

Business Rules Regarding the Large Project Fund (LPF)

Updated: February 21, 2012

The Large Project Fund (LPF) will be used to provide incentives to customer utilities (customers) for “large” projects. A “large” project is defined as having a BPA reimbursement amount (the amount paid from BPA to the customer after applying an applicable project cost cap) totaling more than 50% of a customer’s rate period TOCA-based Energy Efficiency Incentive (EEI) budget. The funding amount available to customers from the LPF is capped at \$10 million per rate period. Funds from the LPF will be allocated on a rolling basis* only to customers that provide a completed custom project proposal per the terms in the Implementation Manual and satisfy the LPF requirements contained therein. Funds received by customers via the LPF will be repaid by customers to BPA overtime via reductions in their future EEI budgets.

* Between October 1, 2011 and March 4, 2012, LPF funding was not made available by BPA to customers. To allow for a smooth and fair transition to the use of the LPF mechanism, all CPPs submitted between March 5, 2012 and March 30, 2012 will be considered as having the same submission date and time. LPF funds will be allocated to those qualifying LPF projects submitted during this four-week window on a pro-rata basis, if necessary.

Interim Process (without EE Central Functionality)¹

Below are the steps customers will take to apply for LPF funding and the steps BPA will take to assign and allocate LPF funds to qualifying customers:

1. All customers (both Option 1 and Option 2 customers) must submit to their Contracting Officer’s Technical Representative (COTR) via email a custom project proposal (CPP) using the “Interim Option 1 Custom Project Proposal Form” (Form).² Customers must indicate in the Cover Sheet of the Form that they are requesting LPF funds (notifying the COTR directly in the email containing the completed Form is strongly advised). If the project was initiated after October 1, 2011 and, therefore, a CPP for the project has already been submitted, the customer may apply for LPF funds using the COTR Request and Acknowledgement Procedure.
 - a. The customer must indicate whether it will pay to the end-user upon project completion the equivalent of 1/3 of its EEI budget (based on the budget at the beginning³ of the rate period in which the project is submitted) or 1/3 of the project’s total reimbursement amount. The LPF allocation to the project will be calculated based on the indicated amount.
 - b. CPPs must meet all LPF requirements as described in the Implementation Manual and below.
 - c. CPPs must also include major project milestones (i.e., dates that key equipment will be delivered, installed and operational), regardless of whether progress payments are being requested.

¹ This document will be updated once EE Central is online.

² The Interim Option 1 Custom Project Proposal Form is available online:

http://www.bpa.gov/Energy/N/xls/Interim_Option1_CustomProject_ProposalForm_2_0.xls.

³ For the FY2012-2013 rate period, the 1/3 determination will be based on the total sum of the customer’s FY2012 and FY2013 annual EEI budgets.



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2. A customer's CPP is reviewed by the customer's COTR and a BPA engineer and the estimated savings and reimbursement amount are determined. The project is also reviewed for compliance with BPA's requirements.
 3. BPA staff will automatically use the reimbursement amount to determine if the project qualifies for LPF funding, i.e., the reimbursement must be greater than 50% of the customer's EEI budget at the beginning⁴ of the rate period in which the CPP is submitted.
 - a. The customer's COTR will communicate via email to the customer one of the following:
 - b. CPP is approved and qualifies for placement in the queue for LPF funding.
 - c. CPP is approved but does not qualify for LPF funding.
 - d. CPP is not approved or is returned to customer for modification.
 4. If the project proposal is approved and qualifies for LPF funding, BPA will add the project to the LPF queue for the rate period in which the project is estimated to be completed, e.g., for a project estimated to be completed in FY2015, the project would be added to the queue for the FY2014-2015 rate period. The project's "place in line" will be based on the date and time of when the project's CPP was submitted to BPA (with the exception of those projects submitted between March 5, 2012 and March 30, 2012).
 - a. Upon BPA approval, the project's LPF allocation is locked in for the rate period in which the project is expected to be completed. This "locking in" of LPF funds will be stipulated in the CPP approval communication from the customer's COTR. However, project qualification and locking in of LPF funds do not guarantee disbursement of LPF funds to the customer; satisfying the requirements herein and the CPP sector requirements in the Implementation Manual is required in order for customers to receive LPF reimbursements.
 - b. The queue for each rate period will be managed by BPA.
 5. **[Updated Feb. 21, 2012]** After project approval, an Exhibit B (incorporating the terms of BPA's obligation to pay and the customer's obligation to repay the LPF funding) to the customer's Energy Conservation Agreement will be signed by BPA and the customer.
 6. After the project is completed, customer submits a project completion report to BPA for review and selects the amount of LPF funding it wants to claim.
 - a. COTR and engineer review completion report for acceptability.
 - b. The customer indicates via an email to its COTR how much of the assigned LPF amount it wants transferred.
 - i. The LPF amount selected by the customer must not exceed the amount stipulated in the approved CPP.
 - ii. The LPF amount must not exceed two-thirds of the reimbursement amount corresponding to the reported savings. For example, if the CPP denotes 4M kWh for a total reimbursement amount of \$1M with \$666,666 from the LPF and the project delivers only 3.5M kWh, the customer would be eligible

⁴ For the FY2012-2013 rate period, the 1/3 determination will be based on the total sum of the customer's FY2012 and FY2013 annual EEI budgets.

for an LPF amount of \$583,333 (i.e., the total reimbursement amount of \$875,000 less the customer's one-third requirement).

7. After BPA's approval of a project completion report, BPA will then add the selected amount to the customer's ECA implementation budget.
8. Customer invoices BPA for disbursement of funds from the customer's implementation budget.
9. Customer makes incentive payment to end-user (note this step may precede the above step of the customer invoicing BPA for funds disbursement).
10. Customer retains "proof of payment" (stipulating its 1/3 paid portion as well as 100% of BPA reimbursement passed-through to end-user).
 - a. "Proof of payment" will be verified by COTR during project oversight or may be requested by the COTR.
11. During the calculation of EEI budgets prior to the beginning of each rate period, the BPA staffer responsible for calculating EEI budgets will consult EE Tracker to determine how much a particular customer's EEI budget needs to be reduced for the repayment of LPF funds paid out in the prior rate period(s).

Business Rules

Below are the various business rules that will direct how BPA will manage the LPF.

1. **The standard CPP path is the *only* path available to apply for LPF funds, even for Option 2 customers.**
2. **Customers will be able to submit requests for LPF funding beginning *March 5, 2012*.**
3. **A project's place in the LPF queue for a given rate period will be based on the date and time of when the request for LPF funding was *submitted* to BPA.**
 - a. BPA reserves the right to modify a CPP's submission date and time if BPA determines the CPP to be unsatisfactory (this allows BPA to control for an underdeveloped CPP submitted only to reserve a place in the queue).
 - b. To allow for a smooth and fair transition to the use of the LPF mechanism, all CPPs submitted between March 5, 2012 and March 30, 2012 will be considered as having the same submission date and time. LPF funds will be allocated to those qualifying LPF projects submitted during this period of time on a pro-rata basis, if necessary.
4. **The amount of LPF funding approved by BPA during its review of a CPP is the maximum amount a customer can receive from the LPF for a given project** regardless of any difference between the amount of savings projected in the project proposal and the amount of actual savings per the project's completion report.
 - a. For example, if a customer is approved for \$1M of LPF funds based on a projected savings amount of 4M kWh, but the project actually results in 4.2M kWh (per the project completion report), the customer would still only receive \$1M of LPF funds. The reimbursement amount associated with the additional 0.2M kWh would need to be paid from the customer to the end-user out of the customer's EEI or self-funded. If, on the other hand, a lower amount of savings results from the project (e.g., 3.8M kWh) than estimated in the CPP, only the reimbursement amount corresponding to 3.8M kWh would be paid out of the LPF.
5. **A customer can negotiate a variable incentive rate for the project and receive LPF funds as long as all other LPF requirements are met.**

6. **The customer must pay, out of its implementation budget or self-funding, to the end-user *either* the equivalent of 1/3 of its EEI budget (at the beginning of the rate period in which the CPP was submitted) *or* 1/3 of the project's total estimated reimbursement amount in the CPP.**
 - a. For example, a customer with a beginning rate period budget of \$1M could pay to the end-user, for a project with a total reimbursement amount of \$600,000, *either* \$333,333 (1/3 of the customer's beginning rate period budget) or \$200,000 (1/3 of the reimbursement). This choice allows the customer to leverage the variable rate option to the customer and BPA's mutual benefit.
 - b. The 1/3 payment must be documented ("proof of payment") and made available to BPA during project oversight or if requested by the COTR.
 - c. If, after the project completion report is approved, the customer does not have enough EEI dollars remaining to cover the 1/3 requirement, the customer would have to self-fund the remainder of the 1/3 requirement.
7. **Customers are required to pass through to the end-user 100% of the amount of incentive funds from the LPF, regardless of which sector the project falls into.**
 - a. The 100% LPF pass-through must be documented ("proof of payment") and made available to BPA during project oversight or if requested by the COTR.
8. **If a project's completion report is not submitted in the rate period indicated in the approved CPP, the project will lose its place in the LPF queue.**
 - a. If the customer would still like to be considered for LPF funds, it would have to submit (via the COTR or EE Central) a revised schedule and request LPF funds for the subsequent rate period. The project would be placed at the back of the queue for that rate period, i.e., the project *does not* have priority over those projects already in the queue for the subsequent rate period.
 - b. If a project is completed in an earlier rate period than the one indicated in the approved CPP, the customer may submit the completion report in the earlier rate period to receive LPF funds, if any are available.
9. **If a project is delayed (according to milestones set forth in the CPP) thereby jeopardizing the project's completion in the designated rate period, BPA will, upon consultation with the customer, modify or cancel the CPP so that the LPF queue can be updated accordingly.**
10. **Funds from the LPF will only be added to the ECA implementation budget of the customer once the project completion report is approved by BPA.** The customer's ECA Exhibit A will be updated with the amount of LPF funds.
 - a. Customers can choose to have an amount less than the amount stipulated in the approved CPP added to their implementation budget but not more. Thus, the LPF amounts reserved for approved LPF projects are "up to" amounts, i.e., the customer does not have to claim the entire LPF amount allocated to a specific project.
11. **Customers are required to pay back 100% of the LPF amount allocated to a project via reductions in their subsequent rate period EEI budgets (not to exceed two subsequent rate periods).**
 - a. The customer must repay *at least* 50% of the LPF amount allocated to a project in the subsequent rate period. A customer may elect to repay more than 50% in the subsequent rate period. In this case, the

customer would notify its COTR after receiving its EEI budget letter (a letter communicating to the customer its rate period EEI allocation) as BPA will automatically calculate and reduce the customer's EEI budget by the minimum 50% amount.

- b. **[Updated Feb. 21, 2012]** If the EEI funding model changes, repayment by the customer would be through another agreed upon method pursuant to Exhibit B of the customer's Energy Conservation Agreement.
12. **NO LPF funds can be used to make progress payments;** only EEI funds can be used to make progress payments. The customer can chose to pay progress payments to the end-user to reduce the amount of the customer's 1/3-equivalent requirement and/or the total LPF amount.
 13. **Customers are *not* eligible to receive performance payments out of LPF funds added to their implementation budgets,** i.e., if a SRR customer receives \$100,000 in LPF funds it is not able to claim 30% of that as performance payment.
 - a. In subsequent rate periods (when EEI budgets are reduced per the repayment requirement), the amount a customer could claim as performance payment will be based on that rate period's original EEI budget before being reduced.
 14. A customer's request for LPF funds does not limit its ability to obtain EEI funds from other sources (e.g., a bilateral transfer agreement with another customer or a request from the Unassigned Account).
 15. BPA will keep customers apprised of the amount of LPF funds "locked up" per rate period.