

Docket No. 2008-TX100-0001

IN THE MATTER OF CONSIDERING	§	BEFORE THE BOARD OF DIRECTORS
WHETHER TO IMPLEMENT INTEGRATED	§	
RESOURCE PLANNING, RATE DESIGN	§	OF
MODIFICATIONS, SMART GRID	§	
INVESTMENTS, AND SMART GRID	§	BLUEBONNET ELECTRIC
INFORMATION STANDARDS PURSUANT	§	COOPERATIVE, INC.
TO 16 U.S.C. § 2621(d)(16), (17), (16), & (17)	§	
	§	LEE COUNTY, TEXAS

INTRODUCTION

On July 9, 2007, the Board of Directors (Board) of Bluebonnet Electric Cooperative, Inc. (Bluebonnet; Coop) determined that it was appropriate for the Coop to adopt and implement the net metering and interconnection standards of PURPA/EPACT 2005.¹

For residential or small commercial accounts, the net metering and interconnection standards allow members to install their own power generating equipment using renewable energy resources (capacity of 10 kilowatts or less) and interconnect the equipment to the Coop's distribution grid. Net metering allows the member to use their single register meter, that rolls forward or backward, as a result of net consumption or net generation, respectively. When the meter is read each month, the resulting meter reading will show either a net consumption (positive number) or a net production (negative number) for that billing period. For a month with a net consumption result, the member pays the bill based on that amount of net power consumed. For a month with a net production result, the member pays the monthly minimum, and the net kWh production is recorded by the billing department. This process continues throughout the year; each and every month that a net production is registered, the amount is totaled up for the year. The following January, the Coop pays the member, by check, the same average price paid for wholesale power as purchased from the LCRA. In 2008, this billing arrangement has been demonstrated for at least one net metered account on Bluebonnet's system.

Additionally, for those members interested in producing more power, the Board allows for interconnection of larger wholesale power producers up to ten megawatts of capacity. For such producers that use renewable energy resources, the Coop will pay, on a monthly basis, the Coop's avoided cost of wholesale power for generation. Within

¹ Public Utility Regulatory Policies Act of 1978 (PURPA) as amended by the Energy Policy Act of 2005.

Bluebonnet's membership, there is at least one member that has shown an active interest as a solar wholesale power producer.

By adopting these standards, the Coop and its members can participate in interconnection and net metering in a manner that is consistent with other utilities in Texas as well as the rest of the nation and thus accomplish one of the primary goals of PURPA, which is conservation of energy.

Coops, in general, make their money by buying power at wholesale and distributing and selling that power at retail. The business model is fairly straight forward; the more power sold, the greater the profits. Fortunately, Bluebonnet's Board, by adopting the two standards as outlined above, has shown that they have the foresight to look beyond the bottom line. Bluebonnet may be the only (or one of a few) coop(s) in Texas that has shown this much initiative to adopt these standards to this extent.

EISA STANDARD NUMBER 1 OF 4

On Oct. 21, 2008, Bluebonnet's Board adopted a resolution initiating a rulemaking project to consider and determine whether to implement federal ratemaking standards under the PURPA/EISA 2007.² While PURPA/EPACT 2005 centered on conservation of energy, PURPA/EISA 2007 centers on energy efficiency and the promotion of energy efficiency.

The first standard calls on electric utilities to integrate energy efficiency into their integrated resource plans and to establish cost effective energy efficiency as a "priority" resource.

A definition of "Energy Efficiency":

Energy efficiency improvements refer to a reduction in the energy used for a given service (heating, lighting, etc.) or level of activity. The reduction in the energy consumption is usually associated with technological changes, but not always since it can also result from better organization and management or improved economic conditions in the sector ("non-technical factors").

A definition of "Integrated Resource Plan" (IRP):

A long-term strategic plan that combines technical analysis and public participation for business development in the various services.

² Public Utility Regulatory Policies Act of 1978 (PURPA), as amended by the Energy Independence and Security Act of 2007 (EISA), Public Law No. 110-140, 121 Stat. 1492 (2007).

A definition of a “Priority Resource”:

A “priority” resource is a classification used in a decision making protocol for equivalent priced resources that results in resources classified as a “priority” being selected before other equivalently priced resources.

As for an explanation of what “Energy Efficiency as a Priority Resource” means, I would like to present an article from the December 2008 Austin Energy News titled: "Offsetting the Need for a Power Plant"

Energy efficiency improvements made by customers participating in the Austin Energy Power Saver Program and Austin Energy Green Building will reduce the peak energy demand by almost 62 megawatts (MW) in the coming year, reducing day-to-day energy use by 105 million kilowatt-hours (kWh).

The reductions almost match last year's record as Austin Energy marches forward toward a 2020 goal of offsetting the need for a 700 MW power plant through its energy saving programs.

More than 10,500 Austin Energy residential customers and 615 businesses participated in the programs during the fiscal year that ended September 30, 2008. The resulting energy savings will reduce electric bills of the group by more than \$12 million annually. They will also reduce carbon dioxide (CO₂) emissions by more than 86,000 tons and nitrogen oxide (NO_x), a pollutant that helps form smog, by almost 60 tons each year. Austin Energy efficiency programs cost the utility about \$350 per kilowatt (kW) of energy saved. Building a new natural gas-fueled power plant would cost approximately \$700 per kW.

From the article, one can see that money was spent by the utility on promoting Energy Efficiency (EE) through rebate incentives to its customers as well as the cost of informing the customers of these programs through advertising, an EE call center, and distributing information through the web site and billing inserts. For Austin Energy, this was money that was being set aside for building a future power plant. By treating EE as a resource and investing in EE programs in the present, this action eliminated the need and expense of building a power plant in the future.

Because Austin Energy provides both generation and transmission as well as the distribution and retail sale of electric energy, it is in the position to use funds that are set aside to build a future power plant, and to fund instead, the rebate incentives to their retail customers.

In the case of Bluebonnet, the Lower Colorado River Authority (LCRA) handles the generation and transmission, and Bluebonnet, in turn, handles the distribution and retail sales of electric energy. Bluebonnet can (and does) promote EE by providing energy saving tips through its web site, the Texas Co-op Power magazine, as well as customer

service representatives available to answer your questions. But Bluebonnet cannot be expected to foot the bill for customer rebates, because it does not build power generation facilities.

The LCRA is tasked with planning for future generation needs and would have the discretion to divert funds for rebates to create incentives for EE. But the LCRA does not have any retail customers, and also does not have the requirement to consider whether to adopt and implement this EISA standard.

For Bluebonnet to adopt and implement this standard and promote EE to any extent beyond what they are already doing may simply not be applicable. Actively promoting EE through customer rebates just can't happen. Or can it?

The LCRA has hosted an Energy Efficiency Working Group for the last 3 years and Staff members from Bluebonnet have been in attendance. Over the years many topics concerning energy efficiency and conservation have been discussed. I have no doubt that Bluebonnet's current EE program and the Bluebonnet 2009-2013 Strategic Plan³ are both beneficiaries of Staff's efforts in this working group.

But, heretofore, there are a few words in the definition of "Integrated Resource Plan" that have yet been explored: *public participation*. The standard, by simply using the words "Integrated Resource Plan" (and not, for example, "Strategic Plan"), suggests that the Coop should solicit participation from its membership, in one form or another, to provide the customer's perspectives and inputs to its overall plan for EE goals. One method of actively seeking public participation that is being implemented by others in the industry is called *Deliberative Polling(TM)*. Deliberative Polling was developed by Professor James Fishkin, chairman of the government department at the University of Texas at Austin, and "Is designed to go deeper than ordinary polls and surveys by collecting a random sample of all of the company's customers who then gather together to get more information and develop a truly informed, deliberated opinion." This, or a similar method to solicit public participation, is preferred because it actually results in getting public representation, as opposed to, for example, publishing a notice for a public hearing, which generally results in little or no public input.

I believe that the Coop should adopt this standard, if for no other reason than, to get

³ Mentioned in the article: "Providing You the Power to be Informed", by Mark Rose, Bluebonnet General Manager/CEO, Page 17, Texas Co-op Power Magazine, Bluebonnet Electric Cooperative Edition, January 2009.

the Coop and the Coop members to work together to develop collaborative inputs to the IRP. It could also be possible, with further collaboration with the LCRA, to formulate an *active EE program* with more far reaching results that can benefit everyone.

EISA STANDARD NUMBER 2 OF 4

PURPA/EPACT 2005 required the consideration of time-based rates and advanced metering and communications (smart metering).

On July 9, 2007, Bluebonnet's Board determined that it was appropriate for "Bluebonnet to adopt a modified smart metering standard under which the Cooperative will offer its member-classes time-based rate schedules when wholesale price signals become available and implementation costs can be justified. Such rates should enable members to manage their energy usage through advanced metering and communications technology. This modified standard is consistent with PURPA's overall goals, but provides Bluebonnet with some flexibility in implementing smart metering on a system-wide basis."

The Board also provided the following Findings of Fact to support the above determination:

Offering its member-owners real time, time-of-use, critical peak or peak load reduction pricing is not a viable option for Bluebonnet at this time because LCRA's cost-per-kWh rate does not provide a clear, time-based price signal that can be readily translated into retail rates for all Bluebonnet rate classes.

Bluebonnet provided a time-based rate option to commercial members until December 31, 2005, when the Cooperative eliminated its Large Power/Time of Peak and Industrial Time-of-Use rates as a consequence of the current LCRA wholesale tariff.

The second standard of PURPA/EISA 2007 calls for electric rates to align utility incentives with the delivery of cost effective energy efficiency and to promote energy efficiency investments. This standard suggests that time based rates could either stem from rate fluctuations at the wholesale level, or be artificially imposed as an incentive to the customer to change consumption habits and to invest in more energy efficient heating and cooling, appliances, lighting, etc.

Utilities in other parts of the country have implemented these programs offering time-of-use, critical peak, real time, or peak load pricing to their customers. Enrollment for the various pricing plans have been mandatory, voluntary, or by default.

I believe that the Boards judgment and recommendations that were applicable to PURPA/EPACT 2005 smart metering/time-based rates is applicable to the second standard of PURPA/EISA 2007 as well. Surveys and case studies are conducted on current practices by other utilities in the US and are published throughout the industry. This information can be reviewed from time to time to determine if any long-term benefits developed and how these benefits could be used by the Coop and its members.

EISA STANDARD NUMBER 3 OF 4

The third standard of PURPA/EISA 2007, generally referred to *as smart grid investments*, provides that states should: (A) require regulated utilities to consider smart grid investments before permitting investment in non-advanced grid technologies; (B) permit recovery from ratepayers of the cost of deploying smart grid technologies; and (C) permit utilities to recover stranded costs from old grid technologies made obsolete and replaced by smart grid technologies. Since this applies to state regulators only, it therefore is not applicable to the Coop.

EISA STANDARD NUMBER 4 OF 4

The fourth standard of PURPA/EISA 2007, generally referred to *as smart grid information* provides: (A) that electricity customers should be given direct written or electronic access to information concerning time-based electricity prices at wholesale and retail and their usage on at least a daily basis and (B) that everyone should have access to data concerning the sources of the power provided by the utility, including the greenhouse gas emissions associated with each type of generation.

This standard should be viewed as providing information to the customer, not through a smart grid delivery system, but through more conventional means. Some of this information is currently supplied by the Coop. For example, starting in the January 2009 billing cycle, Coop members will see a cost breakdown on their bill that shows the Wholesale Power Cost. The Wholesale Power Cost line reflects the cost of power purchased from the LCRA, combined with the Power Cost Recovery Factor (PCRF) charge. Additionally, the bar graph of the 12 Month Rolling Usage that the Coop provides on each bill allows customers to compare, at a glance, their current month usage with last year's consumption.

Comparing energy consumption from one time period to another can be helpful in tracking the effects of one's energy conservation efforts, and can lead to the "conservation effect" where the availability of information encourages customers to pay increased attention to their energy usage, resulting in actions that decrease their overall consumption.⁴ But the standard suggests providing usage data on at least a daily basis. Now that all members have the new Automated Meter Reading (AMR) meters, reading the meters on a daily basis is possible. If this data could be linked to the Coop's web server, customers could retrieve their meter readings by logging in to the Coop web site, or signing up for periodic email notifications.

There is a growing awareness that energy cost only expressed in dollars is a very shortsighted and incomplete picture of the true cost of energy. Considering the planet as a whole, we don't know where the current global problems will ultimately take us, or if we have already passed the point of no (survivable) return. But, informing the member that their 1000 kWh energy consumption for the current billing period will cost \$118 is not enough. The bill should also reflect, for example, that an additional 1720 lbs of CO₂, 1.2 lbs of NO_x, and "x" lbs of particulate matter was released into the atmosphere. And in light of the recent spill in Tennessee, we would be remiss to exclude "y" lbs of ash sludge was produced as well. The truly sad part to consuming 1000 kWh, from a coal-fired plant for example, is that 2330 kWh or (7,950,000 BTUs) of waste heat was rejected to the surrounding environment near the plant, and the 1000 kWh delivered to the customer is ultimately rejected as 1000 kWh (or 3,412,000 BTUs) of waste heat surrounding the customers location.

I believe the Coop should adopt a modified version of this standard that provides information to the consumer through any reasonable means other than a smart grid infrastructure. This may include, but not limited to, email, website, information on the bill, as well as an insert included in the bill. As an example of how a billing insert may keep the Coop member informed on a variety of topics, I have included the December 2008 Austin Energy News billing insert (one page printed front and back) as JB Exhibit A.

⁴ Southern California Edison, Application No. 07-07-026, Exhibit SCE-6, pp. 3-4.

CONCLUSION

The Board has another decision to make. This one concerns energy efficiency and promoting energy efficiency. I hope that the Board will consider my views and, once again, take a positive initiative toward adopting these standards. I wish to thank the Board and Coop Staff for allowing me this opportunity to present my views.

Sincerely,

John Borsheim

Bluebonnet Coop Member, Bastrop County

CERTIFICATE OF SERVICE

I, John Borsheim, certify that one copy of this document was served in this proceeding on 4 January 2009 by Email Transmission.

By: _____
John Borsheim