

Policy for Allocating Energy Efficiency Savings

Introduction

Under the Post-2011 framework, BPA assumes that public utility customers will self-fund,¹ i.e., not request BPA reimbursement, for 25 percent of the programmatic energy efficiency necessary to meet public power’s share of the regional savings target in the Northwest Power and Conservation Council’s Sixth Power Plan. This 25 percent figure does not create goals or targets for any specific customer; rather, it is an aggregate savings contribution from BPA’s customers. In order to show regional target achievements, per the terms of the Regional Dialogue power sales contracts, customers “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...” (§18.1.2.2).

Definition

Self-funded savings are those associated with:

- An energy efficiency measure or custom project for which the utility receives *no* BPA reimbursement.
- A custom project for which the utility receives a reimbursement from BPA that is: 1) less than BPA’s willingness to pay² for the project; and, 2) less than the total incentive (rebate) paid to the end-user.

Allocating Energy Efficiency Savings

All cost-effective savings are to be reported to BPA and will be ascribed toward the reporting utility. Savings can be either BPA-funded (via the Energy Efficiency Incentive (EEI) funding mechanism) or utility self-funded (via “self-funding”) depending on the amount of BPA reimbursement requested by the customer.

BPA Reimbursement (EEI) Amount Requested for a Measure or Project	Available Applications	Savings Allocated to EEI	Savings Allocated to Customer	Additional Documentation Requirements
All	Deemed measures and custom projects	100%	0%	None
None	Deemed measures and custom projects	0%	100%	None
Partial	Custom projects	See table, below.	See table, below.	Customers must (1) report to BPA the amount paid to the end user and (2) retain proof of payment in their files.

Savings Allocation Methodology for Partial BPA Reimbursements	
EEI	$\frac{\text{Amount of BPA Reimbursement Requested}^*}{\text{Amount Paid to the End User}^{**}} \times \text{Total Reported Savings}$
Customer	$\frac{(\text{Amount Paid to the End User}^{**}) - (\text{Amount of BPA Reimbursement Requested}^*)}{\text{Amount Paid to the End User}^{**}} \times \text{Total Reported Savings}$

*Use the amount paid to the end user if less than the amount of BPA reimbursement requested.

**Amount cannot exceed the Total Available BPA Reimbursement, i.e., BPA’s maximum willingness to pay.

¹ A utility does not have to “pay” out of its own utility budget for savings to be considered “self-funded,” i.e., the savings can be paid for from any non-BPA source, such as federal or state funding, grants, etc.

² “Willingness to pay” and “reimbursement” amounts can be but are not always the same, e.g., BPA’s “willingness to pay” for a given project may be \$10,000 but the utility may request a “reimbursement” of only \$8,000.



To better illustrate what will be considered self-funded energy efficiency, we have provided a set of examples.

Examples: Deemed Measures

To receive self-funding credit for deemed measures, utilities must report a portion of the total completed deemed measures as self-funded and *not* invoice BPA for those measures. BPA is not able to provide partial reimbursements for deemed measures, so partial self-funding of deemed measures is not possible.

Example 1, Self-Funding:

A utility has four CFL bulbs to report. It requests a \$1.00 reimbursement from BPA for 3 of the 4 CFLs reported. By not requesting a BPA reimbursement for the fourth bulb, the utility delivers an incremental savings of 25 percent above the total savings funded by BPA's \$3.00 reimbursement. This **is** considered self-funding and the savings will be allocated to the utility. Operationally, the utility would select 100% Energy Efficiency Incentive (EEI), i.e., BPA-funding, as the funding source for three CFLs and select 0% EEI for the fourth.

Measure					Total
	CFL	CFL	CFL	CFL	4 CFLs
BPA's willingness to pay	\$1.00	\$1.00	\$1.00	\$1.00	\$4.00
BPA reimbursement requested by utility	\$1.00	\$1.00	\$1.00	\$0.00	\$3.00
Utility's rebate to end-users	\$1.25	\$1.25	\$1.25	\$1.25	\$5.00
Savings from BPA funding (kWh) ³	27	27	27	0	81 kWh
Savings from utility funding (kWh)	0	0	0	27	27 kWh

Example 2, Not Self-funding:

A utility has four CFL bulbs to report. It requests a \$1.00 reimbursement from BPA for each compact fluorescent bulb (CFL) and pays \$1.25 rebate for each bulb to its customers. The \$1.00 (25 cents per bulb) paid by the utility in addition to BPA's \$4.00 total reimbursement would represent a 25 percent increase in spending but would not represent a net increase in energy savings. Since the additional \$1.00 provided by the utility to its customers does not result in additional savings above the total savings funded by BPA, it is not considered self-funding.

Measure					Total
	CFL	CFL	CFL	CFL	4 CFLs
BPA's willingness to pay	\$1.00	\$1.00	\$1.00	\$1.00	\$4.00
BPA reimbursement requested by utility	\$1.00	\$1.00	\$1.00	\$1.00	\$4.00
Utility's rebate to end-users	\$1.25	\$1.25	\$1.25	\$1.25	\$5.00
Savings from BPA funding (kWh)	27	27	27	27	108 kWh
Savings from utility funding (kWh)	0	0	0	0	0 kWh

The total amount paid by a utility to an end-user for deemed measures is irrelevant for the purposes of establishing self-funding; utilities can claim savings only up to the amount of savings corresponding to BPA's willingness to pay. Even when a utility does not seek BPA reimbursement, as in Example 1 above, it will only be credited with

³ kWh savings throughout the document are given as first year savings because BPA reimbursement and self-funding credit is based on first year savings.

self-funded savings up to the amount of savings corresponding to BPA's maximum willingness to pay for the self-funded measure. In Example 1, this was 27 kWh of savings.

Examples: Custom Projects

For custom projects of all sectors, utilities can receive 100% self-funding credit or partial self-funding credit. To receive 100% self-funding credit for custom projects, utilities must report projects as self-funded and *not* invoice BPA for the projects. To receive partial self-funding credit for custom projects, utilities must report projects as partially self-funded and invoice BPA for a portion of BPA's willingness to pay that is less than the incentive paid to the end-user. When reporting partially self-funded custom projects, utilities must report to BPA and retain documentation of the incentive paid to the end-user.

In Example 3 below, the utility invoices BPA for a reimbursement less than BPA's willingness to pay and 25% less than the incentive paid to the end-user, i.e., \$75,000 is 25% of \$100,000, so the utility would receive credit for 25% of the savings.

Example 4 shows a project for which the utility paid an incentive to the end-user \$10,000 above BPA's willingness to pay. That \$10,000 portion of the incentive would not constitute self-funding since no energy savings are achieved in addition to the total savings corresponding to BPA's \$100,000 willingness to pay. For all custom projects, BPA's willingness to pay, as well as the savings corresponding to BPA funding and utility self-funding, will be calculated after project completion. Operationally, the utility would select the percentage of self-funding such that in the "Self-funding" example below, the utility would select 25% self-funding and be awarded 25% of the savings, i.e., 100,000 kWh.

Example 5 shows a project for which the utility paid the end user only 75% of BPA's total willingness to pay. Though this particular project was accomplished with less than the full incentive amount available, the utility did not contribute any funds in excess of those provided through EEI funding, and would therefore not be credited with any self-funding as all the kWh saved were acquired with BPA funding.

	Example 3 Self-funding	Example 4 Not Self-funding	Example 5 Not Self-funding
Energy savings available	400,000 kWh	400,000 kWh	400,000 kWh
BPA's willingness to pay	\$100,000	\$100,000	\$100,000
BPA reimbursement requested by utility	\$75,000 (75%)	\$100,000 (100%)	\$75,000 (75%)
Utility's rebate provided to end-user	\$100,000	\$100,000	\$75,000
Savings from BPA funding (kWh)	300,000 (75%)	400,000 (100%)	400,000 (100%)
Savings from utility self-funding (kWh)	100,000 (25%)	0	0

For industrial custom projects and when funding from BPA's Large Project Fund are used for custom projects, utilities must pass through to the end-user the full amount of the requested BPA reimbursement to the utility.

Self-funding and Performance Payments

In addition to reimbursements for energy efficiency savings, BPA allows customers to claim performance payments at a rate of \$0.08 or \$0.04 per kWh of BPA funded savings (for SRR and non-SRR, respectively). Though BPA does not mandate a specific use for these funds, they are intended to support the infrastructure and overhead necessary for utilities to pursue a robust energy efficiency program for their customers. It is BPA's policy that failing to claim performance payments, regardless of the amount of EEI resources dedicated to conservation, does

not constitute self-funding. Equally, choosing to claim performance payments, but asking that these funds be provided to the unassigned account, another utility, a pooling organization, or returned to BPA to support regional conservation programs does not constitute self-funding.

Conclusion: Why Paying More Does Not Mean More Self-funding

From a regional perspective, incentives paid by utilities in addition to BPA's willingness to pay increase the total cost of the savings rather than capturing new savings and, therefore, are not considered as self-funding. For explanatory purposes, assume an annual public power target of 100 aMW of programmatic savings. BPA sets its budget (i.e., its willingness to pay on aggregate) at \$150M by estimating it will cost, on average, \$2M per aMW to achieve 75 percent of the target. This budget assumes that the remaining 25 percent of the 100 aMW target will come from utility self-funding. If utilities fully invoice BPA for \$150M and choose to pay more generous incentives to their end-users totaling, for example, \$200M, more dollars are spent, but no incremental savings are achieved. This additional \$50M only increases the cost of the savings tied to BPA funding and, since no new savings are achieved, could jeopardize the ability to achieve public power's energy efficiency target. Thus, kWh savings achieved by utility self-funding is what is important not the amount of money spent.