

Post-2011 Review

Workgroup 1: Model for Achieving Programmatic Savings

May 1, 2014





Agenda

- Check In / Roll Call
- Follow Up Items
 - Rollover Issue
 - Regional Program Administration:
Guiding Principles
- Self Management of Utility Incentives
 - Discussion

Issue Resolutions...

- ✓ Issue #2: Two-Year EEI Budgets, aka Roll Over
 - Problem statement: Customer EEI budgets are allocated per rate period and any EEI funds remaining at the end of a rate period cannot be “rolled over” to the next rate period, i.e., the funds are “use or lose” within a two year time horizon.
 - **Recommendation: Under 3rd Party Financing, customers are able to roll over to the next rate period an amount of unused EEI funds tied to specific projects or programs, or based on some other criteria (such as % of overall budgets).** BPA should work with customer and stakeholder engagement groups, such as the USB or workgroup participants, to develop specific criteria for an extension policy.

Rollover Revised

- The Workgroup has considered and discussed the issue of the limitations of two-year budgets as described in the Scoping Document. The proposal of 3rd party financing, as presented to the workgroup, may afford more flexibilities to carry funds into the next rate period or pull funds forward from the future rate period.

Until BPA establishes further requirements to complete 3rd party financing and identifies any financial constraints this process may bring, only then could we determine what type of rollover 'criteria' would be acceptable to the financier and BPA (e.g., unused EEI funds tied to specific projects or programs, or based on some other criteria, such as % of overall budgets).

Issue Resolutions...

- ✓ **Issue #8: Regional Program Administration**
 - Problem Statement – BPA administration of regional programs (e.g., Energy Smart Grocer) is more difficult without the direct acquisition program model and when funding commitments are variable or not firm. In order to optimize regional program performance and lower administrative costs, the region would benefit from considering conditions under which a direct acquisition program would be appropriate or by securing firm incentive funding commitments ahead of budget-years to appropriately size and focus the third party implementer's efforts.
 - **Recommendation: Other – Provide guiding principles for BPA to consider in regional program administration.**

Updated Guiding Principles

When considering regional program administration, BPA should consider:

- Utility customer benefits & costs at the local level
- BPA system benefits & costs
- Maintain a diverse portfolio of programs for “rough” equity across utilities
- The expected success of programs and their dependency on the number and scale of participating customers (possibly geographic location as well...)
- The local utilities relationship to their end-use customer & the impacts/compliments on their existing efficiency programs
- Some assessment of the particular measure(s) and its value
- The effect on local vendors and suppliers (e.g., local utility program competition)

Issue Resolutions...

✓ Issue #5: Utility Self-Management of Incentives

- Problem Statement – The existing 75% BPA-funded and 25% utility self-funded split for delivering programmatic energy savings was created in the Post-2011 framework. Some utilities would like to take this further and “opt-out” of paying in rates for EEI funding only. Additionally, some utilities would like BPA to consider using a Cost of Service Analysis to determine the allocation of BPA’s expense and capital costs.

Options –

A. Status quo: the 75/25 split remains as-is.

B. Percentage change: a split remains but the 75/25 percentages are adjusted either up or down.

C. EEI opt-out: electing utilities opt-out of the EEI paradigm if certain conditions are met. This option does not include opting out of paying for the BPA-managed portion of EE’s capital budget. (BPA will entertain well-formed proposals that meet specific criteria supplied by BPA.)

D. Cost of Service Analysis: BPA costs are allocated to customers using a Cost of Service Analysis.

Discussion of Funding Model Alternatives

- Path 1: Status quo
 - Utilities pay in rates for incentives on a TOCA-basis and receive a BPA incentive budget based on TOCA (perhaps with a change to the 75/25 split)
- Path 2: Rate solution
 - Rate Adder: flexible budgets for all (requires a change to the TRM)
 - Capital Rate Credit: credit only for those taking zero BPA incentive budget
- Path 3: Contractual solution
 - Pre-pay: utility brings up-front capital in return for a power bill credit
- Path 4: Expense solution
 - There might be options for “rate impact mitigation”

Issue Resolutions...

- ✓ Issue #1: EEI Allocation Methodology Using TOCAs
 - Problem statement: The current methodology for allocating EEI funds on a TOCA basis is not aligned with customer conservation potential and may inefficiently/ineffectively allocate available funding.
 - **Recommendation: Status quo: allocation is based on TOCAs without consideration of potential.** If not TOCA based, a TOCA-split allocation based partly on TOCAs and the remaining funds are made available to “low-cost/lowest \$/kWh” projects (to be defined) or redistributed via some other methodology (e.g., conservation potential).

Issue Resolutions...

- ✓ Issue #3: BPA Redirect of EEI Funds
 - Problem statement: EEI budgets not being spent should have those remaining funds available to other utilities as supplemental funding. BPA must determine whether or not it will exercise its right to redirect EEI funds prior to the end of the rate period and make those funds available to other customers.
 - **REVISED Recommendation: BPA does not exercise its right to “redirect funds” during the FY 2014-2015 rate period.** For subsequent rate periods, there should be some context to develop a threshold that gives BPA the discretion to redirect a utility’s EEI funds.

Issue Resolutions...

✓ Issue #4: BPA Backstop Role

- Problem statement: BPA's existing backstop role is not explicitly defined and some customers and stakeholders would like more clarity.
- **Recommendation: BPA's role would be conditional.** If it appears the targets are in jeopardy, the recommendation is for BPA to hold conversations with the region (customers and stakeholders), to share the specifics on the target under-achievement. Collectively, we should discuss how BPA will implement its backstop role in order to achieve the target.

Outstanding Issue #6 – Limitations of the Post-2011 Framework

Problem Statement – The design of the Post-2011 framework may be constraining public power’s pursuit of all cost-effective conservation consistent with the NW Power Act, which was a core principle of the initial Post-2011 public process.

Additionally, the framework is based on BPA paying for energy savings on a “widget-by-widget” basis, which may not afford the opportunity for public power to capture savings via new, innovative programmatic approaches.

Recommendation: The Limitations of the Post 2011 Framework will be best addressed in BPA’s Quality System Strategy and Improvement process. The Workgroup will rely on the QSSI Stakeholder Engagement Group for customer input.

Issue Resolutions...

- ✓ Issue #7: Performance Payments for Regional Programs
 - Problem statement: Customers can claim performance payments for savings resulting from regional programs even though most administration costs are borne by the program implementer. This increases the overall cost of the regional program (and makes fewer funds available for acquisition of savings) where a utility may not actually incur costs
 - **Recommendation: Status quo - utilities can claim performance payments for regional programs that cover labor costs.**

Issue Slides

To Keep as a Point of Reference if we need to have them during our discussion

Items noted in **green** indicate the group has consensus on that Issue/Topic.

Issue #1 - EEI Allocation Methodology Using TOCAs (Scoping Doc. Item 1)

Problem statement – The current methodology for allocating EEI funds on a TOCA basis is not aligned with customer conservation potential and may inefficiently/ineffectively allocate available funding.

DECISION: Option A represents group consensus, with possible revisit to Option C. Option E moved to Issue #9.

- **A. Status quo: allocation is based on TOCAs without consideration of potential.**
- B. Conservation potential: allocation is based on conservation potential (a uniform way to calculate potential would likely be needed, e.g., a standardized Conservation Potential Assessment).
- **C. TOCA-split: allocation is based partly on TOCAs and the remaining funds are made available to “low-cost/lowest \$/kWh” projects (to be defined) or redistributed via some other methodology (e.g., conservation potential).**
- D. Utility request: allocation is based on requests from utilities without consideration of potential (similar to the BPA bilateral funding model prior to October 1, 2011).
- E. EEI opt-out: electing utilities opt-out of the EEI paradigm if certain conditions are met. This option does not include opting out of paying for the BPA-managed portion of EE’s capital budget (see also “Utility Self-Funding” issue below).

Issue #2 – Two-Year EEI Budgets, aka Roll Over (Scoping Doc. Item 2)

Problem Statement – Customer EEI budgets are allocated per rate period and any EEI funds remaining at the end of a rate period cannot be “rolled over” to the next rate period, i.e., the funds are “use or lose” within a two year time horizon.

Options –

- A. Status quo: BPA continues to confine EEI budgets to a single rate period.
- B. Roll over: Customers are able to roll over unused EEI funds to the next rate period.
- **C. Project-specific roll over: Customers are able to roll over to the next rate period an amount of unused EEI funds tied to specific projects (or for certain sectors).**
- D. Five-year estimate: BPA offers a preliminary five-year budget to customers to help with long term planning.

Issue #3 – BPA Redirect of EEI Funds (Scoping Doc. Item 3)

Problem Statement – The EE Post-2011 Policy Framework states, “If the [EEI] budget is not being spent, a utility will be notified that a portion of the remaining funds will be made available to other utilities as supplemental funding. Other utilities that are on-track or ahead on spending expectations would then have access to all available funding.”⁴ To allow an opportunity for customers to adjust to the new EEI mechanism, the EE Post-2011 Implementation Program states, “ECA Implementation Budgets will not involuntarily be reduced during the FY 2012-2013 rate period...However, following the FY 2012-2013 rate period, BPA will periodically review a customer’s activities and consult with it prior to reducing its ECA Implementation Budget...”

Moving into the FY 2014-2015 rate period, BPA must determine whether or not it will exercise its right to take back EEI funds prior to the end of the rate period and make those funds available to other customers.

Options –

- A. Status quo: BPA does not exercise its “take back” right during the FY 2014-2015 rate period and subsequent rate periods.
- B. Take back: BPA will exercise its right to take back funds that remain unspent near the end of a rate period.

Issue #4 – BPA’s Backstop Role (Scoping Doc. Item 4)

Problem Statement – BPA’s existing backstop role is not explicitly defined and some customers and stakeholders would like more clarity. The EE Post-2011 Policy Framework provided the following on BPA’s backstop role: “If the programs in place at any given time are insufficient to achieve the necessary level of savings, then new programs, as well as looking at other avenues, would be explored and evaluated, to meet the targets.”⁶

Options –

- A. Status quo: BPA’s backstop role, as defined today, remains as-is.
- B. Explicit definition: BPA’s backstop role is more explicitly defined.
- C. No backstop: BPA has no backstop role.
- D. Conditional: BPA has a backstop role only under certain conditions or for a certain segment of customers.

Issue #5 – Utility Self-Management of Incentives (Scoping Doc. Item 9)

Problem Statement – The existing 75% BPA-funded and 25% utility self-funded split for delivering programmatic energy savings was created in the Post-2011 framework. Some utilities would like to take this further and “opt-out” of paying in rates for EEI funding only. Additionally, some utilities would like BPA to consider using a Cost of Service Analysis to determine the allocation of BPA’s expense and capital costs.

Options –

- A. Status quo: the 75/25 split remains as-is.
- B. Percentage change: a split remains but the 75/25 percentages are adjusted either up or down.
- C. EEI opt-out: electing utilities opt-out of the EEI paradigm if certain conditions are met. This option does not include opting out of paying for the BPA-managed portion of EE’s capital budget. (BPA will entertain well-formed proposals that meet specific criteria supplied by BPA.)
- D. Cost of Service Analysis: BPA costs are allocated to customers using a Cost of Service Analysis.

Issue #6 – Limitations of the Post-2011 Framework (Scoping Doc. Item 11)

Problem Statement – The design of the Post-2011 framework may be constraining public power’s pursuit of all cost-effective conservation consistent with the NW Power Act, which was a core principle of the initial Post-2011 public process. Additionally, the framework is based on BPA paying for energy savings on a “widget-by-widget” basis, which may not afford the opportunity for public power to capture savings via new, innovative programmatic approaches.

Options –

- A. Explore: BPA, customers, and stakeholders explore any inherent constraints of the Post-2011 framework to acquiring “all” cost-effective conservation and capturing savings via new programmatic approaches.
- **B. The Limitations of the Post 2011 Framework will be best addressed in BPA’s Quality System Strategy and Improvement process. The Workgroup will rely on the QSSI Stakeholder Engagement Group for customer input.**

Issue #7 – Performance Payments for Regional Programs (Scoping Doc. Item 14)

Problem Statement – Customers can claim performance payments for savings resulting from regional programs (e.g., EnergySmart Grocer) even though most administration costs are borne by the program implementer. This increases the overall cost of the regional program (and makes fewer funds available for acquisition of savings) where a utility may not actually incur costs.

Options –

- **A. Status quo: utilities can claim performance payments for regional programs that cover labor costs.**
- B. Restriction: utilities cannot claim performance payments for regional programs that cover labor costs (perhaps unless they can document that they incurred costs).

Issue #8 – Regional Program Administration (Scoping Doc. Item 15)

Problem Statement – BPA administration of regional programs (e.g., Energy Smart Grocer) is more difficult without the direct acquisition program model and when funding commitments are variable or not firm. In order to optimize regional program performance and lower administrative costs, the region would benefit from considering conditions under which a direct acquisition program would be appropriate or by securing firm incentive funding commitments ahead of budget-years to appropriately size and focus the third party implementer's efforts.

Options –

- A. Status quo: BPA has neither control of funding to directly acquire savings via a regional program nor a mechanism to secure firm utility funding commitments for regional programs.
- B. Direct acquisition: Under certain conditions, BPA is able to control a portion of incentive funding to directly acquire savings via a regional program.
- C. Firm utility commitments: Prior to finalizing a third party contract for a regional program, BPA has the ability to secure firm utility funding commitments for the program.