BONNEVILLE POWER ADMINISTRATION

BPA Energy Efficiency Capital Budget Management

Public Power Meeting

August 4, 2011

Agenda

- Background
- Situation Analysis
- Alternatives Discussion

BACKGROUND

Energy Efficiency and BPA Funding

- BPA is accountable for public power's share of the NWPCC's Sixth Power Plan energy efficiency target
- Energy savings come from:
  - programmatic activities
  - NEEA's market transformation
  - non-programmatic energy savings

Energy Efficiency and BPA Funding

- BPA funds programmatic energy efficiency achievement via regional programs and infrastructure and a share of regional incentive costs*
- BPA's capital funding is set during IPR process at level to deliver BPA's programmatic energy efficiency achievement

  (Annual target)×($/aMW) = Capital Budget

*Conservation Rate Credit and Energy Conservation Agreements

Energy Conservation Agreements

- BPA has provided bilateral, capital funding for energy efficiency since 1999.
- The Energy Conservation Agreement (ECA) is the current contract providing bilateral funding
- ECAs cover 2010-2014*
- Implementation Budget
  - Maximum funding established in ECA
  - Can be added to / removed from ECA
  - Current balance nets difference between Implementation Budget and invoices accepted/paid
  - Provides flexibility across years; Once budget established in ECA, utility determines timing of invoices

* With exception of non-standard ECA's which expire Sept 30, 2011

Post-2011 Funding Change

- Beginning Oct. 1, Implementation Budgets in ECAs will be set to a utility's representative proportion of the BPA Energy Efficiency Incentive fund for the rate period, as calculated based on Tier One Cost Allocator

Energy Efficiency Budget: IPR

- BPA's IPR process established a total capital budget of $459M for BPA's programmatic energy efficiency achievements in 2010-2014[1], expected to deliver 247 of 278 aMW

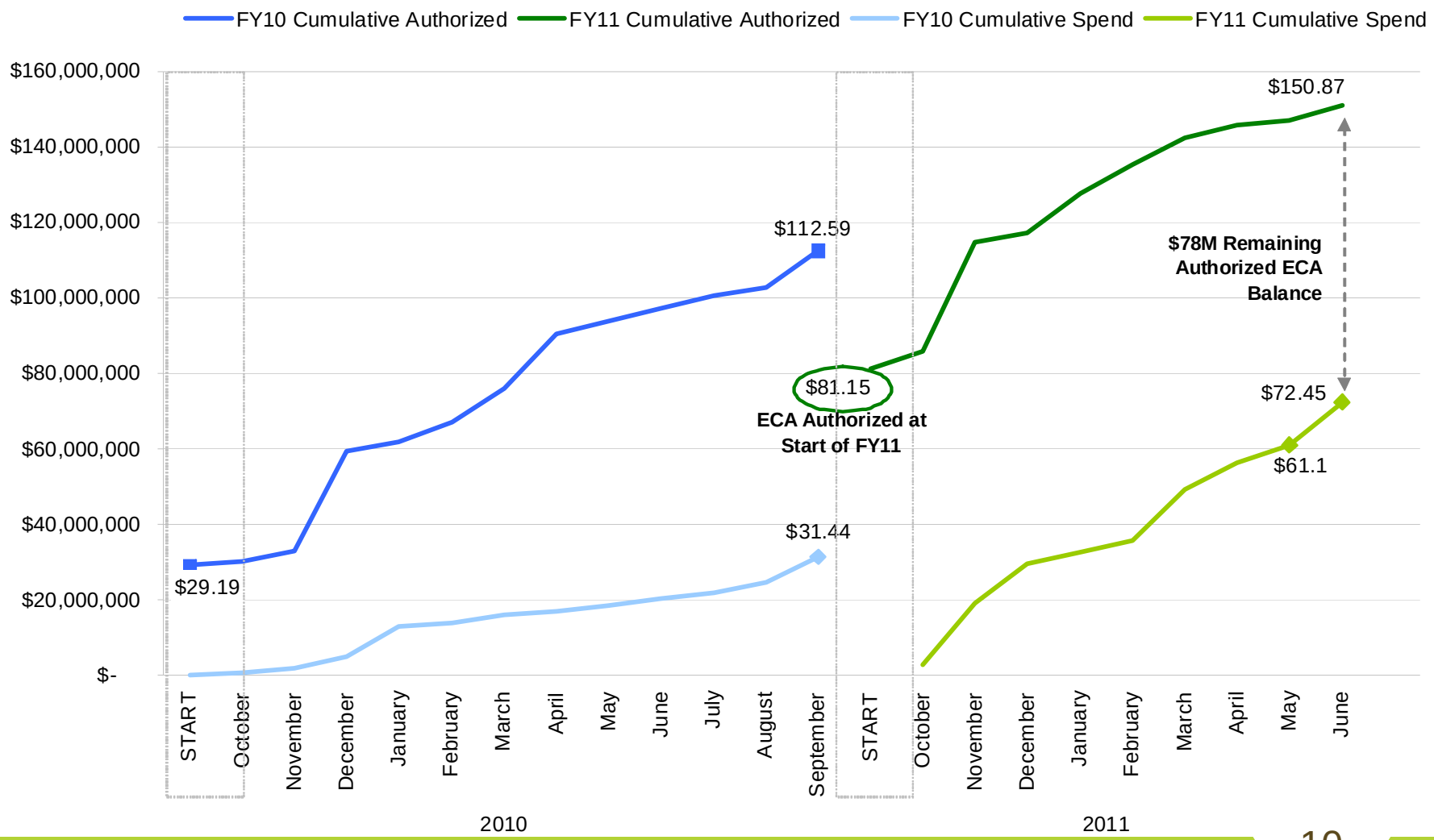
IPR	2010	2011	2012	2013	2014	**Total**
BPA funded aMW	49	66	54	54	56	**278**
Total[2] aMW	**90**	**111**	**96**	**99**	**106**	**504**

BPA Capital[3] ($M)	$47	$80	$104	$111	$117	**$459**
BPA Capital and CRC ($M)	$75	$110	$104	$111	$117	**$517**

1 - As reflected in IPR Close Out Memo of October, 2010. Total BPA-funded aMW equal 278: 247 from capital; 31 from CRC
2 – Total aMW includes the above and NEEA, non-programmatic, and utility-funded achievements
3 – Capital funds regional utility incentive payments, regional program support, and EE Central development costs

SITUATION ANALYSIS

Authorization and Expenditures



Updated Energy Efficiency Budget

- FY10 actuals: Capital: $58M (vs. $47M), CRC: $41M (vs. $28M)
- Re-balance 2012-2014 budget to reflect early BPA-funded achievements (+$35M in FY11; -$47M in FY12-14). Reduce BPA-funded aMW by 33aMW due to carry over of early achievements under 5th Power Plan – reduce BPA funded target from 278 to 244 aMW
- Expected CRC spending in 2011 $12M

IPR	2010	2011	2012	2013	2014	**Total**
BPA funded[1] aMW	51	75	34	38	46	**244**
Total[2] aMW	**106**	**125**	**82**	**88**	**104**	**504**

BPA Capital ($M)	$58	$115	$89	$95	$101	**$458**
BPA Capital and CRC[3] ($M)	$99	$127	$89	$95	$101	**$511**

1 – BPA-funded aMW includes capital, Norpac, CRC savings
2 – Total aMW includes carryover, NEEA, utility-funded, and non-programmatic
3 – CRC spending in IPR was assumed at $60M total. We've updated that to $53, assuming $6.5M for Renewables option

Actual FY11 Capital Expenditures

- Uncertain final figure
- Influenced by individual actions; today's discussion
- Presenting three scenarios:

BUDGET: $115M

MID: $143M

HIGH: $175M

Capital Expenditures

- Actuals through June
- Projections by spend-type totaling scenarios

($M)	2010	2011 through June	Budget	Mid	High
ECA	$31	$69	+$15	+$43	+$75
Non-ECA	$27	$25	+$6	+$6	+$6
Total Capital	**$58**	**$94**	**$115**	**$143**	**$175**

ALTERNATIVES DISCUSSION

Solution Criteria

- BPA's EE capital spending approach should:
  - Assure delivery of the BPA-funded programmatic portion of the 6th Power Plan
  - Maintain overall capital funding level for 2010-2014 , as established during IPR
- Ideally, the approach will:
  - Create a cost-advantage by lowering the overall BPA spending to achieve public power's share of the 6th Power Plan target

Forecast Spending Scenarios

1	**Partner to Mitigate:** BPA's actual FY11 capital expenditure lower	Requires coordinated integration; uncertain ability to maintain limit
2	**Let it Unfold:** BPA's actual FY11 capital expenditure higher	Requires no current mitigation; largest gap against remaining 3-year budget

Alternatives, Given an Overspend

A	**Level Impact:** Reduce 2012-2014 capital to offset over-spend with pro-rata EEI decreases	Universal, proportional decrease across all utilities
B	**Equity in Impact:** Reduce 2012-2014 capital to offset over-spend with targeted decreases to specific utility EEI	Apply Post-2011 philosophy to FY2011
C	**Regional Programs:** Defer $10M in scheduled FY11 payments into out-years	Absorb through cuts to BPA's program budget to maintain higher EEI

Impact Scenario: Assumptions and Caveats

- Impact Scenarios are for illustrative purposes only and do not reflect actual utility data
- All impacts vary with Total FY11 expenditure
- Aggregate impact ≠ specific utility's impact; depends on option implemented
- Specific impacts will vary according to:
  - Utility's TOCA (proportional share)
  - Utility's FY11 expenditure relative to TOCA

Impact Scenario: Assumptions and Caveats

- Equity Impact Methodology:
  - Assume preliminary 2012 TOCA applies to FY11
  - Calculate FY11 Utility Incentive Fund Total capital budget less BPA managed programs budget: ($115M - $31M = $84M)
  - Calculate FY11 Utility Allocation: (TOCA) * (Utility Incentive Fund)
  - Calculate Early Accessed Capital: (FY11 Utility ECA invoicing) - (FY11 Utility Allocation)
  - Reduce EEI for FY12–FY14: (EEI Base Case) – [(1/3)*(Early Access Capital)]

Illustrative Aggregate Impacts ($M)

BPA's Total Capital Budget ($M)

	2010	2011	2012	2013	2014	Total (2010-2014)	EEI % Change (FY12-FY13)
$115	$58	$115	$89	$95	$101	**$458**	0%
$143	$58	$143	$86	$86	$86	**$458**	-7%
$175	$58	$175	$75	$75	$75	**$458**	-18%

FY12-FY14 assume EEI is 75% of BPA's total capital shown here

Illustrative Specific Impacts ($K)

❶FY11 = $143,000K

❷FY11 = $175,000K

		2012 EEI Allocation		
	2011 ECA INVOICES	BASE CASE	EQUITY IMPACT	LEVEL IMPACT
1A Relative-High	$1,100	$205	$-----	❶ $180 ❷ $140
1B Proportional	$ 1,100	$875	$875	❶ $750 ❷ $615
1C Relative-Low	$ 1,100	$1,495	$1,495	❶ $1,290 ❷ $1,050

Discussion Points

- FY11 expenditures: seek to mitigate vs. let it unfold
  - Voluntary release of ECA authorization
  - BPA's on-hold actions
  - Additional actions?
- Managing to capital umbrella:
  - Merits of options?

Next Steps

- Public Interest Group meeting (8/9)
- Gather stakeholder input
- BPA
  - Considers utility and constituent feedback
  - Distributes close-out letter Shares information regarding actual FY11 expenditures and FY12+ EEI budgets (after Oct 1)

THANK YOU

APPENDIX MATERIALS

Scenario 1
$115M in 2011

	2010	2011	2012	2013	2014	Total (2010-2014)
BPA-funded aMW	51	75	34	38	46	244
Total aMW	**106**	**125**	**82**	**88**	**104**	**504**
BPA-capital funding $M	$58	$115	$89	$95	$101	**$458**
BPA total funding ($M)	**$99**	**$127**	**$89**	**$95**	**$101**	**$511**

- Capital funding for FY10 is actual, FY12-FY14 are those provided to utilities in May, 2011.
- BPA-funded aMW includes capital, Norpac and CRC-funded savings.
- Total aMW also includes carryover (FY2012-2014; ~33aMW), NEEA, utility self-funded savings and non-programmatic savings (15aMW in FY10; 65aMW in FY11- 14).
- BPA total funding includes capital funding and CRC (FY10, FY11).

Scenario 2
$143M in 2011

	2010	2011	2012	2013	2014	Total (2010-2014)
BPA-funded aMW	51	90	32	32	39	244
Total aMW	**106**	**146**	**78**	**81**	**93**	**504**
BPA-capital funding $M	$58	$143	$86	$86	$86	**$458**
BPA total funding ($M)	**$99**	**$155**	**$86**	**$86**	**$86**	**$511**

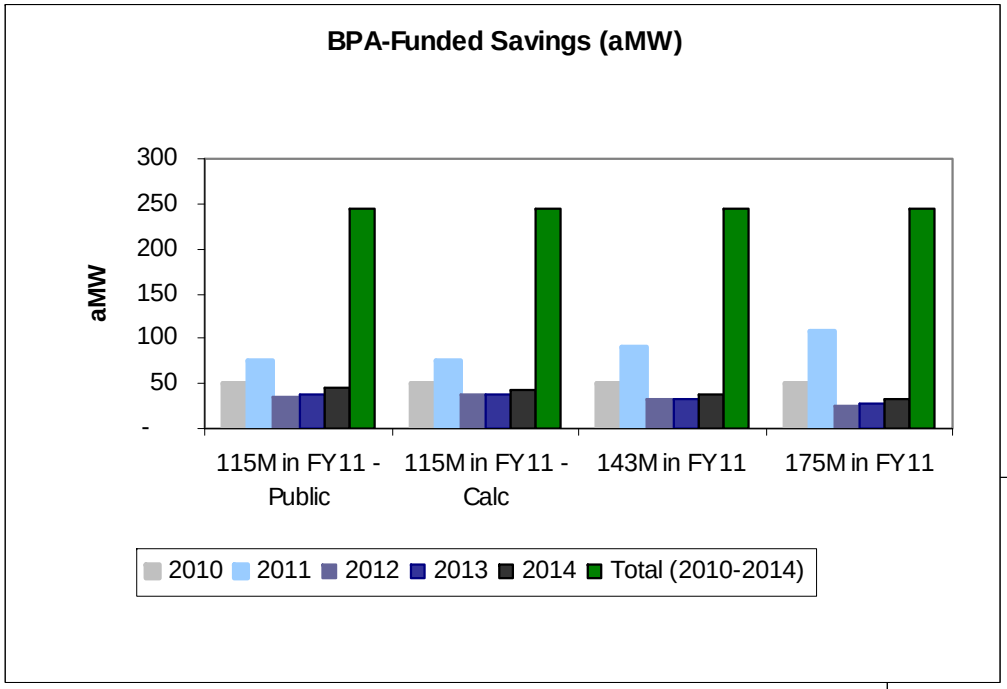
- BPA-funded aMW includes capital, Norpac and CRC-funded savings.
- Total aMW also includes carryover (FY2012-2014; ~33aMW), NEEA, utility self-funded savings and non-programmatic savings (15aMW in FY10; 65aMW in FY11- 14).
- BPA total funding includes capital funding and CRC (FY10, FY11).

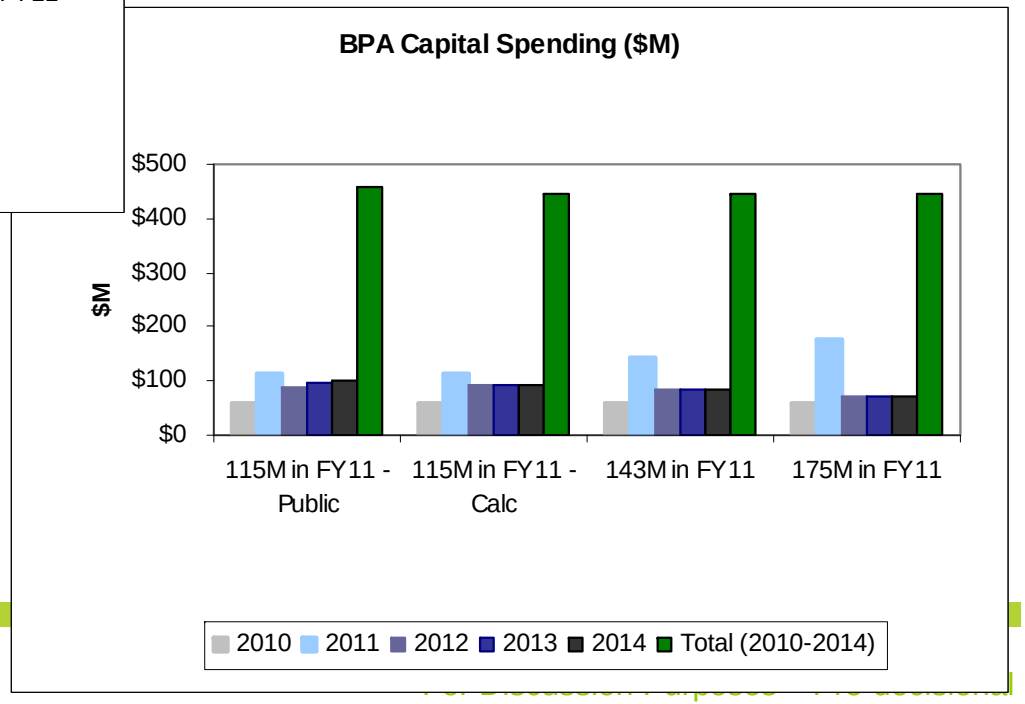
Scenario 3
$175M in 2011

	2010	2011	2012	2013	2014	Total (2010-2014)
BPA-funded aMW	51	108	26	27	33	244
Total aMW	**106**	**170**	**70**	**73**	**86**	**504**
BPA-capital funding $M	$58	$175	$75	$75	$75	**$458**
BPA total funding ($M)	**$99**	**$187**	**$75**	**$75**	**$75**	**$511**

- BPA-funded aMW includes capital, Norpac and CRC-funded savings.
- Total aMW also includes carryover (FY2012-2014; ~33aMW), NEEA, utility self-funded savings and non-programmatic savings (15aMW in FY10; 65aMW in FY11- 14).
- BPA total funding includes capital funding and CRC (FY10, FY11).

Scenario Comparisons





$M/aMW Comparison	2011	2012	2013	2014
115M in FY11 - Public	$1.8	$2.4	$2.4	$2.4
115M in FY11 - Calc	$1.8	$2.3	$2.3	$2.3
143M in FY11	$1.8	$2.4	$2.4	$2.4
175M in FY11	$1.8	$2.5	$2.5	$2.5
IPR assumption	$1.8	$2.3	$2.5	$2.5

Background: Scenario Calculations

- Savings from CRC, Norpac, Carry-over, NEEA and non-programmatic are based on best-available information and do not change in scenarios. Utilities are assumed to self-fund 25% of total program savings (CRC+Capital+Norpac+Self-funded)
- $M from Norpac and CRC are based on best-available information and do not change in scenarios
- Average FY12-14 capital $M is spending is calculated such that capital costs are equal to the IPR capital ($459M)
- Average FY12-14 savings achieved from BPA capital spending is calculated by adjusting $M/aMW such that total savings = 504aMW