

NEEA Strategic Planning Outreach: Key Issue Brief

Portfolio Balance

AUGUST 13, 2008



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NEEA 2010-2014 Strategic Plan

Key Issues Brief: Portfolio Balance

July 24, 2008

Summary Recommendation: NEEA should develop and employ a portfolio management system that allows it to balance its portfolio to ensure: a pipeline of energy efficiency opportunities that can deliver continuous measurable regional savings over the short and long term; and regional equity.

Current Context:

- The NEEA Board has been in conflict over the issue of short-term vs. long-term energy savings for many years. Some funders rely on the savings they plan/forecast through NEEA efforts and prioritize those savings above longer-term projects or those for which savings measurement is uncertain.
- If you don't have projects in your portfolio that pay out in the long-term, you eventually won't have any projects at the stage that they deliver "short-term" savings. Stated differently, today's short-term savings opportunities are yesterday's long-term investments.

What we heard:

- NEEA needs to balance its portfolio of projects between those that deliver long-term savings and those that deliver aMW within the funding cycle
- At least one utility that directly funds NEEA needs annual aMW that cost-justify the annual investment
- NEEA shouldn't be measuring savings associated with its efforts at all; develop alternative metrics to aMW savings
- NEEA's current method of counting savings is unfair because it implies that all market effects are associated with NEEA interventions
- Balance risk and reward
- Longer-term time horizons for savings (e.g., 10 years) are acceptable
- The current system of measuring and cost-justifying savings is an obstacle to achieving greater regional energy savings
- NEEA must acknowledge varying rates of market transformation in rural vs. urban markets and plan its exit strategies accordingly

Recommendations:

Toward the goal of long-term, high impact market transformation, NEEA should balance its portfolio of energy efficiency initiatives on the cornerstones of regional equity, cost-effectiveness, and continuous measurable regional savings over the short and long term.

Specifically:

- The Strategic Planning Committee should agree on a set of measurable portfolio guidelines that will be applied to NEEA's 2010-2014 business plan. These guidelines should include ROI—both aMWs as well as other non-energy savings benefits.
- NEEA should adopt a formalized portfolio management system that:
 - Optimizes outcomes subject to the portfolio guidelines
 - Plans for continuous future aMW flows (like cash flows)
 - Balances risk and reward
 - Balances regional benefit
 - Acknowledges that sub-regions (e.g., urban vs. rural) may vary as to when they realize benefits
 - Allows for periodic formal review of performance metrics and termination of projects
- NEEA should define the conditions under which it will stay/remain in particular markets, and it should define exit strategies at the time of project adoption