Northwest Power and Conservation Council

July 1, 2010

MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Discussion of NEET Recommendations on the Regional Technical Forum (RTF)

The Northwest Energy Efficiency Task Force (NEET) met June 17 to wrap-up its work. One element of NEET's work addresses the RTF. At the June NEET meeting, Bill Drummond summarized the RTF review conducted by Energy Market Innovations (EMI) and Navigant Consulting and presented his recommendations for addressing issues raised in the review.

The review found that there is wide recognition that the RTF has provided value to the region through its independent analysis of measure and program savings, development of monitoring and verification protocols, and the development of deemed savings from efficiency measures. The report found that there was strong agreement about those core responsibilities of the RTF.

The review also noted some concerns. These fell into two broad areas; growth of the RTF responsibilities relative to its management and funding, and concerns about the visibility of the RTF operations to the funding utilities and others. Specific concerns included objectivity of RTF members, representatives and regional interests in decision-making, overall composition of the membership, how the RTF prioritizes its work, how to manage additional demands placed on the RTF, the adequacy of funding and staffing, information management systems, and transparency of procedures.

The NEET Executive Committee agreed to establish a committee to take up and address the recommendations in the EMI report and to make recommendations to the Council for changes in the RTF Charter and other procedures. This committee would not be an ongoing advisory group to the Council and the RTF. Rather, it would develop its recommendations and send them to the Council for implementation. The NEET Executive Committee agreed that the RTF would remain a Council advisory committee to ensure continued independence of the RTF.

The purpose of this agenda item is to inform the Council of the recommendations and seek agreement on the approach to implementing them.

851 S.W. Sixth Avenue, Suite 1100
Portland, Oregon 97204-1348
www.nwcouncil.org

Steve Crow
Executive Director

503-222-5161
800-452-5161
Fax: 503-820-2370

Attachments

- Memo from Bill Drummond to NEET Executive Committee
- List of potential members developed by the NEET Executive Committee for the RTF steering group

WESTERN **M**ONTANA ELECTRIC
GENERATING **&** **T**RANSMISSION COOPERATIVE, INC.

1001 SW Higgins, Panorama Park, Suite 206, Missoula, MT 59803-1340

June 7, 2010

TO: NEET Executive Committee

FROM: Bill Drummond

RE: Some Thoughts on Responding to the RTF Evaluation

Approximately one year ago Work Group 1 recommended to the NEET Executive Committee that a review of the Regional Technical Forum (RTF) be undertaken. The recently-completed report for the NEET Executive Committee entitled "An Evaluation of the Regional Technical Forum," prepared by Energy Market Innovations (EMI), Inc. and Navigant Consulting, contains a number of recommended action items. These recommendations are aimed at resolving a series of questions that the report raised about the role and function of the RTF. The purpose of this memorandum is to suggest a process for resolving these questions.

The EMI/Navigant report clearly indicates that those surveyed believe the RTF has provided value to the region through its independent analysis of measure/program savings, development of monitoring and verification protocols, and the development of deemed measures. In fact, 71 percent of the survey respondents believe that the RTF is either very important or essential to the attainment of energy efficiency goals for the region.

This report also notes, however, that the current structure of the RTF is showing signs of wear and may not be appropriate for the demands that are and will be placed on it. Some of the issues raised in this report include:

- Confusion over the definition of who is an RTF stakeholder. This issue flowed from concerns raised about the objectivity of members, representatives and regional interests in decision-making and the overall composition of the membership.
- Questions about stakeholder definition quickly lead to issues of governance and funding expectations.
- While there is strong agreement that the core responsibilities of the RTF including the development of deemed savings values that are technically sound and well documented, there is less agreement around other potential roles. The report notes that the region presently lacks a shared sense of understanding about what the RTF's role should be in the future.

- There is no clear understanding of how the work of the RTF is prioritized.
- Assuming there will be additional demands placed on the RTF, issues of adequacy of funding and staffing, information management systems and transparency of procedures were all identified as potential problems.

Given the issues identified above, the EMI/Navigant report contained three recommended action items:

- Initiate a process to reach agreement on stakeholder definition and address issues related to governance and structure of the RTF.

- Build upon the work initiated in this study, continue to inventory the full range of stakeholder needs, establish a transparent process to prioritize these needs, and establish a multi-year workplan for the region with which all stakeholders are fully aligned.

- Implement incremental operational changes that will increase the transparency of the operations of the RTF in the following areas:
    - Budgeting process
    - Voting requirements
    - Operating procedures
    - Potential conflicts of interest

The RTF has subsequently undertaken some steps to address several of the issues above, but not the more fundamental issues of stakeholder definition, future role, governance and structure.

We are approaching a point of "maturation" in the RTF itself that requires a serious realignment and upgrade of its current structure. The RTF has had a rather disjointed evolution and has adopted an *ad hoc* approach to its structure, governance, and funding. That the RTF has worked as well as it has under these circumstances is testament to the dedication of Council staff and the RTF members. This success, however, has bred increasing demands for additional work products and output that the RTF's current structure, funding, and resources are unlikely to be able to meet.

The primary question that needs to be addressed is:

- What process should be used to determine how the issues raised in the EMI/Navigant report?

Several alternatives for addressing these questions, along with the pros and cons of each, are presented below.

The Process:
At least four different alternatives appear viable for organizing a regional discussion about the future of the RTF including: issuance of a Council Issue Paper; the appointment of a steering committee by the Council, Bonneville and others; have NEET or some subset thereof take on this

role; or the formation of a new limited advisory committee to address these issues. The advantages and disadvantages of each of these alternatives are discussed below.

Council Issue Paper: The Council was chosen to oversee the RTF's functions and the RTF is an advisory committee to the Council. The Council ran a public process to develop the RTF's charter and provides staff to the RTF. One alternative would be for the Council to draft an Issue Paper, accept public comments on it, and then finalize a new charter for the RTF.

Pros:

- The Council currently oversees the RTF;
- The Council is generally viewed as an impartial body;
- The Council has provided staff to the RTF and is familiar with its historical functions; and
- The Council has prepared many issue papers over its tenure and has a well-functioning process for accepting comments.

Cons:

- There needs to be a more active discussion among funders and stakeholders than a traditional issue paper/comment process would allow;
- There may not be sufficient funder participation in this process or sufficient weighting given to funder comments;
- Since the Council provides staff support but not funding to the RTF, it is the wrong entity to be determining the issues around a voluntarily-funded organization; and
- If the final result of this process does not yield a structure RTF funders are willing to support, the RTF will likely fail to capture the level of support necessary in the future, and
- Completing a traditional Issue Paper process in a timely manner could be problematic.

Appoint a Steering Committee: The Council, Bonneville and others could appoint a steering committee to address these issues and, with a specific timeline, develop a final report and recommendations.

Pros:

- This approach has been used successfully to address wind integration, resource adequacy and with the NEET itself;
- The steering committee members could be carefully selected to include representation by policy makers from both funders and stakeholders; and
- By developing recommendations that include the policy-level funders and stakeholders, the probability of successful implementation is much higher.

Cons:

- It may be difficult to get the attention of policy-makers to participate in the effort; and
- The steering committee may not reach a consensus on recommendations.

Have NEET do it: Since the NEET is already sanctioned and functioning, it or a subset thereof could take on this task.

Pros:

- It is already a policy-level board that has functioned well together;
- It contains representatives of most of the major RTF funders; and
- This would be a natural extension of the work completed to date.

Cons

- The June 17th NEET meeting is expected to be its last;
- The NEET has no staff; and
- The NEET's role was never envisioned to include a process like this.

Set up a new Advisory Council: The region would establish a new advisory council for the RTF that would be separate and distinct from the Power and Conservation Council and BPA. Although these entities would both likely have seats on this advisory council as well as some seats for public interest and Public Utility Commissions, the other seats would be held by RTF funders who are also willing to contribute funds to cover the expenses of the advisory council.

Pros:

- A new advisory council would be free of claims of bias;
- The advisory council would be free to explore all alternatives; and
- The advisory council would sunset at the end of the project.

Cons:

- Who sanctions the work of the advisory council;
- Who appoints the members of the advisory council;
- Would entities fund the advisory committee; and
- The region already suffers from organizational fatigue and may be unwilling to adequately support a new organization.

Recommendation:
After discussions with numerous people in the region, my recommendation is that the Council, Bonneville and potentially two funding utilities, one public utility and one investor-owned utility, jointly form an executive committee and call for a review of the RTF by a steering committee. The steering committee would meet three times over the course of no more than six months.

The purpose of the steering committee would be to produce specific recommendations to the Council addressing the issues raised in the consultants' report to the NEET. The recommendations would focus specifically on the issues of role, governance, representation, membership, organizational structure and funding. There would be opportunities for public review and comment, but the steering committee's charge would be to make recommendations to the Council. The Council would presumably support the recommendations since they would

have representation on the steering committee and the committee would have representation from the organizations that receive value from and fund the RTF.

This executive committee would appoint the members of the steering committee. Steering committee members should be policy level people within their organizations. I suggest a 12-member steering committee, including the four co-chairs. The 12 members could be appointed from the following organizations: the Council, Bonneville, the Energy Trust of Oregon, Puget Sound Energy, Idaho Power, 2-3 public utilities (including one indirect-funder), Avista, 2 public utility commission representatives, and one public interest representative. Again, the commitment of policy level people from these organizations is essential to the success of the steering committee.

There are two reasons it is imperative to get this effort started as soon after the June 17th NEET meeting as possible. The workload on the RTF is expected to increase considerably as a result of the Sixth Power Plan and its increased energy efficiency goals. Second, considerable momentum has been built around the RTF review and the region needs to move quickly to capitalize on the work accomplished to date.

Summary:
While the task of setting up and running yet another regional process is daunting, the value the RTF has brought to the region is unquestionable. Given the increased energy efficiency targets in the 6th Power Plan, there will be additional pressure and workload placed on the RTF. Unfortunately, uncertainties about its current role, membership, structure, and funding indicate that the current workload may not be sustainable much less allow for additional responsibilities. The need for a regional review of the RTF is clear.

This memorandum examines several alternatives for conducting that regional review and concludes that a new steering committee jointly commissioned by the Council, Bonneville, and two funding utilities would provide the broad and necessary representation from funders and stakeholders. By inviting policy-level participants and setting an aggressive timetable, the steering committee could have a final report on recommendations to the Council in the first quarter of 2011. Assuming the recommendations are adopted by the Council, changes to the RTF could be implemented in mid-2011, well within the timeframe needed to ramp-up regional efficiency efforts to meet the new 6th Power Plan targets.

Attachment: NEET-Proposed Committee Members for RTF Review Group

ID PUC rep
MT PSC rep
OR PUC rep
WA UTC rep
NRDC/NWEC
Bill Drummond – publics
Mike Weedall – BPA
Warren Kline – ID Power
Roger Woodworth – Avista
Craig Smith – SnoPUD
Pat Egan – PacifiCorp
Cal Shirley – PSE
Bill Thomas – NEW
Fred Gordon – ETO
Steve Eldrige – publics
Carol Dillin – PGE
Council representative
EWEB?
Seattle City Light?