Post-2011 Review

Workgroup 4:
Flexibility Mechanisms

March 10, 2014

Agenda

- Introductions
- Recap (2/13 Kickoff Meeting~2/20 Big Tent)
- Unassigned Account (UA) Option Review
- UA homework discussion/responses
- WG Recommendation on UA
- Funding Large Projects Review
- Large project homework discussion/options
- Scheduling/Next steps - 2:50 pm
- Adjourn – 3:00 pm

OPERATIONAL EXCELLENCE

- Introduce yourself before speaking

- Meetings need to progress; try not to get bogged down on a topic

- Think about solutions for the long term as well as short term

- Comments/Corrections/Additions/Deletions - February 13 Meeting Minutes

BPA Working Assumptions

- BPA must fulfill its statutory obligations, e.g., BPA must "acquire" conservation (defined in BPA policy as an exchange of funds)

- Any proposal must work within the existing Regional Dialogue policy and contracts

- Decisions need to be made in the context of other dynamic agency drivers (e.g., CIR, IPR, Access to Capital)

- Funding levels will be decided in the CIR and IPR processes

- Any proposal must be consistent with BPA's financial and procedures and reviewed by BPA finance for consistency with sound business principles

- Any proposal should not adversely impact customers that choose not to pursue a particular alternative

- Any proposal should not consider customer "a la carte" funding of EE costs/services (i.e., picking which EE costs to pay for)

- NEW: BPA will pursue 3rd party financing effective FY16 (October 1, 2015).

Issue #1 – Unassigned Account Allocation Methodology (Scoping Doc. Item 5)

Problem statement – The current pro-rata methodology for allocating funds in the Unassigned Account potentially causes:

- A customer to *request* the entire amount of funds available even though it may not need/want the entire amount as a means to receive the largest allocation amount possible, which leads to a perception of "gaming," and,
- A customer to *receive* more allocated funds than it can use.

As part of this conversation, what is best means to allocate BPA-managed capital that BPA determines it does not need; should these funds be treated the same way as funds put in by customers?

Issue #1 – Unassigned Account Allocation Methodology (Scoping Doc. Item 5)

Options –

A. Status quo: allocation is based on a pro-rata allocation of the funds available with the ability for customers to request a "conditional" amount and receive the lessor of the pro-rata or conditional amount.

B. Tier One Cost Allocator (TOCA): allocation is based on TOCAs (much like initial rate period EEI budgets are proportionally allocated on a TOCA basis) of those customers requesting funding.

C. Least cost: allocation, or at least a portion of the funds, is based on "least cost" projects (to be defined). Customers would submit a form with project details and BPA or a group of BPA customers would select which customers receive funds based on least cost.

D. Need: allocation is based on a demonstration of "need" by customers. Customers would submit a form with project details and BPA or a group of BPA customers would select which customers receive funds based on "need" (to be defined).

E. Two buckets: BPA funds in the Unassigned Account are allocated on a TOCA basis and funds returned from utilities are allocated on pro-rata basis (or some other combination).

F. Other: BPA is open to and welcomes other ideas that are not listed in the above.

What we heard

- Option B (TOCA) allocation was suggested/preferred by the majority of responses (5 of 10)

  - Clarification needed: TOCA to all customers? TOCA only to those that request? "Opt-out" or "Opt-in" versions

- Remainder of Options had 1-3 votes each

- Other options (bidding, direct to large projects) were also suggested

Issue #2 – Large Project Fund (LPF) (Scoping Doc. Item 6)

Problem Statement – The LPF is administratively burdensome for BPA (i.e., difficulties with internal budgeting and tracking LPF repayments) and there has been limited demand to date for the funding mechanism given a utility's requirement to pay back any funds received. On the other hand, some customers would like to modify the qualifying criteria for the fund (i.e., a project's reimbursement must be at least 50% of the utility's rate period EEI budget) to make it easier to access funds and, therefore, increase demand for the fund.

Issue #2 – Large Project Fund (LPF) (Scoping Doc. Item 6)

Options –(from Scoping Document)

A. Status quo: the LPF remains as-is.

B. Termination: the LPF as a funding mechanism is terminated; those utilities with outstanding repayments are still required to repay.

C. Requirements modification: the requirements for accessing the LPF are modified, such as the 50% of rate period EEI budget threshold requirement is lowered or removed to allow more qualifying projects; the repayment requirement is removed; etc.

D. Other: BPA is open to and welcomes other ideas that are not listed in the above.

Issue #2A:
Other Ways to Capture Large Projects
(Workgroup #1)

It was determined through early discussions in Workgroup #1, that an overarching issue is finding other ways to capture large projects. Not just projects that are "large" regionally, but projects that are large in relation to an individual utility's EEI budget. Although the Large Project Fund was an attempt to address this problem, it may not be the sole mechanism to do so going forward.

Questions:

Is this part of the LPF issue or a separate and distinct question? What are the barriers that prevent projects currently? Initial thoughts on other ways to capture large projects?

In consult with Workgroup 1, we have been tasked with addressing this question and are open to other suggestions, outside of adjusting the current LPF policy.

What we heard

- LPF Payback period is too short (Term is currently two rate periods)

- Customers are unable/unwilling to accept funds that they will need to payback

- 50% of rate period EEI criteria for LPF eliminates large amount of customers from considering this option, even their "largest" project wouldn't reach this threshold

- Internal Process is administratively burdensome, unfunded, and can be difficult to track payback (BPA)

Issue #2A:
Other Ways to Capture Large Projects
Third Party Financing

Third Party Financing two possible options:

- Borrow the expected total EEI to be distributed via TOCA along with an additional portion (TBD) that could be tapped by any customer for "large projects"
  - Issues/concerns to be reviewed/resolved:
    - Risk of not being used/borrowed funds still need to be paid back with interest
    - Criteria for choosing projects?
    - Paid back or not?

- Borrow the expected total EEI to be distributed via TOCA along with an additional portion (TBD) that is on behalf of customers with specific projects identified
  - Issues/concerns to be reviewed/resolved:
    - Legality: Can we borrow on behalf of other utilities?
    - Complexity/tracking & reporting challenges

Issue #2A:
Other Ways to Capture Large Projects
Other ideas

- Unassigned account funds go towards funding large projects
  - Timing is a factor

  - Criteria for projects—least cost? Need?

  - Paid back or not?

- Out of the expected total EEI, a portion of TOCA to be held back as the "large project fund", to then be tapped by any customer for large projects/lost opportunities
  - Percentage?

  - Criteria for projects—least cost? Need?

  - Paid back or not?

  - If unused, redistributed at some point in the rate period?

Remaining Big Tent Meetings

- **Meeting #2 Eugene, OR**

  (Emerald People's Utility District to host)

  March 20 9:00 a.m.-3:00 p.m. NEXT WEEK!!!

- **Meeting #3 Kennewick, WA**

  (Benton PUD to host)

  May 8 2:00 p.m.-5:00 p.m. (Efficiency Exchange Conference)

- **Tentative Meeting #4 Portland, OR**

  June 17 1:00-4:00 p.m.

- **Tentative Meeting #5 Kalispell, MT**

  June 25 9:00 a.m.-3:00 p.m.

Workgroup #4 Scheduling

- Proposed scheduled meeting dates--feedback?
  - ❖ Current Tentative Work Group Dates: Apr 10, May TBD
  - ❖ Scheduled Big Tent Dates: Mar 20, May 8, June 25

- Check-in and coordination with WG #1/Possibility of a joint discussion on topics that span both WGs
  WG #1 has meetings on March 17 and 26

- Do we have enough time? Need more frequent and/or in person discussion?