A Revised Approach for Expressing IRP Energy Savings Targets

CAC March 9, 2011

Summary

At the February 3rd Strategic Utility Roundtable the Energy Trust Board and utility representatives reached agreement on a consistent way to characterize and report energy savings toward Energy Trust, integrated resource plan (IRP) and utility-Energy Trust funding agreement goals. We are now bringing forward for CAC consideration and subsequent OPUC action the revised approach for expressing IRP energy savings targets.

Background

- Energy Trust has historically established annual savings goals as a range consisting of a stretch (aggressive) goal and a conservative (high-confidence) goal. The conservative goal has been 75% of the stretch goal.
- Energy Trust counts net savings toward these goals (i.e., savings corrected for free-riders and other evaluation factors)
- With the passage of the Renewable Energy Act (SB 838) in 2007 a provision allowed investor owned electric utilities to collect funding beyond the established 3% public purpose funds (SB 1149) to acquire addition energy efficiency savings to meet their integrated resource plan (IRP) efficiency targets.
- Utilities also include savings goals in the IRP process. Energy Trust participates in that process by developing the energy efficiency resource potential for the IRP, and then delivers these savings through programs funded by the utilities.
- Energy Trust enters into funding agreements with the utilities defining the term, savings range and approximate level of funding consistent with utility rate filings.
- A process is in place to review the rate at which Energy Trust achieves savings and program spending needs:
    - Individual utilities and Energy Trust meet annually review and make tariff adjustments to maintain a targeted 5% cushion.
    - Every two years, IRP targets are reviewed and adjusted if warranted.

Discussion

- IRP savings targets and utility-Energy Trust funding agreements both link to Energy Trust stretch goals.
- However, Energy Trust budgets and utility-Energy Trust funding agreements use other savings ranges:

    - Before 2011, utility-Energy Trust agreements called for savings of 90-100% of stretch goal (10% range) and the board approved budgets used a savings range of 75-100% of stretch goal (25% range)
    - In 2011, the Energy Trust Board of Directors adopted a budget that includes a savings range of 85-100% of stretch goal (15% range)
    - For 2011, utility-Energy Trust agreements use a range of 85-100% of stretch goal (15% range)
- There appear to be differences among the utilities about how IRP targets should be conveyed:
    - PGE views the IRP savings as a multi-year average and expressed in net savings terms
    - Pacific Power views the IRP savings as gross savings with high confidence that the savings will be achieved, comparable to what Energy Trust views as a conservation annual goal.
- In order to report savings to all utilities and the Energy Trust board, Energy Trust now reports savings in multiple permutations:

	IRP	Contracts	ETO goals
PGE	Net stretch	Net 85-100% stretch	Net 85-100% stretch
PacifiCorp	Gross stretch	Gross 85-100% stretch	Net 85-100% stretch
NW Natural	Net stretch	Net 85-100% stretch	Net 85-100% stretch
Cascade	Net stretch	Net 85-100% stretch	Net 85-100% stretch

- Energy Trust proposes a single, consistent way to formulate and report savings for IRP savings targets:
    - net savings (on request, Energy Trust can continue to provide savings in gross terms)
    - that achieve 85% of the stretch goal
- Energy Trust staff believes and the Utility Roundtable and Board attendees concur that 85% of the stretch goal provides a better planning figure for the utilities because they can rely on it to meet demand, whereas 100% of the stretch goal may or may not be achieved on an annual basis.
- Over the next five years, Energy Trust's conservative goals are projected to slightly exceed (by two average megawatts) the goals of the Northwest Power and Conservation Council's 6th Power Plan.

- Funding agreements and Energy Trust program management will continue to aim at 100% of stretch goals.

Next Steps

1. Seek endorsement at the March Conservation Advisory Council.
2. Present recommendation to the Energy Trust board.
3. Present board-approved recommendation to OPUC for action.