

# Guidance on Bilateral Transfers of Energy Efficiency Incentive Funds

## Introduction

As part of BPA's Energy Conservation Agreements (ECA), each of BPA's public utility customers, prior to each rate period, is allocated an amount of Energy Efficiency Incentive (EEI) funds for the development and acquisition of conservation. The amount of EEI funds allocated to each utility customer is defined as that utility's ECA Implementation Budget. Beginning October 1, 2011, BPA's utility customers will have full responsibility for managing their Implementation Budgets. To allow for more effective use of the EEI funds allocated to BPA's utility customers and support the achievement of regional savings targets, BPA has created funding flexibility mechanisms that will be available beginning October 1, 2011.

A bilateral transfer is one flexibility mechanism to facilitate the movement of EEI funds to service territories that need funds to acquire available conservation. Conservation funding is not distributed across BPA's utility customer service territories according to conservation potential; rather, it is allocated based on load using the Tier Once Cost Allocator (TOCA). This distribution methodology means that some utility customers may find that their EEI funds are insufficient to fully support their conservation programs, or, conversely, that they have been allocated more funds than they are able to utilize. Bilateral transfers will enable utility customers to work together and reassign access to EEI funds in order to address these imbalances.

In the [Post-2011 Implementation Program](#) of March 31, 2011, BPA provided an example of how a bilateral transfer would work:

If Customer A does not plan to spend all of its EEI funds within the rate period, it can enter into a

Customer Bilateral Transfer with another customer, Customer B. Customer A and Customer B would agree to the amount of EEI funds that would be transferred from A to B and would submit that request to BPA, using a standardized form provided by BPA. BPA would then make the appropriate transfer of funds from Customer A's ECA Implementation Budget to Customer B's ECA Implementation Budget.

The transfer described above would not entail a tangible transfer of funds, but would result in Customer B having access to additional EEI funds and thus an increased Implementation Budget, and customer A having reduced access to EEI funds and thus a decreased Implementation Budget.

According to the April 1, 2011 [Implementation Manual](#), "the giving and receiving customers must document the requested transaction." To facilitate the requisite documentation, BPA will provide a Bilateral Transfer Request Form that must be signed by both parties and approved by BPA prior to the transfer taking place. BPA, however, will not be a signatory party to the transfer agreement.

The memo below provides guidance and requirements to customers interested in exercising a bilateral transfer.

## Guidance

BPA is allowing for the bilateral transfer of EEI funds from one customer to another. Such transfers, which are a reassignment of a right to access funds in order to increase or decrease a utility customer's ECA Implementation Budget, are subject to BPA's approval. ECAs implement BPA's acquisition of conservation savings from its utility customers. While BPA is supportive of bilateral transfers between utility customers, BPA will not give its approval to any transfer requests in which one utility is being enriched



by the other utility, i.e., through a secondary market. What BPA is doing under the ECA is acquiring a conservation resource. What BPA is not doing is creating a secondary market to incent movement of EEI funds among utility customers.

## Conditions

The ability to bilaterally transfer EEI funds between utility customers provides funding flexibility critical to the success of the new Post-2011 framework. Any abuse of bilateral transfers puts this flexibility mechanism at risk. To help prevent abuse, the following conditions will apply:

- The allowable *exceptions* to the prohibition of exchanging value are the transferring of EEI funds by one utility customer 1) *with* or 2) *without* the expectation, promise, or guarantee of receiving EEI funds in return from another utility customer.
- BPA will not approve bilateral transfers between utility customers if there is any appearance or evidence of a utility customer giving or receiving anything of value in exchange for exercising a bilateral transfer, except in cases related to the above exceptions.
- BPA reserves the right to reverse a bilateral transfer if it discovers any abuse or violation of the above conditions.
- These conditions will appear in the October 1, 2011 version of the Implementation Manual.

## Definitions:

- **Energy Efficiency Incentive (EEI)** – A funding mechanism being introduced in fiscal year 2012, establishing a capital budget from which BPA will fund energy efficiency incentive payments and associated qualified performance payments.
- **EEI funds** – Those monies that utility customers have the right to invoice BPA for reimbursement of cost effective conservation.
- **Bilateral Transfer** – The movement of EEI funds from one utility customer to another, resulting in a debit to the transferring utility's Implementation

Budget and a credit to the receiving utility's Implementation Budget.

- **Energy Conservation Agreement (ECA)** – A contract between a utility customer and BPA providing the framework for energy conservation activities by that utility and establishing the utility's Implementation Budget.
- **Implementation Budget** – The budget provided to a utility in an ECA agreement, as documented in Appendix A of the ECA. The Implementation Budget is the maximum budget against which BPA will authorize payments after receiving a qualifying invoice for cost effective energy savings. At the beginning of a rate period, a utility's Implementation Budget is established as equal to its EEI allocation, as indicated in the EEI Budget Letter that will be sent to each utility after the Final Record of Decision is published. The Implementation Budget will change over the course of a rate period as a utility invoices BPA for conservation achievements, transfers EEI funds to the Unassigned Account or via a bilateral transfer, or when a project qualifying for funds from the Large Project Fund is completed.