Post-2011 Review Workgroup 1 Initial Analysis of Funding Alternatives for Self-Management of Utility Incentives - For Discussion Purposes Only

<table>
<thead>
<tr>
<th>Brief description</th>
<th>Pros</th>
<th>Cons</th>
<th>Implications/Additional Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Status Quo</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 75/25 programmatic split remains and incentives continue to be capitalized | • Keeps things simple  
• Model is understood | • Doesn’t fully address some customers’ concerns about BPA incurring capital costs on their behalf  
• Doesn’t provide an option for 100% self-management of incentives  
• Doesn’t relieve any EE pressure on BPA’s capital borrowing  
• Higher overall costs in the long run due to borrowing costs |  
| Revise down the 75/25 programmatic split |      |      |                                        |
| Customers, on average, take on more responsibility for delivering savings without BPA funding, which would result in proportionally reduced EEI budgets for all customers | • Partially addresses some customers’ concerns about BPA incurring capital costs on their behalf when they expense conservation at the retail level  
• Relieves some EE pressure on BPA’s capital borrowing | • Doesn’t fully address some customers’ concerns about BPA incurring capital costs on their behalf  
• Doesn’t provide an option for 100% self-management of incentives  
• Higher overall costs in the long run due to borrowing costs (as it relates to the Expense Rate Credit option) | • As the percentages change and less funding flows through BPA, what accountability mechanism would be needed to ensure adequate savings are delivered to meet BPA’s savings commitments?  
• If utility self funding percentage increases, this would proportionally reduce EEI budget allocations  
• May result in increased accountability for utilities |
| Conservation Prepay |      |      |                                        |
| Customers would bring capital to BPA in exchange for a rate credit that repays the prepaid capital with interest | • Addresses some customers’ concerns about BPA incurring capital costs on their behalf  
• Relieves some EE pressure on BPA’s capital borrowing  
• Lower overall costs in the long run due to no borrowing costs | • Doesn’t provide an option for 100% self-management of incentives  
• Transaction costs considerations may limit the number of customers able to participate  
• Higher overall costs in the long run due to borrowing costs | • Is this option only about finding an alternative capital source or do participating customers want additional changes? |
| Expense Rate Credit |      |      |                                        |
| The EE capital budget would be moved to expense and customers would receive their EEI budgets broken down into a monthly rate credit | • Addresses some customers’ concerns about BPA incurring capital costs on their behalf  
• Relieves some EE pressure on BPA’s capital borrowing  
• Lower overall costs in the long run due to no borrowing costs | • Doesn’t provide an option for 100% self-management of incentives  
• Near term rate impact for customers (there’s flexibility on the timing of the transition to expense) | • How would the program be designed differently, if at all, from the last rate credit construct, i.e., would there be an opportunity to improve on the previous expense rate credit?  
• Possible transition option, such as 50/50 split  
• Rate impacts  
• Previous CRC budgets were ~50% of current EEI budgets (less rate impact). Keep in mind EEI budgets are rising  
• Are there implications for reporting of savings to BPA? |
| Capital Rate Credit |      |      |                                        |
| A monthly rate credit—for debt service costs not incurred—would be given to those customers that elect to 100% self-finance their savings acquisition | • Addresses some customers’ concerns about BPA incurring capital costs on their behalf  
• Relieves some EE pressure on BPA’s capital borrowing  
• Provides an option for 100% self-management of incentives  
• Would not change the cost structure for those remaining customers | • Is very complicated from a BPA cost recovery/rate making perspective  
• Could significantly increase IT costs for rates/billing purposes. Should those costs be borne by those utilities choosing to self-manage?  
• Less higher overall costs in the long run due to borrowing costs  
• Could impact cash flow due to loss of EEI | • For those customers electing the capital rate credit, what accountability mechanism would be needed to ensure savings are delivered and would other customers be impacted either from a budget or savings delivery expectation perspective? |
| Flexible Budgets – Rate Adder |      |      |                                        |
| Customers can elect more or less than their TOCA-based BPA incentive budgets; costs are collected in rates in the form of a rate adder (as opposed to a credit approach) | • Addresses some customers’ concerns about BPA incurring capital costs on their behalf  
• Provides an option for 100% self-management of incentives  
• If capitalized, relieves some EE pressure on BPA’s capital borrowing  
• Is simpler from a BPA cost recovery/rate making perspective than some other options  
• Provides all customers flexibility whether incentives are expensed or capitalized | • Makes for a more complicated BPA budgeting process due to customer flexibility  
• If incentives are capitalized, higher overall costs in the long run due to borrowing costs | • Would the approach work if EEI is expensed?  
• What would be BPA’s backstop role in this approach?  
• What accountability mechanism would be needed to ensure adequate savings are delivered to meet BPA’s savings commitments?  
• What are the implications for BPA budgeting if customers are able to elect their budget amounts?  
• Advance budget commitments?  
• Default to TOCA?  
• Could budget flexibility be used to address capturing large projects? |

For Discussion Purposes Only