Post-2011 Review

Workgroup 1: Initial Analysis of Funding Alternatives

March 17, 2014
What is the workgroup trying to solve?

- How do we achieve BPA’s savings goals while:
  - A. relieving pressure on BPA’s capital borrowing;
  - B. offering customers some flexibility (e.g., 100% or partial self-management of incentives);
  - C. offering some customers the ability to avoid having BPA incur capital costs on their behalf; and
  - D. avoiding complicated and costly implementation of alternatives?

Working assumption: all non-incentive EE costs (e.g., regional third party contract costs) are collected on a TOCA-basis, which is no change from the status quo, and the alternatives are focused only on incentives.
1. How should BPA finance the incentive costs for BPA’s savings acquisition?
   • Expense
   • Capital
   • Relationship between near/long term costs

2. How should BPA structure its incentive funding relationship with customers?
   • Alternatives are considered in the following slides
## Status Quo

<table>
<thead>
<tr>
<th>Brief description</th>
<th>Pros</th>
<th>Cons</th>
<th>Implications/Additional Considerations</th>
<th>Scoring</th>
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</thead>
</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 | | 75/25 programmatic split remains and incentives continue to be capitalized | 4 |
Revise down the 75/25 programmatic split

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| 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 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? |         |
# Conservation Prepay

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| 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 | • 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? |
# Capital Rate Credit

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| 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 | • Is very complicated from a BPA cost recovery/rate making perspective  
• Higher overall costs in the long run due to borrowing costs | • 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? |
## Expense Rate Credit

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| 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 all 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?  
• Are there implications for reporting of savings to BPA |
## Flexible Budgets – Rate Adder

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| 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 | • 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?  
• Could budget flexibility be used to address capturing large projects? |----------|