



# INTEROFFICE MEMO

EUGENE WATER & ELECTRIC BOARD  
Power Resources Division

*Rely on us.*

TO: Commissioners Farmer, Brown, Cassidy, Cunningham and Ernst

FROM: Bill Welch

1 September 2009

RE: Bonneville Energy Conservation Agreement

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## Issue

EWEB's current conservation agreement with Bonneville expires at the end of September 2009. A new Bonneville conservation agreement, the Energy Conservation Agreement (ECA) is available that will allow EWEB to sell its installed conservation to Bonneville for an agreed upon price. Selling conservation under the ECA is voluntary and allows EWEB to sell none or all of its conservation to Bonneville. Staff is requesting the Board authorize the General Manager to execute the ECA with Bonneville.

## Background

EWEB has entered into conservation agreements with Bonneville for many years. Those agreements have directed over \$75,000,000 of regional conservation money into EWEB's service territory. In the past eight years, Bonneville has offered two independent programs—one mandatory, the other voluntary. The new agreement combines the two programs, administratively, under one umbrella agreement. It also spans the next two Bonneville rate periods to provide a relatively seamless transition for conservation programs from the Bonneville FY 2010-11 rate period into the post-2011 period.

In the mandatory program, the Conservation Rate Credit (CRC), EWEB and all public utilities receive a rate credit of 0.5 mills per kWh on their wholesale power bills. In exchange, EWEB is required to deliver conservation and savings to Bonneville in an amount equal to the rate credit on a dollar-for-dollar basis. The penalty for non-delivery is a true-up at the end of the rate period. EWEB has received a rate credit of approximately \$1.2 to 1.3 million per year over the past eight years and has met its delivery requirements within the allotted rate period.

In the voluntary program, the Conservation Augmentation Agreement (CAA), EWEB may submit eligible conservation projects and measures to Bonneville for a direct reimbursement. The reimbursement is a combination of deemed amounts for certain measures and a per kWh savings amount for more customized measures.

The ECA combines both approaches into one agreement. In the ECA, the estimated CRC will be approximately \$2.5 million in the Bonneville FY 2010-11 rate period. Under the ECA's CAA option, the agreement provides a budget for approximately \$3 million in reimbursements from Bonneville for eligible conservation. The ECA allows EWEB to request and Bonneville to authorize additional funding above the budgeted amount.

The ECA provides a continuation into the next Bonneville rate periods of the offerings provided in previous CRC and CAA agreements.

## **Discussion**

There is no real downside to entering into the ECA. Participating in the CRC is not optional and has never been since its inception. The requirements of the CRC will continue whether EWEB signs the ECA or not. Submitting conservation for reimbursement under the CAA portion of the ECA is voluntary. In the current version of the ECA, EWEB will receive \$0.18 per kWh for each kWh submitted under the CAA option. There is no minimum savings EWEB must submit and no penalties for not submitting savings.

In past CAA agreements, EWEB was required to decrement its share of Bonneville Priority Firm (PF) power in an amount equal to the quantity of savings submitted. In the ECA, the decrement provision will be eliminated on all savings submitted after 31 March 2010. The decrement clause in past agreements caused EWEB to pass on Bonneville CAA funding, because the present value of the PF power was worth more than the reimbursements for conservation. Once the decrement clause expires, there will be no reason for EWEB not to submit all conservation through CAA.

Staff plans to meet as much as possible of the CRC program requirement during Bonneville FY 2010 (1 Oct 2009 – 30 September 2010) and submit EWEB's energy savings during FY 2011 through the CAA portion of the ECA. Staff estimates EWEB will receive at least \$2,000,000 reimbursement during that period from the CAA option. Approximately \$500,000 of that reimbursement—those savings occurring in EWEB's fourth quarter 2010—is being accrued toward the EWEB 2010 budget.

Staff has received general approval from EWEB legal counsel and is working with counsel to review and edit the final document prior to requesting the General Manager's signature. The document is not included with this memo because of its length. If members of the Board have an interest in reviewing the draft version, please contact Bill Welch at 685-7175 or [bill.welch@eweb.org](mailto:bill.welch@eweb.org).

## **Recommendation**

Staff recommends the Board authorize the General Manager to sign the Bonneville ECA to execute the agreement subject to final legal review and edits. This action does not add mandatory elements that do not already exist and allows the opportunity to sell conservation output without requiring it.

## **Requested Board Action**

Staff requests the Board approve the attached Resolution NO 0921 authorizing the General Manager to execute the Bonneville ECA.

**RESOLUTION NO 0921**

**WHEREAS**, the Eugene Water & Electric Board (“EWEB”) is a municipal utility formed and operated pursuant to ORS Chapter 225, the Eugene City Charter and Eugene City Code;

**WHEREAS**, the Bonneville Power Administration (Bonneville) has offered an Energy Conservation Agreement (ECA) for the five year period covering Bonneville FY 2010 through 2014;

**WHEREAS**, the ECA allows EWEB to submit conservation savings to Bonneville for a reimbursement;

**WHEREAS**, EWEB has entered into similar agreements with Bonneville in the past;

**WHEREAS**, there is no obligation for EWEB to submit any conservation savings for reimbursement;

**WHEREAS**, EWEB believes it is in the best interests of its customers to enter into the ECA with Bonneville.

**NOW, THEREFORE, BE IT RESOLVED** by the Eugene Water & Electric Board that the General Manager is authorized to execute the ECA upon presentation in final form, with review and approval by EWEB legal counsel.

Adopted at a meeting of the Eugene Water & Electric Board on September 1, 2009.

THE CITY OF EUGENE, OREGON  
Acting by and through the  
EUGENE WATER & ELECTRIC BOARD

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President

I, DEBRAH J. SMITH, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its September 1, 2009 Regular Board Meeting.

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