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August 8, 2017

MEMORANDUM

TO: Power Committee

FROM: Ben Kujala

SUBJECT: Discussion on Potential Methods for Analyzing the Value of Conservation

BACKGROUND:

Presenter: Ben Kujala and Charlie Grist

Summary: While the 7th plan examined the value of conservation to the region, each utility in the region has costs and benefits associated with the conservation they pursue. Staff at the last Council meeting had explored the idea of adding a proxy representation of different types of utility positions to the Regional Portfolio Model to analyze the different perspectives. After some discussion, it became apparent that a more comprehensive effort would be needed to fully approach the question of the value of conservation from the many different regional perspectives.

The 7th plan identified that Bonneville should quantify the value of conservation in financial analysis and budget-setting forums (BPA-5). The Council has also heard utilities express concerns about the value that they receive from Bonneville's conservation program. Staff is proposing that in part to complement Bonneville's efforts and to provide context for concerns raised by its customer utilities, we do the following:

1. Staff would outline a white paper on the qualitative and quantitative assessment of the value of conservation to Bonneville and to regional utilities in different resource positions.
2. Use the existing RPM maintenance contract to scope adding functionality to the model to support quantitative assessment from sub-regional perspectives. This would complement the white paper effort and support quantitative assessment of the value of conservation from different perspectives. This would involve coordinating with staff to interview the Power Committee members, Bonneville, public and private utilities, the Council's relevant advisory committees, and other regional stakeholders.
3. If the Council approves the scope Council would contract to implement the proposed changes in the RPM.
4. Staff would use the advisory committees to support the revision and analysis of the analytical work and report back to the Council on the results.
5. After sufficient iteration, release a draft of the white paper for public comment and then take action needed to give comments due consideration before finalizing the white paper.

Workplan: Relevant to all Conservation work plan items: implementing the 7th plan, maintaining analytical capabilities, and preparing for the 8th plan

Background: Since the first power plan, conservation has been a primary resource identified as part of the least cost adequate, reliable, economic and efficient power system from a regional perspective. Staff have worked on many efforts since the first plan to understand the value of conservation in differing contexts. Since the release of the 7th plan, there have been ongoing conversations around the region regarding the value of conservation when market prices are extremely low and when utilities are in different positions of resource need. These conversations have focused on the value to Bonneville and its competitiveness after the current long-term contracts expire in 2028 and the value to utilities that have seen flat or declining load growth for the last few years and are not projecting substantial load growth