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March 4, 2014

MEMORANDUM

TO: Power Committee

FROM: Charlie Black, Charlie Grist and Tom Eckman

SUBJECT: Council Comments on 2015-2019 NEEA Strategic and Business Plans

Last month, Jim West and Susan Stratton briefed the Council on the status and direction of the Northwest Energy Efficiency Alliance strategic and business plans. NEEA is soliciting comments on its draft plans by March 12, 2014. A special NEEA board meeting is scheduled March 21 to adopt the Strategic and Business Plans. Given the valuable roles that NEEA plays in regional conservation acquisition, staff recommends that the Council submit comments.

Staff is preparing comments to NEEA and will provide a draft to you later this week. The draft will incorporate a review of the results of deliberations by NEEA's executive committee that are ongoing this week.

NEEA's Importance

NEEA has been an instrumental part of Northwest conservation acquisition since 1997. Over the last decade NEEA initiatives have provided high value for the region's electric customers. This has included producing about 20 percent of regional savings with only about ten percent of regional energy efficiency expenditures. NEEA work has also provided invaluable insights on how to influence markets for efficiency products and services. NEEA has discovered new approaches to efficiency implementation, expanded opportunities for savings and leveraged utility efficiency investments. The scope and focus of NEEA's work going forward are very important to continued regional success on energy efficiency and warrant the attention of the Council.

Draft Strategic and Business Plans

Over the last nine months, the NEEA board and staff have developed draft strategic and business plans. In November, 2013 NEEA issued the draft plans. The Draft Strategic Plan sets forth the vision and goals for 2015-2019. The strategy identifies the value propositions for the region, the principles NEEA will use to guide its work, and the key strategies NEEA will use.

The Draft Business Plan fleshes out how NEEA will implement the strategy. Many of NEEA's current market transformation strategies and activities will continue into the 2015-2019 Business Cycle. At the same time, NEEA is adjusting its approach to leverage key learnings from prior cycles and adapting to meet a changing market for energy efficiency. Six strategic markets have been identified in the Draft Business Plan. The November draft shifts NEEA activities more toward the residential sector. It will require review and approval of any new initiatives through NEEA's Portfolio and Lifecycle management processes.

The Draft Business Plan calls for a significant reduction in NEEA's investment in industrial activities and reducing industrial strategic energy management to infrastructure support. Emerging technology scanning continues as a major NEEA activity. NEEA's Retail Product Portfolio is being scaled back from earlier visions. A new residential clothes dryer initiative is under consideration. Importantly, the Draft Business Plan identifies \$17.7 million, over the five-year period, for new initiatives yet to be defined.

Issues Still Under Consideration

The draft NEEA Business plan is still a work in progress. Last week the NEEA board unveiled three additional business plan scenarios under consideration by the board. Details of the three strategies were not available at the meeting. But, compared to the November draft, all three scenarios reduced the scope and budget for NEEA activities going forward or revised the structure of member participation in NEEA activities. One thrust of these new scenarios was to address what are termed "overlap" issues that have surfaced between NEEA and some of its funders. Some utilities want NEEA involvement in local implementation efforts and some do not because it overlaps utility-run efforts. Strategies to deal with overlap were to either cut all overlapping activities from the NEEA budget or allow funders to opt-in for overlapping activities.

Another thrust of the three new scenarios appears to be aimed at removing regional market research and data collection activities which might be taken up by utilities and Bonneville outside of NEEA's realm. Finally, it appears that overall cost pressures on utilities have generated interest among funders to reduce NEEA's budget as a form of expense management. Annual budget ranges for the three new scenarios were from \$26 to \$36 million per year. These are lower than 2010-2014 expenditure levels which averaged about \$37 million per year.

In addition to the three scenarios, the board of directors identified the need to revamp stakeholder engagement processes and more formally engage its portfolio advisory committee before launching any new initiatives.

The NEEA executive committee is meeting this week to hammer out remaining details, but has asked for public comment by March 12.

Outline of Draft Council Comments

Staff will circulate draft comments later this week for Council consideration at its March 12 meeting. The draft comments will focus on the following areas:

- Support for soliciting public input on these key decisions
- Support for the thrust of the Draft Strategic Plan, its high-level strategic goals and the six strategic markets identified
- A recommendation to include in the strategic plan that NEEA take the lead on coordinated on-going regional implementation planning , which was action item CONS-14 in the Sixth Power Plan
- General support for resolving overlapping implementation activities between utilities and NEEA. Caution at using opt-in strategies as method to manage overlap for activities best done regionally
- A recommendation to keep the regional stock assessments and market assessment activities in the NEEA Business Plan. These activities are increasingly important for assessing regional adoption of efficiency. Moving these activities to an opt-in activity would put these highly valuable assessments at unnecessary risk
- A recommendation to include a strategy to opt-in for additional new market transformation initiatives should NEEA's scanning activities identify valuable timely interventions above and beyond those presently envisioned
- A recommendation to add to the work plan a review the NEEA governance structure to assure the public interest elements are adequately represented