Northwest **Power** and **Conservation** Council

July 5, 2017

DECISION MEMORANDUM

TO: Council members

FROM: Ben Kujala

SUBJECT: Decision authorizing staff to negotiate and enter into a contract to develop a conservation value module for the Regional Portfolio Model (RPM).

PROPOSED ACTION: Council vote to authorize staff to negotiate and execute a contract with Navigant to develop a conservation value module for the RPM.

SIGNIFICANCE: Adding a module to the RPM that can analyze the impact on individual utilities of long-term conservation opportunities under varying assumptions about future load growth can improve the region's understanding of the impact of conservation programs on electricity rates and customer bills as well as the long-term investment value of conservation.

BUDGETARY/ECONOMIC IMPACTS

Estimated cost not to exceed $ 150,000. Navigant has provided an estimate as to the timeline and budget for developing such a module. The development of the module is anticipated to take approximately three (3) months. The estimate is within the budgeted funds for the Power Planning Division contracting and modeling activities for FY 2017.

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BACKGROUND

Navigant developed the RPM software currently used by the Council in developing its regional power plan. Navigant is under contract with the Council to provide software support and enhancement work on the model on an as-needed basis.

ANALYSIS

There is a desire by regional utilities to better understand the long-term value of conservation opportunities under different future load growth scenarios. Specifically, there is a concern about whether, in a flat or declining load growth scenario, utilities should be pursuing further load reductions through ongoing conservation programs. The RPM is not currently capable of answering those questions on an individual utility basis. To do so would require the ability to input assumptions about individual utility characteristics (such as load and budget forecasts) to better analyze near-term and intermediate-term utility budget impacts (i.e. the impact of conservation programs on electricity rates and customer bills) as well as the long-term investment value of conservation programs.

The Council set forth a regional goal for conservation that provides an adequate and economic regional power system at least cost, but it acknowledged that individual utilities have different positions and should understand the value of conservation to their portfolio (RES-3, BPA-5). Developing a conservation value module could assist the region in quantifying the value of conservation in financial analysis and budget-setting forums.

ALTERNATIVES

The Council could choose not to add the module to the RPM. The Council has not had a module such as this before, so it would not prevent the Council from developing a regional power plan. The region, however, may lose out on an opportunity to analyze at a more granular level the value of investing in conservation and the impacts of investment on utility budgets in the near-term.

The Council could issue a RFP for the development of the conservation value module to look for other developers. However, Navigant as the developer of the software currently in use is intimately familiar with the model as well as the Council's power planning methodology. Where a developer of the module would need to utilize the existing structure, inputs, and outputs of the RPM to ensure compatibility with the model's other functions, it makes sense to have the same contractor involved in constructing the module especially given the budget for this project is available only through FY 2017.