by statute.

b) EQUITY AND THE SAVINGS RANGE

Comments

BPA received a number of comments that questioned BPA's proposal to include an explicit energy savings target. Many customers were concerned that the savings target in billing credits was not equitable with what would have happened if the customer had received conservation dollars through the ECA. PNGC, PPC, Tacoma, and NRU all called for the removal of the energy savings target and noted that including it created parity issues with the standard ECA approach. PNGC perceived no value in the target since the billing credit customers still had to follow the same rules to claim savings as they would under the ECA. PPC expressed a belief that the energy savings target is not needed because the spending target "provides sufficient certainty that savings will be achieved." PPC, at 2. Snohomish and Franklin noted the disparate treatment of customers particularly since meeting the BPA target would be much easier for customers who had a significant amount of their load served from sources other than BPA. Specifically, Franklin noted "that because of the nature of utility size and customer base, some will deliver less than a strict TOCA-based allocation and some will deliver more." Franklin, at 1. Idaho Falls was not in favor of the energy savings target and asked that any targets or penalties should apply to all utilities, without regard to their election on how they pay for their energy efficiency.

In addressing the "grace band," NWEA said they believed that the Northwest Power Act required that billing credits be based on firm savings and that a grace band would violate the language and

intent of the Act. They noted concern that having such a grace band could put other customers at risk financially of having to acquire additional conservation to make up any shortfall.

Analysis

BPA appreciates the perspective of the commenters that including a savings target in billing credits is not fully equitable with the ECA approach. If equity between the two programs was the only consideration, BPA would need to approach this in a different way. BPA's proposal to include the savings target was anchored in BPA's view that section 6(h) speaks in terms of actual savings (as discussed above) and the customers' view that the ECA does not obligate customers to achieve specific energy savings.

BPA understands that equity is an important consideration, and for that reason BPA invited customer comment on the idea of equity and the savings range. BPA does not agree with NWEC's belief that a savings range would violate the language or the intent of the Act. BPA previously referred to the concept as a grace band, but the term "savings range" more accurately describes the concept. BPA will still expect actual savings from billing credit customers, but the savings will be allowed to fall within a range rather than being limited to a single average megawatt number. This will allow for less or more savings, just as the ECA does but will still meet the Northwest Power Act's requirement that BPA hold billing credits customers accountable for delivering actual savings and that those savings be reflected in a reduction of the requirements the Administrator would otherwise have to serve.

Even though energy savings are not individually tracked in the ECA, it is indisputable that customer actions produce actual energy savings. It is fair to say that these savings range and vary (between and among customers) depending on the diverse characteristics of their loads and the types of measure(s) the customer chooses to deploy from the Implementation Manual. Additionally, as was noted by PNGC, customers undertaking billing credits are required to continue to follow and meet the rules of the Implementation Manual. Customers following the rules established in the Implementation Manual will achieve different levels of savings depending on many factors, particularly their load profile. The range of savings that is possible under the Implementation Manual is the base case to which the savings range in the Conservation Billing Credits program is compared.

Conclusion

To maintain equity between the ECA and billing credits, BPA will require billing credit customers to adhere to a savings range that corresponds to the range of savings that are allowable in the Implementation Manual under the ECA. After analyzing the distribution of the savings range under the ECA between fiscal years 2011 and 2014, BPA has decided to establish a range from the TOCA-based target to 50% below the TOCA-based target. Thus, customers achieving energy savings anywhere within this range will not face a financial true-up for under-performance. While this does not capture every outcome BPA has seen under the ECA base case,

it does represent about 70% of the cases observed, creating equity with the ECA in a majority of cases. With customers still subject to the same rules under the Implementation Manual and a slightly more restrictive range of outcomes than the ECA, this savings range approach more than meets the threshold of being no worse than the alternative that would be pursued in the absence of billing credits. One final note, BPA plans for ECA energy savings to be achieved at its expected average rate based on the variations between individual customer costs; the expectation for billing credits will be no different.

c) METHODOLOGY TO CALCULATE THE SAVINGS TARGET

Comments

PNGC and NWECC addressed how the energy savings target was calculated. PPC was troubled that it appeared that, “BPA had unilaterally determined how the billing credit energy target would be set instead of discussing the methodology with customers.” PPC, at 2. NWECC also expressed concern that the materials BPA had used seemed to include two different ways to calculate the savings target, urging BPA to adopt the TOCA-based approach due to its simplicity. Snohomish expressed concern that having an energy savings target would also inject significant complexity into the process.

Analysis

Based on customer and constituent input in the public process, BPA altered its methodology for calculating the savings range. Through informal comments customers told BPA that the methodology for calculating the savings target needed additional scrutiny. In response, BPA included the methodology as part of the conversation at BPA’s October 24, 2014 public meeting as well as in the materials that were presented at that meeting.

During BPA’s public process it became clear that BPA’s initial method of calculating the target was causing confusion, making customers focus more on individual circumstances rather than BPA’s intended focus of basing the target on some form of average savings that would be expected to be achieved. BPA realized that using the TOCA is a straightforward approach to achieve this goal and proposed this in the October 24, 2014 public meeting. As the discussion evolved, it was clear that holding only to a specific target based on average savings would not meet the overall parity BPA was trying to achieve with the ECA approach. An additional concept was needed to achieve parity that recognized the potential for significant variability of savings based on customer specific circumstances, which is why the savings range was added.

Snohomish’s comments include a reference to a billing credit contract for conservation, (No. DE-MS79-9TBP93489 (Dec. 11, 1991)), as an example of how requiring savings introduces complexity. Under the Conservation Billing Credits program, BPA seeks simplicity and wants to avoid onerous requirements. Thus, there is no proposal to require the type of requirements used in 1991 to establish the range of savings under the program.

Conclusion

BPA agrees with NWECC that the TOCA-based approach is the simplest approach and will use it to calculate the average savings target. BPA further believes the use of this simple metric along with the 50% savings range addresses Snohomish's concern about complexity.

3. Should the Conservation Billing Credits program require that participants meet a single target, either spending or energy savings, rather than two targets?

BPA proposed to require both a spending target and a savings range in its billing credits program. Failure to meet either target would result in a reduction in a customer's billing credit amount.

Comments

ICNU asked BPA to consider ways to better incentivize effective conservation efforts under the proposed new program by offering additional flexibility. They felt that "the use of a "dual-target"—one based on megawatt-hour ("MWh") savings and another based on dollars spent—is unnecessarily prescriptive, and may result in some customers that could otherwise provide enhanced system benefits simply staying with the status quo. In order to promote innovation and customer investment, ICNU recommends that BPA adopt a single target for energy efficiency measures and consider alternative structures that would incentivize those customers that might have cost-effective conservation opportunities that are more effective than average to maximize the benefits that can be captured for the entire system." ICNU, at 1.

Analysis

As discussed above, BPA has decided to include both the spending and savings targets. Because of the interrelationship between the Conservation Billing Credits program and the ECA, it is reasonable to have a trade-off between BPA's planned spending levels under the ECA (which BPA is reducing) and the billing credit customer's obligation to independently fund (replacing BPA as the funder) conservation measures to achieve the same level of expected energy savings at the same costs. Further, BPA believes that the spending target serves as an important incentive for its customers with inexpensive conservation resource opportunities to continue to spend at the levels they would under the ECA and achieve some of the additional savings ICNU references.

Conclusion

BPA will require both a spending target and an energy savings range in its Conservation Billing Credits program.

4. **Should BPA clarify how failure to meet a spending or savings target will be addressed?**

BPA proposed that if a customer failed to meet the spending or savings targets, the amount of the billing credit would be reduced proportionally by the amount of the failure. If both targets are missed, the larger failure will be the one used to determine the reduction.

Comments

PNGC suggested a couple of contract language changes. First, they asked that BPA completely remove the words minimum and target and replace them with the word range. In addition, they asked for clarification on the timing and information that BPA will use to determine if a customer has failed to perform and suggested that such failure only apply to the “funding amount range”; PNGC asked for the same timing and data clarifications for the financial true-up. PNGC felt the “proposed language describing the affect on a utility for failing to perform is too vague.” PNGC, at 3. Specifically, PNGC could not tell whether BPA’s performance determination would be made monthly, annually or on a rate period basis, and PNGC could not tell whether BPA would use forecast or actual data to make the determination. *Id.*

Analysis

BPA agrees with PNGC that the contract language should be improved by clarifying the language about the timing and information that will be used to establish whether target levels have been met and how the financial true-up will be administered.

Conclusion

BPA will adjust the language to be clear that the targets will only apply once based on the actual outcome for that utility for the entire rate period. In addition, BPA will rework the language around the savings range to address PNGC’s comment.

5. **Should the Conservation Billing Credits program allow participants to claim performance payments?**

At BPA’s October 24, 2014 public meeting, BPA sought comment on how the Implementation Manual’s concept of performance payments should be treated in a billing credits situation relative to the spending minimum.

Comments

Several commenters asked BPA to address how performance payments would be treated under the Conservation Billing Credits program. In the Implementation Manual, performance payments are intended to support implementation costs of a customer’s energy efficiency activities. Implementation costs can include staffing, marketing, and other costs such as equipment, training, and travel. The comments of Franklin, Idaho Falls, PNGC, PPC, NRU and ICNU all

called on BPA to continue to treat performance payments as an allowable expenditure under the Conservation Billing Credits program just as is allowed under non-billing credit customers' Implementation Budget. Idaho Falls stated that it did not believe a utility should have to bear a financial burden to move from one funding mechanism to another. PNGC suggested specifically that BPA use its performance payment structure as defined in the Implementation Manual. PPC specified that the Conservation Billing Credit program "should allow utility programs an appropriate spending amount of 20%-30% (depending on the utility's categorization of "small, rural, residential" or not) for performance payments or administrative costs." PPC, at 2.

Analysis

BPA has designed the implementation of the Conservation Billing Credits program to be consistent with how conservation is implemented for customers receiving an Implementation Budget. In support of both programs and to ensure the achievement of conservation, BPA agrees with the customers that it is reasonable to allow billing credits customers to claim performance payments against their spending targets, i.e., a customer would report savings to BPA and could elect to include an amount of performance payments that would be applied toward its spending target. With billing credits, no actual cash is exchanged between BPA and the customer in the event a customer claims performance payments.

Conclusion

BPA will continue to permit performance payments as an allowable expenditure under billing credits just like it is allowed under the ECA.

6. *Should the Conservation Billing Credits program recognize participants' self-funding expectations in the targets?*

BPA did not address self-funding in its proposal.

Comments

NWEC noted that under BPA's current conservation acquisition agreements with its customers, customers are expected to self-fund 25% of their total Energy Efficiency savings. NWEC noted that "BPA's current billing credit policy proposal is silent on the expectation for self-funded savings." NWEC, at 2. NWEC requested that this omission be remedied, asking BPA to "clearly state that customers electing to use billing credits are expected to self-fund at least an additional 25% of the annual savings total above and beyond what their billing credit agreement calls for." *Id.* NWEC also asked that beyond adding clarifying language on the self-funding expectation, "BPA should consider changes to the proposed method for calculating the 'savings/acquisition minimum' for billing credit contracts. BPA should set the contractual savings minimum equal to the utility share of the BPA EEI budget PLUS the 25% self-funding expectation." *Id.*

Analysis

BPA agrees with NWEC that self-funding needs to be addressed and will do so in this ROD. A customer's decision to participate in the Conservation Billing Credits program in no way changes BPA's expectation about how much self-funding they or customers in aggregate are expected to do. BPA's current expectation is that *on average* at least 25% of BPA's programmatic savings target will be accomplished via self-funding rather than the ECA or billing credits. Thus, BPA expects customers participating in the Conservation Billing Credits program will contribute to the 25% self-funding just as it would be expected were they were allocated an Implementation Budget. For this reason, BPA has no reason to believe that there would be a change to expected aggregate self-funding levels.

It is important to clarify that BPA's 25% expectation is on an overall average basis and that the percentages are expected to vary greatly by customer. Some customers, particularly those who meet a significant portion of their load without BPA power, are expected to have much higher than 25% self-funding percentages, and many others will be lower. As has been noted throughout this ROD, parity between customers participating in the Conservation Billing Credits program and those receiving an Implementation Budget is an important principle for implementing the Conservation Billing Credits program. BPA prefers not to vary from this principle and therefore declines to follow NWEC's suggestion to add in additional contractual requirements around the savings targets.

Conclusion

BPA has just clarified herein its expectation regarding the 25% self-funding, therefore NWEC's suggestion of additional contractual requirements is not necessary.

7. How does the Conservation Billing Credits program ensure rate neutrality?

BPA noted in its proposed Billing Credit Policy that BPA will design its billing credit formula "with the intent to reasonably assure rate neutrality for all customers whether or not they choose to participate in the Billing Credit program."

Comments

Four commenters specifically addressed the rate neutrality issue. Idaho Falls noted that "in no way should there be a financial risk of a self-financing customer having to pay the debt taken out on behalf of those who have chosen to have BPA borrow for them." Idaho Falls, at 2. NWEC said that "BPA should ensure the proposed changes place no additional financial burdens on customers choosing not to use billing credits." NWEC, at 1. They noted that rate neutrality is a clear requirement of the billing credit provision in the NW Power Act. PNGC referenced rate neutrality and asked how it would be determined. WPAG's comments addressed the rate neutrality issue in detail, stating that "BPA's proposed approach appears reasonably designed to meet the requirement under § 6(h)(3) that the granting of billing credits for independent

conservation activities have a neutral rate impact on the Administrator's other customers. Specifically, we concur with BPA's proposal to cap the level of billing credits available for any one customer at the cost of the EEI budget that the customer would have received under the status quo. This will help ensure that the rate impact directive of § 6(h)(3) will be met. In addition, we agree with BPA's proposal under the proposed Exhibit D that BPA be provided a onetime contractual right to adjust a participating customer's billing credit amount to reflect subsequent interest savings made available to BPA. This will also help ensure that the obligations of § 6(h)(3) are satisfied." WPAG, at 2.

Commenters also asked that BPA clarify how BPA would monitor and define rate neutrality over time. WPAG recommended that "in the event that a customer requests and receives billing credits during the BP-16 rate period, that BPA and its customers review the actual rate impacts of those billing credits during the prior rate period(s) in the pre-rate case workshops for the BP-18 and subsequent rate cases in order to confirm that the assumed neutral rate impact of the billing credit program is in fact being achieved." WPAG, at 3. PNGC noted that while the policy generally describes the construction of the formula for the billing credit amount, it is not clear what the standard for rate neutrality will be and how the formula for the billing credit amount and associated information will be used to make that neutrality determination. NWECC specifically noted that BPA should monitor how billing credits might affect third-party borrowing costs and that over time it should update its calculations to ensure that the "no impact" conclusion remains valid.

Analysis

If BPA grants billing credits to a customer, the Act requires BPA to ensure that "[t]he rate impact on the Administrator's other customers of granting the credit shall be equal to the rate impact such customers would have experienced had the Administrator been obligated to acquire resources in an amount equal to that actually saved by the activity for which the credit is granted." 16 U.S.C. § 839d(h)(3).

BPA appreciates the perspectives of the commenters about the need and statutory requirement for rate neutrality. As BPA noted in its proposed Billing Credit Policy, BPA will design its billing credit formula "with the intent to reasonably assure rate neutrality for all customers whether or not they choose to participate in the Billing Credit program." This reasonable assurance of rate neutrality applies for all customers.

BPA will use an incremental revenue requirement approach to size the billing credit and to assure rate neutrality. An incremental revenue requirement approach takes into consideration the way BPA issues debt and repays it. Typically, BPA issues bonds that require interest-only payments until the bond is ultimately due, at which point the initial principal is finally repaid. At the same time, BPA is accruing amortization expense for energy efficiency investments which generates cash for use in repaying debt. Rather than hold this cash until a bond is ultimately due,

BPA uses all of the cash generated through depreciation and amortization expense to repay Federal investments each year. This use of cash generated by the depreciation or amortization expense associated with an asset to repay the investment in another reduces overall interest expense. The incremental revenue requirement takes this into account by reducing the initial cost of an investment by the depreciation or amortization expense accrued in each year. Interest expense is then calculated on the incrementally reduced investment until the investment is fully repaid.

In the case of billing credits, the incremental revenue requirement simulates what it would cost BPA to make the investment that the billing credit participant wishes to take on. It will use the service life (amortization period) of energy efficiency investments at the time the billing credits are incurred. At this time, BPA uses a 12-year amortization period. The calculation of the cost of investment assumes a debt issuance of 12 years at an interest rate consistent with BPA's annual interest rate forecast in use at the time the billing credit agreement is signed. The resulting calculations generate a stream of annual costs that are then averaged to produce a monthly billing credit.

To ensure rate neutrality, two additional calculations are performed using the same model. The second calculation is an incremental revenue requirement for BPA's energy efficiency program less that portion that is subject to billing credits. The third calculation assumes that billing credits did not exist and BPA financed the entire energy efficiency program. The total cost of this calculation is then compared to the sum of the totals from calculations one and two to ensure there is no difference between the values. If there were a difference, the calculation of the billing credit amount would be adjusted to make the values equal. Once there is no difference, rate neutrality has been achieved.

Any customer's choice to pursue billing credits will be reflected in BPA's final Rate Case. The financial impacts in the rate case are designed to be equivalent to what BPA would have included in rates if the customer had simply participated in the ECA. The difference will be two offsetting adjustments. The costs associated with borrowing to finance the ECAs will be reduced and replaced with the new equivalent cost of the billing credit amount.

The costs of billing credits are expected to be equivalent to the costs of the ECA financing that would have occurred absent customer participation in the billing credit program, just the category changes. When these costs are collected in the composite rate, and equal offsetting credits are included in the participating customer's bill, there will be an expectation of no rate effect on either participating or non-participating customer rates.

In addition, BPA believes the ideas put forth to monitor the principle of rate neutrality are important actions to take when billing credits are granted. Specifically, in response to WPAG's comment, BPA will include information in workshops for future rate cases that demonstrates

how billing credits were implemented and how the rate neutrality principle is being adhered to. This will also help in adding transparency on how the rate neutrality test is being administered, which is responsive to PNGC's comments. As the Conservation Billing Credits program moves forward, BPA will solicit input on how this paradigm is doing in relation to other related programs. If, for example, it was found that there were additional indirect costs like NVEC noted with third party financing, BPA would need to make sure those costs are included in billing credits going forward. BPA expects that it and its customers will diligently monitor related areas to billing credits to help ensure it is correctly capturing all rate impacts associated with granting billing credits.

Conclusion

As explained above, BPA has designed its billing credit formula in a manner that meets the requirements of section 6(h)(3) and will assure rate neutrality for all customers whether or not they choose to participate in the Conservation Billing Credits program.

8. Should the Conservation Billing Credits program provide for recovery of unexpected costs for BPA's conservation backstop role?

BPA did not specifically address the issue of recovering unexpected costs for BPA's conservation backstop role.

Comments

Both WPAG and NVEC focused on BPA's backstop role for conservation. WPAG asked BPA to clarify "that a customer's participation in the billing credits program shall not serve as a basis for avoiding unexpected costs that may arise from BPA's conservation program." WPAG, at 4. For example, "if, for whatever reason, BPA were to determine that it must take action as a backstop, participants in the billing credit program should be required to share in the costs of those activities to the same extent as any other power customer." *Id.* WPAG noted that this would be true even if a customer participating in the Conservation Billing Credit program achieves their required minimum level of energy savings. NVEC urged BPA to highlight and clearly explain this risk, and expressed a view that "BPA is legally committed to achieving the energy efficiency targets set forth in the most recent Northwest Power and Conservation Plan. If one or more utilities signing billing credit agreements fall short of their acquisition minimum, BPA could fall short of its regional targets." NVEC, at 3. NVEC commented indirectly about the same issue, noting that BPA's contract language only establishes a true-up for the amount that the customer underperforms, and NVEC suggests that it might also be appropriate for BPA to consider an additional financial penalty in light of risk that non-performance might place on other customers. *Id.*

Analysis

As explained previously, BPA has an ongoing duty to “acquire such resources through conservation [and] implement all such conservation measures . . . as the Administrator determines are consistent with the [Council’s power] plan.” 16 U.S.C. § 839d(a)(1) (emphasis added). Thus, the Council sets a regional conservation target in its power plan, and BPA acquires conservation resources that BPA determines are consistent with the target. As such, BPA is not legally committed to achieving the target per se, as contended by NWECC.

BPA agrees with the sentiments expressed by both WPAG and NWECC. All customers with a Contract High Water Mark will be required to pay their share of any costs that BPA incurs as a result of BPA’s playing a backstop role if BPA has to take actions to bolster conservation savings in order to meet BPA’s target. A customer’s choice to participate in the Conservation Billing Credits program or not shall have no impact on this obligation. This clarification also addresses the sentiments expressed by NWECC because, with this clarification, there is no need to consider an additional penalty rate for failure to perform in the Conservation Billing Credits program since participants and nonparticipants are treated equitably in the event backstop actions are necessary.

BPA agrees with WPAG that this position is consistent with the requirement of section 6(h)(3) that the billing credit program cannot result in higher rates for nonparticipating customers, which is exactly what would otherwise happen if customers participating in the Conservation Billing Credits program were able to avoid costs arising from BPA’s acting as a backstop. Should BPA determine it is necessary to acquire additional conservation savings, beyond the forecasted amounts of conservation to be achieved as defined by BPA’s program before billing credits, both Conservation Billing Credit program participants and nonparticipants would be subject to the recovery of such costs. Simply stated, all customers (billing credit or otherwise) are in the same legal and financial position in regards to any backstop role BPA may undertake.

Conclusion

All customers with a Contract High Water Mark will be required to pay the costs that BPA incurs if BPA has to take actions to bolster EE savings in order to meet Regional targets.

9. Should the Conservation Billing Credits program customers be protected from the cost BPA incurs to fund the ECA?

BPA did not specifically address the issue of recovering unexpected costs for BPA’s EEI borrowing.

Comments

Idaho Falls commented that “any financing by BPA for efficiency be paid entirely by those utilities making that choice. In no way should there be a financial risk of a self-financing

customer having to pay debt taken out on behalf of those who chose to have BPA borrow for them.” Idaho Falls, at 2. PNGC expressed a similar sentiment: “The goal of a BPA customer who chooses to participate in a billing credits contract is to not borrow their TOCA allocated EEI budget from BPA and to not incur and pay for interest costs associated with BPA’s borrowing on that customer’s behalf.” PNGC, at 2.

Analysis

BPA recognizes there is a customer view that BPA is “borrowing money” on behalf of customers. That is an incorrect characterization. BPA is acquiring a resource—conservation—and incurs an acquisition cost (cost BPA incurs when it borrows) that customers buying power from BPA are obligated to pay for as a cost included in BPA’s power rates. Idaho Falls and PNGC contend that customers participating in the Conservation Billing Credits program should not be exposed to the costs of the ECA as part of their power rates because a conservation billing credit participant is accepting the cost burden independently. As explained above, once a customer elects to participate in the Conservation Billing Credit Program the allocation of ECA costs for rate purposes will be reflected accordingly in BPA’s final Rate Case. The financial impacts in the rate case are designed to be equivalent to what BPA would have included in rates if the customer had simply participated in the ECA. This treatment corresponds to BPA’s cost for the ECA for the specific rate period. From rate period to rate period ECA costs could change, affecting future conservation billing credits. The operation of the program is intended to be cost neutral for all customers whether or not they choose to participate in the Conservation Billing Credits program.

Conclusion

All customers with a Contract High Water Mark will be required to pay the costs that BPA incurs due to changes in BPA’s program costs.

10. Should the Conservation Billing Credits program retain the current data collection requirements and Implementation Manual rules?

BPA proposed that customers will follow the documentation and reporting requirements included in the Implementation Manual.

Comments

BPA received two comments on the data requirements under the Conservation Billing Credits program. NVEC commented that BPA should continue to require that customers follow the Implementation Manual for acquiring energy savings. Snohomish commented that the billing credits proposal did not meet their fundamental needs because “it does not obviate the onerous data collection embodied in BPA’s reporting requirements” contained in the Implementation Manual. Snohomish, at 1.

Analysis

BPA believes that it continues to need a consistent regional approach for achieving conservation savings and ensuring reliable standards for conservation reporting. The Conservation Billing Credits program requires actual, verifiable savings. The documentation, reporting and oversight requirements mechanisms that BPA has in place enable BPA to confirm that these savings are occurring. Sound business principles require that BPA ensure that any money it provides for conservation is actually producing cost effective savings, whether that money is in the form of direct acquisition or a billing credit. At this time, this approach is embodied in the Implementation Manual.

Conclusion

For regional consistency, to comport with sound business principles, and to avoid the likely administrative burden of a model that allows each customer to determine its own data collection requirements, BPA will require that billing credits customers follow the documentation and reporting requirements included in the Implementation Manual.

11. How to modify BPA's Billing Credits Policy to implement the Conservation Billing Credits program under Regional Dialogue contracts.

BPA proposed a time-limited supplement to the Billing Credits Policy of 1993 that suspends the original policy and replaces it with a specific approach that sets each customer's rate impact of billing credits equal to what BPA would otherwise have incurred under BPA's standard Energy Efficiency Incentive approach.

Comments:

WPAG commented that "BPA's description of its billing credit proposal is contained in a conglomeration of documents, including a Federal Register Notice, a Fact Sheet, a document summarizing the proposed changes, a proposed new Exhibit D to the Regional Dialogue Contracts, and a Power Point presentation. However, to date, BPA has not offered a lone document that purports to embody the actual proposed billing credit policy in its entirety. A single document designated as the "Draft Policy" to be commented on would have been helpful." WPAG, at 4. Similarly, PNGC questioned "whether the wholesale replacement of the 1993 policy is the best course of action." PNGC, at 1. PNGC continues, "The 1993 document describes a variety of billing credit options and links the policy to the Northwest Regional Power Act. The proposed two-page replacement does not address any of those issues adequately and makes none of the statutory links to the proposed policy. This does not seem to be the proper document to suspend and replace the 1993 Billing Credit Policy." *Id.*

Analysis

BPA appreciates the cautions that both WPAG and PNGC have provided about BPA's proposal on what is included in the Conservation Billing Credit Policy. BPA agrees that if BPA were

pursuing an acquisition approach of paying a specific \$/MWh amount for savings, there would be a need for more detail than is proposed in the Conservation Billing Credits Policy. However, as has been made apparent through the analysis of many of the issues identified in this ROD, the Regional Dialogue contracts are fundamentally different, and the conservation acquisition approach is much more uniform and straightforward than was originally envisioned when the 1993 Billing Credit Policy was put in place. Under the ECAs, BPA has a uniform equitable approach that provides incentive money to each customer proportionally to the amount of low cost power that customer buys from BPA. To meet the rate equivalency test, BPA is constrained to a narrow approach to maintain the equity funding model of the ECA. The previous policy was done in a time when many more variables were subject to negotiation and the alternative cost was much less straightforward. BPA believes that the policy proposed meets the implementation needs for the simple comparison of the alternative cost of the ECA program being displaced by a customer pursuing billing credits.

Conclusion

This record of decision accompanies and supports BPA's Final Conservation Billing Credits Policy Supplement and, together, the documents cover how the program is intended to be implemented and operated. BPA also issued draft contract language for review at the same time as the initial policy proposal and will be issuing revised draft contract language shortly after the release of this ROD and the Final Policy Supplement. BPA believes that the combination of the Final Policy Supplement, the revised draft contract language, and this ROD offer all of the details needed to implement billing credits and to explain the rationale and legal basis for BPA's actions and decisions.

12. Whether the Conservation Billing Credits Policy provides enough information regarding the timeline for actions required of customers that are considering whether to pursue billing credits.

BPA stated key dates in its Conservation Billing Credits fact sheet.

Comments

PNGC commented that the proposed policy is too vague regarding the "required actions and a timeline for customers that are considering whether to undertake independent conservation activity that would qualify for Billing Credits." PNGC, at 2. PNGC states that the policy document "indicates that the timeline will allow BPA sufficient time to forecast the impacts of billing credits and include the associated cost in BPA's Final Rate proposal. However, the document does not address whether the timeline will allow customers adequate time to consider all the impacts of billing credits at the local utility system." *Id.*

Analysis

The Conservation Billing Credits Policy is intended to continue through the term of the Regional Dialogue contracts, so it does not contain a timeline. Instead, in the Billing Credits Fact Sheet, BPA provided key dates and actions needed to provide billing credits in the BP-16 rate period. In addition, BPA provided the draft contract language with the draft policy to give customers as much time as possible to consider the impacts of billing credits. When BPA offers billing credits in future rate periods, the timeline will be updated as appropriate.

Conclusion

BPA does not believe the required actions timeline belongs in the billing credits policy. The timeline for BP-16 is available in the Billing Credits Fact Sheet and will be updated for future offerings as appropriate.

13. Whether the 1993 Billing Credit Policy must be changed to reflect the new paradigm of the Tiered Rate Methodology (TRM) that assigns incremental costs of load-growth resources to Tier 2, rather than melding them as was previously the case.

BPA proposed a revision to the 1993 Billing Credit Policy to reflect the new paradigm under the Tiered Rates and Regional Dialogue contracts.

Comments

WPAG expressed a belief that “the 1993 Policy must be revised to reflect the new paradigm under the Regional Dialogue Contracts and the TRM before any new § 6(h) billing credits are granted for independent conservation activities. This is true regardless of whether the subject billing credit proposal is ultimately adopted or not, and it is an issue BPA will need to address if and when a customer makes a request for credits under § 6(h) (but not necessarily until then).” WPAG, at 2.

Specifically, WPAG states that “the assumption made in the 1993 Policy that BPA will use a melded wholesale firm power rate is no longer accurate. Under the Regional Dialogue Contracts and BPA’s tiered Rate Methodology (“TRM”) the incremental cost of resources acquired by BPA to meet load growth are recovered through BPA’s tier 2 Power Rates, which are paid only by those customers who place their load growth on BPA. Such costs are not recovered under the Tier 1 Firm Power rate paid by all customers.” *Id.*

Analysis

BPA agrees that the 1993 Billing Credits Policy must be revised, and that is exactly what BPA’s October 10, 2014, notice in the Federal Register (Vol. 79, No. 197) proposed. BPA made the decision to recover the cost of its conservation programs in Tier 1 rates in the Long-Term Regional Dialogue Policy and Record of Decision (July 2007). The cost of the conservation billing credit is considered a Tier 1 cost and properly allocated to the Tier 1 rate, particularly

since the Conservation Billing Credit program is intended to lower BPA's overall cost of its Energy Efficiency Incentive. Neither BPA nor participants in the Conservation Billing Credits program are using conservation as a resource to serve Above-High Water Mark Load, rather the conservation savings to be achieved benefits all of BPA's Regional Dialogue customers by conserving the amount of physical generation BPA supplies from the Federal Base System and avoiding the purchase of additional power from resources other than conservation.

Conclusion

Billing credit costs will be recovered from the composite cost pool just as EEI costs are, which applies solely to Tier 1 PF rates.

III. ISSUES OUTSIDE THE SCOPE OF THE CONSERVATION BILLING CREDITS PROGRAM PROPOSAL

1. Should BPA "adapt" its conservation/energy efficiency role and allow its customers to "self-manage" the energy efficiency program dollars?

Comments

Snohomish commented that it would like to "adapt BPA's EE role in the region, where BPA would support and maximize the value of local utility energy efficiency programs, but not be the driver of those programs." Snohomish, at 1. Snohomish believes "the best approach is one where BPA recognizes and supports Snohomish's independently undertaken conservation activities without requiring payments or credits between BPA and Snohomish." *Id.* Based on this position, Snohomish states "[t]he proposed billing credit program fails to meet Snohomish's core objectives" *Id.*

In the same vein, PNGC and PPC referenced a desire for fundamental changes in BPA's conservation program. PPC at 1; PNGC at 1. In particular, both referred to "the interest of many utilities in being able to self-manage the energy efficiency program dollars currently collected by BPA" *Id.* When framed in that context, PNGC and PPC both concluded that BPA's billing credits proposal "falls well short of the mark" to accomplishing their stated goals. PPC, at 1. NRU felt that "the Conservation Billing Credits program tries to address two ongoing customer concerns: preference to expense instead of capitalize energy efficiency, and the desire to self-manage their own budgets. While the proposed Conservation Billing Credits program does not fully rectify either issue, it is at least a signal that the Agency is moving in the right direction." NRU, at 1.

Similarly, Idaho Falls Power commented that BPA's billing credits proposal is "a step in the right direction but certainly a limited step. Our utility was expecting to see that BPA was going to do a holistic review of its approach to conservation" Idaho Falls, at 1. Franklin PUD, Monmouth Power & Light, and Richland all expressed similar sentiments.

ICNU used the term “self-funding” rather than billing credits throughout its comments, viewing BPA’s Conservation Billing Credit proposal as a “proposed self-funding program.” ICNU, at 1.

Analysis

As BPA stated in the FRN, the purpose of this public comment period is to “comment on the proposed policy revision.” 79 FR 61301, October 10, 2014. For the most part, the policy revision is described in the document entitled “Proposed Changes to the 1993 Billing Credit Policy.”

In the Proposed Changes document, BPA acknowledged that the impetus for the proposal was its Energy Efficiency Post-2011 Review as described in the Revised Energy Efficiency Post-2011 Implementation Program document issued September 22, 2014. However, BPA made clear that the proposal was grounded in the provisions of section 6(h) of the Act, which govern billing credits.¹ BPA made no representation that billing credits would be a “holistic review of its approach to conservation” or a first step to such. Instead, BPA plainly stated that the purpose of the billing credits proposal was limited. Specifically, this proposal is “primarily intended to incent customers to undertake independent action and result in the reduction in the amount of conservation BPA would otherwise forecast for acquisition under the ECAs,” BPA’s existing Energy Conservation Acquisition (ECA) agreements with its customers. Proposed Changes, at 1.

Given the legal framework outlined in the previous section, billing credits is one of the few tools BPA has available to allow customers to undertake independent conservation and still receive compensation for it from BPA. BPA must follow its statutory mandate to “acquire such resources through conservation [and] implement all such conservation measures . . . as the Administrator determines are consistent with the [Council’s power] plan.” 16 U.S.C. § 839d(a)(1). BPA is cognizant of utilities that self-fund conservation; it is a cornerstone of BPA’s current policy for achieving conservation. The fact that state laws such as I-937 now result in BPA’s customers undertaking independent conservation activities that help to meet the Council’s target, could potentially reduce the amount of conservation BPA would otherwise have to acquire. The impetus for revising the existing billing credit policy emerged from the Energy Efficiency Post-2011 Review public process as a way to support utilities that want to take on the conservation resource obligation to expend the same amount of forecasted cost BPA would otherwise incur to acquire the same energy savings they would under the ECA. By doing this the customer would be agreeing to independently undertake the funding and achievement of

¹ “This Policy Supplement describes how Bonneville Power Administration (BPA) intends to apply the Billing Credits provision of [section 6(h) of the Act] to independent conservation activities undertaken by customers during the term of BPA’s Regional Dialogue power sales contracts.” Proposed Changes, at 1. BPA is “propos[ing] Billing Credits under section 6(h) of the Northwest Power Act as a mechanism for allowing customers, such as those subject to I-937, to engage in independent conservation activities to develop conservation.” *Id.* (emphasis added).

conservation BPA would have pursued under the ECA, beyond the forecasted levels of savings expected from the customer's self-funding.

Conclusion

Many of the comments appeared to view BPA's billing credit proposal under a much broader paradigm than it was intended. These commenters have, as Snohomish put it, a "core objective" to "adapt BPA's EE role in the region." Snohomish, at 1. BPA's energy efficiency role though is governed by the legal requirements of the Northwest Power Act, outlined above. This proposal is not intended to (and cannot) rewrite those legal requirements.

This billing credits proposal is intended to incent customers to reduce the amount of conservation BPA would otherwise forecast for acquisition under the ECAs. BPA will follow the statutory provisions of section 6(h) to carry out the billing credits program. Customer desires for a holistic re-adaptation of BPA's energy efficiency program are outside the scope of this proposal.

2. Should BPA begin expensing conservation in the FY16-17 rate period?

Comments

Intertwined with the comments about a holistic review of BPA's conservation program was another widely-raised comment that BPA should begin expensing conservation rather than capitalizing it. The commenters asked BPA to do so in its FY16-17 rate period. Commenters raising this issue included: PNGC, PPC, NRU, ICNU, Snohomish, Idaho Falls, Franklin, Tacoma, and Richland (supporting PPC and NRU comments).

Analysis

Currently BPA capitalizes conservation. Capitalizing an investment means that the costs associated with that investment will be spread out over multiple years in the future. Typically, an organization would borrow to pay for these investments. As noted, many BPA customers would rather BPA "expense" conservation. Expensing an investment means that all of the costs are incurred in the year the investment is made. Often, cash on hand is used to pay for these investments. The manner in which BPA funds its conservation program is not implicated by the billing credits provisions of section 6(h) of the Act.

Conclusion

The issue of whether BPA should expense conservation is outside the scope of this billing credits proposal. While it is too late for the "expense vs. capitalize" issue to be addressed in the Initial Proposal for the upcoming rate case, BPA believes it is worth having further conversations with customers and interested parties to better understand the issue and, if applicable, to explore how to address the policy and rate implications of incorporating the concept of expensing some amount of EE funding into rates before the Final Rates are established for FY 2016-2017.

3. **Does energy efficiency achieved under the Conservation Billing Credits program count for I-937 compliance?**

Comments

ICNU asked BPA to provide certainty for customers as to whether savings achieved with billing credits could be used for purposes of compliance with the requirements of Washington's Energy Independence Act (I-937).

Analysis

BPA has no authority to determine whether something does or does not comply with I-937. That is an issue for the State of Washington to determine. However, BPA notes that both the ECA and Billing Credits programs will require consistency with the Implementation Manual.

Conclusion

ICNU's request for BPA to provide a determination regarding I-937 is outside the scope of this proposal.

4. **Should the Conservation Billing Credits program consider a different amortization period from the current proposed 12-year amortization period?**

Comments

ICNU asked BPA to consider using a different amortization period to accelerate and promote energy efficiency.

Analysis

Because the billing credits proposal mimics the financing BPA would otherwise experience under the ECA, this is not an issue that can be addressed in this ROD. BPA encourages ICNU to continue to work in Regional policy forums to explore their ideas to enhance the delivery of energy efficiency savings.

Conclusion

ICNU's request regarding the use of a different amortization period is outside the scope of this proposal.

IV. NATIONAL ENVIRONMENTAL POLICY ACT ANALYSIS

BPA has evaluated the potential for environmental effects from revising its Billing Credits Policy to offer a Conservation Billing Credits program, consistent with the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321, *et seq.* No comments concerning NEPA

compliance and/or potential environmental effects were received during the public comment period for the proposed policy revision.

The decision to offer a Conservation Billing Credits program under the revised Billing Credits Policy is primarily administrative in nature and accordingly would not be expected to result in reasonably foreseeable environmental effects. Furthermore, this decision does not represent a significant change in policy decisions made and evaluated under NEPA in previous processes, including the Business Plan Environmental Impact Statement (Business Plan EIS) (DOE/EIS-0183, June 1995), Business Plan ROD (August 1995), and Long-Term Regional Dialogue Final Policy ROD (RD Policy ROD) (July 2007). BPA contemplated billing credits to acquire conservation in the Business Plan EIS (sections 3.6 and 4.3) and contracts that provide the means to acquire cost-effective conservation in the RD Policy ROD (Section VI.C, pages 30–31). The decision to offer a Conservation Billing Credits program applies the policies and furthers the goals of the Market-Driven Alternative analyzed in the Business Plan EIS (section 4.2.1), adopted in the Business Plan ROD, and refined in the Long-Term Regional Dialogue Policy and Record of Decision. Accordingly, the policy revision falls within the scope of the Market-Driven Alternative and is not expected to result in environmental impacts significantly different from those examined in the Business Plan EIS. BPA's decision to revise the Billing Credits Policy to offer billing credits for conservation thus is tiered to the Business Plan ROD.