



Memorandum

May 20, 2014

TO: Board of Directors
FROM: Susan Stratton
CC: NEEA Directors
SUBJECT: NEEA Direct Funding Formula 2015 - 2019

Request

The Executive Committee has reviewed the funding formula with the updated data. On May 29, the Committee will review the formula with the full Board and seek adoption.

Background

As the Board is in its final stages of developing the 2015 – 2019 Business Plan, with the goal of adoption at its May meeting, a mechanism for funding is needed.

The current funding formula¹ was adopted by the Board of Directors at its April 2009 Board meeting. Staff is recommending the continued use of this funding formula² with updated information. Staff has updated the formula with the following data:

1. 2012 Energy Information Administration (EIA) Form 861 Data for retail customers and energy sales;
2. Final Contract High Water Mark (CHWM) Contract amounts for BPA publics; and
3. Forecasted load growth for 2015-2019 at 1%.

Following is the result in terms of funding shares for all existing direct funders of NEEA. If other utilities want to join (e.g. Grant County PUD, and/or Rocky Mountain Power (ID) for the five year cycle 2015 - 2019, there would be a slight adjustment to the funding shares of existing funders.

¹ Copies of the documents used by the Board in 2009 are available upon request.

² A general overview is provided at the end of this document.

Direct Funders *	Proposed 2015 – 2019 Shares	Actual 2010 – 2014 Share**	% Change from 2010 – 2014
Bonneville Power Adm.	36.03%	35.71%	0.90%
Energy Trust of Oregon	20.21%	20.65%	-2.13%
Puget Sound Energy	14.17%	13.80%	2.68%
Idaho Power Co.	9.00%	8.67%	3.81%
Avista Corp.	5.76%	5.56%	3.60%
PacifiCorp (Idaho)	0.00%	0.00%	NA
PacifiCorp (Washington)	2.55%	3.01%	-15.28%
Seattle City Light	3.65%	3.74%	-2.41%
NorthWestern Energy	4.04%	3.84%	5.21%
Tacoma Power	1.09%	1.13%	-3.54%
Snohomish County PUD	0.51%	0.79%	-35.44%
Eugene Water and Electric	0.31%	0.52%	-40.38%
PUD No 1 of Cowlitz County	0.38%	0.29%	31.03%
PUD No 1 of Chelan County	0.97%	0.92%	5.43%
PUD No 1 of Clark County	1.31%	1.37%	-4.38%
PUD No 2 of Grant County	0.00%	0.00%	NA
Total	100%	100%	

* To note, PacifiCorp – Idaho/Rocky Mountain Power’s original 2010 – 2014 funding share was calculated to be 1.41%, and Grant PUD to be 1.25%.

** Calculated three year share when Chelan joined in 2012.

Overview of NEEA Direct Funding Formula

The formula is used to determine direct funding shares for the funding of NEEA and is also used in forecasting and reporting savings. It is a key component in funding agreements.

The primary components (and weights) of the formula are:

- Total number of retail customers (12.5%)
- Total retail energy sales (87.5%)
 - This covers native electricity sales and not what is purchased through BPA.
 - There is a threshold on sales – currently is 200 aMW and above.
 - This excludes any wholesale “energy only” or “transmission only” sales or customers included on the EIA 861 Form. This exclusion primarily applies to a few large industrial customers for selected utilities including the Direct Service Industry (DSI) customers of BPA.
- Load growth forecast for 2015 – 2019 (1%)
 - 2010 – 2014’s calculation uses a 1.5% growth rate. The reason for the reduction is to be consistent with both the Pacific Northwest Utilities Conference Committee and Northwest Power and Conservation Council, who estimate growth of nearly 1.0% during the 2014 - 2019 time frame.
- 40% Cap
 - The formula has a cap so that no funder would have more than a 40% increase in share from 2010 – 2014 share. The remaining share above the 40% is distributed across all funders, weighted by their load contribution.

Sources:

- 2012 Energy Information Administration
- The Final Contracted High Water Mark taken from the FY2011 White Book