Post-2011 Review Workgroup 1 Initial Analysis of Funding Alternatives for Self-Management of Utility Incentives - For Discussion Purposes Only

Brief description	Pros	Cons	Implications/Additional Considerations
Status Quo			
75/25 programmatic split remains and incentives continue to be capitalized	• Keeps things simple • Model is understood	• Doesn't fully address some customers' concerns about BPA incurring capital costs on their behalf • Doesn't provide an option for 100% self-management of incentives • Doesn't relieve any EE pressure on BPA's capital borrowing • Higher overall costs in the long run due to borrowing costs	
Revise down the 75/25 programmatic split			
Customers, on average, take on more responsibility for delivering savings without BPA funding, which would result in proportionally reduced EEI budgets for all customers	• Partially addresses some customers' concerns about BPA incurring capital costs on their behalf when they expense conservation at the retail level • Relieves some EE pressure on BPA's capital borrowing	• Doesn't fully address some customers' concerns about BPA incurring capital costs on their behalf • Doesn't provide an option for 100% self-management of incentives • Higher overall costs in the long run due to borrowing costs (as it relates to the Expense Rate Credit option)	• As the percentages change and less funding flows through BPA, what accountability mechanism would be needed to ensure adequate savings are delivered to meet BPA's savings commitments? • If utility self funding percentage increases, this would proportionally reduce EEI budget allocations • May result in increased accountability for utilities
Conservation Prepay			
Customers would bring capital to BPA in exchange for a rate credit that repays the prepaid capital with interest	• Addresses some customers' concerns about BPA incurring capital costs on their behalf • Relieves some EE pressure on BPA's capital borrowing	• Doesn't provide an option for 100% self-management of incentives • Transaction costs considerations may limit the number of customers able to participate • Higher overall costs in the long run due to borrowing costs	• Is this option only about finding an alternative capital source or do participating customers want additional changes?
Expense Rate Credit			
The EE capital budget would be moved to expense and customers would receive their EEI budgets broken down into a monthly rate credit	• Addresses some customers' concerns about BPA incurring capital costs on their behalf • Relieves *all* EE pressure on BPA's capital borrowing • Lower overall costs in the long run due to no borrowing costs	• Doesn't provide an option for 100% self-management of incentives • Near term rate impact for customers (there's flexibility on the timing of the transition to expense)	• How would the program be designed differently, if at all, from the last rate credit construct, i.e., would there be an opportunity to improve on the previous expense rate credit? • Possible transition option, such as 50/50 split. • Rate impacts • Previous CRC budgets were ~50% of current EEI budgets (less rate impact). Keep in mind EEI budgets are rising • Are there implications for reporting of savings to BPA?
Capital Rate Credit			
A monthly rate credit–for debt service costs not incurred—would be given to those customers that elect to 100% self-finance their savings acquisition	• Addresses some customers' concerns about BPA incurring capital costs on their behalf • Relieves some EE pressure on BPA's capital borrowing • Provides an option for 100% self-management of incentives • Would not change the cost structure for those remaining customers	• Is very complicated from a BPA cost recovery/rate making perspective • Could significantly increase IT costs for rates/billing purposes. Should those costs be borne by those utilities choosing to self-manage? • Less higher overall costs in the long run due to borrowing costs • Could impact cash flow due to loss of EEI	• For those customers electing the capital rate credit, what accountability mechanism would be needed to ensure savings are delivered and would other customers be impacted either from a budget or savings delivery expectation perspective?
Flexible Budgets – Rate Adder			
Customers can elect more or less than their TOCA-based BPA incentive budgets; costs are collected in rates in the form of a rate adder (as opposed to a credit approach)	• Addresses some customers' concerns about BPA incurring capital costs on their behalf • Provides an option for 100% self-management of incentives • If capitalized, relieves some EE pressure on BPA's capital borrowing • Is simpler from a BPA cost recovery/rate making perspective than some other options • Provides all customers flexibility whether incentives are expensed or capitalized	• Makes for a more complicated BPA budgeting process due to customer flexibility • If incentives are capitalized, higher overall costs in the long run due to borrowing costs	• Would the approach work if EEI is expensed? • What would be BPA's backstop role in this approach? • What accountability mechanism would be needed to ensure adequate savings are delivered to meet BPA's savings commitments? • What are the implications for BPA budgeting if customers are able to elect their budget amounts? Advance budget commitments? Default to TOCA? • Could budget flexibility be used to address capturing large projects?