Notes from Sept. 11 Regional Dialogue meeting on conservation

Mike Weedall, Karen Meadows and Ken Keating hosted the meeting in BPA's Rates Hearing Room. It was scheduled for 1 p.m. to 4 p.m.

Keating outlined the purpose of the meeting, which was to address the "math" of how conservation would be credited toward a utility's high water mark in the Long-Term Regional Dialogue policy proposal.

In BPA's policy proposal, a utility will receive a high water mark in FY 2012 that is based on its FY 2010 actual net requirements as determined in FY 2011. This is somewhat disconcerting to some parties because, in previous conservation talks, FY 2002 net requirements was the base.

Because the high water mark base is now in the future, utilities are concerned about how their actions on the conservation front between now and then will affect their high water mark. If conservation reduces a utility's load and the utility receives a lower high water mark as a result, this is a significant disincentive to conducting conservation. This is especially problematic if a utility spends its own money on conservation only to have its high water mark reduced as a result. Such consequences would make in harder to BPA and the region to meet the conservation target set by the Northwest Power and Conservation Council.

In order to encourage conservation between now and 2011, BPA proposes to credit utilities 100 percent for their self-funded conservation and to provide a 50 percent return in conservation savings in the calculation of high water marks for BPA-funded conservation.

Keating presented a spreadsheet containing two scenarios showing how conservation activity among GROUPS of customers affects their need for Tier 2 power. The groups are those with big loads, with medium loads and with small loads. The assumption is that all the utilities, as a whole, will have higher net requirements in 2010 than there is Tier 1 power available.

The scenarios demonstrate results of actions that are funded with BPA dollars and then power is credited back to the utilities' high water mark at 50 percent, 75 percent and 100 percent of the conservation savings.

The scenarios show that all benefit in terms of less exposure to Tier 2 power when any group does conservation.

The issue raised by some utilities is whether individual utilities in their specific circumstances gain by using their own money to do conservation, by using BPA's money to do conservation, or by not doing any conservation until the last minute so as to increase their high water mark as high as possible. This is further complicated by the decision about what percentage of energy saved to credit back to the utility for its high water mark.

BPA is proposing that 50 percent of the energy saved through expenditures of BPA money be credited back and that 100 percent of the energy saved through expenditure of the utility's money be credited back.

All this applies only to conservation done beginning with FY 2007 money and done through FY 2009 that will affect FY 2010 net requirements and a utility's high water mark. Conservation done as early as November 2005 counts if it was done with FY 2007 money.

Some questioned why it should make any difference whether the money spent on conservation was BPA's money or a utility's money. The issue is that, when BPA pays for conservation, the money comes from all ratepayers. The question is how much benefit from ratepayer money should be credited to a specific utility. The 50 percent figure is the result of that equity judgment.

Some argued that, perhaps, a utility that spends its own money to reach regional conservation goals should receive more benefit than 100 percent.

Others noted that the utilities' supplemental cost of conservation projects often was in excess of the value of the 50 percent credit back.

A representative of Yakama Tribal Power explained that the power company wants maximize its high water mark so it can expand the number of people it serves and wondered if it weren't better for the individual company to put off doing any conservation until FY 2010.

A BPA representative said the agency couldn't argue what is best for an individual utility, only what is best for the region.

Seattle City Light produced scenarios in which, based on economic forecasts of the cost of energy, the utility did not see an economic benefit from doing conservation with BPA money. Given the added value of the Tier 1 allocation, they saw a substantial economic benefit to paying for it themselves. There were circumstances under which it only got 45 percent of the benefit rather than 50 percent under the 50 percent credit back scenario.

This prompted a discussion of who should get credit for conservation achievements and at what point conservation is an economic benefit to the utility. BPA believes it should get credit for all conservation that is caused by BPA's incentives, whether in cash or added high water mark. Others said that BPA should not get credit for conservation that a utility does on its own dollar.

In light of these discussions, some asked if the current Long-Term Regional Dialogue policy proposal would allow BPA to reach its conservation commitment. The response was yes, but the structure does create some barriers and there are challenges.

BPA wants to create incentives for conservation. If the current proposal does not provide those incentives, then utilities should point that out in their comments and, if possible, come up with a better plan.

Utilities don’t want to spend money on conservation and then have their high water mark reduced. The issue of crediting 75 percent of conservation achievements reached with BPA’s dollars back to the utility arose. This provides more benefit to those who do conservation and less to those who don’t. That seemed fair to some people but not to others because, again, the ratepayers of the utilities that don’t do conservation are still paying for conservation through their rates in the areas that do the conservation.

Keating said, “BPA thought 50 percent was the ‘sweet spot’ but perhaps it isn’t. It doesn’t “cost” BPA any more if the credit to the utilities is 75 percent or 100 percent because it uses the same pot of conservation dollars. The issue is equity among utilities and reaching BPA’s and the region’s conservation target.”

BPA handed out a paper explaining how conservation savings would be verified. It is much the same as the current reporting of rate credits. It also emphasized that only conservation that is effective on the utilities’ loads in 2010 can be credited back regardless of the source of funding. This is because the crediting back for calculation purposes is intended to make up for some or all of the load lost to conservation. There is nothing to make up if the conservation isn’t affecting the loads in 2010.

The meeting adjourned at 3 p.m.