

## Final Conservation Billing Credit Policy Supplement

**Background and Need:** This Conservation Billing Credit Policy Supplement describes how Bonneville Power Administration (BPA) will apply the billing credits provision of the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. § 839(h)(1) (Northwest Power Act), to independent conservation activities undertaken by customers during the term of BPA's Regional Dialogue power sales contracts. This Policy Supplement suspends and replaces BPA's 1993 Billing Credit Policy until October 1, 2026. After that, the 1993 Billing Credit Policy will be effective again unless BPA has provided notification through the Federal Register that either it is extending the term of this Policy Supplement or proposing a new Billing Credit Policy.

The backdrop for this Conservation Billing Credit Policy Supplement is a Washington state law, known as I-937, that requires some of BPA's customers to develop and acquire conservation. Customers subject to I-937 must acquire conservation independent of BPA's conservation acquisition efforts. In 2007, as BPA was finalizing its Regional Dialogue Policy, several customers in the state of Washington noted I-937 and its potential impacts. In its Long-Term Regional Dialogue Policy record of decision (LTRD ROD), BPA decided that it would continue to use its ongoing conservation approach, which had proven itself and did not commit BPA to pay for all conservation. BPA's Long-Term Regional Dialogue Policy expressed an expectation that BPA's conservation goals would be met to a significant extent through programs initiated and funded by its public utility customers. LTRD ROD, at 186. In regard to the role BPA's conservation acquisition agreements would play in BPA's future portfolio, the ROD stated that would be determined later.

In developing its Energy Efficiency Post-2011 Implementation Program, BPA stated that it would revisit issues to determine if any efficiencies and improvements to its program could be made, including BPA's conservation acquisition agreements, i.e., Energy Conservation Agreements (ECA). Since 2013, BPA has been engaged in that review and as part of its revisions to its post-2011 EE program has proposed a Conservation Billing Credits program under section 6(h) of the Northwest Power Act as a mechanism to allow customers, such as those subject to I-937, to engage in independent conservation activities to develop conservation. Use of this program 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.

Although Regional Dialogue contracts preclude customers from requesting billing credits for Generating Resources, that preclusion does not apply to requests for conservation activities. BPA has not placed any limit on which customers can use billing credits for conservation.

This Conservation Billing Credit Policy defines how customers can use billing credits for conservation. Underlined capitalized terms shall have the meanings established for them in Regional Dialogue contracts.

**General Approach.** BPA is taking actions to implement the Conservation Billing Credits program in BP-16. For each subsequent rate case, at the time BPA publishes its initial rate proposal for the 7(i) process established by the Tiered Rate Methodology, BPA will forecast an aggregated Energy Efficiency Incentive (EEI) amount. The EEI is the amount of BPA's conservation Implementation Budget that BPA makes available (under the ECA) to a customer as a monetary payment for conservation energy savings that BPA is acquiring from that customer. BPA collects in its rates the cost of the aggregated EEI on a Tier One Cost

Allocator (TOCA) basis from all customers with a Contract High Water Mark. Budget and policy decisions by BPA could result in this EEI amount either increasing or even decreasing to zero during the time this Conservation Billing Credit Policy is in effect.

In each initial proposal, beginning with the BP-18 rate period, for the 7(i) process setting power rates under BPA's Tiered Rate Methodology, BPA will publish a forecast monthly billing credit per million dollars foregone EEI that a customer would receive if it chose to participate in the Conservation Billing Credit program. While there may be no customers with exactly one million dollars of EEI this will allow each customer to determine what a projected billing credit would be for it by scaling up or down to its individual EEI amount. Alternatively, BPA may make a model available allowing customers to forecast its own billing credit amounts. The publication shall also provide the interest rate assumptions that BPA used in the calculation and will show the parity between the billing credit amount and what BPA projects it would have to pay to capitalize the EEI amount. Showing this parity will demonstrate that there is no projected rate impact on participants or nonparticipants in the Conservation Billing Credits program.

In addition to the financial information, at the same time, BPA will post a process timeline that establishes required actions by the customer if it plans to undertake independent conservation activity that would qualify for the Conservation Billing Credit program during the rate period that is subject to the 7(i) process. The timeline will include notification requirements that allow BPA sufficient time to forecast the program's impacts and to include the associated costs in BPA's Final Rate proposal.

**Billing Credit Amount.** The calculation of the billing credit shall be based on the costs that BPA avoids by not providing the customer EEI funding under the ECA. This means that the calculation of the billing credit will use interest rates and a financing period equal to what BPA expects will be used for funds capitalized under the EEI. There may be a small time differential between when the billing credit amount is established and when the financing under EEI occurs, but there is an equal likelihood that interest rates could go up or down during that time differential, preserving the principle of rate neutrality for all customers, whether or not they choose to participate in the Conservation Billing Credit program. BPA will provide the billing credit amounts in equal monthly amounts over the amortization period.

BPA shall update its final rates to account for all customer choices to forego the EEI and to include the costs of Conservation Billing Credits. This will not change the rate level but will result in offsetting adjustments where a reduction in the EEI costs will be balanced by an equal increase in costs to add amounts for BPA's Conservation Billing Credit program.

**Contract Requirements.** Prior to publishing the 7(i) initial proposal, BPA shall publish standard contract language that will be included as special provisions in a participating customer's Regional Dialogue contract. Customers that choose to participate in the Conservation Billing Credits program will be required to sign the exhibit revision containing the special provisions in time for their decision to be included in BPA's final rates.

The exhibit will define a range for the amount of forecasted conservation savings the customer is obligated to achieve, include the amount of spending for conservation measures, and include the administrative and reporting requirements for customers that choose to participate in the Conservation Billing Credit program. Whether energy efficiency savings are achieved through EEI funds or through Billing Credits, BPA will need to count the savings towards its EE targets so reporting requirements will be nearly identical.