Board Decision
Authorizing a 2010-2015 Funding Commitment to the Northwest Energy Efficiency Alliance

July 29, 2009

Summary

Authorize the Executive Director to sign a commitment letter supporting the Northwest Energy Efficiency Alliance ("NEEA") Business Plan, and to negotiate and sign a contract pledging Energy Trust to provide NEEA over the 2010-2015 period with up to $39,356,800 for 20 average megawatts (aMW) of electricity savings and other benefits, contingent on Energy Trust receiving supplemental electric energy efficiency funding.

Background

- NEEA has been Energy Trust's primary electric market transformation program delivery contractor since Energy Trust's inception. Through 2008, 53 aMW of NEEA savings were attributed to Energy Trust funding – about 25% of total Energy Trust savings for that period.
- NEEA savings primarily come from:
    - Market transformation: developing markets for residential lighting (especially compact fluorescent bulbs), clothes washers, windows, desktop computers and evaporator fans;
    - Working with businesses to help them manage efficiency as a profit strategy;
    - Training practitioners in efficient commercial building design and operations; and
    - Working with business and government on specifications and code improvements, e.g., establishing federal specifications for ENERGY STAR new homes, which directly influenced Oregon's energy code.
- Historically, Energy Trust has contributed 16.4% of the NEEA budget and derived approximately 20% of NEEA energy savings.
- Over the last two years, NEEA developed a Strategic Plan and Business Plan in an extensive process. Margie Harris participates on the NEEA board on Energy Trust's behalf, and has been actively involved.
- Some of the Business Plan activities emerge directly from the Northwest Energy Efficiency Task Force (NEET), in which Energy Trust has also actively participated.

Discussion

- To implement the draft Business Plan, NEEA requires funding commitments: letters of commitment secured in July and with contract commitments by October. As in the past, NEEA seeks a five-year commitment, in this case 2010-2015.

- The new Business Plan proposes to acquire 100 aMW in regional savings from market transformation over five years at a projected cost of 2-3 cents/kWh. Of this, 20 aMW would be attributable to Energy Trust. *Note*: the Business Plan also has a 200 aMW regional goal, which includes savings due to joint NEEA/Energy Trust programs; the 100 aMW goal is referenced here because it nets out the effects of Energy Trust programs.
- With growing demand for energy efficiency, higher energy standards (e.g., the phase-out of incandescent bulbs) and code requirements, Energy Trust needs to find new technologies and methods to meet its future savings goals.
- The Business Plan responds to this need by accelerating emerging technology, increasing training and education, and coordinating utility efforts to work with upstream suppliers. Over the coming five years, NEEA commits to providing 20 aMW of savings attributable to Energy Trust.
- The 20 aMW savings that the Business Plan proposes to deliver to Energy Trust would cost 2-3 cents/kWh. This is more expensive than past NEEA savings, which cost about .6 cents/kWh, and is both competitive with costs projected from other programs and compliant with OPUC minimum performance measures for Energy Trust.
- NEEA seeks a five-year, $39,356,800 commitment from Energy Trust. NEEA activity and Energy Trust funding would both ramp up during the five-year time period and the requested funding would average almost $8 million per year, more than twice as much as in the past. The increase is due to several factors:
    - The Business Plan proposes to align funding with customer and energy loads, which would increase the share of Energy Trust funding to about 20% of the NEEA budget, compared to 16.4% in the past;
    - NEEA programs and activities would expand considerably in response to growing demand; and
    - NEEA savings over the past few years have been a particular bargain because of its success with compact fluorescent light bulbs. Future costs are expected to be higher.
    - To address current economic conditions, there is an option to phase in contributions over the five-year period, ramping costs upward after the first two years (see attached).
- Energy Trust staff strongly supports the Business Plan and the funding request. Staff considers the proposed NEEA work to be critical in achieving Energy Trust savings goals over the next few years, and in helping ensure a full pipeline of efficiency projects over the longer term.
- Energy Trust will need supplemental electric utility funding through the SB 838 funding mechanism to fund NEEA at this level. We therefore propose to make Energy Trust's funding commitment contingent on supplemental funding, and would coordinate closely with the utilities before reaching a contractual agreement with NEEA.
- If we secure supplemental funding commitments to contribute toward the NEEA commitment, we propose to negotiate and sign a contract consistent with the NEEA request. If we do not receive assurance of adequate supplemental funding, we would report back to the board before making a contract commitment.

Recommendation

Authorize the Executive Director to sign a commitment letter supporting the NEEA 2010-2015 Business Plan, committing in principle up to $39,356,800 for 20 aMW of electric savings, funding to be contingent on supplemental electric efficiency funding and successful negotiation of a contract consistent with the resolution below.

RESOLUTION #521
AUTHORIZING A 2010-2015 FUNDING COMMITMENT TO THE NORTHWEST ENERGY EFFICIENCY ALLIANCE

WHEREAS:

1. **The Northwest Energy Efficiency Alliance (NEEA) has been Energy Trust's primary market transformation program delivery contractor since Energy Trust's inception.**
2. **Through 2008, 53 aMW of NEEA savings were attributed to Energy Trust funding – about 25% of total Energy Trust savings for that period.**
3. **Historically, Energy Trust has contributed 16.4% of NEEA's budget and derived approximately 20% of NEEA's energy savings.**
4. **NEEA has developed a Strategic Plan and Business Plan using an extensive process. To implement the Business Plan, NEEA requires funding commitments.**
5. **The Business Plan promises 100 aMW in regional energy savings over five years at a projected cost of 2-3 cents/kWh. Of this, 20 aMW would be attributable to Energy Trust. This compares favorably to costs projected from other Energy Trust programs and complies with minimum OPUC performance measures.**
6. **NEEA seeks a five-year, $39,356,800, commitment from Energy Trust. The requested funding request is for more than twice as much as in the past, due to several factors:**
    a. **The Business Plan proposes to align funding with customers and energy loads, which would bring Energy Trust funding to about 20% of the NEEA budget from 16.4%;**
    b. **NEEA programs and activities would expand considerably in response to growing demand; and**
    c. **NEEA savings over the past few years have been a particular bargain because of its success with compact fluorescent light bulbs. Future costs are expected to be higher.**
7. **Staff considers the proposed work to be critical in achieving Energy Trust savings goals over the next few years, and in helping ensure a full pipeline of efficiency projects over the longer term.**
8. **Energy Trust will require supplemental electric utility funding through the SB 838 funding mechanism to fund NEEA at this level.**

It is therefore RESOLVED:

1. **The Executive Director is authorized to sign a letter supporting the NEEA 2010-2015 Business Plan, and committing in principle up to $39,356,800 for 20 aMW of electric savings.**
2. **Funds shall be contingent on receiving adequate assurance of supplemental efficiency funding from utilities, and negotiation of a contract consistent with this resolution.**

Moved by: Seconded by:

Vote: In favor: Abstained:

Opposed: [list name(s) and, if requested, reason for "no" vote]