

July 10, 2007

Comments of the  
**NW Energy Coalition**  
on the  
**Northwest Power and Conservation Council's**  
**Report on “Achievable Savings”**  
*Council document 2007-07*

## **Introduction**

The NW Energy Coalition (NWECC or "Coalition") is pleased to offer these comments on the NW Power and Conservation Council's ("Council") draft report issued May, 2007 (document 2007-07) entitled, “Achievable Savings – A Retrospective Look at the Northwest Power and Conservation Council’s Conservation Planning Assumptions” (“Report”). NWECC wishes above all to compliment the Council and its staff on the rigorous and comprehensive analysis that went into the Report (and once again demonstrating how valuable a resource the Council is to the region). The Coalition also appreciates the willingness of the Council to take an interim look at how the region is progressing toward meeting its conservation goals.

At the June “Power 4” committee meeting where this draft was first discussed, it was decided that the Council would solicit comments to the Report in general. And, in particular, ask for public input on whether the Council should perhaps adjust its annual conservation targets (for non-lost-opportunity measures) to reflect the progress utilities are making that is documented in this Report. The Report notes, that, “...the Council’s assumed near-term achievable acquisition rates are well-supported and **may be conservative when compared to what has occurred in practice.**” (p. 18, emphasis added) As evidence for this, the Report states:

In the last five years the region has reduced demand for electricity through conservation measures at a rate of about 130-150 average megawatts per year. Retrofits, or non-lost-opportunity measures, comprise 110-120 average megawatts per year of the total. If that pace is maintained, it will take 12 to 14 years, not 20, to reach the 85-percent penetration rate for the 1,500 average megawatts of cost-effective, non-lost-opportunity conservation identified in the Council’s Fifth Power Plan.... (p.2)

NWECC believes these findings make a strong case for the Council to revise its annual non-lost-opportunity conservation target to at least 150 aMWs per year.

### **It is Important for the Council to Revise its Conservation Target.**

Obviously, we would hope that everyone in the region sees the increased achievement as good news. As the Report noted (p.4), since cost-effective conservation costs less than supply-side alternatives, the Council’s portfolio model would take *all* the conservation in the first year if it could. It is only limited by an assumption made in the

model for how much could be achieved, given the infrastructure available. But in truth, the more we can acquire as soon as possible, the more money and emissions the region can save.<sup>1</sup> But given that, the natural question to ask after reading the Report would be, “Why is it necessary to revise the target if the region seems to be acquiring at a faster rate than anticipated?”

The answer, simply put, is that the Council’s target *counts*.

The Council’s conservation targets are used as a guideline throughout the region. Many utilities (and their governing bodies or regulators) use the Council’s numbers as a benchmark for their own programs. While not simply substituting the Council’s target as their own directly, they certainly question—and their regulators and governing boards seek justification—if their programs’ goals and progress are significantly different. That use alone would warrant revisiting the Council’s targets.

But a more important use of the Council’s targets is the fact that BPA is committed, and most utilities in Washington (due to I-937) are required, to meet them—they are more than just advisory benchmarks.

The Report does not break down the individual utility achievements that make up the superior achievement over the last few years. Thus we are not sure whether it is due to a few “gangbuster” utilities or a more widespread success story. It would be very helpful for the Report to provide the data that went into the totals, including a state-by-state breakdown and a utility-by-utility breakdown. In that way we could see how much a difference revising the Council’s targets would make.

We do know that BPA has not increased its budgets beyond the minimum needed to meet its share of the Council’s goals, so it is very possible that the accelerated achievement is due almost, or completely, to non-BPA efforts. Much of it may be implementation of measures that are NOT included in the Plan – newly evolved measures, or new technologies to achieve previously uneconomic savings. The fact that almost every month the Regional Technical Forum is asked to approve or deem savings for a measure or program not included in the Plan is a clear indication that savings beyond those included in the Plan are reliable, available, feasible, and economic. This is another reason the targets should be increased.

Similarly, we do not know if the achievement is coming mainly from utilities not subject to Washington’s I-937. If either of these scenarios are true, it makes it all the more important for the Council to revise its annual targets. After all, if the success we are seeing is coming mainly from non-BPA and/or non-Washington utilities, then increasing the target would result in a significant boost in effort.

We also know that fuel prices and wholesale power market prices are well above those used in developing the Plan. This is an indicator that we should be moving further up the conservation supply curve, including additional measures that were not included as

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<sup>1</sup> See also, “When Enough is not Enough: The Value of Conservation in an Uncertain World Calls for Expanding System Benefits Charge Funding,” Grist and Eckman Council Paper.

cost-effective when the Plan was developed. \$4.00 gas, the benchmark of the 5<sup>th</sup> Power Plan, is not in the current forecast.

Finally, the 2002 Tellus Institute study, Clean Electricity Options for the Pacific Northwest, found over 3500 aMW of cost effective energy efficiency savings available by 2020. Given this more expansive assessment of cost effective measures and the acquisition rates it is clear that the resource potential is greater than originally projected in the 5<sup>th</sup> Plan.

Together these factors justify the Council revisiting its target. This might result in acquiring most of the Council's non-lost-opportunity conservation in only 10 years—producing enormous savings for the region.

### **Other comments on the Report**

We have a number of smaller comments on the draft Report:

1. On p. 4, the Report notes that the Council's portfolio model would have dispatched all of the low-cost conservation immediately unless the pace of conservation deployment had been constrained to 120 aMWs per year (of non-lost-opportunity conservation). It would be helpful if the paper would explain the rationale for that amount, and whether there was any reason now to constrain the amount to 120, given the recent history of over-achievement.
2. On p. 3 the Report gives the NW Power Act's "three criteria for [conservation] resources included in the Council's power plan." The third criterion is that a resource must be "...available at an estimated incremental system cost no greater than that of the least-cost similarly reliable and available alternative." (emphasis in original) This is not strictly true. The Act instead provides that conservation measures should be chosen that cost up to **110% of the cost** of the non-conservation alternative. In addition to this 10% "adder," the Council's Plan includes the valuing of other **external costs** such as emissions of SO<sub>x</sub>, NO<sub>x</sub> and CO<sub>2</sub> that are not always considered system costs, as well as recognizing non-energy benefits in determining overall cost-effectiveness. In addition, the Council has made default assumptions with respect to transmission and distribution cost savings from efficiency investments.
3. Without a more detailed breakdown of the conservation measures, it is impossible to credit MWs to utility programs, as compared to market transformation (and codes and standards). We are the first to admit that there is no bright line between these categories. However, a casual reading of the Report seems to indicate that a large and significant amount of the savings seems to be the result of market transformation efforts. If this is true, the Council should recommend that NEEA funding be increased significantly.

## **Conclusion**

(a) The Council should revise its annual target for non-lost-opportunity conservation to account for a level of achievement that could be expected if the pace of acquisition (130-150 aMWs/year) documented in the Report were extrapolated to the whole region.

(b) The Council should investigate, and make a recommendation, regarding the level of NEEA funding needed to maximize the chances of acquiring all cost-effective conservation in the region.

Thank you for the opportunity to provide this written comment as well as oral comment on this Report. If you have any questions regarding our comments, please contact Steve Weiss at 503-851-4054.