Post-2011 Review

Workgroup 4: Flexibility Mechanisms

April 10, 2014

Agenda

- Introductions
- Recap (3/10 WG Meeting~3/20 Big Tent)
- Unassigned Account (UA) recommendation
- Funding Large Projects discussion
- Funding Large Project recommendations
- Final meeting/Next steps - 2:50 pm
- Adjourn – 3:00 pm

OPERATIONAL EXCELLENCE

- Introduce yourself before speaking
- Be sure to mute your phone when not speaking and avoid placing us on hold (except for dance breaks)
- Think about solutions for the long term as well as short term
- Comments/Corrections/Additions/Deletions - March 10 Meeting Notes

BPA Working Assumptions

- BPA must fulfill its statutory obligations, e.g., BPA must “acquire” conservation (defined in BPA policy as an exchange of funds)
- Any proposal must work within the existing Regional Dialogue policy and contracts
- Decisions need to be made in the context of other dynamic agency drivers (e.g., CIR, IPR, Access to Capital)
- Funding levels will be decided in the CIR and IPR processes
- Any proposal must be consistent with BPA’s financial and procedures and reviewed by BPA finance for consistency with sound business principles
- Any proposal should not adversely impact customers that choose not to pursue a particular alternative
- Any proposal should not consider customer “a la carte” funding of EE costs/services (i.e., picking which EE costs to pay for)
- BPA will pursue 3rd party financing effective FY16 (October 1, 2015).

Previous Meeting Recaps

- 3/10 WG Meeting
  - Agreed to an UA allocation recommendation
  - Reviewed discussion items regarding funding large projects
- 3/20 Big Tent
  - Reviewed UA allocation recommendation
  - Shared discussion regarding funding large projects
  - Encouraged feedback on what makes a regional project? Where might LPF comes from? If from budget, 30% BPA-managed vs the 70% allocated EEI? What changes to the criteria for those funds?

Issue #1 – Unassigned Account Allocation Methodology (Scoping Doc. Item 5) Recommendation

Problem statement – The current pro-rata methodology for allocating funds in the Unassigned Account potentially causes:

- A customer to *request* the entire amount of funds available even though it may not need/want the entire amount as a means to receive the largest allocation amount possible, which leads to a perception of "gaming," and,
- A customer to *receive* more allocated funds than it can use.

Recommendation: If UA allocations are made available, utilities would request an allocation and receive it based on a weighted TOCA allocation. A utility may indicate they would like a specific dollar amount, less than or equal to this weighted TOCA allocation.

Issue #1 – Unassigned Account Allocation Methodology (Scoping Doc. Item 5) Recommendation

Recommendation: If UA allocations are made available, utilities would request an allocation and receive it based on a weighted TOCA allocation. A utility may indicate they would like a specific dollar amount, less than or equal to this weighted TOCA allocation.

Clarifications:

(1) What happens to any unallocated due to lessor requests? Would we be comfortable with equally redistributing to those who may have a larger request?

(2) If WG #1 chooses a different budget allocation methodology, would our group be comfortable aligning to the same methodology for this allocation? (Ex. Total Retail Load instead of TOCA)

(3) Now that this methodology is being proposed, how do WG members feel about recommending it is effective immediately in case of any possible FY14-15 UA allocations?

Issue #2 – Large Project Fund (LPF) (Scoping Doc. Item 6)

Problem Statement – The LPF is administratively burdensome for BPA (i.e., difficulties with internal budgeting and tracking LPF repayments) and there has been limited demand to date for the funding mechanism given a utility's requirement to pay back any funds received. On the other hand, some customers would like modify the qualifying criteria for the fund (i.e., a project's reimbursement must be at least 50% of the utility's rate period EEI budget) to make it easier to access funds and, therefore, increase demand for the fund.

Issue #2 – Large Project Fund (LPF) (Scoping Doc. Item 6)

Options –(from Scoping Document)

A. Status quo: the LPF remains as-is.

B. Termination: the LPF as a funding mechanism is terminated; those utilities with outstanding repayments are still required to repay.

C. Requirements modification: the requirements for accessing the LPF are modified, such as the 50% of rate period EEI budget threshold requirement is lowered or removed to allow more qualifying projects; the repayment requirement is removed; etc.

D. Other: BPA is open to and welcomes other ideas that are not listed in the above.

Large Project Fund Criteria

- Project reimbursement meets or exceeds 50% of a utility rate period EEI budget
- Pass through required
- Repay BPA within the next two rate periods beyond the rate period in which the project completes
- Utility must provide either 1/3 of their start of rate period EEI allocation or 1/3 of the estimated reimbursement toward the project

What we heard re: LPF

- LPF Payback period is too short
- Customers are unable/unwilling to accept funds that they will need to payback
- 50% of rate period EEI criteria for LPF eliminates large amount of customers from considering this option, even their “largest” project wouldn’t reach this threshold
- Internal Process is administratively burdensome, unfunded, and can be difficult to track payback (BPA)

Large Project Funding Criteria

- With regards to specifics on the current LPF:
  - What criteria would be acceptable?
  - Does the eligibility threshold need to be adjusted?
  - Any other eligibility changes?

Issue #2A:
Other Ways to Capture Large Projects

It was determined through early discussions in Workgroup #1, that an overarching issue is finding other ways to capture large projects or projects that benefit the region. Not just projects that are “large” regionally, but projects that are large in relation to an individual utility's EEI budget. Although the Large Project Fund was an attempt to address this problem, it may not be the mechanism to do so going forward.

Large Project Discussion Questions

- If WG #1 puts forward a flexible budget model which allows utilities to borrow more than their initial allocation (whether TOCA based or other), would that be an acceptable funding mechanism for a large project(s) and allow us to get rid of the LPF as it currently exists?

Large Project Discussion Questions

- On the other hand, how about if something similar to the status quo and/or an expense rate credit becomes the WG #1 recommendation—would there be support for a portion of the budget to be set-aside in a reserve for large projects?
  - If utilized, would this method need to be repaid through future budget reductions?
  - If not repaid, how would funds be distributed? What would application criteria be? Who would review? Would it be something like our Technology Innovation Council?

Large Project Discussion Questions

- Could we consider what criteria there would be for a project to be beneficial to the region if we pursued it?
  - What would be the bounds of that type of project? For example, “It could never be a project that just had light load hour savings.”
  - Or, are there ANY projects that would fit such a regional criteria?

Remaining Big Tent Meetings

- Meeting #3 Kennewick, WA
  (Benton PUD to host)
  May 8 2:00 p.m.-5:00 p.m. (Efficiency Exchange Conference)
- Meeting #4 Portland, OR
  June 17 1:00-4:00 p.m.
- Tentative Meeting #5 Kalispell, MT
  (Flathead Electric Cooperative to host)
  June 25 9:00 a.m.-3:00 p.m.

Workgroup #4 Scheduling

- Proposed scheduled meeting dates--feedback?
  - ❖ Last Tentative Work Group Date: Apr 24
  - ❖ Scheduled Big Tent Dates: May 8, June 25
- Check-in and coordination with WG #1
- Do we have enough time to complete recommendations? Will the Apr 24 mtg be satisfactory?