

# Progress Report Workgroup #4: Flexibility Mechanisms

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## *Background*

- The initial scoping document focused on two main areas for this workgroup: Unassigned Account Allocation Methodology and Large Project Fund
  - Unassigned Account: Attempt to address concerns regarding the current pro-rata methodology of allocating EEI funds returned by customers or from BPA. Possible options include continuing the status quo, TOCA allocation, defined “least cost” or “need” considerations, or a combination of some of the above options (also called “Two Buckets”).
  - Large Project Fund: Attempt to address concerns regarding the administrative burden of the LPF and limited use during the FY12-13 rate period. Possible options include continuing the status quo, terminating the LPF, or adjusting the criteria/requirements.

## *Summary of Progress to Date*

- Meetings held to date: March 10: Unassigned Account focus; February 13: Kickoff
- Unassigned Account Allocation Methodology (Consensus Recommendation—March 10)
  - From responses received since the 2/13 meeting, Option B (TOCA) allocation was suggested/preferred by the majority of responses. Reasons given included:
    - Simplicity: TOCA allocation avoids definitions or complex criteria
    - Timing: UA allocations generally come near the end of the second year of the rate period, allowing only limited use
    - Uncertainty: UA allocations come only from BPA-managed capital releases and/or utility funds returned, so the available amount is unpredictable
  - WG #4 came to consensus to recommend Opt-In Weighted TOCA for UA allocation. If UA funds became available, utilities could opt-in and would be offered up to their weighted TOCA allocation of the funds.
  - BPA would use current processes in place to gather opt-in preferences so it would not add extensive additional burden.
  - \*It was asked what would happen to any dollars that a utility did not want (for example, they would only need 75% of their TOCA allocation—what happens to the remaining 25%?) Workgroup will need to review this question keeping in mind the desire for any UA funds to be distributed in a timely fashion.
  - A request was made to keep the UA as an option for funding large projects—so this was provided as a caveat/side note to the consensus recommendation.

- Capturing Large Projects/ Large Project Fund (Initial discussion)
  - During the March 10 meeting, a few of the third party financing options that are under discussion for overarching EEI funding were reviewed and how funding large projects might fit into those options:
    - Borrowing an additional amount of dollars above and beyond the EEI for TOCA and setting it as a large project fund for customers to request
    - Borrowing an additional amount of dollars above and beyond the EEI on behalf of customers for specific projects that have already been identified
  - It was asked, “Could a Utility seek financing for a large project incentive and have it repaid with EEI over time?”
  - Set aside from overall EE capital budget?
    - From the 30% BPA-managed vs. the 70% allocated EEI? There was some initial interest expressed in this idea, more to discuss here.
  - Criteria called out as important
    - Large/Public Power Regional project—what “is” regional? Is there a project that could provide a regional benefit but was in a single utility service territory?
    - Qualifying percentage/type/size—possible changes to these
    - Payback timeframe (BPA did express staffing/tracking concerns if extended)

*What would the workgroup like input from all stakeholders on at this point in time?*

- Feedback/questions on the consensus recommendation for Unassigned Account Allocation
- Definitions and criteria for the funding large projects/LPF
  - What would a regional project look like from your perspective?
  - How do customers/stakeholders feel about where the LPF comes from? Does it impact your decision if it is the 30% BPA-managed vs the 70% allocated EEI?
  - If we are able to develop the right source of funding, what changes, if any would you make to the criteria for those funds?

*Next meeting: April 10, 1-3pm via phone and LiveMeeting*

**Please contact co-chairs directly or your Energy Efficiency Representative for follow-up.**

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