

May 2011

At-a-Glance Summary of Changes in BPA Energy Efficiency Funding

Key Terms

- **Bi-lateral Funding** – A current funding mechanism that provides BPA capital budget to public utility customers to fund qualified energy efficiency incentive payments and associated performance payments. Bi-lateral funding will be replaced by the Energy Efficiency Incentive (EEI) beginning fiscal 2012.
- **Conservation Rate Credit (CRC)** – A current funding mechanism that provides a discounted power rate to participating utilities, conditioned on documented expenditures on qualifying energy efficiency efforts sufficient to offset the credit. CRC will be retired beginning fiscal 2011.
- **Energy Conservation Agreement (ECA)** – A contract between a utility and BPA providing the framework for energy conservation activities by that utility and establishing the utility's Implementation Budget.
- **Energy Efficiency Incentive** – A funding mechanism being introduced in fiscal 2011, establishing a capital budget from which BPA will fund energy efficiency incentive payments and associated qualified performance payments.
- **Implementation Budget** – The budget provided to a utility in an ECA agreement, as documented in Appendix A of the ECA.

Funding Energy Efficiency

Introducing the Energy Efficiency Incentive

BPA's Post-2011 Phase 1 Policy Framework established the EEI as the new funding mechanism for BPA-funded conservation acquisitions post-2011. Each utility will be assigned an EEI budget based on its Tier One Cost Allocator (TOCA).

BPA will update each utility's ECA in accordance with its EEI budget at the start of a rate period, establishing the BPA-provided Implementation Budget. Because EEI funds are expected to come out of BPA's capital budget, these funds must be tied to the acquisition of cost-effective energy savings.

ECA vs. CRC

A primary difference between the ECA Implementation Budget and CRC is timing of invoices and payments. With CRC, utilities saw a routine credit on their power bills, potentially in advance of achieving the energy savings. In contrast, an ECA Implementation Budget triggers payment by BPA to the utility only after submission of qualifying energy savings and BPA's acceptance of a utility-provided invoice.

Managing the Implementation Budget

At the start of a rate period, a utility's ECA Implementation Budget will equal the EEI budget allocated to the utility. Each utility will have multiple mechanisms to manage its Implementation Budget to meet local objectives throughout the rate period. Utilities may elect to spend their Implementation Budget on local energy saving projects, transfer any portion of their remaining Implementation Budget to another utility, pool Implementation Budget resources among multiple utilities, or move Implementation Budget to BPA's Unassigned Account.

Regardless of the budget management approach pursued, utilities will individually manage their budget expenditures. BPA will accept invoices for qualifying energy efficiency savings as defined in BPA's Implementation Manual and will process payment accordingly. BPA's financial obligation to pay for the invoiced energy savings, however, will be up to, but not beyond, the utility's remaining Implementation Budget, as reflected in their ECA documentation.

