NORTHWEST ENERGY EFFICIENCY ALLIANCE

April 1, 2008

TO: Energy Trust Board of Directors

FROM: Susan Hermenet, Interim Executive Director

SUBJECT: Strategic Planning Outreach – OVERVIEW

The Northwest Energy Efficiency Alliance is embarking on a strategic planning process starting April 2nd. We are committed to conducting an open, inclusive and iterative planning process to ensure broad regional representation.

Throughout the coming months, we are planning multiple avenues for stakeholders to provide input and engage in meaningful exchange.

Starting on April 2, we will launch a web portal. This will be an avenue for any stakeholder to use at any time during the planning process to provide feedback and input, as well as participate in a discussion forum. We will send a broadcast email to stakeholders across the region announcing this launch, inviting them to provide input and feedback throughout the entire process online.

In addition to the web portal, we have seven regional workshops planned throughout the region that will be open to the public. Finally, we are outreaching through one-on-one meetings, association meetings, and other regional meetings. Attached is a copy of the timeline for the process, as well as a copy of the list of some initial issues that NEEA is considering.

At your April 9 Board meeting we have some time on the agenda to discuss the process and I'm open to your feedback. I'd like to encourage you to visit the web portal after April 2 at http://www.nwalliance.org/participate for further information. I look forward to our discussion on April 9.

Attachments

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NEEA Strategic Planning Timeline 2008

	April	May	June	July	August	Sept	October
Stage 1 Outreach/Input: Situation Assessment, NEEA mission, scope, guiding principles & key strategies							
Web Input	**Launch: 4/2**	**Discussion Forum: 5/1**					
1-on-1 meetings							
Participation in Organization Meetings							
Stakeholder Workshops							
Expert Committees							
Synthesis/Core Competencies							
Stage 2 Outreach/Input: Draft Strategic Plan				**Draft 1: 7/15**		**Draft 2: 9/18**	
Feedback							
Web Input							
Expert Committees							
Finalize Strategic Plan							

NEEA Strategic Issues DRAFT

	Issue	Examples of Potential NEEA Efforts	Pro	Con
1.	**Increase scope to include natural gas MT:** Should NEEA's scope be expanded to include market transformation efforts for products and services that directly affect natural gas use? If so, should NEEA pursue supplemental funding from natural gas utilities to fund these efforts? .	• An MT effort targeted at increasing market share for high-efficiency residential water heaters for both gas and electric equipment. • A focused effort to increase availability and reduce incremental price of high AFUE furnaces in the new residential construction market. • An early commercialization project targeted at bringing condensing efficiency heaters to the packaged roof-top equipment market • Boiler operator efficiency optimization training for industrial plant operators	• More equitable funding of multi-fuel markets (e.g. new construction, industrial) • Better market interaction with manufacturers and retailers for multi-fuel markets (e.g. HVAC, water heaters) • Opens new opportunities for MT to be deployed in gas specific equipment (e.g. furnaces, industrial process equipment, etc.) • Key foundation block for distributed generation and (less so) for demand response. • A separate gas MT entity of coordinated initiative is a real possibility if NEEA doesn't work with gas, and would be less effective and disruptive to NEEA's efforts.	• Perceived threat of competition from core electric only funders (BPA and large publics) • Difficulty in getting full participation by all gas serving utilities • Additional resources required for additional focus on gas MT; impacts on admin and infrastructure
2.	**Increase scope to include demand response goals:** Should NEEA's scope be expanded to include market transformation efforts with specific goals to build the market for products and services that will increase the ability of NW consumers and utilities to reduce peak energy demand?	• An MT effort to increase market share of "Smart Grid " compatible appliances • Work with NW building operations service companies to develop and offer appropriate demand response offerings to end customers integrated with their other existing service offerings. •	• Potential additional value from EE measures when coordinated with DR • Intervention structures on market side probably similar to EE (e.g. market barriers analysis, channel management, etc.) • Fits well with both current DEI efforts as well as target markets efforts for commercial and industrial customers where demand is a real energy related cost issue	• Potential conflict (some DR measures actually increase energy use) and probable distraction from core business of EE MT • Difficult, complex market issue bridging end-use customers and utility operations; requires high-level technical expertise as well as regulatory knowledge • May require changes in pricing/metering before MT can work. • May require different funders, at least in Oregon, where utilities are responsible for demand management (as opposed to ETO) • Lost revenues an issue

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3.	**Increase Scope to include On-site Renewables:** Should NEEA's scope be expanded to include on-site renewables including specific goals and objectives to identify and address market barriers to broader use of these systems?	• Coordinating "net-zero" buildings efforts across the NW including assessing market barriers, identifying market opportunities, developing a regional "roadmap", and working with California,	• High level of interest from leading edge builders and designers of buildings as well as end consumers desiring sustainable buildings. • NEEA involvement can facilitate rational development as part of integrated design process as opposed to highly capital intensive renewables-focused solutions. • Facilitates NEEA involvement in "net-zero" energy efforts.	• Can consume large amounts of capital with little real energy return but lots of "splash" – potentially large risk – unless/until prices drop significantly. • Lost revenues an issue
4.	**Increase Scope to Include Distributed Generation:** Should NEEA's scope be expanded to include specific MT goals and objectives around the market for distributed generation?	• NEEA could work with architects and engineers to maximize combined heat and power (CHP) applications in integrated design of new commercial buildings. • NEEA could assess new market opportunities in CHP for residential applications (Scope for natural gas would probably be a prerequisite).	• Complements EE solutions as part of comprehensive approach to large end-consumer markets with large thermal loads (pulp and paper, hospitals, etc) • Puts NEEA in forward looking position with respect to future consumer initiatives with CHP	• Like renewables, capital intensive and splashy; can steal resources away from more effective EE solutions • Value of NEEA role unclear
5.	**Coordinated Regional Program Development and Implementation:** Should NEEA's role expand to include coordination of regional planning and implementation of programs to extend or accelerate the market share of EE where the MT objectives have already been met but where a regional effort could provide savings due to economies of scale or leveraging of extra regional resources?	• Continued CFL manufacturer buy-downs in select product categories, channels or markets in order to continue acceleration of market share growth for CFLs. • Coordinated regional incentive program for commercial refrigeration equipment (walk-in coolers, refrigerated display cases, etc). • Coordinated small compressed-air system efficiency program for medium to small industrial customers.	• Brings additional value to the region by coordinating efforts that would otherwise be duplicative at best or confusing to the market at worst. • More seamless integration of regional & local programs.	• Potential for perception as competition with local utility programs • Significant local utility interaction; resource intensive • Potential to take focus away from longer-term MT and emerging tech goals.
6.	**Continue Developing Business Unit Focused on Electric Utility Distribution System Efficiency:** NEEA has just completed Phase I of a multi-year project targeted at improving the efficiency of distribution system operations, primarily focused on proving the benefits of better voltage control and creating tools to capture efficiency on both sides of the end-customer meter. Should NEEA continue to develop this business opportunity into the full commercialization phase?	• NEEA could work with regional utilities to pilot test the tools developed in the first phase and develop a revised set of tools that would be ready for full implementation by both utilities and service providers. • NEEA could work to develop an enhanced set of tools establishing the appropriate parameters to capture benefits of improved voltage regulation in commercial and industrial customer applications. • NEEA could develop a parallel set of business practice tools to work on organizational structural issues to facilitate implementation of improved voltage regulation practices.	• Direct bottom line benefits to Utility funders through their core business operations • Major energy and non-energy benefits on both sides of the meter. • Regional energy savings potential estimated between 100 and 230 aMW at very low cost.	• Highly complex, technical and business sensitive operation; needs to be resourced accordingly or risk damaging relations with funder utilities. • May be overtaken by AMI initiatives that will likely compete for available capital and management resources.

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7.	**Western Regional/National Coordination:** Should NEEA continue to play a lead role in representing the NW states and utility customers in western regional and/or national forums?	• Work with California to coordinate NW interconnection with the CPUC "Big Bold Energy Efficiency Initiatives" effort. • Participate on the Western Cooling Efficiency Center • Regional representation to CEE, ENERGY STAR, ASHRAE, USGBC etc.	• Potentially huge benefits through aggregation of large, multi-state markets that can garner attention from manufacturers and retailers • High leverage of funding resources with others; especially for high-risk emerging tech ventures • Possible increased harmonization of energy codes across states resulting in increased compliance	• Large amount of "coordination" time with high risk of no attributable energy savings
8.	**NEEA role in regional market research:** Should NEEA have a continued role in providing regionally coordinated and funded market assessment and evaluation?	• NEEA could continue to fund and deploy the regional statistical surveys of EE characteristics of new and existing residential and commercial buildings. • NEEA could continue to conduct targeted market assessment in new and emerging market opportunities such as ductless heat pumps, high-efficiency windows, and enhanced building operations and maintenance services.	• Additional value to the region through leveraged participation by multiple parties • Pooling resources allows for more detailed/significant market research/assessment work • Central responsibility provides opportunity for continuity of measurement across sequential fieldings of surveys and assessments (compare previous surveys with current and future results to measure change)	• NEEA can get pulled into many directions to satisfy local program evaluation needs • Regional assessments are big-ticket items that do not directly contribute energy savings; big target for criticism and possible funding cuts
9.	**Supporting and building EE program delivery infrastructure:** Should NEEA continue to support training and general educational efforts targeted at increasing the number of capable individuals to work in both the EE utility program and EE service provider workforce? (Note: This is differentiated from near term professional development efforts such as training for practicing architects and engineers that are provided as part of either current MT efforts or future coordinated delivery efforts. The primary point of differentiation is the long-term nature of the investment and hence difficulty in measurement of direct impacts in NW energy consumption.)	• NEEA could re-invigorate training programs previously funded such as Northwest Energy Education Institute at Lane Community College • NEEA could re-institute support for intern programs such as the Industrial Assessment Center program at Oregon State University. • NEEA could work with the schools of Architecture (UW, U of O, U of I, MSU) to include specific curriculum on integrated design, daylighting, passive ventilation, etc.	• NEEA could help regional dialogue on how to increase pool of delivery resources; already working with universities and hosts training and certification programs ala BOC • NEEA is charged with long-run view; more likely to be able to keep continuity of program	• Large funding requirements to seriously address the problem with long-term results • No guarantees that trained resources stay in the region; NW becomes training ground for California...

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10.	**Portfolio Alignment:** Where should NEEA's emphasis be in terms of resource allocation and desired outcomes (e.g., goals & objectives) a. short-term vs. long-term aMW savings b. stage of commercial availability: pre-commercial, emerging, increased penetration. c. advancement of codes and standards d. investments resulting in direct aMW savings vs. ee infrastructure investments	NEEA must align its allocation of resources with its strategic plan goals & objectives. Some examples: • An emphasis on short-term savings would encourage projects that increase market adoption of commercially-available products. An emphasis on long-term savings would encourage resource allocation toward pre-commercial and/or emerging technologies with higher risk/reward that would also ensure continuous pipeline of energy efficient opportunities. • "Infrastructure" investments such as information resources that have no direct savings	• Effective portfolio management requires a clear set of criteria • Clarity on the relative value of competing priorities will increase NEEA's ability to allocate its resources to deliver high performance to the region • Clarity on resource priorities will allow for a more comprehensive assessment of NEEA performance.	• Given the wide range of demands for NEEA regional services it may not be possible to effectively quantitatively balance the portfolio hence creating false sense of satisfaction
11.	**Emphasis on "Net" aMW for Energy Savings Measurement:** Should NEEA continue to focus on measurement of "net" energy savings as the primary metric of success for delivery of energy savings? Note: "Net" energy savings are counted as the residual EE savings from market changes after accounting for projected "baseline" and "local EE program" savings. They are accounted as the "net" market effects resulting from utility and NEEA funded efforts	Emphasis on "net" market creates incentives that focuses NEEA efforts on areas where there are no local utility program efforts such as the following: • Markets where the per unit savings are too small for local program rebate administration e.g. 80 Plus Efficient Power Supplies for PCs • Markets where traditional utility programs have not historically played a significant role e.g. codes and standards • "soft" efficiency measures such as O&M optimization where utility programs have not traditionally counted savings	• Highly valuable; funders can count toward goals • Reduced perception of competition with utility local programs	• Verification of savings from business practice change that comprises bundles of non-prescriptive measures is difficult and costly • "Net" aMW calculations require increasingly costly accounting efforts as NEEA and funders increase partnership; ultimate partnership results in zero net aMW • Potentially skews portfolio decisions toward projects with verifiable aMW and with less partnership • Focuses measurement on attribution questions rather than total market change and reduced energy use.
12.	**Diversity of Funding Sources:** Historically virtually all of NEEA's funding has come from the primary NW utility funders; should NEEA deliberately pursue a strategy of fundraising from non-NW and/or non-utility funding sources?	• NEEA could pursue grants from foundations such as the Energy Foundation • NEEA could pursue neighboring extra-regional funding sources such as BC Hydro or Rocky Mountain Power	• Diversifies NEEA funding potentially increasing stability	• Loss of control for primary NW funders