



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

ENERGY EFFICIENCY

September 24, 2007

In reply refer to: KL-1

Dear Utilities,

Since the start of the C&RD Program, heat pumps have played a fairly large role in utility residential energy efficiency programs. At the close of the C&RD, BPA implemented new business rules, namely the requirement for all measures to be cost-effective, which significantly reduced payments for heat pump installations. This has caused a drastic reduction of heat pump energy efficiency measure installations in many utility areas.

In the April 1, 2007 version of the Implementation Manual, BPA announced the removal of credits/reimbursements for air source heat pumps in homes with basements in heating zone 1, effective October 1, 2007. Recently, BPA announced the removal of credits/reimbursements for ground source heat pumps in all heating zones, effective April 1, 2008. In addition, BPA proposed raising incentives for air-source heat pumps by \$200 and duct sealing, in single family homes, by \$100, where duct sealing is required.

Over the past few years, BPA has received comments that changes made post-C&RD to its heat pump program offering have made it difficult for utilities to run an effective program. Some comments include:

- Cost-effectiveness screening is a major burden and/or applied improperly;
- BPA incentive payments are too low;
- Requirements too stringent;
- Program too complicated; and/or
- Local installers not interested.

BPA continues to strive to meet the program needs of utilities, while adhering to BPA's business rules. In an effort to provide some time to solve the issues surrounding heat pumps, BPA will not remove credits/reimbursements for air source or ground source heat pumps as previously stated. However, the increase in incentives will be implemented beginning October 1, 2007.

Over the next four months, BPA will be working closely with utilities, collecting your comments regarding BPA's heat pump program. We know you have been providing your comments all along, but we hope that with an organized effort, we should be able to come to an agreed upon solution. If you are interested in the future of BPA's heat pump program offerings, please plan to participate in the discussions. In the meantime, if you wish to discuss heat pump issues or share insights, please contact Mark Johnson, our Residential Sector Lead, at 503-230-7669 or by e-mail at mejohanson@bpa.gov.

Thank you,

A handwritten signature in black ink, appearing to read "Mike Weedall". The signature is fluid and cursive, with a large initial "M" and "W".

Mike Weedall
Vice President
Energy Efficiency