



STATE OF WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

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October 23, 2018

Andrew Grassell
Chairman, Board of Directors
Northwest Energy Efficiency Alliance
421 SW 6th Avenue, Suite 600
Portland, OR 97204

RE: Commission Comments on 2020-2024 Proposed Business Plan

Dear Mr. Grassell,

The Washington Utilities and Transportation Commission (Commission) appreciates the opportunity to provide comments on the Northwest Energy Efficiency Alliance's (NEEA) draft 2020-2024 business plan. Over the last 21 years NEEA has played an important role in facilitating regional acquisition of energy efficiency as a preferred resource and supporting Washington's investor-owned electric utilities (IOUs) as they fulfill their statutory obligations to pursue all cost-effective conservation.

Market transformation is inherently a long-term strategy with the bulk of savings often occurring years after an initiative has begun. The intention of market transformation is to help promising new technologies overcome market barriers and to fill the pipeline of future utility efficiency programs. In its strategic deployment of market interventions, NEEA provides value to the region by reducing risk to individual funders and leveraging the entire region's economic voice when advocating for change from manufacturers or governments.

When NEEA began the natural gas market transformation initiative in the 2015-2019 cycle, we expected that NEEA would identify new energy efficiency opportunities in this sector, but recognized that savings would not occur immediately. We are pleased to see new board members from natural gas funders Cascade Natural Gas and Northwest Natural and a business plan that integrates both the electric and natural gas programs, including a dual-fuel initiative for the first time.

We recognize the difficult tradeoffs NEEA has made during planning for this cycle as a result of downward budget pressure from funders. While the budget for 2020-2024 is not significantly

different from that of 2015-2019, we recognize that, as a result of naturally increasing costs, there is an effective budget decrease.¹ Reductions in the scope of programs, market intelligence work, and the “convene and collaborate” function are particularly regrettable. It is certainly possible that reductions to potentially valuable regional initiatives may increase energy costs to all northwest utility customers in the long run. To the extent that NEEA is unable or unwilling to act on promising cost-effective initiatives, utilities in Washington and the region may have to bear a larger share of the cost of those initiatives to meet the conservation mandate of Washington’s Energy Independence Act. This would be a suboptimal outcome.

Significant changes to the business plan include a new pace of stock assessment. Regional stock assessments provide invaluable data on the regional building stock for load forecasting, conservation target setting, and program planning. We accept that pushing back the timeline on the commercial stock assessment (CBSA) to conclude after 2024 is a tradeoff that made significant room in the budget at the expense of using slightly stale data in future planning processes. We support the inclusion of a standalone multi-family dwelling stock assessment, although we would prefer that it were a core, not optional investment. However, as we expect Washington IOUs will participate, the value to Washington utility ratepayers should be largely preserved. In addition, we agree with the decision not to pursue a regional industrial facilities site assessment as the value of this assessment is significantly lower than the residential building stock assessment (RBSA) or CBSA.

Stakeholder collaboration and the ability to learn from one another is an important benefit NEEA provides. Thus, we are pleased that the Efficiency Exchange conference will continue as a self-funded enterprise, and encourage individual NEEA members to support the conference to ensure it continues to be sustainable. The elimination of the Conduit platform as a resource for collaboration, education, and awareness of conservation initiatives around the region will be a loss for the Commission. This is a key regional resource that provides a valuable repository of technical support for a multitude of conservation resources to program planners and evaluators.

We applaud NEEA for leveraging resources to encourage demand-response-ready appliances in certain circumstances where the organization is already intervening in the market. Implemented correctly, this can provide value to ratepayers at negligible cost. Embedding this technology in appliances now will allow customers the ability to opt-in to future programs without investing in new equipment. NEEA should consider electric vehicle smart chargers for this additional opportunity.

One contentious area that arose as NEEA developed this business plan concerned marketing and branding issues. We are pleased to hear that increased coordination of downstream regional marketing is already occurring. While individual utilities should be able to use their brand

¹ The 2015-2019 (cycle 5) business plans budgeted \$169 million for electric core and optional programs and \$18 million for natural gas programs. The 2020-2024 (cycle 6) business plan budgets \$166 million for electric core and optional programs and \$19 million for natural gas programs.

whenever appropriate, regional marketing is an essential part of market transformation. Utilities and NEEA should coordinate marketing efforts to avoid undermining the organization's regional influence or manufacturer confidence in its ability to deliver sales of energy efficient products.

Although the region met the energy efficiency milestones contained in the Northwest Power and Conservation Council's (Council) Seventh Plan for 2016 and 2017, we share the Council's concern that the region's ability to meet the six-year goal of 1,400 aMW is questionable as long as regional funding for energy efficiency is flat or declining.² NEEA's five-year budget and savings goal may not be aggressive enough to achieve these goals. We expect other organizations in the region, especially Washington utilities, will pursue all the energy efficiency savings identified in the Council's plan and ultimately meet or surpass expectations.

Thank you again for the opportunity to comment.

Sincerely,

Mark L. Johnson
Executive Director and Secretary
Utilities and Transportation Commission

² Northwest Power and Conservation Council "Region Exceeds Two-Year Benchmark for Energy Efficiency" Jennifer Light, August 15, 2018. <https://www.nwcouncil.org/news/region-exceeds-two-year-benchmark-energy-efficiency-1>

"While currently on track, these initial results do raise some concern about whether the region will meet the six-year goal in the Seventh Plan of 1,400 average megawatts. There is concern because the Seventh Plan milestones increase over the next four years, but projections for 2018 and 2019 show that program budgets and savings are expected to be relatively flat. Additionally, the Bonneville Power Administration, the region's largest electricity provider, plans to reduce its spending on energy efficiency by approximately 10 percent in 2020 and 2021 as part of its agency-wide cost-cutting efforts to maintain its financial competitiveness.

Historical data show that energy efficiency savings tend to track well with budgets. This means if budgets decline, savings generally will, too. Based on current projections and achievements, meeting the six-year goal will require significant amounts of energy efficiency occurring outside of direct energy efficiency programs."