

RESOLUTION NO. 09-13505

A RESOLUTION ADOPTING A DISTRICT ENERGY
CONSERVATION INCENTIVE POLICY

FACTUAL BACKGROUND AND REASONS FOR ACTION

As part of the District's effort to improve business processes, gain efficiencies and comply with regulatory requirements, staff recommends that the District adopt an Energy Conservation Incentive Policy. The recommended policy is attached as Exhibit A.

This policy is part of a continuing strategic effort initiated in January 2008, in which District staff began preparing for compliance with RCW 19.285 (Energy Independence Act) and WAC 194-37 (Energy Independence) also known as Washington State Renewable Energy Initiative 937.

The purpose of this policy is to create a consistent process for establishing energy conservation measures and incentives and ensuring proper levels of authorization and controls. This policy establishes a Conservation Incentive Committee to provide oversight of conservation programs developed in compliance with the applicable statutes and regulations and to ensure adherence to guiding principles established for setting customer incentives. Finally, this policy ensures proper reporting, documentation, and compliance with RCW 19.285 (Energy Independence Act) and WAC 194-37 (Energy Independence).

The proposed Energy Conservation Incentive Policy would supersede Resolution No. 07-13155 and Resolution No. 01-11724. Those resolutions authorized an electric energy buyback program for customers on the District's Rate Schedules 2, 3 and 30 referred to as "ResourceSmart." The concepts behind and the name "ResourceSmart" will continue and will be governed by this new recommended Energy Conservation Incentive Policy.

District staff recommends that it is in the best interests of the District to adopt the proposed Energy Conservation Incentive Policy in order to implement the District's conservation measures and incentives with the goal of achieving the conservation targets required under RCW 19.285 and as adopted by the District's Commission.

The General Manager of the District concurs with staff's recommendation that the District adopt the new Energy Conservation Incentive Policy.

ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT
NO.1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. The Energy Conservation Incentive Policy set forth in Exhibit A attached is determined by the Commission to be fair, reasonable, necessary and non-discriminatory and the same is hereby approved to become effective immediately.

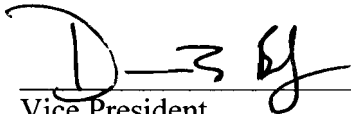
Section 2. Resolution No. 07-13155 and Resolution No. 01-11724 are hereby superseded.

Dated this 16th day of November 2009.



President

ATTEST:



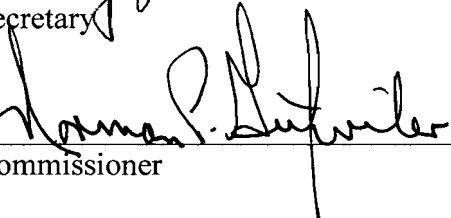
Vice President



Secretary



Commissioner



Commissioner

Seal

**Energy Conservation Incentive
Policy**

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ENERGY CONSERVATION INCENTIVE POLICY

1. GENERAL PROVISIONS

The District is committed to conducting business in compliance with all relevant legal and regulatory requirements. This policy outlines the process that the District will follow in order to implement the District's Conservation Measures and Incentives with the goal of achieving conservation targets required by RCW 19.285 and in compliance with article VIII, section 7 of the Washington State Constitution.

2. DEFINITIONS

District

Public Utility District No. 1 of Chelan County, Washington

Committee

District personnel designated to recommend the implementation, monitoring and updating of Conservation Measures, Incentives and this Policy.

Conservation Measure

An individual component, product or program that results in the reduction of electric energy used by residential, commercial and/or industrial customers.

Incentive

The monetary amount used to re-purchase energy from a retail electric customer.

RCW 19.285

Energy Independence Act (RCW 19.285), commonly known as Initiative 937.

3. BACKGROUND

RCW 19.285 was adopted by the voters in 2006 as Initiative 937. This law applies to utilities with over 25,000 retail customers. Key sections include the following:

RCW 19.285.040 Energy conservation and renewable energy targets

(1) Each qualifying utility shall pursue all available conservation that is cost-effective, reliable, and feasible.

(a) By January 1, 2010, using methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council in its most recently published regional power plan, each qualifying utility shall identify its achievable cost-effective conservation potential through 2019. At least every two years thereafter, the qualifying utility shall review and update this assessment for the subsequent 10-year period.

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(b) Beginning January 2010, each qualifying utility shall establish and make publicly available a biennial acquisition target for cost-effective conservation consistent with its identification of achievable opportunities in (a) of this subsection, and meet that target during the subsequent two-year period. At a minimum, each biennial target must be no lower than the qualifying utility's pro rata share for that two-year period of its cost-effective conservation potential for the subsequent 10-year period.

4. AUTHORIZATION AND CONTROLS

- A. The District's Board of Commissioners ("Board") will approve the 10-year conservation potential plan and two-year conservation target.
- B. The Board will approve the total dollar amount allocated to Conservation Measures and Incentives as part of the annual budget approval process.
- C. A multi-disciplined committee will review and recommend specific Conservation Measures and Incentives to the General Manager for implementation.
- D. General Manager (or his designee) will approve, adjust or terminate Conservation Measures and Incentive levels within the Board-approved budget.

5. REVIEW COMMITTEE

The District's Conservation Incentive Committee ("Committee") will recommend the implementation, monitoring and updating of Conservation Measures and Incentives and this Policy. The Committee shall be comprised of the following positions:

- Manager of Conservation (chair)
- Compliance Manager
- Chief Financial Officer or designee
- Director of Customer Service
- Managing Director of Energy Resources or designee
- General Counsel or a designee as an ad hoc member

Committee duties include:

Review and recommend Conservation Measures and Incentives to ensure compliance with RCW 19.285, the constitutional provisions and the guiding principles set forth below.

Meet at least quarterly to review the overall effectiveness of this policy and recommend updates to the Conservation Measures and Incentives and Policy as necessary.

Update the General Manager (or designee) on the status of Conservation Measures and Incentives and recommend changes, if any, at least semi-annually or as requested by the General Manager (or designee).

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Update the Board on regulatory compliance and status of the Conservation Measures and Incentives on an annual basis.

7. GUIDING PRINCIPLES FOR ESTABLISHING CONSERVATION MEASURES AND INCENTIVES

A. Positive Return on Investment

All proposed Conservation Measures and Incentives must meet or exceed the Internal Rate of Return (IRR) established by the District's Chief Financial Officer.

B. Achievable

Any and all potential Conservation Measures and Incentives must be appropriate for implementation within the District's service territory.

C. Risk Adjusted

Risk adjustments will be factored in as part of the process of establishing all Conservation Measures and Incentives.

D. Diversified

Collectively Conservation Measures and Incentives should be consistently focused on reaching a broad spectrum of customers across all customer classes.

E. Documented

Conservation Measures and Incentives will be measured and verified for effectiveness.

8. MONITORING, REPORTING AND DOCUMENTATION

The Committee Chair shall establish monitoring and reporting criteria that ensure the effectiveness and efficiency of all Conservation Measures and Incentives. The Committee Chair shall report to the Board of Commissioners on annual basis.

9. REVISION AND REFERENCES

A. REVISIONS

This policy may be revised, supplemented or otherwise modified by action of the District's Board of Commissioners.

B. REFERENCES

Prior Conservation Programs, including the Resource\$mart Program

This policy cancels and supersedes any and all previous policies and programs for energy conservation measures, loans or other monetary payments, including the Resource\$mart policy. The concepts of and the name "Resource\$mart" will continue to be used by the District as governed by this policy.

Purchase of Electricity Saved Through Conservation

The District is authorized to purchase and sell electricity to meet current and future needs (RCW 54.16.040). The District recognizes and endorses conservation as a source of electricity. Increasing the District's supply of

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electricity by purchasing back electricity saved through conservation measures is good business.

The purchase of electricity through payment to individual customers for installation of conservation measures has been recognized by the courts of Washington as a valid expenditure of public funds. (Tacoma v. Taxpayers 108 Wn.2d 679, 743 P 2d 793 (1987) and RCW 19.285). The District's Board of Commissioners recognizes that the District must receive sufficient consideration for any expenditure of public funds. The guidelines established in this Electric Conservation Incentive Policy are specifically intended for the purpose of purchasing electric resources and does not constitute a gifting of public funds.

Resolution No. 09 - 13504 - adopting the 10-year Conservation Potential Plan and the Two-Year Conservation Target as required under RCW Chapter 19.285

EFFECTIVE: November 16, 2009