Revised Energy Efficiency Post-2011 Implementation Program

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~~March 31, 2011~~~~June 18, 2014~~September 22, 2014

~~Final~~ Redlined Version

Contents

Introduction

BPA's past and current energy efficiency programs have been a success with BPA and its public utility customers achieving over 1,200 aMW of conservation since the passage of the 1980 Northwest Power Act. Moving forward, there remains a significant amount of cost-effective conservation still available in the region. To achieve the development and acquisition of such conservation means that BPA and its customers will need to continue to collaborate and coordinate their efforts in a meaningful way.

In order to continue the successful development and acquisition of conservation in the Northwest at the lowest cost to the region, BPA conducted the Energy Efficiency Post-2011 Public Process, consisting of two phases. Phase 1 of this collaborative public process began in January 2009 and generated a robust dialogue about the needs and constraints of BPA energy efficiency framework. Through a variety of forums, BPA encouraged the participation of all stakeholders in the region to help shape this framework, which was released as the "Energy Efficiency Post-2011 Policy Framework" in August 2010. In short, the Policy Framework defines BPA's post-2011 role in meeting public power's share of the conservation target set out in the Northwest Power and Conservation Council's Sixth Power Plan and future power plans.

Phase 1 Policy Framework

The Phase 1 Policy Framework design, which formed the foundation for Phase 2 of the Post-2011 Public Process, contains the following basic tenets:

1. Cost of acquiring conservation will be collected in Tier One rates. Conservation costs consist of two components:
   1) regional infrastructure and program design; and,
   2) acquisition incentives.
2. Programs and business rules should be developed to maximize flexibility and local control.
3. The amount collected across rate periods for infrastructure and acquisition can decrease or increase to accommodate over performance or under performance relative to reaching public power's share of the regional target.
4. To allow more local control, BPA will budget for acquiring 75% of public power's conservation target and plan on customers (on average) self-funding the remaining 25% of the target.
5. There is no specific mandate for any customer to provide self-funded savings.
6. BPA will not establish individual customer savings targets for conservation.
7. There will be only one contractual mechanism, the Energy Conservation Agreement (ECA), and one funding mechanism, the Energy Efficiency Incentive (EEI), i.e., each customer will have one conservation contract funded by its EEI budget.
   a. At the beginning of a rate period, BPA will update each customer's ECA in accordance with its EEI budget, i.e., the ECA is the contract and the EEI is the funding source provided to the customer in the form of an Implementation Budget under the ECA.

   b. **Differences between EEI and Conservation Rate Credit (CRC).** CRC dollars were a credit to customers on their power bills potentially in advance of conservation acquisitions. In contrast, EEI dollars will be distributed *only after* the customer develops and BPA has acquired the conservation in accordance with the ECA, following BPA's receipt of a customer invoice.

8. The EEI will be allocated to customers on a Tier One Cost Allocator (TOCA) basis.
9. Conservation from custom projects will be acquired via two implementation paths: 1) standard; and 2) nonstandard.
10. A review of the Phase 1 Policy Framework, including customer and regional stakeholder input, will occur prior to the second rate period of post-2011 (FY 2014-2015). Phase 2 will also be reviewed in conjunction with the Phase 1 review.[1] (After the initial review, BPA intends to periodically review the EE program to identify opportunities for improvement.)
11. BPA will support the development of customer Conservation Potential Assessments.
12. BPA's backstop role will be the same as it is today. If the programs in place at any given time are insufficient to achieve the necessary level of savings, then new programs or other avenues would be explored and evaluated, to meet the targets.

Phase 2 Implementation Program

Phase 2, which kicked off in July 2010, identified the specifics of BPA's post-2011 energy efficiency programs. Because BPA intends to provide as much customer flexibility as possible, five workgroups were created to provide BPA with recommendations on program implementation details, including:

1. Energy Efficiency Incentive (EEI)
2. Small, Rural, Residential Focus
3. Conservation Potential Assessments
4. Implementation Mechanism
5. Regional Programs and Infrastructure.

On November 17, 2010, the workgroups provided to BPA their "Post-2011 Phase 2 Workgroup Recommendations."

BPA staff then worked to complete the "Energy Efficiency Post-2011 Implementation Proposal," which was based in large part on the recommendations provided by the Phase 2 workgroups. BPA staff made an effort to identify where there were significant differences between the BPA's proposals and the recommendations of the workgroups, as well as the reasons for the differences. Also, there were several instances for which BPA presented more than one option.

BPA sought public comment on the Implementation Proposal and held a series of public meetings throughout the region the week of January 24th to discuss the Implementation Proposal and address stakeholders' questions and concerns. BPA accepted comments on the Proposal till February 14, 2011. After the public comment period closed, BPA finalized the Post-2011 implementation details and incorporated them into this document, the "Post-2011 Energy Efficiency Implementation Program." BPA will update the Implementation Manual to reflect the

[1] As a result of this review and any subsequent reviews, BPA reserves the right to modify the program details herein.

details contained herein on April 1, 2011 to allow six months notice before the post-2011 program takes effect on October 1, 2011.

I. Regional Programs and Infrastructure

As previously noted, BPA considered the input received during the two-year long, collaborative post-2011 public discussions and workgroup recommendations. Throughout the Post-2011 Public Process, customers and stakeholders acknowledged that regional programs and infrastructure are valuable and effective uses of funds for region-wide conservation and energy efficiency activities. The functions of regional programs and infrastructure are characterized by economies of scale, activities that require regional market influence, as well as leveraging existing regional infrastructure, activities, and services that benefit customer utilities, including contributions to the Regional Technical Forum (RTF) and Northwest Energy Efficiency Alliance (NEEA) on behalf of public power.[2] Phase 2 allowed for an extended discussion of BPA's role regarding regional programs. Below are the specific details, procedures, and rules concerning BPA's regional program role.

1. Running Regional Programs

BPA and Customer Utility Collaboration

BPA's regional program design and decision-making process will be collaborative and transparent. Customers and stakeholders will be encouraged to provide upfront input (including how incentives will be distributed for those programs). A critical component of this upfront dialogue will be deciding how regional program incentives will be paid since regional program incentives will generally originate from customers' Energy Efficiency Incentive (EEI)[3] budgets.

When developing new regional programs, BPA will follow a structured process that is transparent and collaborative and guided by the following considerations:

- Customer benefits and costs at the local level;
- BPA wholesale system benefits and costs;
- Opportunity for all customers to participate in one or more regional programs;
- The number, scale and possible geographic location of participating customers needed for the success of a regional program;
- Customer relationships with end-use consumers and the impacts on/complements to existing efficiency programs at the local level; and,
- Impact on local vendors and suppliers.

BPA plans to create an internet presence (e.g., via BPA's existing website or the forthcoming Conduit website) to facilitate two-way communication in a more centralized fashion. The website will allow BPA's customers and stakeholders to suggest regional program ideas. BPA plans to use the website as a tool to announce new program development and pilot project opportunities as well as a vehicle to request customer participation in regional program design.

[2] A list of infrastructure support examples is provided in the Phase 1 Policy Framework document.
[3] For details on the EEI, please see Section II: Incentive Funding Mechanism.

BPA will share broadly initial concepts for new program ideas with customers and stakeholders. During the initial outreach, BPA will ask which customers and stakeholders would like to continue to be informed and then narrow the subsequent information sharing to those that are actively interested in assisting as the concept is developed into a more detailed proposal. Program planning and design will take into consideration experience from other regional and national program offerings.

As a part of BPA's efforts to work more collaboratively and transparently with customers, BPA will hold in coordination with customers more frequent sub-regional roundtables with appropriate geographic diversity. BPA is committing to at least two utility roundtables per fiscal year for at least the first post-2011 rate period and will reassess this commitment with customer input. These roundtables will be in addition to the annual utility summit. The schedule for roundtables will be determined as far in advance as possible to allow attendees sufficient planning time.

When regional program marketing documents are created, "templates" of those documents will be made available to customers where possible to allow modification by customers (such as the addition of their logos and contact information).

Paying for Regional Program Incentives and Administrative Costs

Aside from a few regional programs that have unique characteristics, BPA will not set aside funds from Energy Efficiency's fiscal year (FY) 2012-2013 capital budgets to be used for regional program incentives.[4] For at least FY 2012-2013, incentives for regional third party programs will flow from customers via their ECA Implementation Budgets. Beyond FY 2013, the specific funding approach for each regional program will be based on discussions and collaboration between BPA and customers during each program's design phase.

BPA will set aside funds from EE's capital budget to pay for regional program administrative costs, for example, those for administrating the EnergySmart Grocer and Energy Smart Industrial programs.

2. ~~Negative Change Notice~~Publication of the Implementation Manual

The ~~negative~~ change notices in the Implementation Manual are~~is~~ intended to provide customer utilities with specific notice on changes to BPA reimbursement rates, savings for ~~deemed~~ measures, etc. The existing notice for making such changes is six months.[5]

BPA will refine the scope of changes covered by the ~~negative~~ change notice policy to include savings decreases in addition to the previously established negative changes: reimbursement decreases, requirements increases and the deletion of existing measures.

BPA will publish the IM annually on October 1 beginning October 1, 2015. Changes that require notice will be announced the previous April in a separate changes document. BPA's new change notice policy will be as follows:[6]

[4] There are currently certain regional programs in operation that due to their unique characteristics will necessitate that a small share of FY 2012-2013 capital monies continue to fund the retail "buy-down" of the energy saving measures (e.g., Green Motors Initiative).

[5] Please note, where there may be discrepancies between the program details herein and the Implementation Manual, the Implementation Manual takes precedence.

Changes Taking Effect in October IM with Notice in April Changes Document	Changes Taking Effect in October IM AND April Changes Document Without Notice
Savings change up or down	New measure (definition TBD)
Payment amount change, up or down	Optional calculators
Adding or substituting a requirement	Removal of a requirement
Expiration of a measure	

~~**Minimum of Six Months of Notice Required** *(Notice of changes will be published in an April changes document. The changes themselves will be published in the October 1 IM.)*~~	~~**No Notice Required** *(Changes will be published in the October 1 IM.)*~~
~~Savings change up or down~~	~~New measure[7]~~
~~Payment amount change, up or down~~	~~Optional calculators (such as lighting)~~
~~Adding or substituting a requirement~~	~~Removing a requirement~~
~~Expiration of a measure~~	

BPA will research savings that change during the course of an annual IM publication, which could lead to BPA adjusting savings totals. These changes to aggregate totals will be captured in the Resource Energy Data (RED) book but will not lead to adjustments to specific customer achievements.

~~BPA will leave the timing of notices unchanged at six months in order to provide a balance between notice needs and program implementation needs. Six-month notices should allow customers adequate time to make changes to their programs and allow BPA flexibility to adapt to marketplace trends and technology changes. Positive changes may become effective and available to customers in the Implementation Manual in which they are announced. BPA will strive to implement positive changes on an accelerated timeline.~~

3. Utilizing the Regional Technical Forum (RTF)

The RTF is an advisory committee established in 1999 to develop standards to verify and evaluate energy conservation. Members are experienced in conservation program planning, implementation and evaluation and are appointed by the Northwest Power and Conservation Council.

[6] Corrections to the IM will continue to be made at anytime, per the existing policy.
~~[7] New measure is defined by a new reference number. A new version to an existing reference number requires six months of notice.~~

BPA will continue to work closely with the RTF and strive to improve communications with customers on BPA's efforts with the RTF through meeting with the Utility Sounding Board or other representative customer groups; more uniformly announcing impacts to BPA programs and BPA customers from RTF decisions; and, utilizing the Planning, Tracking and Reporting (PTR) system or its successor (e.g., EE Central) for better documentation of RTF decisions.

4. Energy Efficiency Incentive Funding for NEEA

BPA funds NEEA based on the amount of load in the region served with power marketed by BPA. Some of BPA's public customers also provide direct funding to NEEA. In the past, BPA customers have been able to use BPA funds to assist them in funding NEEA, i.e., through use of BPA's Conservation and Renewable Discount (C&RD) and Conservation Rate Credit (CRC).

Beginning October 1, 2011, Energy Efficiency Incentive (EEI) funds, made available to BPA's customers, may *not* be used as general contributions to NEEA, to fund NEEA for a customer's regular dues, or for market transformation programs that generate savings that cannot be attributed to customers on a customer-by-customer basis. BPA's capital policy prevents the use of capital dollars to be used for costs not directly tied to specific conservation acquisition. Partial requirement customers are encouraged to continue to provide base NEEA funding in proportion to the customer's non-BPA load, but cannot claim EEI reimbursements for these contributions to NEEA.

For NEEA-sponsored programs that provide savings that can be specifically attributed to a service territory on a customer-by-customer basis, EEI funds will only be reimbursed to customers for delivered savings reported through the PTR system or its successor. Customers could use NEEA as an implementer to run a program (if such a service were provided) and, under this circumstance, EEI funds would be disbursed when NEEA or customers report savings through the PTR or its successor. For example, EEI funds could be reimbursed to customers for a NEEA program if it resulted in delivered cost-effective (based on a Total Resource Cost test) energy savings attributable to customers that are distinct from market transformation programs. Specific program measures will be based on a reimbursement established by BPA.

5. EEI Funding for Low-Income Weatherization

Customers may be reimbursed for low-income weatherization activities with EEI funds as long as those activities generate cost-effective energy savings. EEI funds provided to Community Action Partnerships (CAP) are limited to low-income programs that generate cost-effective savings within customer service areas. All measures that are deemed cost-effective in the PTR or its successor are deemed to be cost-effective for CAP low income weatherization.

BPA will continue with the current practices related to low-income weatherization measure reimbursement, including the dollar-for-dollar reimbursement as described in the Implementation Manual. The cost of any repairs associated with a measure must be separated out from the cost of the measure itself for reporting purposes.

Customers may run their own low-income weatherization programs using EEI funds to provide incentives, but programs using EEI funds must result in incremental kWh savings reportable in the PTR or its successor.

Given the need for serving low income consumers while not requiring customers to direct EEI funds to specific opportunities at the retail level, BPA believes the following considerations should be added to help guide customers serving low-income consumers:

- Financial constraints limit low-income ratepayers' participation in traditional incentive-based efficiency programs.
- There are a large number of low-income households throughout BPA's service territory that could benefit from energy efficiency measures.
- Existing sources of funding, including state and federal resources, are insufficient to meet current low-income efficiency investment needs.
- The high number of funding sources used for this work and the number of entities involved complicates effective and efficient program implementation and reporting.
- Current efforts sometimes lack coordination and could benefit from improved communication.
- Management and administration of programs usually works best when there is involvement at the local level, i.e., from the utility and low-income agencies.
- One single solution will not work in every electric service territory and for every customer the management and administration of low-income initiatives is best done at the local level.
- BPA encourages customers to provide, whenever reasonable to do so, equitable access to energy efficiency services tailored for low-income consumers funded through utility self-funding and/or BPA incentive dollars.

To help support the broad implementation of this guidance, BPA will work with its customers and low-income agencies to increase coordination and collaboration among the parties involved with low-income energy efficiency. To that end, BPA will sponsor a Low-Income Energy Efficiency (LIEE) workgroup (and necessary sub-groups) that will meet regularly to continue exploring some of the discussions identified during the Post-2011 public processes. As part of this effort, BPA will prioritize further review of an EEI set-aside method as one of the goals of the workgroup. BPA will also continue researching (potentially through a sub-group or other means) streamlining reporting and adopting a better methodology for low-income agencies and customers to report and track savings.

~~To help BPA customers provide access to energy efficiency services for low-income consumers, BPA will work with its customers, low-income agencies and advocates to increase coordination and collaboration among the parties involved with low-income energy efficiency. BPA will sponsor a low-income workgroup (and necessary sub-groups) to explore ways to overcome some of the constraints to serving low-income consumers, such as:~~

- ~~Creating opportunities for small utilities to increase low-income measure achievements.~~
- ~~Streamlining data and reporting for low-income energy efficiency measures.~~
- ~~Developing best practices for communication, coordination and collaboration.~~
- ~~Developing best practices for increasing the efficiency and minimizing the cost of low-income energy efficiency investments.~~
- ~~Enhancing BPA's role in facilitating access to low-income efficiency opportunities.~~
- ~~Increasing and improving training opportunities for program implementers and contractors.~~
- ~~Establishing guidelines for structuring agreements between BPA customers and low-income agencies.~~

6. Conservation Potential Assessments (CPAs)

CPAs are a comprehensive assessment of achievable demand-side management resources within the retail load served by a utility. CPAs may distinguish between two distinct, yet related, definitions of energy efficiency potential that are widely used in utility resource planning: technical and achievable potential. Technical potential assumes that all demand-side resource opportunities may be captured, regardless of their costs or market barriers. Achievable potential, on the other hand, represents that portion of technical that is likely to be available over the planning horizon, given prevailing market conditions and barriers that may limit the implementation of demand-side measures.

Currently, there are three primary approaches that customers are using to calculate their conservation potential. They are:

- Use of the utility target calculator (UTC) developed by the Northwest Power and Conservation Council[8] – the UTC calculates a customer target as the pro-rata share of the regional target based on a customer's load overall or load by sector.
- Use of the utility potential calculator (UPC) developed by BPA[9] – the UPC allows for adjusting a customer's share of the regional target based on service area customer characteristics across all sectors.
- Utility-specific analysis – calculation of economic and achievable conservation potential based on technology availability, market conditions, customer characteristics and avoided costs specific to the utility service area.

Customers with loads greater than 25 aMW and not purchasing all of their power from BPA will be required to provide a biennial conservation plan to BPA in accordance with the Regional Dialogue contracts (§18.1.2.1). Other customers will not be required to provide BPA with a conservation plan. While the content of these plans has not been fully defined, it is anticipated that they will include some assessment of conservation potential.

Developing CPA Standards

[8] The UTC is available online.
[9] The UPC is available online.

BPA, working with customers, will define standards for CPAs to ensure that customer-conducted CPAs are consistent across customers and consistent with state standards (e.g., Washington's I-937) and the Northwest Power and Conservation Council's methodology, including treatment of technology ramp rates, achievability rates, avoided costs and measure characteristics. If necessary, BPA will adjust the UPC model based on these standards to ease implementation.

BPA will develop a template for reporting conservation potential results and will periodically review and refine the template to ensure its usefulness for both local customer conservation implementation efforts and regional planning.

Facilitating Regional Consistency

BPA will assist its customers with the continued development and dissemination of the UPC. BPA will continue to represent public power interests to ensure that regional data collection efforts meet public power needs for customer characterization, technology research and other analytical support. As a part of this representation, BPA will:

- Inform customers of regional research activities;
- Broadly solicit input from customers as to data availability, data needs, potential data uses;
- Coordinate public power feedback on research efforts;
- Ensure broad dissemination of research results.

BPA will help identify data collection protocols and prioritize collection of those data elements that significantly influence overall potential assessment. BPA will act as a repository for examples of best practices for conducting CPAs, data collection instruments (e.g., survey instruments, site visit guides, etc.) and methodological guidelines to ensure that local data collection activities:

- Align with regional data collection efforts;
- Support down-stream analysis (UPC, CPAs);
- Provide flexibility in level of detail or granularity depending on a customer's needs.

Efforts by BPA to support customers in populating the UPC, create CPA standards, develop tools, identify best practices, support regional data collection efforts, etc., will be considered as an infrastructure expense. There is a risk that BPA will incur costs to develop CPA standards that, in the absence of a mandate to use them, will not be used by customers. However, in order to encourage adoption, BPA will work with customers to ensure that the standards and tools provide value to customers in terms of ease of use, increased accuracy, and the ability to aggregate public power results to provide substantiated input to regional planning efforts.

7. Energy Efficiency at Federal Facilities

BPA has a strong history and successful track record of working with federal agencies in the Pacific Northwest to help them achieve energy efficiency in their facilities. This includes facilities that are served by BPA, BPA customers, or those facilities that receive power directly from a federal project/facility (i.e., reserve/station power, such as BPA substations, Corp/Reclamation facilities, Irrigation Districts). Conservation work at reserve/station power facilities benefits all BPA customers as efficiency savings that take place at these facilities count toward the regional savings target and increases the amount of Tier 1 power. Because of the structure of post-2011 and the Regional Dialogue power sales contracts, the relationship between BPA and federal facilities will change in some aspects, but the Federal facilities work is expected to continue.

BPA will facilitate energy projects at federal facilities on a regional level that are served directly by BPA or a customer utility. BPA has inter-governmental relationships and experiences with other federal agencies within the region, no matter in which customer service area they are located. This will continue. In addition, BPA will take the lead on communicating with federal agencies that have multiple sites within the region in an effort to pass ready-made projects on to the agency and serving electric customers for implementation and financial incentives.

BPA will provide enhanced communication and coordination with customers that serve federal facilities. Beginning October 1, 2011, incentive payments will be made using each customer's EEI funds or be self-funded by the customer. This means that enhanced communication and close coordination between BPA and customers serving federal facilities will be required. BPA will work with customers to set more specific guidelines and protocols for communication and coordination to determine estimated incentive levels prior to project implementation. It is expected that the guidelines will include specifics such as identifying when agencies sign interagency agreements, study energy project feasibility, and provide oversight of completed work.

Federal project incentive approval process will be revised. Customers will have the final say on approving projects and setting incentive levels where they will be funding the incentive, not BPA. Rather than approve projects directly, BPA will take on a different role. BPA's role will be one of reviewing proposed projects and recommending to the customer utility when incentive payments are appropriate. The specific processes will need to be determined in further collaboration between BPA and customers.

BPA will set aside capital funds for reserve/station power facilities. This includes BPA facilities, Bureau of Reclamation/Corps of Engineers dams and Irrigation Districts which receive power directly from generation facilities. A set-aside for such facilities benefits all BPA customers as efficiency savings that take place at reserve/station power facilities are low cost and allow more power to be put on the grid. BPA will strive to continue acquiring cost-effective savings from this federal segment while at the same time maximizing available EEI to customers.

II. Incentive Funding Mechanism

BPA's Phase 1 Policy Framework established the Energy Efficiency Incentive (EEI) as the new funding mechanism for BPA-funded conservation acquisitions post-2011. Each customer will be assigned an EEI budget based on its Tier One Cost Allocator (TOCA). The mechanism for BPA to assign customers their EEI budgets is through Energy Conservation Agreements (ECA) that BPA has signed with many customers and will put in place with additional customers if they expect to access EEI funds.

BPA will update each customer's ECA in accordance with its EEI budget, i.e., the ECA is the contract and the EEI is the funding amount that will be included in the ECA as the *Implementation Budget*. EEI funds are expected to come out of BPA's capital budget; therefore, these funds must be tied to the acquisition of cost-effective energy savings, per BPA's capital policy.

Differences between EEI and Conservation Rate Credit (CRC). It is important to make clear one of the major differences between the new EEI funding structure and the old Conservation Rate Credit (CRC) structure. CRC dollars were a credit to customers on their power bills potentially in advance of conservation acquisitions. In contrast, EEI dollars will be paid *only after* the customer develops and BPA has acquired the conservation in accordance with the ECA, following BPA's receipt of a customer invoice. In other words, EEI will work on the same invoice-and-reimburse system as the existing practice for ECA Implementation Budgets; the rate credit as a funding source is being removed.[10]

The process for assigning the TOCA-based EEI budgets to customers is described below.

1. Assignment of the Energy Efficiency Incentive

Step 1: The total amount of the available EEI (the EEI Fund) is determined by BPA, after completion of the rate case. The amount of available EEI for allocation to customers (EEI Fund) will be the total capital budget less the amounts dedicated to the set-aside funds described below. The amount of capital dollars to be allocated to each of the following funds will be determined prior to the beginning of the rate period.

- **Regional Program Delivery Fund**. This fund will cover the expenses related to regional program delivery but *not* the associated end-use participant incentives (i.e., rebates), except in certain circumstances.[11]
    - For the FY 2012-2013 rate period, this set-aside will represent approximately 20-25% of the total FY 2012-2013 capital budget.
- **Federal Acquisition Fund.** This fund will be used only to provide incentives for energy saving projects at reserve/station power federal facilities, as described above in Section I.7.
    - For the FY 2012-2013 rate period, this set-aside will represent approximately 2% of the total FY 2012-2013 capital budget.

The Implementation Proposal, released by BPA on January 12, 2011, contained a proposed "Utility Transitional Projects Fund." According to the Proposal, projects qualifying for transition funding were those which were approved (by BPA in the regional Planning, Tracking, and Reporting system or via a customer's defined approval process for customers with nonstandard agreements) prior to October 1, 2010 and where the project's anticipated

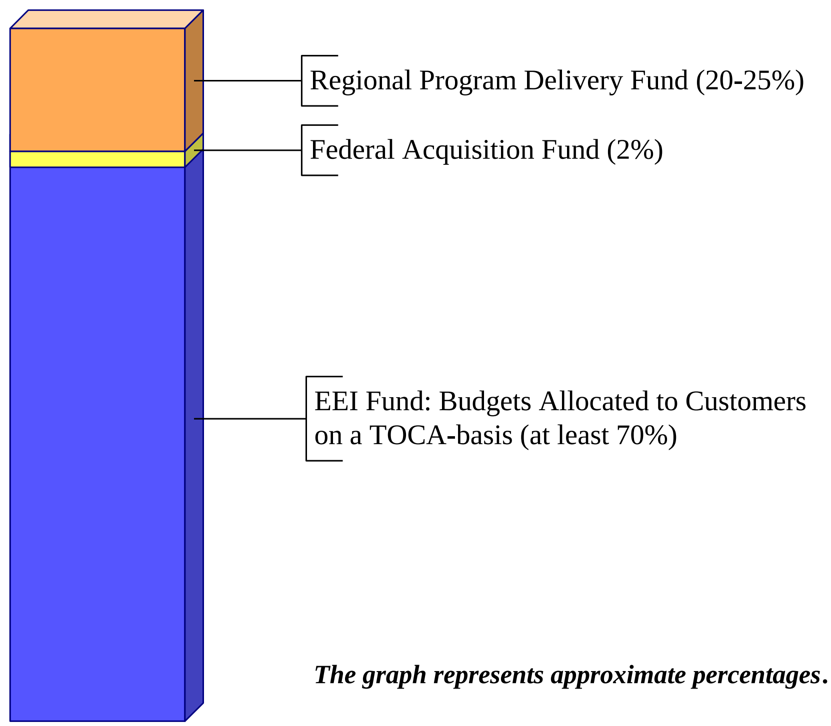
[10] CRC dollars were funded as an expense budget item (versus capital). The funding mechanism for EEI will be determined on a rate period basis, and could be capital or expense. BPA is currently proposing for FY 2012-2013 that EEI funds be capitalized, subject to the results of the rate case.

[11] There are currently certain regional programs in operation that due to their unique characteristics will necessitate that a small share of FY 2012-2013 capital monies continue to fund the retail "buy-down" of the energy saving measures (e.g., Green Motors Initiative).

incentive would exceed 20 percent of the customer's projected FY 2012-2013 EEI budget. These criteria resulted in only a few projects qualifying for transitional funding. Rather than reduce all customers' EEI budgets to allocate funds to the transitional project fund, BPA has found other means, such as progress payments, to satisfy the funding requirements of the qualifying projects. Thus, BPA will not set aside funds from the FY 2012-2013 EE capital budgets for transitional projects. Beginning October 1, 2011, all customers will be responsible for paying incentives for those projects that carry over into subsequent rate periods either out of EEI funds or self-funding. It is not expected that BPA will in future rate periods provide any transition funds.

Below is a graph illustrating the allocation of BPA's Energy Efficiency capital budget for the FY 2012-2013 rate period.

FY 2012-2013 Rate Period Capital Budget



For rate periods after FY 2012-2013, on a prospective basis, BPA plans to allocate at least 70 percent of the EE capital budget to customer incentive budgets (EEI) with the remaining ~~30 percent~~amount allocated to BPA-managed capital costs.[12]

Step 2: Using customers' TOCAs and the amount available in the EEI Fund, BPA calculates each customer's EEI budget and notifies each customer of its EEI budget. After the rate case has concluded and prior to the start of a new rate period, BPA will

[12] Note the full amount allocated to EEI may not be used based on customers electing billing credits.

provide each customer an EEI Budget Letter, which will contain the customer's definitive EEI budget. Additionally, the EEI Budget Letter will notify the customer that BPA will update the customer's ECA Implementation Budget effective October 1st with the customer's EEI budget amount, unless the customer requests a different amount (not to exceed its EEI allocation) through the COTR Request and Acknowledgement Procedure. Not requesting a different amount results in the customer's explicit commitment to use or transfer the allocated funds for the acquisition of conservation.

Step 3: BPA unilaterally updates each customer's ECA. Effective October 1st of the first year of a rate period, BPA will update the customer's ECA Implementation Budget to reflect the amount of EEI funds indicated in the customer's EEI Budget Letter or through the COTR Request and Acknowledgement Procedure.[13]

Step 4: Unassigned Account is funded. Effective October 1st of the rate period, BPA will direct any non-committed EEI funds to the Unassigned Account with amounts indicated by customers through the COTR Request and Acknowledgement Procedure that they will *not* use during the rate period.

2. Utility Self-Management of Incentives

BPA will considers~~s~~ customer requests for billing credits in exchange for independent conservation performed in the FY2016-2017 rate period and throughout the duration of the Regional Dialogue contracts (assuming BPA continues to finance conservation incentives).

- **How it works:** A customer proposes to take independent conservation activity instead of developing and implementing conservation measures for BPA payment under BPA's Energy Conservation Agreement (ECA).[14] BPA reviews the customer proposal and, if approved, BPA provides the customer billing credits offsetting the effect on BPA's revenue requirement of the customer's TOCA-based portion of EEI.[15] This billing credit continues for the projected service life of the investments, currently 12 years, which coincides with the length of time the customer is paying in rates for those investments. Those customers not electing billing credits continue to pay their portion of the EEI program's effect on the revenue requirement. Customers electing billing credits still have an ECA and are not precluded from other flexibility mechanisms, e.g., bilateral transfers, Unassigned Account allocations, etc.

  For example, assume BPA borrows $60 million for overall EEI funding in a given year. The amortization and net interest costs on that amount would be calculated for the 12-year life of the investment, averaging in total $6.5 million per year. Assume that a customer with a 0.10 TOCA proposes to take independent conservation actions and requests a billing credit. Over the amortization period of the investment, the customer would pay in rates $0.065 million per year and receive billing credits for the same amount. This would occur for each rate period over the amortization period. For each

[13] EEI funds allocated to customers that elect not to sign an ECA with BPA would be proportionally allocated to those customers with ECAs at the start of the rate period.

[14] A customer would elect billing credits in place of 100 percent of the EEI budget it would otherwise receive.

[15] Note the timing of when billing credits show up on a customer bill will match the timing of that customer paying in rates for EEI investments.

new rate period wherein billing credits are provided, those credits would be added to the amounts for previous rate periods.

- **Contractual Agreement**: Upon BPA approval of a customer proposal to undertake independent conservation, BPA and the customer enter into a conservation billing credits contract. The contract includes the following provisions:
  - Measures and projects must be consistent with BPA's Implementation Manual.
  - Customer will be required to spend on independent conservation the amount of money it would otherwise receive in the form of an EEI budget.
  - Customer will be required to report savings to BPA and will have a minimum amount of savings it must report during the rate period. The required amount of savings will be calculated prior to contract signing and will be based on the customer's status quo EEI budget (i.e., the EEI budget it would have received were it not receiving billing credits) divided by the average programmatic incentive cost[16] used by BPA in determining its EE Action Plan for the rate period in question. For example, if a customer's status quo EEI budget for the FY2016-2017 rate period is $5 million and the average cost BPA used for that rate period in the EE Action Plan is $1.8 million per average megawatt (aMW), then the customer would be required to report to BPA, at a minimum, 2.78 aMW of rate-period energy savings that are compliant with BPA's Implementation Manual.[17]
  - If the customer does not report to BPA the required amount of savings prior to the end of each rate period and/or if BPA determines certain savings are not consistent with the Implementation Manual and therefore are not considered to be "reportable" savings, a financial true-up will be trigged and BPA will make a credit adjustment on the customer's bill.[18] The credit adjustment amount will be calculated by multiplying the same average programmatic incentive cost amount used in determining the customer's rate period savings target by the customer's shortfall of BPA-accepted savings. For example, if, at the end of the rate period, the customer has reported only (or BPA has accepted as reportable) 2.28 aMW of the 2.78 aMW to BPA, BPA would make a credit adjustment of $900,000 on the customer's bill (0.5 aMW multiplied by $1.8 million/aMW), which would reduce the amount of the customer's billing credit.
  - Savings achievements must be reported quarterly.
  - BPA's oversight and verification role will be the same as it is for customers pursuing conservation within BPA's ECA with EEI funding.

[16] The average programmatic incentive cost is calculated by dividing the total amount BPA pays out in EEI (both incentives and performance payments) by the total amount of programmatic savings (both BPA-funded and utility self-funded) reported to BPA. Therefore, administrative and program costs are not included in the average cost for the purpose of calculating the savings requirement.

[17] This target is to allow for the billing credit mechanism and does not purport to assign a portion of the overall public power target to a customer receiving billing credits.

[18] Details remain to be worked out, but the intent would be to have the amount of the true-up be deployed elsewhere within the EE program, e.g., the Unassigned Account.

- Receipt of billing credits in no way diminishes the customer's responsibility to contribute to customers delivering, on average, 25 percent of BPA's programmatic savings target or the contractual obligation to report savings (including self-funded savings beyond those required by the billing credit agreement) under the Regional Dialogue Power Sales Contract.
- Pursuing independent conservation does not remove the customer's relationship to BPA's savings target and, therefore, with BPA's backstop role, i.e., should BPA need to exercise its backstop role, the customer receiving billing credits would still be subject to BPA's backstop actions just as all other customers would be.

~~2.~~3. Large Project ~~Fund~~ Program (LP~~F~~P)

The Large Project Program provides incentives above and beyond rate period EEI budgets to customers for "large" projects. The cost of LPP acquisitions will be limited to customers that re~~quest~~ceive additional funds.

Beginning the later of October 1, 2015 or when third-party financing is in place for BPA conservation acquisition, BPA will establish a LPP focused on large industrial and commercial conservation projects that produce cost-effective energy savings. So that BPA can acquire savings from these projects without disrupting the existing TOCA-based EEI allocation policy, BPA will establish the Large Project Targeted Adjustment Charge (LPTAC). The LPTAC will apply to a participating customer that requests funds to pay for savings from large projects. The LPTAC will be based on the cost BPA incurs to borrow money to pay for the projects. BPA will not establish the amount of the LPTAC in advance, but rather will set it at the level of cost BPA incurs when it borrows. Through the use of the LPTAC, the LPP will maintain equity among customers over time. The LPP is predicated on BPA borrowing capital from a third party and will be administered according to the following:

- ***Cap:*** BPA will allocate no more than $10 million of LPP funds in a single rate period.[19] ~~BPA is placing a cap of $10 million on its overall support for the LPP in a single rate period.~~
- ***Eligibility:*** At any time during the rate period, a customer may submit a project to BPA for consideration of payment through the LPP and must do so via the COTR Request and Acknowledgement Procedure. The submission must include a completed project proposal per the terms in the Implementation Manual. The submission may be made at any time during the project lifecycle up until the completion report is submitted to BPA. "Large" is defined by the customer, i.e., the LPP will not have defined criteria, to account for different project sizes across public power. BPA's payment for savings through the LPP may be combined with other sources of customer funds, but there is no requirement for the mix of funds to be used for payment to the consumer.
- ***Allocation of Funds:*** BPA will review customer requests for acceptance on a first-come, first-served basis according to the date BPA receives the custom project

[19] BPA payment in a single rate period may exceed $10 million due to paying for projects that are completed in a rate period other than the one in which the project was allocated LPP funds.

proposal. In order to ensure the funds in the LPP are used to acquire energy savings from a diversity of projects and customers, BPA will exercise discretion on whether to commit LPP funds to a proposed project (or a sum of projects from a single customer) when the request (or sum of requests) exceeds $2 million. For example, BPA may choose to fund a $6 million project because it provides low-cost savings and wholesale power system benefits. On the other hand, it may reject funding multiple projects from one customer in the interest of spreading the benefit of the LPP across BPA's customers.

- ***BPA Payment***: Payment will be made upon BPA approval of the project completion report, even if the project is completed in another rate period than the one in which it received an LPP allocation.[20]

  ~~Payment will be made upon BPA approval of the project completion report.[21] If a project is not completed within the rate period it is proposed to be completed, the LPP allocation (or any remaining funding to be allocated per the terms of progress payments[22] agreed to by BPA and the customer) may be revoked and the customer may have to resubmit for funds during the rate period in which the project is completed.~~

- ***Large Project Targeted Adjustment Charge:*** A customer that receives funds through the LPP would be charged the amount of BPA's borrowing costs to pay for the customer's project(s), i.e., the LPTAC. BPA and the customer would enter into a LPP agreement that would include the terms and conditions for BPA's acquisition of LPP energy savings from the customer. Exhibit D of the Regional Dialogue power sales contract would identify the LPP agreement. BPA would need to propose and establish the LPTAC in a section 7(i) rate proceeding for the purpose of collecting BPA's borrowing costs. The LPTAC would apply long enough to recover the amortized amount of the LPP borrowing (currently 12 years), but the customer could choose an expedited payment schedule.

~~This fund will be used to provide incentives above and beyond rate period EEI budgets to utility customers for "large" projects. A "large" project is defined as having a BPA reimbursement amount (the amount paid from BPA to the customer after applying an applicable project cost cap) totaling more than 50% of a customer's TOCA-based EEI budget at the start of a rate period. Funds from the LPF will be allocated on a rolling basis only to customers that provide a completed project proposal per the terms in the Implementation Manual.~~

~~**BPA will make available funding for large projects while maintaining budget equity over time without reducing the overall amount of EEI funds available to customers.**~~

~~**A.** ***Eligibility:*** BPA will provide funding for any BPA-approved custom project[23] that~~ is equal to or greater than 50% ~~of the utility's original EEI budget in the rate period that the project is approved,[24] so long as:~~

[20] Only the balance will be paid if progress payments have been used for the project.

~~Only the balance will be paid if progress payments have been used for the project.~~

~~[22] See the Implementation Manual for information on progress payments.~~

~~[23] To be eligible, a project must be submitted through the custom project proposal process in the PTR or its successor (this includes utilities on the nonstandard path).~~

~~**1.** The utility commits *at least* 33% of its EEI budget (or other funds) to the project in the rate period the project is completed, **AND**~~

~~**2.** The utility agrees to "repay" the amount BPA allocates from the LPF to the project within two rate periods of the rate period in which the project is completed.~~

~~**a.** This "repayment" would be made by way of reductions in the utility's next two rate period EEI budgets.~~

~~**b.** To ensure timely repayment, the utility would agree to reduce its subsequent rate period EEI budget by no less than half of the LPF allocation. For example, the utility could elect 65% of the LPF allocation in the subsequent rate period and 35% in the third rate period, but not the other way around.~~

~~**c.** Regardless of the repayment percentages elected for each rate period, *100% of the LPF amount allocated to the project must be "repaid" by the utility*.~~

~~**d.** The total amount scheduled to be repaid in future rate periods is no more than two times the amount paid out of the utility's EEI or self-funded in the first rate period.~~

~~**e.** If the project is too big to satisfy the three rate period repayment requirement (i.e., the project is greater than 300% of the utility's rate period EEI budget), the utility must self-fund the difference in the rate period that the project is completed or use another flexibility mechanism, e.g., bilateral transfers, utility pooling, etc.~~

~~**B.** ***BPA Support***: BPA would allocate funding from the LPF equal to the eligible reimbursement amount minus the utility's contribution, which, as above, must be at least 33% of the utility's EEI budget.~~

~~**1.** Funds allocated from the LPF to the large project will be set aside (along with the utility's portion) in the rate period that the project is proposed to be complete. Payment will be made upon approval of the project completion report.[25]~~

~~**2.** This proposal addresses the need for temporal certainty of project funding by allowing a project to be approved and assure large project funding in subsequent rate periods based on the proposed project completion date.~~

~~**3.** If a project is not completed within the rate period it is proposed to be completed, the LPF allocation (or any remaining funding to be allocated per the terms of progress payments[26] agreed to by BPA and the utility) will be revoked and the customer would have to reapply for LPF funding during the rate period in which the project is completed.~~

~~**C.** ***Cap:*** To manage budgetary risk, BPA is placing a cap of $10M on its overall support for the LPF in a single rate period. BPA believes this budget will be sufficient to cover all eligible projects, but, if the total reimbursement amount of eligible projects~~

~~[24] For custom projects approved in FY 2011 with expected completion dates after September 30, 2011, the customer's estimated or definitive EEI budget for FY 2012-2013 will be used to determine whether the project satisfies the 50% criterion.~~

~~[25] Only the balance will be paid if progress payments have been used for the project.~~

~~[26] See the April 1, 2011 Implementation Manual for updated information on progress payments.~~

~~surpasses this cap, funding will be allocated to projects on a first-come, first-served basis according to the date of custom project proposal approval.~~

~~**D.** ***Priority to Unassigned Account:*** BPA will have priority access to the Unassigned Account under certain circumstances, as described below in Section II.6. To maintain equity and build a budget for future large projects, any funding available in the Unassigned Account used by BPA will not reduce the repayment responsibility of a given utility that has been allocated LPF funding.~~

~~3.~~4. Utilizing and Transferring EEI Funds

Below is how customers will conduct business with BPA and the ways in which customers will be able to utilize and transfer their EEI funds.

Customers will invoice BPA to receive reimbursement. Over the course of the rate period, customers will acquire conservation savings, submit invoices (as often as once per month) and receive reimbursements and performance payments up to the amount of the Implementation Budget stated in their ECAs. BPA will continue to comply with BPA's Prompt Payment policy, which requires invoices to be paid in a timely fashion as long as documentation is complete.[27]

All customers must abide by the terms of their Regional Dialogue contracts which require the reporting of all cost-effective savings to BPA (BPA-funded and self-funded):

> *«Customer Name» shall verify and report all cost-effective (as defined by section 3(4) of the Northwest Power Act) non-BPA-funded conservation measures and projects savings achieved by «Customer Name» through the Regional Technical Forum's Planning, Tracking and Reporting System or its successor tool* (§18.1.2.2).

BPA and customers will engage in ongoing conversations and monitor spending and acquisitions. Throughout the rate period, BPA Energy Efficiency Representatives (EERs) and customers will engage in proactive conversations about spending expectations. EERs will monitor customers' spending of their Implementation Budgets. EERs will provide information to customers on applicable programs, measures and pooling options, particularly if a customer is not spending on a basis commensurate with the amount of time that has passed or if a customer does not have plans to spend its Implementation Budget.

Customers may elect to utilize flexibility mechanisms, such as those identified below, to facilitate the movement of EEI funds to where conservation can be most efficiently and cost-effectively acquired.

- **Customers join Utility Energy Efficiency Pools (UEEPs).** For more information on UEEPs, see Section II.5 below.
- **Customers enter into Customer Bilateral Transfers of EEI funds.** Bilateral transfers between customers of EEI funds will be allowed. For example, 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

[27] This is how BPA currently pays for bilateral payment invoices.

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.

- BPA will not be a party to Customer Bilateral Transfers.
- All Customer Bilateral Transfers require sign off by both customers.

- **Customers utilize the Unassigned Account.** The Unassigned Account will be the repository for EEI funds not allocated to specific customers. EEI funds in the Unassigned Account will periodically be allocated to requesting customers pursuant to Section II.6 below.
  - A customer may release part of or its entire ECA Implementation Budget to the Unassigned Account at any time during the rate period. Funds initially allocated for regional program delivery may also be released to the Unassigned Account.
  - A customer may request funds (if available) from the Unassigned Account. The allocation of EEI funds in the Unassigned Account is explained in Section II.6 below.

- **Inter-Rate Period Budget Flexibility.** Beginning October 1, 2015, assuming third-party financing is on track to be implemented in FY 2016, customers will have the ability to move up to five percent of their start of rate period EEI budget to the subsequent rate period. This means customers will be able to move up to five percent of their start of FY 2014-2015 rate period EEI budget to the FY 2016-2017 rate period, ~~Beginning October 1, 2015, customers will have the ability to move EEI funds from one rate period to the next rate period~~ consistent with the following:
  - ~~BPA will forecast up to five percent of the start of rate period EEI budget to be rolled over to the next rate period. The amount forecasted will be added to EE's budget in the following rate period. Rates for the following rate period will be set accordingly. The difference between the amount collected in rates in the first rate period and the actual amount borrowed based on actual EEI expenditures would go into BPA's reserves. Over time, any over collection in rates should be compensated for in a lower revenue requirement as a result of increased reserves. BPA's forecast will be made by **March 1** of the second year of each rate period to align with BPA's financial processes, such as the Capital Investment Review.~~
  - ~~Each customer may roll over n~~No more than five percent of a customer's ~~its~~ start of rate period EEI budget may be rolled over to the following rate period.[28] The amount of funds remaining at the end of a given rate period, not to exceed the five percent customer cap, will be automatically added to the customer's EEI budget for the following rate period. There is no requirement that roll over funding be tied to specific projects or programs and there is no

[28] BPA could forecast a percentage less than 5 percent and not exceed that amount in aggregate while still allowing a multitude of customers to roll over the maximum of 5 percent.

requirement of customer notification to BPA, i.e., the roll over is automatic up to the five~~5~~ percent cap.

ECA Implementation Budgets *will not involuntarily* be reduced during the FY 2012-2013 rate period. As BPA and its customers transition to the new post-2011 implementation framework, BPA will not reduce a customer's ECA Implementation Budget during the FY 2012-2013 rate period. For the FY 2014-2015 rate period, BPA thinks there will not be a need to redirect EEI funds and will not redirect EEI funds during the period.

While BPA expects it would not need to redirect EEI funds over the longer period remaining under the Regional Dialogue contracts, BPA will continue to periodically review customer achievements to ascertain the effectiveness of the ECA and, if necessary, will engage in further discussions to develop criteria for redirecting funds in future rate periods.

~~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 consistent with Exhibit A of customer ECAs.~~

~~4.~~5. Performance Payments

Under existing practice, a customer's performance payment (for administrative cost reimbursement) is a percentage of its qualifying claims and invoiced measures, up to 20% (or up to 30% for customers with 7.5 aMW or less of net requirements load) and is intended to help cover program implementation costs.

Beginning October 1, 2011, customers will be able to claim a percentage of their ECA Implementation Budgets as performance payments to help cover program implementation costs. Performance payments will come out of a customer's ECA Implementation Budget and will be based on customer specific kWh busbar savings reported into the PTR system or its successor. Performance payments will be paid out *in addition to* the reimbursement rate. For example, for a reimbursement rate of $0.20/kWh, a performance payment rate ($0.08/kWh or $0.04/kWh, depending on the customer's classification) could be claimed by the customer in addition to the incentive reimbursement.

A cap on performance payments, expressed as a percentage of a customer's ECA Implementation Budget, will be applied to all customers. A customer's specific performance payment cap and rate will be dependent upon whether a customer is classified as "small," "rural," *or* "residential" (SRR). If a customer does not qualify as SRR, it will be classified as non-SRR.

- A customer qualifies as "small" if the customer's forecast net requirement is less than 10aMW as determined in the rate period high water mark (RHWM) Process prior to each rate case. For the FY 2012-2013 rate period, the "small" criterion of less than 10aMW will be based on the customer's net requirement used in the final rate proposal for calculating customer TOCAs.
- A customer qualifies as "rural" if the customer has fewer than 10 consumers per line mile, as is currently done when determining whether a customer receives the Low Density Discount.

- A customer qualifies as "residential" if the customer serves load that is greater than 66% residential. This data will be sourced from the U.S. Energy Information Administration or from customer annual reports.

Customers will be notified of their classification in the EEI Budget Letter (described in Section II.1). According to preliminary information available to BPA, the above SRR thresholds result in approximately 78 customers defined as "small," "rural," *or* "residential," representing approximately 27% of BPA's total load.

To ensure BPA and public power achieve the regional savings target, the agency has planned to have no more than 20% of the EEI Fund paid out as performance payments. If too much EEI is distributed to customers to pay for performance payments, public power faces the risk of missing its conservation target. However, during the Phase 2 public comment period, BPA received many comments from customers that Workgroup 2's recommendations should be adopted. Although this presents a risk of surpassing the 20% planning assumption, BPA will make available the following payment caps and corresponding rates:

Customer Classification	Payment Cap	Payment Rate
Small, Rural, or Residential (SRR)	30% of ECA Implementation Budget	\$0.08/kWh
Non-SRR	20% of ECA Implementation Budget	\$0.04/kWh

The performance payment rates have been calculated in such a way to make it possible for customers to reach their performance payment caps. The rates differ because the payment cap percentages differ, e.g., a small customer needs to be able to claim more per kWh of savings in order to be reimbursed the full 30% of its EEI budget. The difference in rates may appear to be inequitable; however, the performance payment comes directly from the individual utility's ECA Implementation Budget.

For Joint Operating Entities (JOEs), such as PNGC Power, and Utility Energy Efficiency Pools (UEEP), the total amount of performance payment a JOE or UEEP could claim will be the aggregate of the maximum allowable for each individual member in a JOE or UEEP. For example, if Customer A could claim up to \$100,000 as performance payment, Customer B up to \$50,000 and Customer C up to \$150,000, then the pool could claim no more than \$300,000 in performance payment throughout the rate period. The performance payment rate for pooling groups will be calculated as a weighted average based on pool participants' TOCAs.

All performance payments are intended to help cover the customer expenses associated with achieving conservation savings, e.g., paying for conservation staff, printing marketing/education materials, end-user rebates, performing audits, assessing conservation potential, etc.

Restrictions:

For conservation measures with measure lives from 1-3 years (e.g., SIS, Energy Management, behavioral programs, etc.), the performance payment rate will be capped at the amount of the reimbursement. For illustrative purposes only, a kWh reported from a behavioral program would result in a reimbursement of $0.02 to the customer and an equivalent performance payment of $0.02 for both SRR and non-SRR customers instead of the regular rate of $0.08 and $0.04, respectively. This restriction is being put in place to reduce the likelihood that too high of a percentage of EEI funds could be claimed as performance payment.

Also, BPA reserves the right to restrict the amount of performance payment a recipient of bilateral transfer funds could claim on the received amount of transferred funds. Because performance payments are paid out on a $/kWh basis and not tied to the reimbursement amount, it is conceivable that a customer could reach its performance payment cap without fully using its ECA Implementation Budget. In the absence of any such restriction, this customer could then bilaterally transfer its remaining funds to another customer that could then similarly max out the performance payment.

In short, the allowable percentage of performance payment will be tied to a given budget amount. For example, Customer X with an EEI budget of $100,000 receives $10,000 in reimbursement and $20,000 in performance payment. Customer X transfers its remaining budget of $70,000 to Customer Y. Of this $70,000, Customer Y would be able to claim only $10,000 as performance payment ($30,000 allowable less the $20,000 paid out to Customer X). This restriction is being put in place to reduce the likelihood that too high of a percentage of EEI funds could be claimed as performance payment.

~~5.~~6. Utility Pooling

Utility pooling comprises two or more customers that join together for the purpose of energy efficiency acquisition. A formal utility pool, known as a “Utility Energy Efficiency Pool” (UEEP) encompasses the pooling of individual customers’ ECA Implementation Budgets. An informal utility pool, referred to as an “Implementation-Only Pool,” entails customers pooling implementation efforts but not pooling their individual ECA Implementation Budgets.

UEEPs

Any customer can join a UEEP and customers may join a UEEP at any time. Participation in a UEEP is voluntary. UEEP participants will enter into an agreement with each other to establish their membership or participation in a UEEP, and which also establishes a governance structure and UEEP rules and procedures. BPA will not be a contractual party to these agreements, but those customers wanting to participate in a UEEP must notify BPA of the UEEP’s existence and participating customers.

Effective October 1, 2011, a UEEP must appoint a legally authorized representative (i.e., a customer participant or separate entity) to represent the pool and take on liability for the whole; liability may not be transferred to another party. BPA will only commence funding to a UEEP after BPA has reviewed and approved documentation of pool status (e.g., UEEP agreement, UEEP by-laws, articles of incorporation, etc.) submitted by requesting customers. In the event the authorized representative of the UEEP is not a BPA customer with an existing ECA, BPA will sign an ECA with the separate entity, if it satisfies BPA’s liability requirements.

For UEEPs, the ECA funds of participating customers will be pooled (a pool participant may elect to have all or a portion of its ECA budget pooled). Reimbursements and performance payments will be made from the ECA account of a pool's authorized representative (i.e., a customer participant or separate entity). Each measure or project, however, will still be reported and designated to the individual customer where the measure or project was installed.

BPA may support the formation of UEEPs by making available a list of customers interested in forming a UEEP. This list may be populated as a result of communications between customers and EERs or via an electronic bulletin board.

Implementation-Only Pools

Participants of an Implementation-Only Pool *do not* combine ECA Implementation Budgets, but do elect a representative to perform administrative and implementation duties and tasks on behalf of pool participants. Each measure or project will still be reported and designated to the individual customer where the measure or project was installed.

Any customer can voluntarily join an Implementation-Only Pool and customers may join at any time. Participants may or may not enter into an official agreement with each other. By agreeing to serve as a pool's elected representative, the customer or entity shall certify to BPA that it is legally authorized to assume and perform administrative and implementation duties and tasks on behalf of the pool's participants.

~~6.~~7. Assignment of Funds from the Unassigned Account

The Unassigned Account will be the repository for EEI funds that are not assigned to customers. There are several reasons why EEI funds would not be assigned to specific customers and, therefore, temporarily reside in the Unassigned Account, e.g. a customer elects a different amount of EEI funds than the amount indicated in the EEI Budget Letter or a customer elects to transfer EEI funds from its account to the Unassigned Account during the rate period. Note: for purposes of the Implementation Program, the word "Customer" refers to both individual customers and UEEPs.

Timing of Allocation. Funds from the Unassigned Account will be allocated at month-6, month-12, and month-18 of the rate period. At month-5, month-11, and month-17, BPA will notify customers of how many funds are in the Unassigned Account. Customers will have 10 business days from the date of the notification to submit a "Request for Funding" form. To ensure consistency across customers, BPA will provide a "Request for Funding" template for customers to fill out and submit (potentially through the PTR or its successor).

Any remaining funds in the Unassigned Account after month-18 will be allocated on a monthly basis to customer(s) that submit a "Request for Funding." If funds are available, customers will submit requests by the 15th of each month and the funds will be allocated at the end of each month.

Access to the Unassigned Account. To access funds in the Unassigned Account a customer must submit a "Request for Funding" to BPA and indicate whether a TOCA-weighted allocation or a conditional amount not to exceed their TOCA-weighted amount is preferred. ~~If needed, prior to allocating funds in the Unassigned Account, BPA (potentially via the PTR or its successor) will adjust each customer's request *down to the total amount of available funds in the Unassigned Account* to help alleviate potential~~

~~implications of inflated requests. (There is no minimum amount that a customer may request.)~~

~~For illustrative purposes, if there were $100,000 in the Unassigned Account with three customers requesting the following amounts: $50,000; $200,000; $500,000. The later two customers' requests would both be reduced to $100,000 and awards would be allocated on a pro rata basis, as illustrated in the table below.~~

~~Amount available: $100,000~~			
~~Request Amount~~	~~Request Amount Adjusted (if applicable)~~	~~Percentage of Total Requests (Adjusted, if applicable)~~	~~Amount Awarded~~
~~$50,000~~	~~$50,000~~	~~20%~~	~~$20,000~~
~~$200,000~~	~~$100,000~~	~~40%~~	~~$40,000~~
~~$500,000~~	~~$100,000~~	~~40%~~	~~$40,000~~

A customer that is allocated funds from the Unassigned Account at one point during a rate period is *not* precluded from requesting another allocation from the Unassigned Account at another point during the same rate period. There is no maximum amount of EEI funds a customer could be allocated from the Unassigned Account during a rate period. Finally, in accessing the Unassigned Account customers are *not* required to demonstrate self-funding or that they have spent a certain percentage of their ECA Implementation Budgets. There is an expectation that all funds received from the Unassigned Account will be fully utilized by the receiving customer.

Funds in the Unassigned Account will be reallocated on a TOCA-weighted basis that reflects the pool of customers requesting additional funds. ~~on a priority basis and then proportionally, as described below.~~

- ~~***First Priority:*** Since BPA is not proposing to reduce customer EEI budgets to create a fixed Large Project Fund (as was proposed in the Implementation Proposal), BPA will get first priority to funds released by customers into the Unassigned Account. *This priority will only occur if and when BPA allocates funding to eligible large projects* (see Section II.2). For example, if, at the scheduled six-month allocation of funds in the Unassigned Account, BPA has not allocated LPF funds to a project in that rate period, BPA will not have priority. On the other hand, if, at the scheduled 18-month allocation, BPA has allocated LPF funds to a project in that rate period, BPA will have priority to available funds in the Unassigned Account. Such funds from the Unassigned Account would be used to reduce the risk that BPA will exceed its EE budgets.~~

- ~~***Second Priority: Early Release of EEI Funds to Unassigned Account*** – Customers that release EEI funds to the Unassigned Accounts within the first 12 months of a rate period will receive *second priority* to access Unassigned Account funds based on the date the EEI funds were released. This includes customers that release EEI funds via the COTR Request and Acknowledgement Procedure. This priority access is intended to encourage customers that do not plan to use some portion or all of their ECA Implementation Budgets to release such funds into the Unassigned Account as early as possible.~~

  ~~Priority access will be available for the remainder of the rate period in which the EEI Funds are released and the rate period immediately following. Priority access will be capped at the amount of EEI funds the customer released to the Unassigned Account. However, there is no guarantee that a customer will receive the amount of funds it released to the Unassigned Account.~~

  ~~Once a priority access customer receives funds from the Unassigned Account equal to the amount it released to the Unassigned Account, such customer no longer has priority access until the next time the customer releases funds into the Unassigned Account.~~

  ~~If the amount of funds available in the Unassigned Account exceeds the amount priority access customers released to the Unassigned Account, the Unassigned Account will *first* be reallocated to the priority access customers pro rata based on the customers' dollar amounts requested. Any funds remaining in the Unassigned Account will then be available to non-priority customers.~~

- ***~~Proportional~~TOCA-Weighted Allocation*** – ~~If there are remaining funds in the Unassigned Account after funds have first been assigned to priority access customers (if priority requests were made), t~~The Unassigned Account will be reallocated ~~pro rata~~ based on weighting the TOCAs of the pool of customers requesting funds ~~the customers' dollar amounts requested (per the requirements above)~~.[29] BPA will allocate funds by normalizing the TOCA percentages (i.e., adjusting to sum to 1.0) of those customers requesting funds. Thus, a given customer's allocation is a function of its TOCA relative to all others requesting Unassigned Account funding. Customers may also indicate a conditional amount not to exceed their TOCA-weighted amount.

- For illustrative purposes, if there were $2 million in the Unassigned Account with three customers requesting funds with TOCAs of 0.1, 0.05, and 0.025, the $2 million would be allocated as follows:

Amount Available: $2 million	Final Proposal/Net Requirement TOCA	Weighted TOCA	Amount Allocated
Customer A	0.1	0.571	$ 1,142,857
Customer B	0.05	0.286	$ 571,429

[29] ~~BPA~~ BPA will use the TOCAs from BPA's final proposal and net requirements process for the first year of the rate period.

Customer C	0.025	0.143	$ 285,714

~~Priority access customers may request an amount of funds above the amount they released to the Unassigned Account, but will only have priority access up to the amount they released.~~

8. Timing of Customer Reporting and Forecasting to BPA

Beginning October 1, 2014, BPA will promote the best practice of all customers reporting savings (both BPA-funded and self-funded) to BPA on a monthly basis and, at a minimum, a quarterly basis. BPA will not require any mandatory customer reporting. BPA will also continue the best practice of quarterly forecasting of savings (both BPA-funded and self-funded) by certain customers and periodic forecasting of EEI expenditures by all customers.

~~7.~~9. Additional Support for Small, Rural, and Residential Customers

Workgroup Two (Small, Rural, Residential Focus) identified that a barrier for small, rural, residential customers is often program design and delivery. Below is a list of some options that BPA could pursue to help these customers acquire more conservation.

Measures. BPA will continue to pursue additional cost-effective residential measures with an emphasis on deemed and easily implementable measures. Examples include: ductless heat pumps for additional applications, duct insulation, T12 to T8 lighting retrofits.

To help prioritize BPA's work, customers should provide input into which measures or measure-sets will have the greatest energy efficiency value in their service territories and across the region. This input may include prioritization based on the measure's value to the region, a customer's conservation potential or measures with the highest level of interest for collaboration on a sub-regional or regional level. BPA will use existing communication channels, such as utility roundtables, as well as the website to keep BPA customers more informed on new measures, programs or changes.

Program support (assistance). BPA will continue to look for opportunities to: streamline measure protocols and requirements for inspection and verification to reduce travel time and costs; offer turn-key program offerings, such as Simple Steps, Smart Savings, which place little to no administrative burden on the local customer; and include small, rural, and residential customers for eligibility in pilots and demonstration projects.

III. Implementation Mechanism

Customers will have a fundamental choice between two implementation paths for custom projects: standard (Option 1) and nonstandard (Option 2). These two paths will provide customers with the flexibility to decide which mechanism best fits their needs. Note that these options apply only to custom projects, and not to those available through a prescriptive path (deemed, provisionally deemed, customer program, or BPA-qualified measures). Prescriptive path measures will be treated the same for all customers.

1. Custom Projects: Standard vs. Nonstandard Paths

Standard path (Option 1). The standard path will remain consistent with current BPA standard agreement policy. BPA will work with customers to improve the existing custom project process. Each customer will automatically be placed on the standard path. A customer using the standard path will submit individual customer project proposals to BPA for review and acceptance prior to when the project starts. BPA will provide reimbursement for completed projects (reimbursement not to exceed the customer's ECA Implementation Budget).

Nonstandard path (Option 2). The nonstandard path will be incorporated as a chapter in the Implementation Manual. Customers choosing the nonstandard path must inform their COTR of their intent to enroll. As part of this enrollment process, a customer will provide its measure delivery approach.

Customers that pursue the nonstandard path will *not* be required to submit to BPA individual custom projects for approval prior to when the project starts.[30] Once on the nonstandard path, the customer will remain nonstandard for the rate period. At the beginning of a new rate period customers may evaluate their choice and have the option to switch back to the standard path. Customers may not switch back and forth between paths on a project by project basis and projects started on one path must be completed on that path.

Customers electing the nonstandard path will have limited access to BPA engineering support and Technical Service Provider (TSP) assistance. Technical assistance will be available for Implementation Manual clarifications and consultations on M&V but would not include project-specific technical assistance such as audits or project preparation. This would not apply to technical assistance from regional programs and infrastructure, such as third party contractors (e.g., the Northwest Trade Ally Network, Cascade Engineering, etc.).

Commonalities between Standard and Nonstandard paths. Custom project eligibility requirements, as described in the current Implementation Manual and PTR system or its successor, will apply equally to customers on both paths. The Measurement & Verification (M&V) protocols and technical oversight will be the same regardless of which custom project path a customer has chosen. The Northwest Power and Conservation Council's total resource cost (TRC) cost-effectiveness test will apply to both standard and nonstandard customers. In order to receive reimbursement for a custom project, a customer must perform the following:

Achieve cost-effective savings based on a total resource cost (TRC) test, and submit custom project savings reports in bulk through the auto-upload sheet provided to the customer upon selection of Option 2. The auto-upload sheet will calculate the TRC based on savings, cost, load shape and non-energy benefits data provided by the customer. BPA will review the report for acceptability, and if approved, reimburse for custom projects. Customers have the option to work with BPA to create a unique upload template based on the customer's avoided costs.

[30] If a nonstandard customer would like to request funds from the LPF for a custom project, it must submit a custom project proposal for the project through the standard path, following all standard path business rules.

Any given custom project must have a minimum cost-effectiveness ratio of 0.5. For standard customers, BPA will manage the custom project portfolio to ensure the entire custom project portfolio remains at a ratio of 1.0 or greater. For nonstandard customers, the sum of all custom projects (involving only non-deemed measures) submitted to BPA in each invoice/report must have a ratio of 1.0 or greater. BPA's willingness to pay (reimbursement rate) will vary across sectors (e.g., residential, commercial, etc.) and within sectors (e.g., retrofit and lost opportunity), but will be the same for both standard and nonstandard customers.

BPA's reimbursements for both standard and nonstandard custom projects will be capped at 70% of project cost. The reimbursement rates for custom projects and custom programs will generally be based on measure life according to the following:

a) 1 year
b) 2-3 years
c) 4-19 years
d) 20+ years.

The performance payment rates for custom projects will be the same rates as those pursuant to Section II.4 with the exception that for 1-3 year measure life measures, the performance payment will be capped at the reimbursement amount.

Whenever a measure is available through a prescriptive path (deemed, provisionally deemed, or BPA-qualified), it cannot be run as a custom project under either the standard or nonstandard path. Calculated non-residential lighting projects (e.g., C&I Lighting Calculator) will continue to be an exception; however, BPA shall have the right to review and approve calculation methodologies and/or calculator tools used to calculated savings in non-residential lighting programs administered under the nonstandard path.

Upon request, customers delivering non-residential lighting savings through programs administered under the nonstandard path shall provide BPA measure-level data on individual projects. BPA may request data on all parameters used to calculate project savings and cost-effectiveness. This data includes, but is not limited to, the following:

- Baseline lighting condition (fixture type, wattage, and quantity)
- Installed efficient lighting condition (fixture type, wattage, and quantity)
- Hours of operation
- Any reduction in hours in operation from controls
- Building type
- Building HVAC type
- Measure incentives
- Project cost

Both standard and nonstandard customers must maintain proper documentation for project review and oversight by BPA.