Northwest **Power** and **Conservation** Council

September 6, 2017

MEMORANDUM

TO: **Power Committee**

FROM: **Charlie Grist & Ben Kujala**

SUBJECT: **Draft Outline for Value of Conservation White Paper**

BACKGROUND:

Presenter: Charlie Grist and Ben Kujala

Summary: Staff has drafted an outline for the Value of Conservation white paper proposed last month. The purpose of the outline is to identify the key elements to be taken up in the paper. Staff is looking for feedback on the outline and direction for the paper. Committee members will have time at the meeting to discuss and amend the outline.

Relevance: The paper will acknowledge and examine issues such as the allocation of costs and benefits of energy efficiency. The paper will also address elements of Seventh Plan Action items BPA-5, BPA-6, and BPA-7.

Workplan: Item A.1. Implement the Seventh Power Plan and related Council priorities

More Info: Draft outline attached

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Draft Outline for Value of Conservation White Paper
Version (5 September 2017)

1. Executive Summary

2. Background
    a. Energy Efficiency as a resource, regional and long-term perspectives
    b. Problem statement: The costs and benefits of energy efficiency can fall disparately on utilities. The paper will identify how revenue requirements are impacted by development of energy efficiency and how the impacts flow back through utilities in differing positions and to their ultimate consumers with a focus on the Bonneville system.

3. Context of the Bonneville system
    a. Description of Bonneville's current power and transmission rate structures
    b. Description of Bonneville's current process for recovering and administering energy efficiency (EEI) funds and historical context to why we are here today

4. Value Stream of Energy Efficiency (Macroeconomic Perspective)
    a. Description of different value streams such as
        i. Avoided energy
        ii. Avoided capacity and reserves
        iii. Deferred transmission
        iv. Deferred distribution
        v. Carbon reduction
        vi. Avoided RPS
        vii. Risk reduction
        viii. Environmental impacts
        ix. Consumer non-energy impacts
    b. Relative value of the value streams, from 7P perspective

5. Utility-Specific Value of Energy Efficiency (Microeconomic Perspective)
    a. Recognize the allocation of efficiency costs and benefits is dependent on program structure, rate design, and utility resource position
    b. Description of how utility value of EE depends on relative utility position and the markets
    c. Illustrative description of various positions with an analysis of the economics of each position *(This would include description of how the change in revenue requirement flows back to each position, aiming to quantify where possible, over short & long-term and including risks)*
        i. Relative load growth: growing, shrinking, flat
        ii. Immediacy of resource need: both capacity and energy

iii. Transmission and distribution congestion
iv. Efficiency potential and capability
v. Bonneville-specific analysis based on contracts and rate structure through 2028 considering positions such as:
    1. Partial and full requirements customers
    2. Tier 1, Tier 2
    3. Product class Slice/Block/Slice-Block

6. Relationship between rate design, energy efficiency value, and revenue recovery over time
    a. Efficiency program design and wholesale and retail utility rate structures impact the allocation of costs and benefits for cost-effective conservation
    b. Discussion of revenue collection/recovery issues

7. Conclusion
    a. Summary of the values from a macro perspective
    b. Summary of key drivers that increase or decrease relative value from a micro perspective
    c. Recommendations for development of 8th Plan
    d. Identification of barriers and possible solutions (Action Item BPA-7)