

# Frequently Asked Questions: Post 2011

## September 2011

### General

**Q:** This is a new process so how will BPA handle the inevitable changes and updates that occur? Specifically, what is the anticipated timing (between rate periods or intra rate period), and what is the process for notification?

**A:** The Implementation Manual is the formal process for communicating and implementing changes to the Post-2011 policy and communications from Energy Efficiency Representatives is another vehicle for notifying customers of changes and updates. BPA has committed to formally revisit the Post-2011 policy framework prior to the FY 2013/2014 rate period. However, as key issues and problem areas are identified, BPA will make changes as appropriate and make sure these are communicated to customers.

### Energy Efficiency Incentive (EEI) Compared to Previous Funding Mechanisms

**Q:** Will there be any carryover of FY11 funding mechanisms for projects that were expected to finish in FY11, but were delayed?

**A:** No. All projects completed after FY11 will be funded using EEI resources.

**Q:** EEI funds for acquiring conservation will be allocated to each utility using its Tier 1 Cost Allocation (TOCA). Why was this methodology selected and how will it be used?

**A:** During Phase 1 of the Post-2011 public process, the TOCA was selected for allocating conservation funding because it reflected customer interest in allocating funding equitably, i.e., a utility receives an

allocation of funding commensurate with the amount it pays in rates. In the absence of allocating funding (and collecting in rates) according to a utility's conservation potential, the TOCA was viewed as an equitable allocation tool.

Because the TOCAs published in BPA's Final Proposal do not sum to 1.0,<sup>i</sup> Energy Efficiency will proportionally adjust all customers' TOCAs (referred to as "Conservation TOCAs"). This across-the-board adjustment allows 100% of the funds available to customers to be allocated and explains why Conservation TOCAs will be slightly different from those published in the Final Proposal.

**Q:** Under the EEI structure, how is the timing of payment to customers going to be different from CRC?

**A:** Payments will be made according to the Prompt Payment rule, i.e., within 30 days of receiving an invoice for reimbursement. Utilities can request reimbursement as often as monthly.

**Q:** How does the new performance payment model change the process of claiming administrative costs and what can be claimed under the new model?

**A:** Beginning October 1, 2011, utilities will be able to claim performance payments on a cents/kWh basis rather than as a percentage of the total reimbursement amount. Under the new model, the utility will not "claim" administrative costs; rather, the utility will be eligible to claim an amount that will be a function of how many kWhs are reported and the utility's performance payment rate, i.e., either \$0.08/kWh or \$0.04/kWh. The amount received as performance payment is not required to be tied to administrative costs, but it is BPA's intent that utilities



will use performance payments to support the acquisition of kWh savings.

## Regional Programs

**Q:** What defines a regional program?

**A:** A regional program is a BPA contracted program that is created to overcome limited utility staff availability and achieve greater consistency of delivery approaches to implementation. By extending throughout the region, these programs allow for the aggregation of demand to ensure economies of scale and help ensure that savings targets will be achieved. These programs all require compliance with deemed measure requirements. Beginning in FY12, all incentives for regional programs will be paid out of participating utilities' EEL budgets.

**Q:** How does a regional need or a program idea become an official regional program, and how can utilities be involved in this process?

**A:** The development of regional programs is currently organic and lacks a well defined process. Engagement has historically taken the form of working groups, organized conference calls, sub-regional roundtables, and feedback through BPA EERS and the Utility Sounding Board. It is imperative to the success of this process that utilities play a significant role in the creation of regional programs, both in the identification of needs and opportunities as well as developing the scope, approach, and implementation methodologies. Though this process has historically been informal, BPA will work to establish and lead a more comprehensive collaboration process using tools like Conduit.

**Q:** If the Regional Program Delivery Fund will be allocated to programs at the beginning of a rate period, how will programs developed mid-rate period be funded?

**A:** The funding mechanism being created by the Post 2011 policy requires that all regional program activities funded by BPA must fit within the current rate period allocation, making the creation of regional programs mid-rate period difficult. This difficulty can be mitigated with early preparation and establishing predictable costs and timelines, and planning to synchronize program launches with the sunset of existing programs.

## Custom Projects

**Q:** Will the custom project proposal process change beginning Oct. 1, 2011?

**A:** The Post 2011 process established a second option for approaching custom projects, which codifies the non-standard custom projects that have historically been pursued by a minority of BPA's public utility customers. Option Two custom projects allow utilities to manage their custom projects internally with no proposals or completion reports required, but it requires utilities to assume the risk of cost-effectiveness and the possibility that BPA may not provide reimbursement if requirements are not met. These projects also do not receive project-specific technical assistance from BPA.

**Q:** How is BPA's Willingness to Pay determined for custom projects?

**A:** Beginning October 1, reimbursement levels for custom projects will be based on 1) Measure Life, 2) Retrofit or New Construction, and 3) Sector. For all custom projects, reimbursement is limited to 70 percent of the incremental installed project cost—or the reimbursement rate per kWh, whichever is less.

**Q:** Why is BPA restricting the ability of customers to move between Option 1 and Option 2 within rate periods?

**A:** By making most aspects equal, BPA has tried to minimize the reasons a utility would want to switch between options. Since the two options are focused on how a utility reports custom projects, we want to

minimize switching back and forth between options to create simplicity in reporting and administration. If circumstances change and Option 2 becomes burdensome for a utility BPA has included an option to request a switch, through the COTR Request and Acknowledgement procedure.

## Large Project Fund

**Q:** Customers accessing the Large Project Fund (LPF) have up to two subsequent rate periods to “repay” the outstanding amount via reductions in their future EEI budgets, but what happens if the EEI framework goes away?

**A:** Should a transition occur in BPA’s method for funding for energy efficiency, this issue would be resolved during the process to establish the new structure. Should a change occur, BPA’s utility customers would be involved in the decision making process to determine this and other issues. Since the LPF funding is integral to utility budgets it is very unlikely that BPA would ask utilities to directly repay the funds. It is reasonable to expect that, to the extent utilities continue to receive conservation budgets from BPA, a reduction in these funds or allocated budgets would be used to meet LPF repayment obligations.

**Q:** Can progress payments be combined with funding from the LPF, and if so how does that work?

**A:** In general, BPA expects that utilities will make use of tools such as progress payments to manage their work within their budgets without accessing the LPF. Utilities will not have access to large project funds before the savings are delivered. However, a utility could use EEI funds to make progress payments and then request large project funds for the balance of the project’s reimbursement amount.

**Q:** What is the relationship between the LPF and customer priority to access to the Unassigned Account?

**A:** If a utility gives up funds to the Unassigned Account in one rate period, they gain priority to the Unassigned Account in the then current as well as the next rate period. This priority would remain even if the utility accessed LPF dollars in that second rate period.

**Q:** How is BPA able to commit to funding projects that are completed in a future rate period if carrying funds over from rate period to rate period is not allowed by customers?

**A:** BPA sets its budgets to recover all costs that will be incurred within a fiscal year and rate period. BPA manages its activities to keep expenditures within the budgets established through the rate making processes. BPA is able to commit to these projects because they are projected to fit within EE’s budgets. BPA makes these projections based upon the fact that LPF costs will be offset by LPF repayments in a given year. Costs over and above “repayments” can be managed through under spending in other areas. EEI budget Carryover, on the other hand, would require that BPA plan to incur expenses over and above those built into rates for a particular FY, or that BPA increase rates to collect for the “carryover” costs.

**Q:** What is the process to apply for Large Project Fund (LPF) support if the project will complete in a future rate period? Would a utility need to wait until the rate period in which the project would complete or can projects in the planning process apply for funding for the rate period in which it will be completed?

**A:** Customers must submit a Custom Project Proposal and indicate the amount of LPF funds it is requesting along with the rate period in which the customer expects the project to be complete. Thus, customers can apply for LPF funds for future rate periods. Access to LPF funds for each rate period is on a first come first served basis for qualifying approved projects.

**Q:** Why is an application to the LPF contingent upon custom project approval?

**A:** Project approval allows BPA to ensure LPF funds are set aside for viable projects.

**Q:** What happens if a project gets completed in a different rate period?

**A:** Utilities apply for Large Project Funds for a specific rate period. If there is a high likelihood that the project will slip into the next rate period, it is probably better to apply for LP funds in that rate period instead. Alternatively, the utility would have to re-apply for LP funds for the next rate period. Priority is based upon the date funds are requested and can be established prior to the beginning of the rate period in which a project will be completed.

**Q:** Can a utility aggregate smaller projects to make a large one and apply for Large Project Fund resources?

**A:** No. This fund is intended to be used for individual projects.

**Q:** Is self funding required for Large Project Funding?

**A:** Self-funding is not a requirement to access the Large Project Funds, but if the requesting utility does not have a sufficient Implementation Budget to commit 33% of its allocated EEI resources to the project, the utility would need to self fund the difference. Additionally if a project's cost exceeds a utility's total available EEI allocation over three years that utility would be required to self fund the difference.

**Q:** Were EEI budgets reduced to fund the LPF?

**A:** No – the amount of capital dollars BPA is making available to utilities via the EEI is not being tapped to fund the LPF. At least for the first rate period, BPA will provide up to \$10M, as needed, by managing its budget internally. In subsequent rate periods, the LPF will be funded via repayment reductions in the EEI budgets of LPF recipients.

**Q:** What are the repayment requirements when a utility accesses the Large Project Fund?

**A:** Funding provided by the Large Project Fund must be repaid by the utility within two rate periods following the rate period in which the LPF funding is distributed, e.g., if \$1 million was provided in 12/13, the receiving utility would repay \$500,000 from both its 14/15 and 16/17 EEI budgets. At least 50% of the repayment amount must be repaid in the subsequent rate period, but the utility could select a higher percentage. Repayment will consist of BPA lowering the receiving utility's EEI budgets in rate periods subsequent to the one in which the LPF distribution is made.

**Q:** Does the total amount of the Large Project Fund continue to rise above \$10M as BPA funds large projects with the Unassigned Account?

**A:** No, the LPF cap will remain at \$10 million per rate period.

**Q:** If Unassigned Account dollars are used by BPA to help pay for LPF projects, are those funds subject to the LPF repayment provision?

**A:** Yes.

## Mechanisms for Funding Flexibility

**Q:** What are the benefits and drawbacks to using the Unassigned Account?

**A:** There are essentially two ways to “use” the Unassigned Account. One way is for a utility to transfer EEI funds *into* the Unassigned Account. Doing so makes available funding to other public power customers that might otherwise not be used by the transferring utility to acquire conservation. Alternatively, the utility could transfer some of its EEI funds to another utility via a bilateral transfer. So the ability to facilitate increased conservation is one major benefit of the Unassigned Account. For a utility that receives funds from the Unassigned Account, the utility has additional EEI funds to acquire

conservation. The only possible drawback is the potential for BPA to use funds transferred into the Unassigned Account to help pay for allocations made via the Large Project Fund. If this were to happen, the transferring utility would probably not be concerned as the funding would still be used to acquire conservation in the region; however, utilities hoping to receive additional funding from the Unassigned Account could view BPA's priority unfavorably. Given BPA's priority access to the unassigned account, utilities should not rely upon the Unassigned Account to provide a dependable source of additional EEI funds.

**Q:** Is it easier to access funds in the Unassigned Account than to access LPF funds?

**A:** The requirements between the two funds differ. LPF projects have to have an incentive amount >50% of the customer's beginning rate period EEI budget. To access the Unassigned Account, projects can be any size, but funds will be distributed on a pro rata basis. Thus, accessing the Unassigned Account has no threshold requirement making it the easier funding pool to access, if funds are available.

**Q:** Are all of the flexibility mechanisms connected?

**A:** The flexibility mechanisms (utility pooling, bilateral transfers, and the Unassigned Account) are connected insofar as they all allow utilities to manage EEI budgets at the local level to effectively acquire conservation in the region.

**Q:** How will project oversight be conducted for projects funded by the Utility Energy Efficiency Pool?

**A:** Project oversight will still be done on a project by project basis. Thus, utilities in a pool will need to maintain proper documentation regardless of which utility's service territory a project takes place.

**Q:** What is the policy on utilities negotiating the purchase, sale, or other value exchange for the bilateral transfer of EEI dollars?

**A:** BPA will not condone the sale or exchange of any value during the bilateral transfer of EEI dollars. The agreement necessary to initiate a bilateral transfer will require both parties to officially stipulate that the EEI dollars being transferred are not associated with any transfer of value monetary or otherwise.

## Conservation Potential Assessment

**Q:** What work is BPA doing in the region to support research for conservation potential assessments?

**A:** BPA will facilitate quarterly meetings of the public-power CPA group which will enable information sharing among utilities as well as provide a forum to discuss ways to improve consistency of potential assessments. BPA will be a centralizing force for CPA-related documents by developing a library of completed CPAs and related documents as well as survey templates. BPA will represent region in regional processes, including the RBSA, the CBSA and Council Plan reviews. BPA will conduct some data collection to support utilities' CPAs RBSA oversample and support of a commercial square footage study.

**Q:** How will BPA work with utilities to define conservation potential assessment standards?

**A:** BPA will support consistency and comparability through developing tools and information for CPAs by maintaining the Utility Potential Calculator, updating a Guidebook for potential studies to include best practice and other consistency recommendations and working with utilities to develop a CPA reporting template.

**Q:** Will BPA provide technical assistance to customers performing conservation potential assessments, if so what form will this assistance come in?

**A:** In addition to the above-mentioned support, BPA has developed the Utility Potential Calculator for individual utilities to input their utility-specific information to achieve an estimate of conservation

potential. BPA is supporting this model and has a contract with EES Consulting to provide 2 hours of support for each utility who would like help using it.

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<sup>i</sup> A customer's TOCA is calculated as the lesser of the customer's forecasted Net Requirement or Rate Period High Water Mark (RHWM), divided by the sum of all customers' RHWM. See section 5.1.1 of the Tiered Rates Methodology (TRM). Thus, the sum of all customers' TOCAs would only be 1.0 for any given rate period if every BPA customer with a TOCA has a forecasted Net Requirement equal to or greater than its RHWM.