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February 4, 2014

MEMORANDUM

TO: Council Members

FROM: Charlie Grist

SUBJECT: NEEA Strategic and Business Plans

Northwest Energy Efficiency Alliance (NEEA) and its members have been working since April 2013 to develop a strategic vision and business plan for 2015-2019. Jim West, chair of the board, and executive director Susan Stratton will provide a briefing on the status of NEEA's strategic and business plans. The briefing will provide an opportunity for Council Members to ask NEEA to address any issues of concern as it finalizes its plans.

NEEA's work on market transformation has been a key ingredient in the success of regional conservation. NEEA's savings have accounted for about 25 percent of utility savings which have been achieved at very low cost. Its work understanding and influencing markets for products and services has provided huge leverage making utility efficiency investments go farther. So the scope and focus of NEEA's work going forward are very important to continued regional success on energy efficiency.

In addition to its work delivering low-cost savings through market transformation, NEEA delivers regional value through its work scanning for promising emerging technologies and practices, analyzing markets for energy-using products and services, providing infrastructure support for local utility programs, and collecting data on the building stock and the sales volumes of electricity-using products. These activities don't produce direct savings, but they are a necessary component of the regional efficiency implementation web that would need to be done elsewhere should NEEA reduce its role.

In November, NEEA shared drafts of both its strategic and business plans with its advisory committees. Council staff has reviewed the earlier draft plans and has limited understanding of subsequent ongoing discussions at the NEEA board level. Based on this picture of what is being crafted, staff identified some areas that it proposes be addressed by NEEA as it finalizes its plans.

1. Budget level: In recent years, NEEA has been produced about one quarter of regional utility savings with about ten percent of regional utility expenditures. This raises a question about why the overall budget for NEEA is decreasing in the face of its historical high value and low cost. To the extent the budget is limited by externally imposed constraints, the business plan should identify what is not getting done through NEEA and should instead be taken up by utilities and Bonneville directly.
2. Industrial initiatives: The November draft removed all new industrial initiatives and reduced the budget proposal for industrial market transformation work by \$3.7 million over the five year period. What remains for the industrial sector appears to be mostly technical training. This is a major reduction in industrial initiatives for which the rationale is unclear. This raises concerns that potentially viable initiatives will languish or go undeveloped. For example, extended products for motor systems may be a significant market transformation target that could produce large industrial sector savings.
3. Value of market intelligence: It is increasingly important for the region to monitor and track markets for products and services as well as the region's building and equipment stocks. Changing trends in technology, customer uptake, and increasing number of market actors makes it paramount to get an accurate read of these factors. Understanding these markets and trends allows both NEEA initiatives and regional utility programs to be targeted to best leverage their impact. NEEA has been the region's lead agent for collecting these data through the regional stock assessments and for product markets surrounding the initiatives it manages. There is a great economy of scale for NEEA to collect these data on behalf of the region, so we support NEEA's continued role. In addition, there may be value in NEEA collecting data for key products or markets even where there may not be active NEEA initiatives. The business plan should address potential expansion of NEEA's role in pooled data collection on behalf of the region.
4. Need for flexibility: The draft business plan identifies about \$1 million per year for technology scanning activities to identify potential new technologies or practices that may lead to eventual market transformation initiatives. But it is unclear whether there is a viable mechanism to fund any initiatives that may come from this scanning activity in a timely way within the five-year period. The next draft of the business plan should address how NEEA could adapt to an increase in what the region may ask it to accomplish.



2015-2019 Strategic & Business Plan Draft – Overview

James N. West, NEEA Board Chair

Susan E. Stratton, NEEA Executive Director

February 12, 2014

NORTHWEST ENERGY EFFICIENCY ALLIANCE

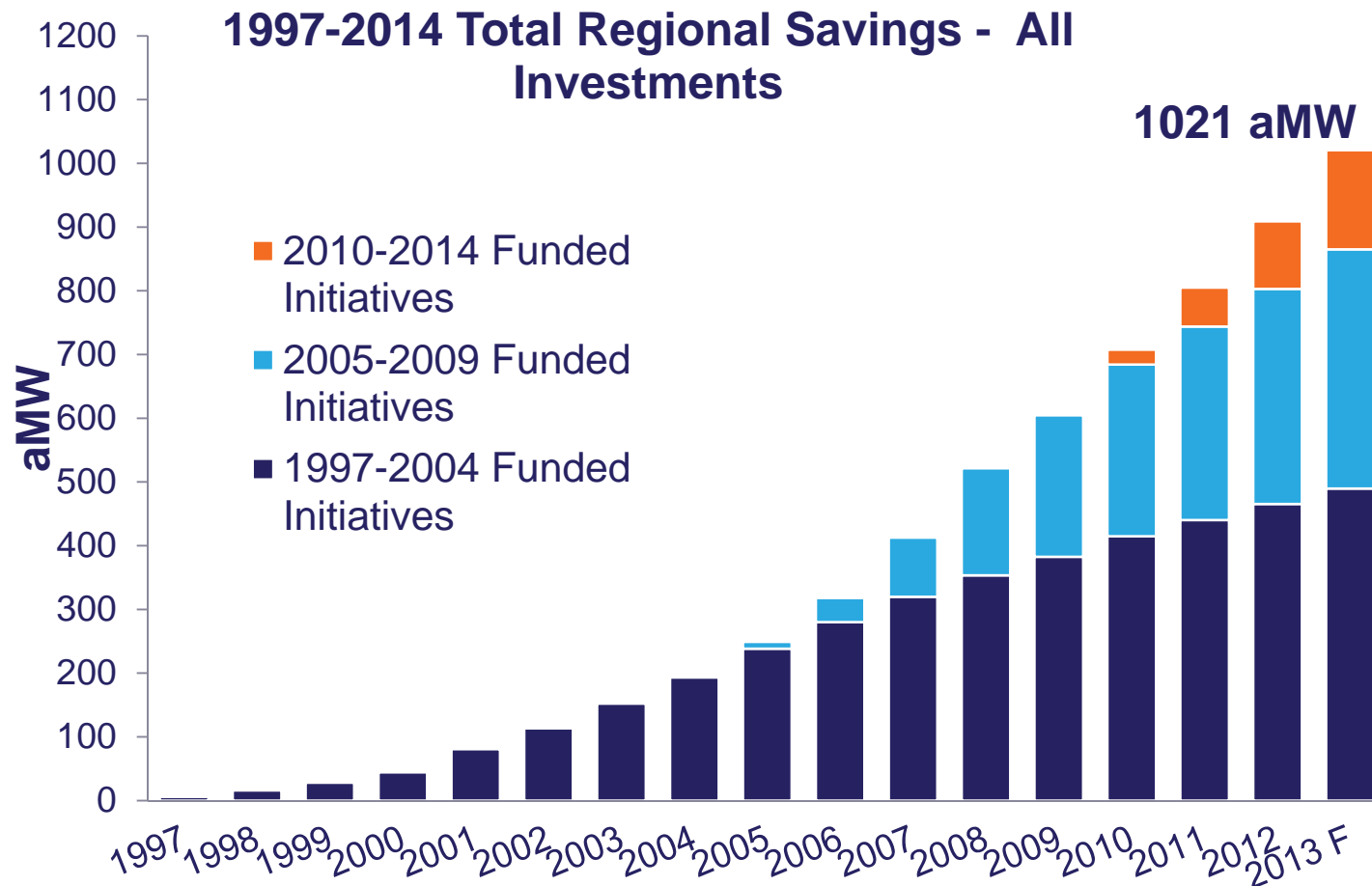
Power of Alliance



Accelerating energy efficiency in partnership with Northwest utilities



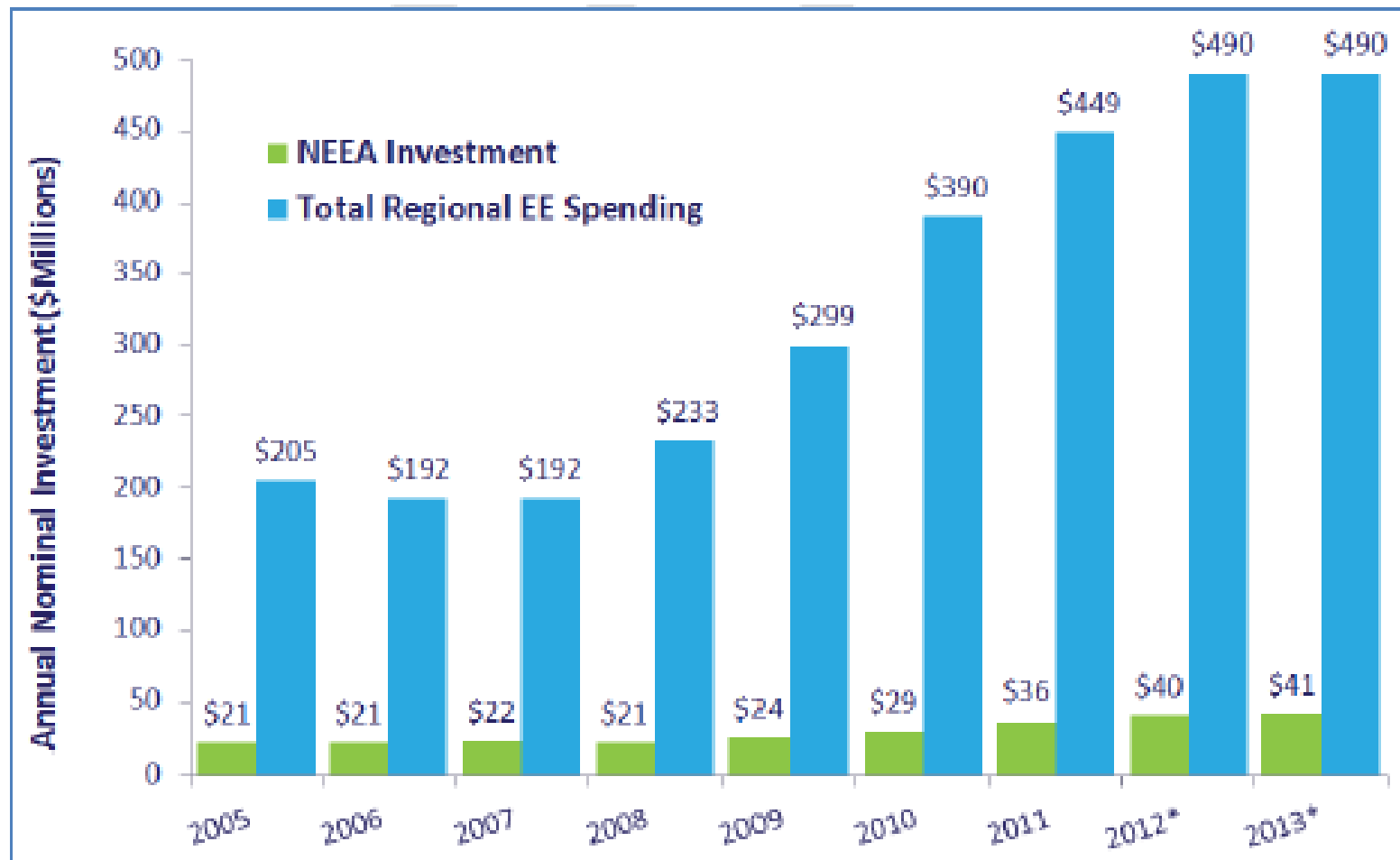
Building a Conservation Plant Together



2013 Highlights

- Expecting to exceed 2013 savings targets from current investments
- Building a robust EE Pipeline for future
- Heat Pump Water Heaters successfully transitioned to market deployment in Q4

NEEA's Proportion of Region's EE Budget (2005-2013)



*2012 and 2013 regional energy efficiency spending is estimated at \$490 Million



STRATEGIC PLANNING

50,000 Ft View



BUSINESS PLANNING

10,000 Ft View

NEEA Plans - Progress To Date



RPAC – Regional Portfolio Advisory Committee
 RAC – Residential Advisory Committee
 CAC – Commercial Advisory Committee
 IAC – Industrial Advisory Committee

- Reaffirmation of Mission/Vision
- General agreement of strategic plan
- General agreement on Strategic Markets for Business Plan
- Provided directional guidance on annual budget at \$37M

Current Landscape

Slow and uneven economic recovery

Low load growth

Lowered avoided costs

Pressure to keep current electric rates low

EE is a driver of customer satisfaction

Low-hanging fruit is disappearing

Pace of technology change is accelerating

Source: “Larkspur Environmental Scan for NEEA”

Reaffirmed: Vision and Mission

Our Vision:

- Energy efficiency is a cornerstone of a vibrant sustainable Northwest.

Our Mission:

- Mobilize the Northwest to become increasingly energy efficient for a sustainable future.



Proposed Two Strategic Goals



1. Fill the Energy Efficiency Pipeline with new Products, Services and Practices
2. Create Market Conditions that will accelerate and sustain the market adoption of emerging energy efficiency products, services, and practices

Proposed 2015-2019 Business Plan



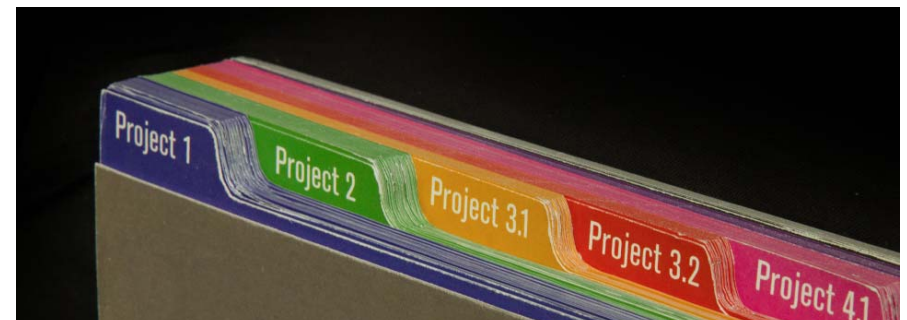
STRATEGIC MARKETS



INFRASTRUCTURE



EMERGING TECHNOLOGY



MARKET PORTFOLIO

Strategic Markets Proposed “Must-Haves”

Strategic Markets must have the following characteristics:

- Significant energy efficiency opportunities
- Clear partnership opportunities with market actors
- Clear business case for ongoing investment
- Long-term linkage to codes or standards
- Benefits exceed the additional costs of the supporting infrastructure.



NEEA Strategic Markets Recommended



Consumer Products



Residential New Construction



Commercial Lighting



Commercial Real Estate



Commercial New Construction



Irrigated Agriculture

20-Year Potential (includes utilities)

Residential

*2,045 aMW (67%
of sector potential)*

Commercial

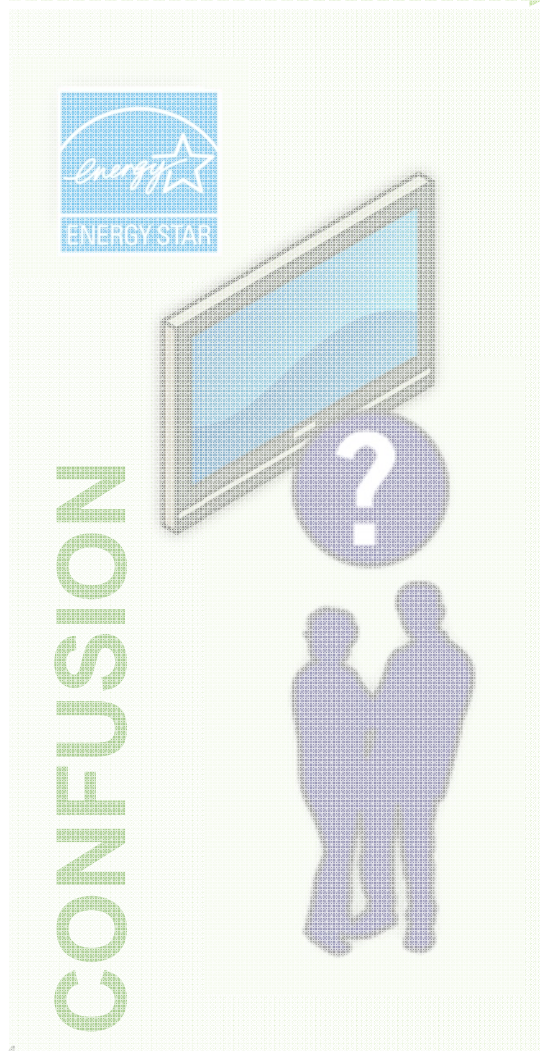
*870 aMW (**64%** of
sector potential)*

Industrial/Ag

*90 aMW (**10%** of
sector potential)*

Example: Tuning into Energy Efficient TVs

IDENTIFY BARRIER



MARKET INTERVENTION



MARKET TRANSFORMED

Retailers representing

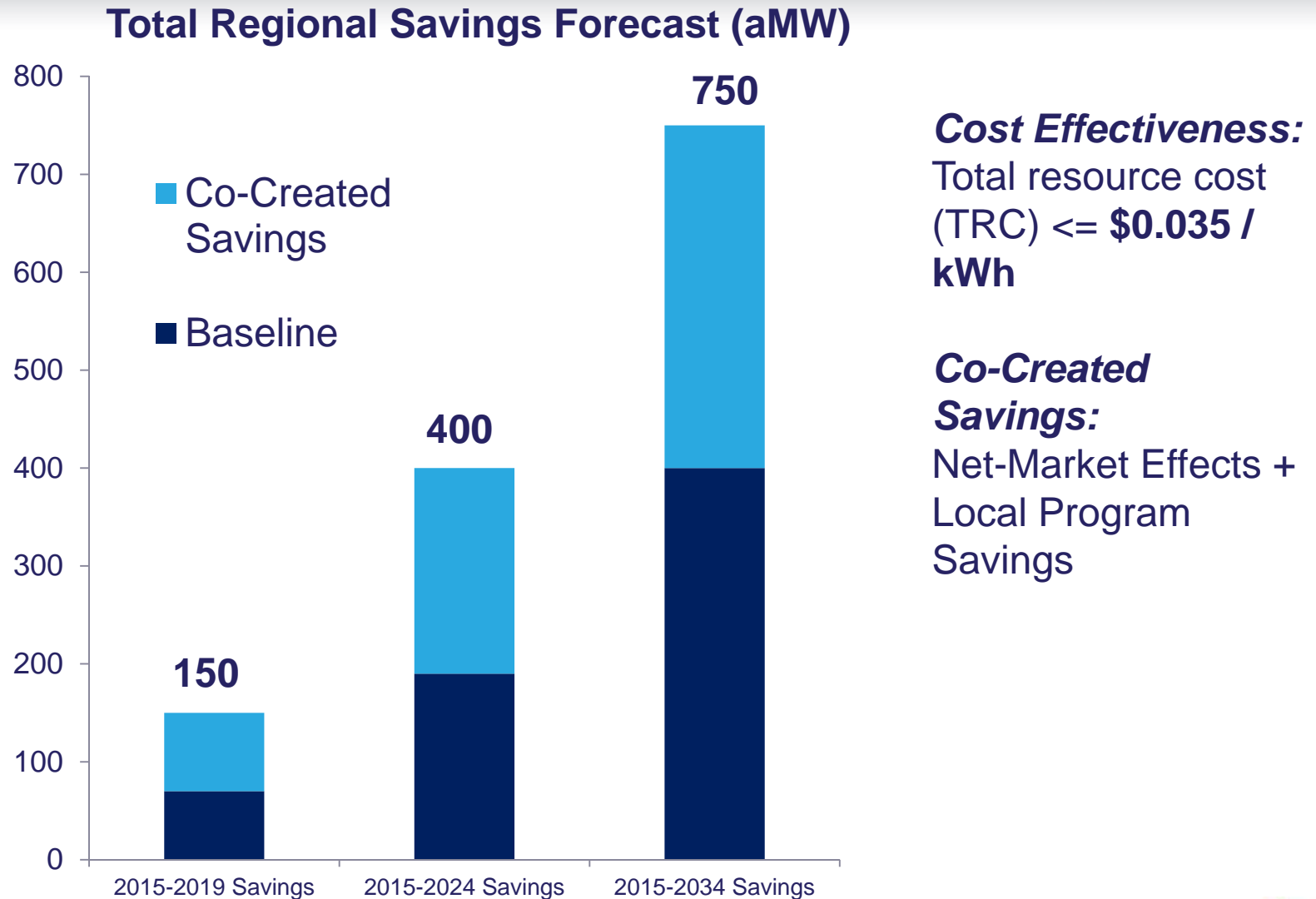
84% of TVs sold
in the Northwest promote
Energy Forward TVs

The market responded
and today TVs are

60%
more efficient
than just three
years ago.

SUCCESS

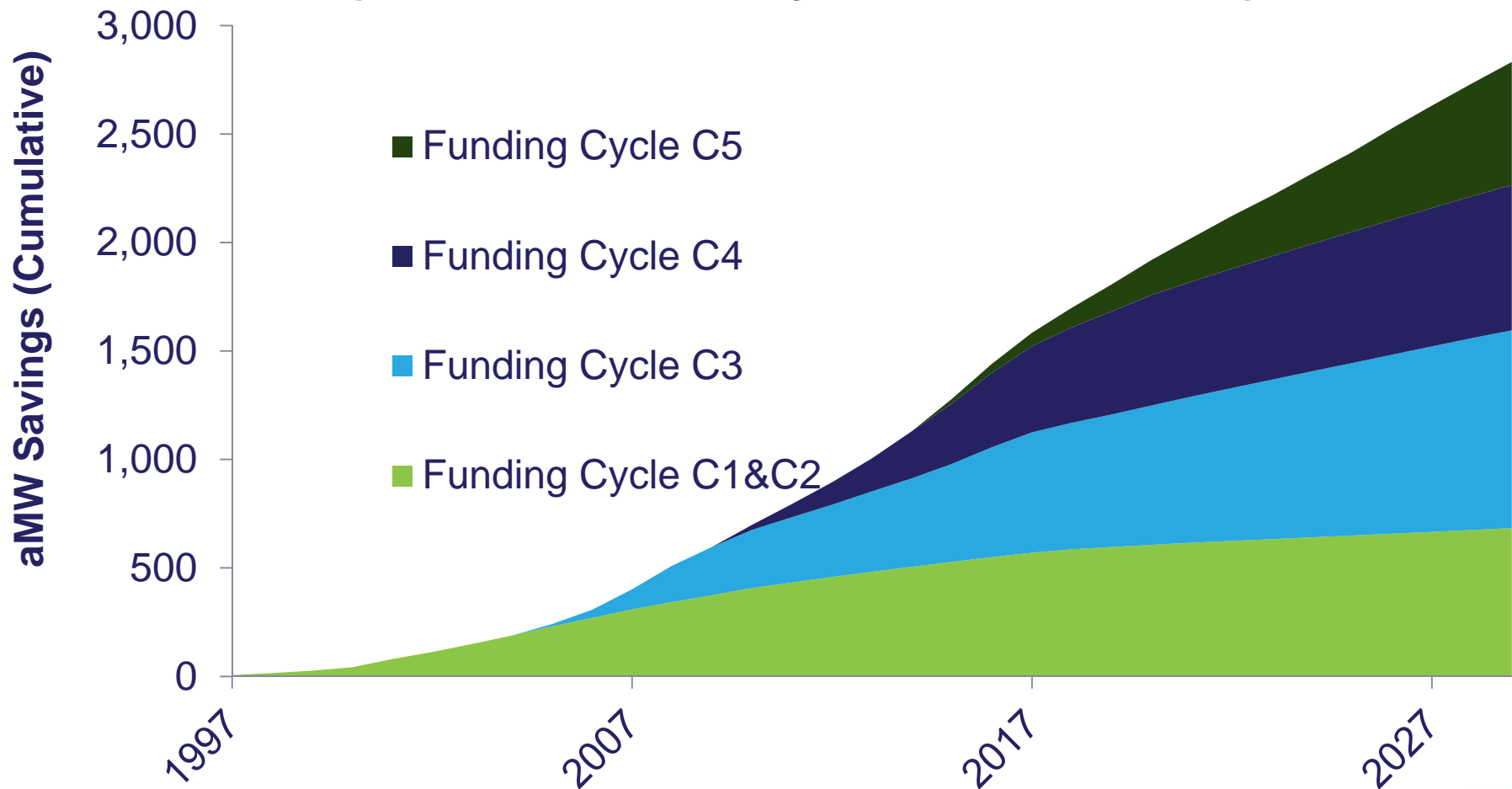
20-Year Savings Projection



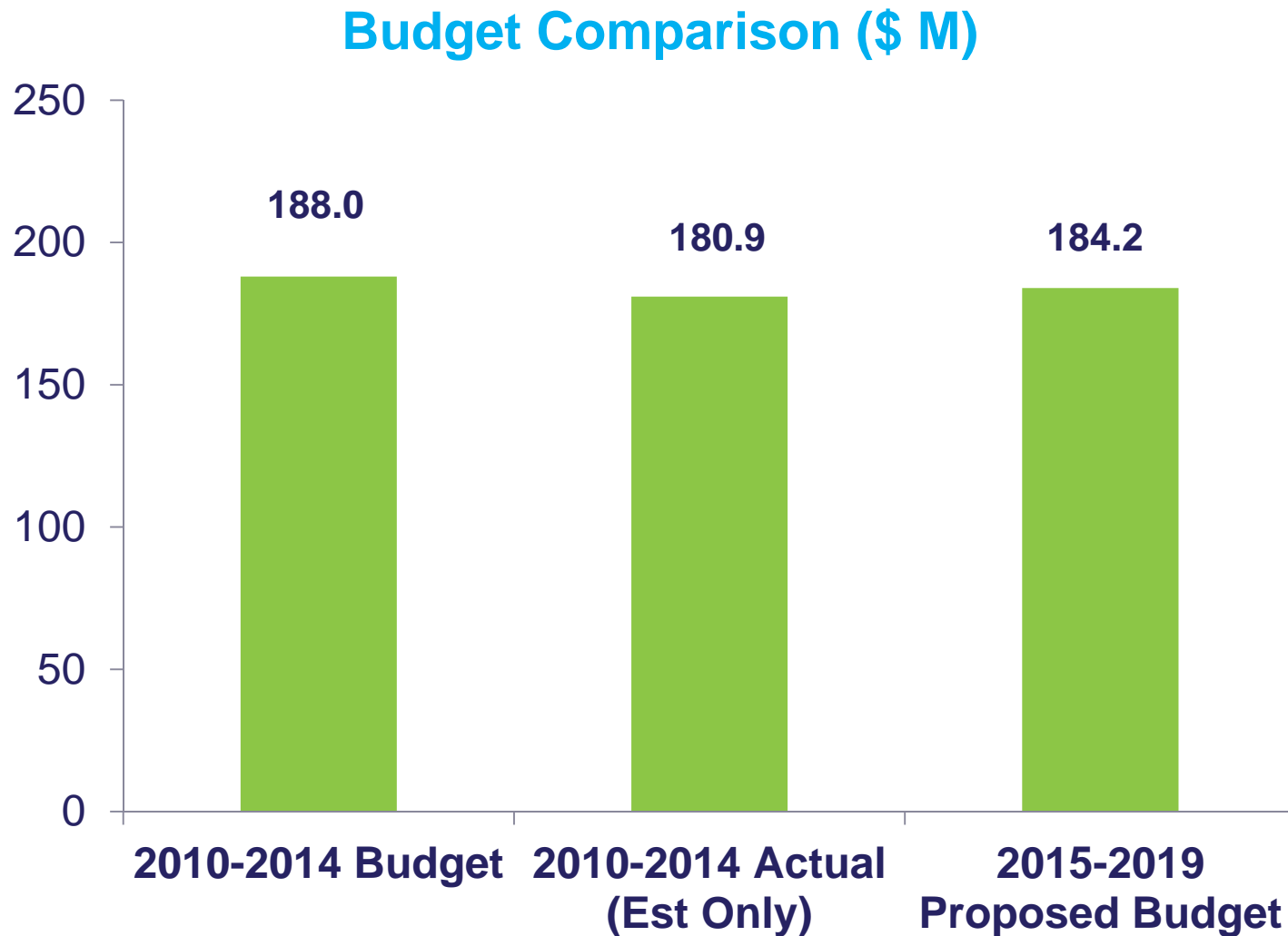
- 150 aMW Total Regional Savings by 2019

Savings to Power 2,000,000 Homes in Northwest

Total Regional Savings (Includes Previously Funded Initiatives)

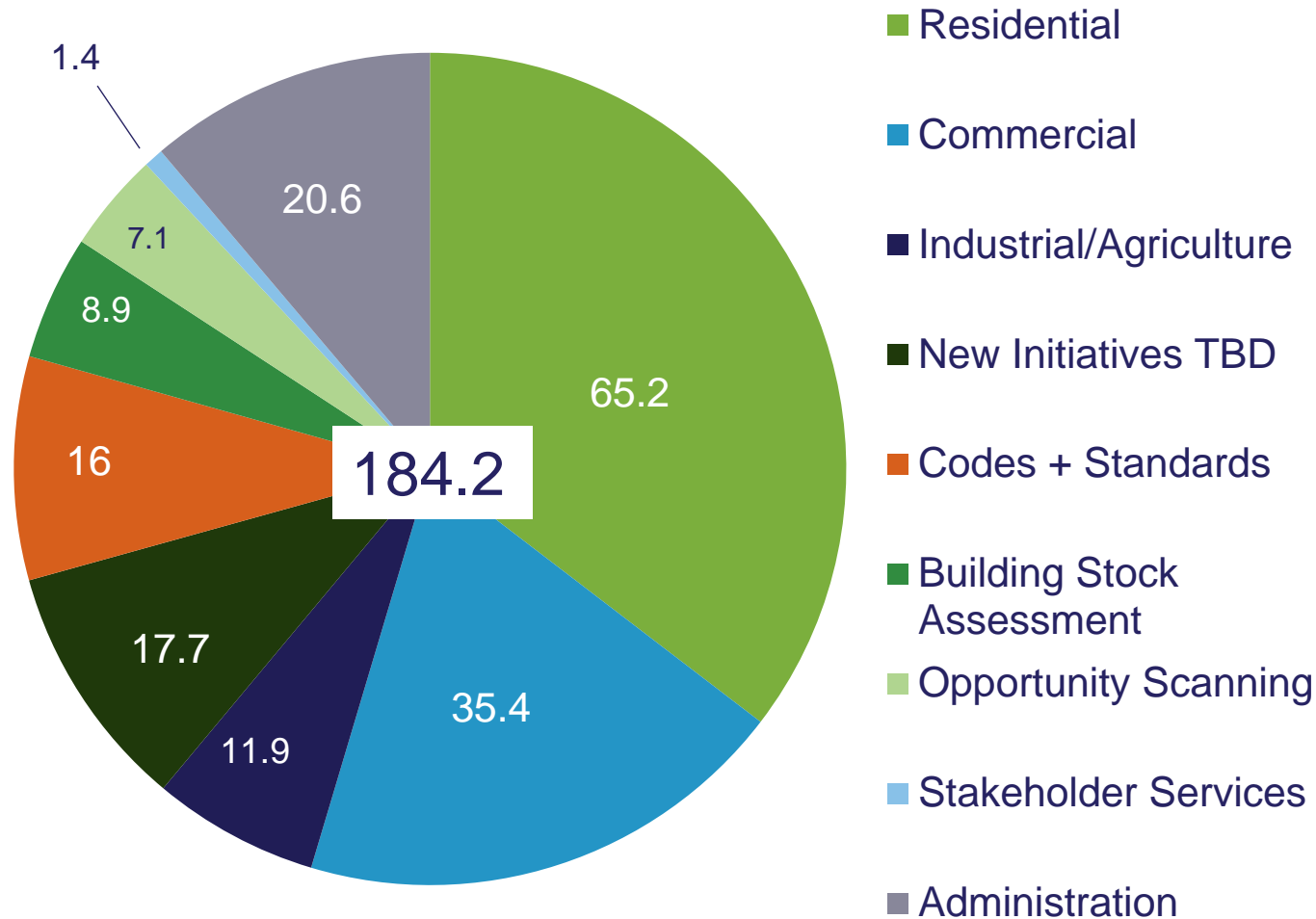


Budget Comparison from this Cycle



Budget Breakdown by Area

Proposed 5-Year Total Investment (\$M)



Proposed Research

Proposed Research in Plan

- 1) Market Characterization Studies
- 2) Building Stock Assessments
- 3) Residential and Non-Residential Code Compliance Studies

Additional NEEA Data Services Proposed

1) Centralized Data and Analytics Provider

- Leverage the region's buying power to acquire data
- Maintain central repository to conduct advanced analytics for funder and stakeholder use

2) Data Aggregator

- Analyze and produce funder and stakeholder reports from aggregated data from NEEA and public and private sources

3) High Priority Data Purchaser

- Purchase data for product categories **(in which NEEA doesn't have an initiative)** that funders need most urgently for planning

Relationship with Region



Key Points



What We've Heard from NWPCC

Areas of Agreement

- Focus on Upstream
- Pooling of funder resources
- NEEA role as regional coordinator

Areas of Interest

- Board issues with plans
- NEEA data collection for products/markets outside its work

Areas to Address

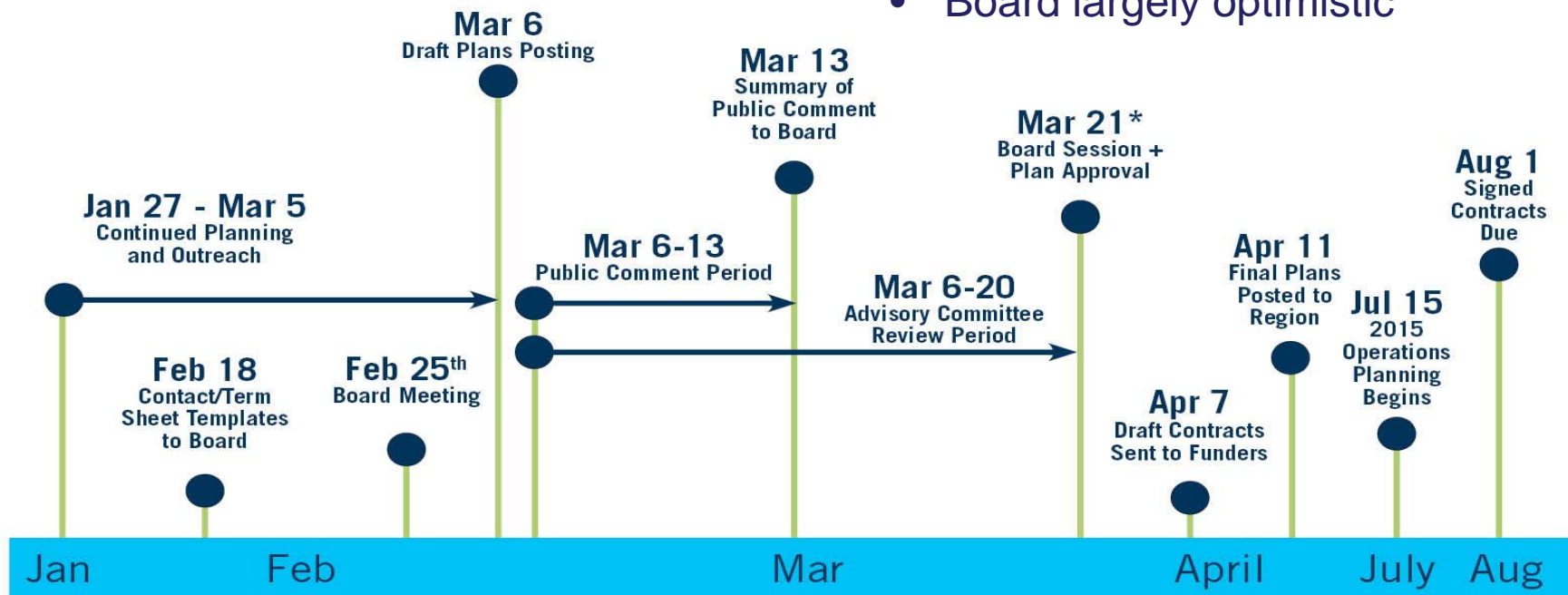
- NEEA's budget decrease despite high value/low cost
- Proposed reduction of Industrial initiatives
- Need for flexibility/mechanism in funding initiatives from scanning activity within the 5-year period

Questions for the Council

- Areas of support?
- Areas of concern?

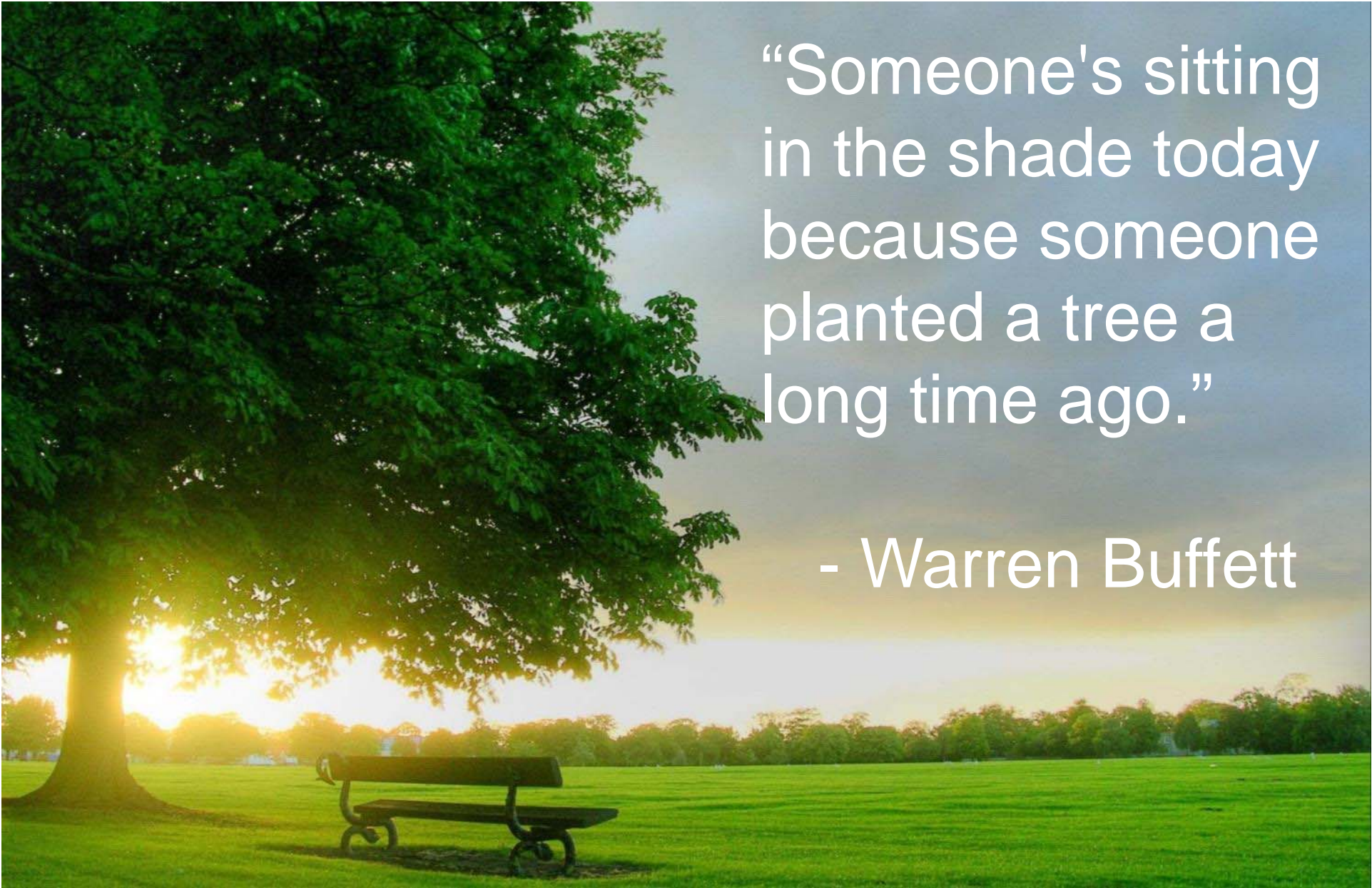
Where to From Here?

- Outstanding issues:
 - Desire to define 'core' work
 - Desire to address any overlap issues
 - Board largely optimistic



2014 Proposed Timeline Toward Adoption and Funding





“Someone's sitting
in the shade today
because someone
planted a tree a
long time ago.”

- Warren Buffett

Questions or Comments?

Filling the
Energy
Efficiency
Pipeline

Accelerating
Market
Adoption

Delivering
Regional
Advantage



Thank You!

James N. West, Board Chair

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