

# BPA's Proposed Revision to the EE Post-2011 Implementation Program

BPA Rates Hearing Room  
Portland, OR  
June 20, 2014

# Agenda

- 9:00 Welcome and Overview of Post-2011 Review
- 9:30 BPA proposal for Workgroup 1 Issues: Model for Achieving Programmatic Savings
- 10:30 BPA proposal for Workgroup 2 Issues: Implementation Manual
- 11:00 BPA proposal for Workgroup 3 Issues: Directing EEI to Low-Income
- 11:30 BPA proposal for Workgroup 4 Issues: Flexibility Mechanisms
- 12:00 Lunch
- 1:00 BPA proposal for Workgroup 5 Issues: Reporting Verification of Savings
- 1:30 General Discussion
- 2:30 Next steps
- 3:00 Adjourn

## Purpose of the Post-2011 Review

- To consider and implement improvements to BPA's energy efficiency program put in place after fiscal year 2011 (Post-2011)

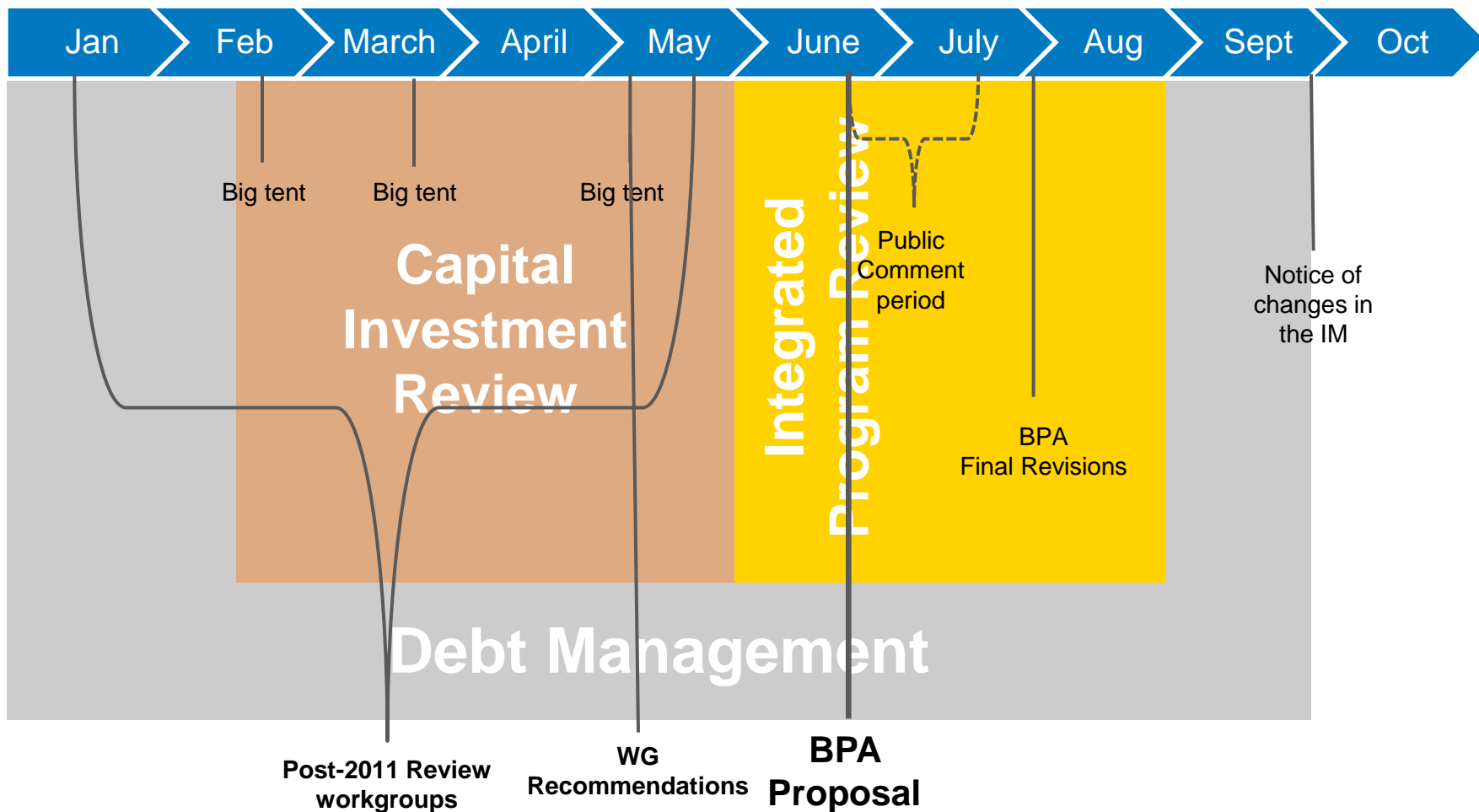
# BPA Working Assumptions

- BPA must fulfill its statutory obligations, e.g., BPA must “acquire” conservation (defined in BPA policy as an exchange of funds)
- Any proposal must work within the existing Regional Dialogue policy and contracts
- Decisions need to be made in the context of other dynamic agency drivers (e.g., CIR, IPR, Access to Capital)
- Funding levels will be decided in the CIR and IPR processes
- Any proposal must be consistent with BPA’s financial and procedures and reviewed by BPA finance for consistency with sound business principles
- Any proposal should not adversely impact customers that choose not to pursue a particular alternative
- Any proposal should not consider a “menu of services” approach to funding of EE costs/services (i.e., picking which EE costs to pay for)
- BPA will pursue 3rd party financing effective FY16 (October 1, 2015).

# Post-2011 Review Timeline



# Post-2011 Review Timeline in Context



## What is *BPA's Proposed Revisions*?

- “Proposed Revisions to the BPA EE Post-2011 Implementation Program” - March 2011 document
- Red-lined version available
- Structured per the Implementation Program
- No changes to the status quo = no mention in the body of the document
- Appendix captures all issues from the Scoping Document, workgroup recommendations and BPA proposals

## WG1: EEI Allocation Methodology

Problem statement: the current methodology for allocating EEI incentive funds on a TOCA basis may inefficiently/ineffectively allocate available funding

- Workgroup recommendation: status quo allocation based on TOCAs
- ✓ BPA proposal: adopt recommendation, no change to the status quo



# WG1: Two-Year EEI Budgets ("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"

- Workgroup recommendation: allow customers to roll over unused EEI funds from one rate period to the next *for specific projects, programs and/or some other criteria*
- ✓ BPA proposal: BPA could roll over up to 5 percent of the start of rate period EEI budget; each customer could roll over up to 5 percent of its start of rate period EEI budget *irrespective of specific projects (up to 5 percent of BPA's start of rate period budget)*
  - Contingent upon 3<sup>rd</sup> party financing
  - Rationale: the proposed revision allows for some flexibility and customer certainty without being administratively complex

# Roll Over Example

	Rate Period I	Rate Period II	Rate Period III
<b>EEI spend projected at the Integrated Program Review</b>	\$100M	\$106M ((\$102M base case plus the \$4M forecasted roll over)	\$110M ((\$105M base case plus the \$5M forecasted roll over)
<b>Start of rate period EEI budget</b>	\$100M	\$104M ((\$102M base case plus the \$2M actual roll over)	\$106M ((\$105M base case plus the \$1M actual roll over)
<b>Forecasted roll over amount (not to exceed 5 percent)</b>	\$4M	\$5M	\$2M
<b>Amount expended in the rate period</b>	\$98M	\$103M	\$104M
<b>Amount moved to BPA reserves</b>	\$2M	\$1M	\$2M

# WG1: BPA Redirect of Unused EEI Funds

## (BPA “Take Back” of EEI Funds )

Problem statement: 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

- Workgroup recommendation: no redirect in FY14-15; develop criteria for future redirect



BPA proposal: For FY14-15, BPA has no intention to exercise its right to redirect EEI funds

## WG1: BPA's Backstop Role

Problem statement: BPA's existing backstop role is not explicitly defined

- Workgroup recommendation: status quo; BPA has a backstop role that is undefined and would be defined when needed per consultation with customers and stakeholders
- ✓ BPA proposal: adopt recommendation, no change to the status quo

# WG1: 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

- Workgroup recommendation: include considerations when developing regional programs and address innovative programmatic approaches outside of this process
- ✓ BPA proposal: adopt recommendation; implementing a structured process to regional program design; improving the Custom Program path outside of this process

# WG1: 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, thereby increasing cost

- Workgroup recommendation: status quo; customers can claim performance payments for regional programs



BPA proposal: adopt recommendation; no change to the status quo

# WG1: Regional Program Administration

Problem statement: BPA administration of regional programs is more difficult without the direct acquisition program model and when funding commitments are variable or not firm

- Workgroup recommendation: adopt a set of guiding principles for BPA to consider during regional program development
- ✓ BPA proposal: adopt recommendation; BPA will follow a structured process that is transparent and collaborative and guided by the workgroup's recommended principles

# WG1: Utility Self-Management of Incentives

Problem statement: Some customers would like to self-manage their incentives

- Workgroup recommendation: 1) move capital program to expense; and 2) explore and develop the 6(h) billing credit alternative
- ✓ BPA proposal: 1) Moving to expense is being discussed in other BPA forums; and 2) consider customer requests for billing credits in exchange for independent conservation
  - Billing Credits are contingent upon BPA continuing to capitalize incentives



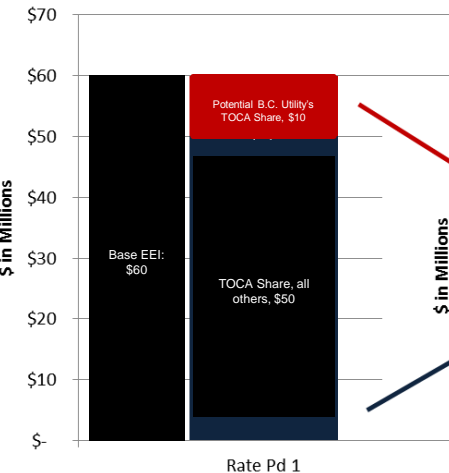
## How would Billing Credits work?

1. Determine EE's capital allocation (both BPA-managed and EEI) and set rates accordingly
2. Allocate EEI based on TOCA
3. Customer elects to receive billing credits in exchange for independent conservation
4. BPA lowers EE's start-of-rate period budget
5. BPA collects in rates for all customers' TOCA-based portion of EEI effect on the revenue requirement
6. For those electing billing credits, BPA offsets their TOCA-based portion of EEI effect on the revenue requirement with billing credits

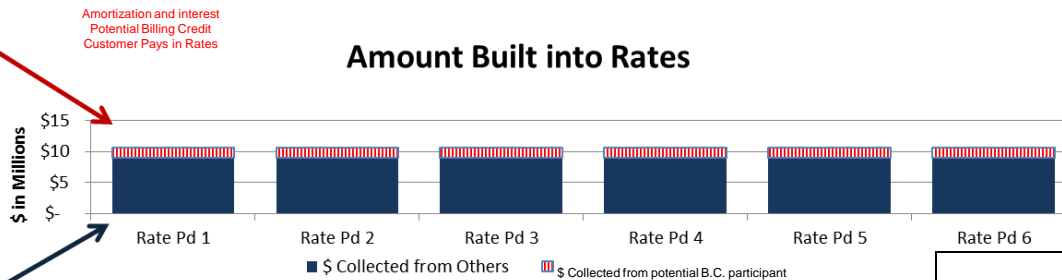
**Current EEI Model: Example**

# Billing Credits Illustration

**Amount Financed**



**Amount Built into Rates**



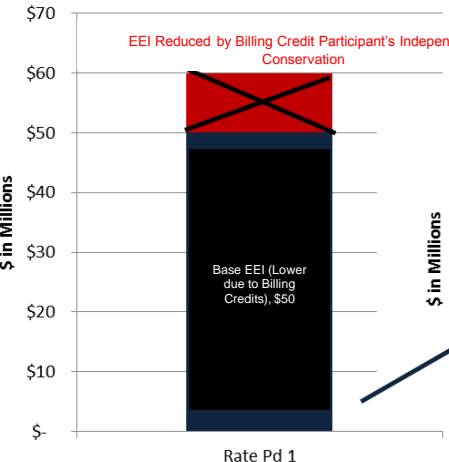
	\$ in M
Total Borrowed for EEI Distribution	\$ 60
Total in Rates over 12 years	\$ 64

**Concept:** \$ collected in rates for billing credit is equal to the \$ that would have been collected in rates for participating utility TOCA share of the EEI.

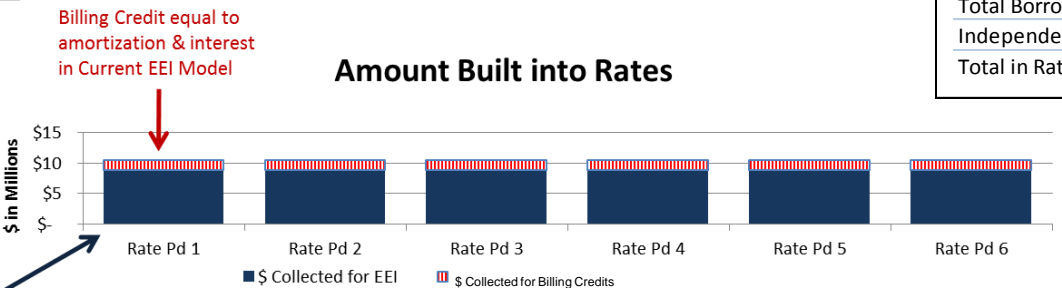
**The Result:** Billing Credit participating utility payment in rates is equal to the billing credit they receive. Other utilities see no rate impact.

**Billing Credits Model: Example**

**Amount Financed**



**Amount Built into Rates**



	\$ in M
Total Borrowed for EEI Distribution	\$ 50
Independent Conservation: Billing Credits	\$ 10
Total in Rates over 12 years	\$ 64

## More on Billing Credits

- This comes from the Northwest Power Act and, therefore, provides BPA a statutory mechanism to provide customers flexibility while reducing BPA's obligation to acquire the equivalent amount of conservation
- BPA's obligation to acquire the equivalent amount of conservation would be reduced
  - Public power savings targets would not be changed
- Billing credits for independent conservation would have no impact on non-billing credit customers, i.e., the billing credits alternative is rate neutral
- An individual aMW savings target would be included in the conservation billing credits contract
- Reduces the amount of borrowing costs the electing customer would otherwise pay over time
- Reduces the administrative burden associated with invoicing BPA

## WG2: Frequency of Publishing the Implementation Manual

Problem statement: the current frequency of changes to the Implementation Manual may not be frequent enough or too frequent

- Workgroup recommendation: Publication once per rate period
- ✓ BPA proposal: Publication once per year on October 1
  - Rationale: BPA is concerned about savings risk and potential unforeseen consequences

# Implementation Manual Publication

Notification April 1, Effective October 1	<u>No</u> Notification, Effective October 1
Savings change up or down	New measure*
Payment amount change, up or down	Optional calculators (such as lighting)
Adding or substituting a requirement	Removing a requirement
Expiration of a measure	

\*New measure is defined by a new reference number. A new version to an existing reference number requires six months of notice.

Note: Clarifications can be made at any time.

## WG3: Directing EEI to Low-Income EE

Problem statement: the current framework may not ensure adequate EEI funds are dedicated to low-income energy efficiency

- Workgroup recommendations:
  - Adopt a low-income energy efficiency guiding principle
  - Workgroup for low-income collaboration and coordination
  - Implement a BPA-managed method or process for designated low-income investments
  
- ✓ BPA Proposal: Sponsor an ongoing low-income workgroup with the intention of overcoming many of the barriers to serving low income consumers; further explore the option for a BPA-managed method or process
  - Rationale: BPA saw the benefit of bringing together customers and low-income advocates and wants to see that work continued to increase low income efficiency achievements; a BPA-managed method/process needs additional consideration

# WG4: Unassigned Account Allocation Methodology

Problem statement: the current pro-rata methodology for allocating funds in the Unassigned Account causes problems

- Workgroup recommendation: allocate on a TOCA-weighted basis for those customers requesting funds
- ✓ BPA proposal: adopt the recommendation but with the ability for customers to state a conditional amount
  - Rationale: BPA supports the TOCA-weighted approach and also is proposing to offer customers the option to state a conditional amount

# Unassigned Account Example

If there were \$2 million in the Unassigned Account:

	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
Customer C	0.025	0.143	\$ 285,714



# WG4: Capturing Savings from Large Projects and Large Project Fund

Problem statement: the existing Large Project Fund (LPF) is inadequate for capturing savings from large projects

- Workgroup recommendations: find an approach to help customers capture large projects while maintaining equity



BPA proposal: replace the LPF with a Large Project Program (LPP) that provides incentives to customers for “large” projects while recovering those costs from the participating customers

- Contingent upon 3<sup>rd</sup> party financing
- Rationale: supports BPA’s policy to pursue all cost-effective conservation

# How would the Large Project Program work?

- Establish the Large Project Targeted Adjustment Charge (LPTAC) in a section 7(i) rate proceeding for the purpose of collecting BPA's borrowing costs directly from the customer where the project is located
  - Maintains equity
- Cap: \$10M total per rate period for all customers
- Eligibility: customer must submit project proposal to BPA
- Allocation: first-come, first-served (up to \$2M; above \$2M is BPA's discretion)
- Agreement: the LPTAC would apply long enough to recover the amortized amount of the LPP borrowing (currently 12 years); the customer could choose an expedited payment schedule

# WG5: Reporting and Verification of Self-funded Savings

Problem statement: under current rules, utility self-funded savings must be reported to BPA and follow the same requirements as BPA-funded savings

- Workgroup recommendation: status quo



BPA proposal: adopt recommendation

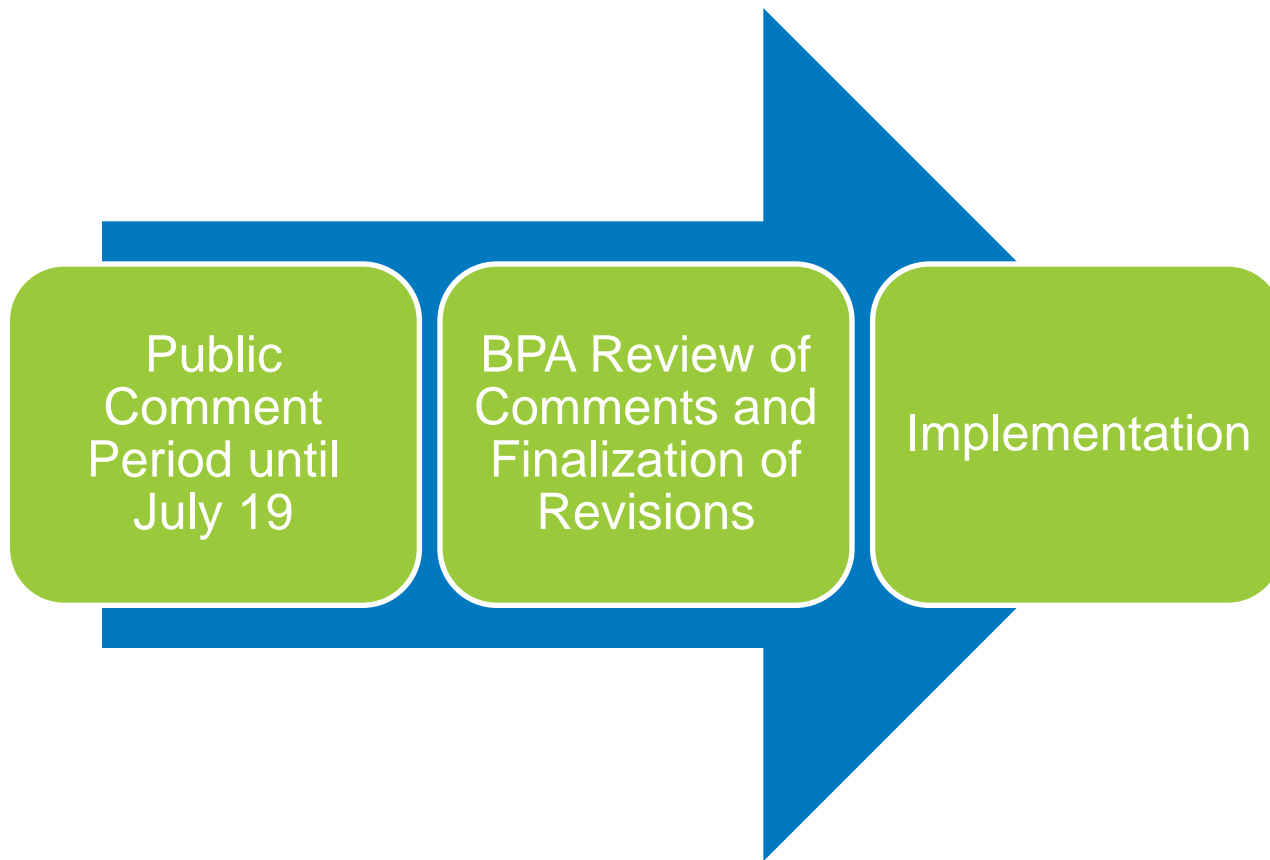
## WG5: Timing of Customer Reporting to BPA

Problem Statement: there are no controls on or structure to the timing of customer savings reported to BPA, which causes gaps in visibility for BPA's monitoring of savings progress and budget expenditures

- Workgroup recommendation: no requirement; best practice is monthly and at least quarterly for all customers; forecasting savings and expenditures is also a request, not a requirement
- ✓ BPA proposal: no requirements; promote best practices of timely reporting and forecasting to increase BPA visibility

# General Discussion

# Next Steps



# Questions or Concerns

- Utilities please contact your Energy Efficiency Representative
- Other stakeholders please contact Matt Tidwell, [mttidwell@bpa.gov](mailto:mttidwell@bpa.gov) or 503-230-4139