The Northwest Energy Efficiency Alliance

2010-2014 Strategic Plan

Submitted to:
NEEA Board of Directors
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Introduction

Once again, the Northwest is at a crossroads in energy policy. Increasing loads, supply constraints and climate change legislation all point to a need for additional cost-effective, environmentally friendly resources. While renewable energy will play a significant role in meeting the need, the last decade has proven that energy efficiency can and should play a foundational role in securing a vibrant, sustainable future for the region. But to meet the challenges posed by load growth and climate change, the regional will need to multiply its investment in and output of its energy efficiency efforts many times over what it has delivered in the past decade. Does the region have the resources, programs, policies and strategies necessary to support such a rapid acceleration of energy efficiency investment?

More immediately, does the region have the political will to continue increasing its investment in energy efficiency at the same time it must endure the fierce sting of the current economic downturn? Record unemployment rates, a plummeting housing market, and frozen credit lines are all causing anxiety in the marketplace. Cost reductions and saving for the future have become the new reality. Utilities face uncertainty—both on the demand and supply sides-- compounded by the continued push for more stringent climate change legislation.

One might ask, at a time like this, whether an increased focus on energy efficiency even makes sense for this region. The answer is a resounding 'yes.' Energy efficiency is as important, if not more important, than ever before. It is a key driving force in economic recovery and must be a top priority for the region. Energy efficiency does more than mitigate the need for new power plants and environmental protection; it is a sound business case for improving cash flow and reducing operational expenses for business and industry through more energy-efficient technologies and accelerated behavior change. It does the same for homeowners, by lowering energy bills to increase cash flow. Energy efficiency delivers economic benefits to both businesses and consumers.

Like the region, the Northwest Energy Efficiency Alliance (NEEA) is also at a crossroads. As the region has increased its investment in energy efficiency, regional collaboration and coordination has become even more essential. It is more important than ever for NEEA to focus its efforts on work that maximizes the unique value of a regional organization. What are the highest priority areas where the region can be more effective working collaboratively through a regional organization than via utilities acting alone? Stakeholders have been clear that they are counting on NEEA to continue its role and successes in helping to transform markets by working with upstream market partners, influencing codes and standards, coordinating education and training programs, and coordinating regional program platforms, such as ENERGY STAR and others. But they have asked NEEA to do more to help the region meet its dramatically increasing energy efficiency goals. In particular, utilities are looking to NEEA to increase the market availability of emerging technologies, provide support services to help them achieve their goals, and provide additional support for regional coordination.

This Strategic Plan defines NEEA's mission, vision, goals and key strategies to help the Northwest meet the energy efficiency challenges it faces during this critical period.

Current Situation

Northwest energy demand has been growing and is projected to continue. Over the last decade, the Northwest has accomplished some impressive gains in energy efficiency. Efficiency efforts in the region have captured more than 3,300 average megawatts (aMWs) of energy savings, or enough energy to power three cities the size of Seattle. Despite this significant achievement, electric loads in the region continued to grow, adding a megawatt of

new load for every aMW saved. Demand for energy is projected to continue growing as consumers purchase an increasing number of air-conditioners, appliances and home electronics. Computer servers and information systems are replacing traditional manufacturing as the largest energy users in the region. New uses such as plug-in hybrid vehicles could generate even greater demand for electricity.

Energy supply options are increasingly limited as constraints on the existing power system grow. The number of options to meet energy demand appears to be shrinking. Constraints on transmission, uncertainty about fuel costs and the possibility of restrictions or taxes on greenhouse gas emissions make conventional fossil-fueled power plants increasingly risky propositions. Renewable energy resources such as wind and solar are increasing in capacity. Integration of renewable resources with the existing power system is pushing the limits of the existing system transmission and capacity constraints. These constraints combined with growing "peak" loads such as air-conditioning are forcing the utility system to take a new look at the value of reductions in demand that coincide with system peaks. Although the current economic downturn has dampened current loads for the time being, loads are expected to resume growth as the economy recovers.

Concerns over high energy prices and impacts on global climate change have created an opportunity to promote energy efficiency as a solution for consumers, businesses and government. Unlike ten years ago, consumers and business owners today are highly aware of the economic and environmental cost of energy. They are bombarded daily with messages and calls to action for products and services that will "reduce your carbon footprint", "enhance your green image" or "make your company more sustainable." Elected officials in the Western states are embracing climate change initiatives with ambitious goals for carbon reduction. And while consumers and businesses are signing up for a host of initiatives to address the climate change and environmental issues facing the region, there seems to be a lack of practical, near-term solutions that can deliver on the promises of reducing climate impacts and meet these new goals. Even though energy efficiency continues to be the most viable and cost-effective solution to address these challenges today, there seems to be a general lack of consumer connection between efficiency and climate change or sustainability initiatives.

Significant challenges exist for the energy efficiency industry to "scale up" to meet the demand from utilities and climate change initiatives. While the demand for energy efficiency has been growing rapidly over the last several years, the region's capability to meet that demand has been challenged to keep up. After the dismantling of efficiency programs during the late '90s era of de-regulation, the energy efficiency industry has now begun to rebuild to levels that can support a significant increase in activity. Looking forward beyond the current economic downturn, the region's anticipated demand for efficiency may grow to two-to-three times today's levels. This level of demand will affect not only traditional utility programs and contractors but will also affect market actors including architects and engineers, building and plant operations personnel, insulation contractors and manufacturers. An entirely new generation of energy efficiency professionals will need to be introduced into the workforce to help identify, plan for and deliver the energy efficiency that these energy and environmental concerns demand.

What is Market Transformation?

"Market transformation is the process of strategically intervening in a market to create lasting change in market behavior by removing identified barriers or exploiting opportunities to accelerate the adoption of all cost-effective energy efficiency as a matter of standard practice."

- NEEA Definition of Market Transformation

NEEA Past, Present and Future

The Past. More than a decade ago, NEEA was born out of the era of utility de-regulation. The Northwest's traditionally strong energy efficiency programs were ramped down or closed altogether. At the same time there

was a growing recognition of a powerful, new approach to efficiency programs. In several distinct markets the region had proven the value of a coordinated, market-based approach to efficiency programs. Recognizing that this new approach would be most effective if it represented a collective market power of the entire Northwest, key regional stakeholders came together and founded NEEA in 1996 to capture the value of what came to be known as "market transformation".

NEEA Facts

The Northwest Energy Efficiency Alliance (NEEA) is a 501-C-3 non-profit corporation supported by Northwest energy utilities for the benefit of all Northwest citizens. NEEA's offices are located in Portland, Oregon where it currently operates with about 35 full-time staff members. NEEA's 2009 budget is approximately $25 million. NEEA's Board of Directors includes 14 members composed of 11 utility, 2 state-level and 1 public interest positions.

Over the past decade, NEEA and the region's utilities have accomplished a wide range of market successes including:

- Since 1997, more than 300 aMWs have been saved in markets where NEEA and utilities have worked together. This is the equivalent to powering more than 200,000 homes for an entire year.
- One in four light bulbs sold in the region are CFLs and NW homes have twice as many CFLs as the national average
- Healthcare systems representing more than 30% of the region's hospital beds are implementing Strategic Energy Management Plans (SEMPs) to reduce their energy costs.
- 20% of the region's food processing industry has made a corporate commitment to practicing Continuous Energy Improvement (CEI) to increase the energy efficiency of their total operations.
- NEEA and Northwest states have sponsored improvements to regional energy codes that have resulted in nearly 20 aMW of energy savings for the region and that grow by 5 aMW each.

The Present. NEEA works to promote energy efficiency across the region by advancing business, consumer and institutional adoption of increasingly energy-efficient technologies, business practices and behaviors. NEEA collaborates with a broad array of market partners—including manufacturers, distributors, retailers, builders, architects, trade associations, industry associations, government organizations and utilities—to create sustained change in Northwest markets by removing market barriers and increasing the demand and availability of energy-efficient solutions.

Along with the rest of the energy efficiency industry, NEEA is adjusting to a changing landscape. Over the last several years NEEA has been redesigning program operations to be more collaborative and to ensure that its initiatives complement—*and do not compete—with other energy efficiency efforts*. NEEA also changed its governance structure by moving from a 30-member Board of Directors to 14 members and re-focusing Board work on strategic policy.

The Future. With all the changes in the marketplace for energy efficiency, NEEA and the region will need to re-examine the fundamental barriers to increased market adoption of energy efficiency best practices. In the commercial and industrial markets, NEEA has identified and begun to address some key behavioral market barriers. Future efficiency work in these markets will have to take these behavioral changes into account. For example, new energy-efficient buildings can no longer be defined by a few efficient components. They will require the participation of designers, contractors and operators in an "integrated" design and construction process that ensures that all aspects of the building, from conception to operation, are as efficient as possible. Similarly, consumer efficiency may be equally affected by the behavioral dimensions of how consumers interact with appliances, electronics and other energy-consuming equipment. Industrial and commercial building operations are heavily influenced by corporate policies that often do not recognize the intrinsic value of

energy efficiency to their "bottom line". Changes in these behaviors will be necessary to realize the full potential of energy-efficient technologies and practices available today, as well as innovations in the future.

While challenges exist, the future also holds much opportunity. Examples include residential water heating markets, "ductless" heat-pump heating and cooling systems, "net-zero" energy design for new residential and commercial buildings, and solid-state lighting systems for street and area lighting. These are just a few of the future market opportunities that the region could pursue as real, practical solutions to the energy and climate challenges of the future. However, realizing the full potential of these new opportunities in time to meet the demand from utilities and climate change initiatives will require a collaborative, market-focused effort that uses all the creativity and resources the region can muster.

Strategic Planning Process

In recognition of the changing landscape, NEEA's new Board of Directors and Strategic Planning Committee initiated a process to develop this strategic plan. NEEA sought to conduct an open and collaborative planning process that would harness the collective wisdom of all regional stakeholders. It encouraged a diverse range of stakeholders to participate, including Northwest utilities, public utility commissions, state energy offices, government officials, energy efficiency consultants, trade allies and contractors, members from advocacy organizations, and other interested parties.

In April 2008, NEEA launched a comprehensive outreach strategy to solicit and gather stakeholder input, including a web survey, regional in-person workshops, one-on-one meetings with CEOs and other industry leaders, presentations at regional stakeholder organizations, as well as an online discussion forum. Stakeholder input was gathered from in-person meetings at 58 organizations, nearly 200 participants at seven regional workshops and 114 completed online surveys.

This outreach process confirmed that there is indeed broad regional consensus that the Northwest needs energy efficiency now more than ever to help maintain and grow its economy without compromising the environment. The outreach also identified a variety of regional needs that must be addressed including:

- A unified, regional vision for energy efficiency with common goals and coordinated efforts;
- Identification of new, market-ready opportunities for energy efficiency;
- Increased public awareness, motivation and information--making it easier for consumers/end-users to be energy efficient;
- An expanded, trained workforce with augmented technical energy efficiency skills;
- Expanded relationships with the market and supply chain infrastructure;
- New measurement paradigms that encourage long-term investments in energy efficiency; and
- Acceleration of innovation in energy efficiency technology, building practices, business practices and communications.

Northwest Energy Efficiency Task Force

In June 2008, the Bonneville Power Administration and the Northwest Power and Conservation Council convened a gathering of regional leaders in energy efficiency with a mission to "significantly advance the region's energy efficiency achievement through greater regional collaboration, commitment, customer involvement and pursuit of the most cost-efficient program strategies." The Northwest Energy Efficiency Task Force (NEET) launched a

regional effort that included six workgroups addressing a wide range of issues. NEET's broad scope included many of the same issues addressed in NEEA's strategic planning stakeholder outreach process. The NEET Executive Committee is scheduled to have its final meeting in May 2009 shortly after NEEA's Board of Directors is scheduled to adopt its 2010-2014 Business Plan. Because NEEA staff have been working in close coordination with NEET, the NEEA Business Plan will reflect the NEET final recommendations.

The Strategic Plan

This document is intended to serve as a roadmap for NEEA's efforts over the 2010-2014 period. The strategy presented here is based on extensive stakeholder input and lessons NEEA has learned over the last 12 years. It articulates NEEA's role in what is now a vast array of energy efficiency efforts, beginning with NEEA's corporate vision, mission and guiding principles. It continues with NEEA's core strategy including goals and strategies for achieving those goals. A summary of key strategic initiatives follows the core strategy. The document concludes with a summary of NEEA's core competencies and distinct organizational characteristics, and an overview of risks that NEEA will need to manage to achieve its mission. An appendix to the plan provides a summary of learning from NEEA's outreach efforts, followed by a discussion of controversial issues that surfaced during that outreach.

While this document is intended to set direction, a separate five-year business plan will provide detailed, market specific goals and objectives along with budget estimates and outcomes.

Vision and Mission

NEEA's vision and mission statements together provide the foundation for its strategy.

The vision statement provides a vivid idealized description of NEEA's desired long-term outcome.

Vision: ***Energy efficiency is a cornerstone of a vibrant sustainable Northwest.***

NEEA's mission statement defines its core purpose and focus; it is the organization's reason for existing.

Mission: ***Mobilize the Northwest to become increasingly energy efficient for a sustainable future.***

Guiding Principles

In the pursuit of its Vision and Mission, NEEA will be guided by the following principles. The Core Values define NEEA's corporate philosophy and determine the character of the organization. The Business Principles govern day-to-day operations and business decisions. Together, these non-negotiable standards help define who NEEA is and govern how NEEA's staff and Board of Directors will conduct their business.

Core Values:

- ***Excellence***
  NEEA will be a high-performance organization as evidenced by its focus on and commitment to ***accountability*** and ***continuous improvement,*** as well as the cost efficiency of its activities. In order to deliver on its promise of excellence, NEEA will embrace human resources policies and practices that effectively attract and retain high-performing talent.

- ***Teamwork/Collaboration***
  Effective teamwork and collaboration—both internally and among all stakeholders—are essential to NEEA's ability to deliver value to the region. To collaborate effectively, NEEA must engage in clear and open communications, and embrace diversity of opinion and perspective.

- ***Nimbleness***
  Given the dynamic nature of the energy business, NEEA's future success will likely depend on the ability to respond to unanticipated changes. It will be important for NEEA to have a structure of governance and management that supports the ability to adjust to such changes.

- ***Integrity***
  Integrity includes honesty—both by the organization and the individual conduct of staff and management—as well as transparency and openness.

- ***Supportive work environment***
  NEEA is committed to a supportive environment for its employees, including work-life balance, and a culture of respect and kindness.

- ***Sustainability***
  NEEA is committed to the practice of sustainability in its day-to-day operations and decision-making. The organization is committed to "walking our talk".

Business Principles:

- ***Fairness and equity***
  NEEA will balance its portfolio of projects to deliver benefits fairly and equitably across the region; recognizing the needs of stakeholders in rural and urban settings both east and west of the Cascade Mountains. NEEA's portfolio must also address and balance the needs of both large and small utilities and other energy efficiency organizations—for both market entrance and exit strategies.

- ***Partnership***
  NEEA will work in partnership with its funders, stakeholders and the market to accomplish its goals. Its activities will complement—not duplicate—those of local utilities and other energy efficiency entities.

- ***Long-term orientation/sustained change***
  NEEA's activities will aim for lasting changes in the structure/ functioning of markets.

- ***Innovation***
  NEEA's success to date has largely depended on designing and implementing innovative market strategies to deliver long-term market change. NEEA will continue to innovate in its approach to markets, as well as strive for innovation in communications, coordination and operations.

- ***Systems orientation***
  NEEA will encourage and employ processes that look at entire systems and the complex interactions between the many components of these systems. This approach applies to both market strategies and efficiency technologies/practices.

- ***Leverage***
  NEEA will work to leverage the efforts of other market actors and the aggregated market power of the region.

- ***Market orientation***
  NEEA will work to ensure that interventions in markets foster long-term market capability and a competitive marketplace.

- ***Continuous improvement/Adaptive management***
  NEEA must adapt quickly to changes in market dynamics. It is committed to conducting ongoing market research and evaluation to accelerate learning and improvement.

- ***Cost-effectiveness over a long-term planning horizon***
  NEEA will adopt a portfolio of projects that delivers annual cost-effective energy savings while aimed at capturing long-term (5-20 years) energy savings at below avoided cost.

Description of Strategic Goals and Key Strategies

NEEA will achieve its mission by focusing on the following six goals. These goals reflect the current and future collective needs and priorities of the region's stakeholders, and leverage NEEA's core competencies and distinct organizational characteristics. The goals are highly interdependent: NEEA's pursuit of them together will maximize the organization's ability to achieve its mission. This section describes each strategic goal and the strategies that NEEA will employ to achieve each of them.

Goal 1: Increase Market Adoption

NEEA's primary goal has been, and will continue to be, to increase/accelerate adoption of energy-efficient technologies, business practices and behaviors among business, industry and consumers. NEEA pursues this goal by strategically intervening in markets to create lasting change by removing identified barriers and exploiting opportunities to accelerate the adoption of all cost-effective energy efficiency as a matter of standard practice. NEEA's market interventions include working with a broad array of upstream market actors including manufacturers, distributors, retailers, builders, architects, code officials, trade and industry associations, and government organizations. Achievement of this goal will be measured by assessing the outcomes of specific market interventions.

Key Strategies:

1. Develop/maintain relationships with regional and national market actors (e.g. manufacturers, retailers, designers, builders, service providers and other supply-side market actors) in order to influence increased availability of energy-efficient products and services

2. Develop/maintain relationships with national standard-setting organizations (e.g. Environmental Protection Agency (EPA), U.S. Department of Energy (DOE), the American Society of Heating, Refrigerating and Air-Conditioning (ASHRAE), International Organization for Standardization (ISO)) in order to promote more energy-efficient standards

3. Develop/maintain relationships with regional/national organizations that influence building energy codes

4. Work with influential companies in targeted vertical industries to demonstrate the value of strategic energy management/continuous energy improvement and build demand for energy-efficient business practices

5. Leverage "green" efforts of prominent national market actors (e.g. U.S. Green Building Council (USGBC),the American Institute of Architects (AIA), Building Owners and Managers Association (BOMA); develop/maintain relationships and ensure that energy efficiency best practices are incorporated into their initiatives

6. Develop and implement targeted strategic market interventions

Goal 2: Help Northwest Utilities and Other Energy Efficiency Organizations Achieve their Energy Efficiency Goals

As one of many energy efficiency organizations operating programs in the region, NEEA will strive to support energy efficiency efforts of utilities and other organizations in areas where NEEA's stakeholders believe that a regional organization can effectively complement their own programs. In the past, NEEA has provided this kind of support through its influence upstream in the market; through regional and national standard-setting organizations and state building codes; through facilitation of training, education, and technical support; and by funding regional information services. However, current support for these activities has been limited since they fall outside the scope of the current Business Plan.

Based on the current industry situation and stakeholder feedback, NEEA believes that there is a greater need for this support. Based on this feedback, it will be important to ramp up the services NEEA provides to help the region's energy efficiency organizations achieve their individual goals. The services provided would be determined based on the priorities of NEEA's funding organizations, but would likely include information services, conferences/forums/events, and training/education. Achievement of this goal will be measured based on utility/energy efficiency organization usage and perceived value of NEEA services.

Key Strategies:

1. Identify and disseminate information on best practices/market information. Develop/provide a suite of information services (e.g. best practices/new technologies web site, conferences, forums) in support of energy efficiency programs in the region

2. Develop coordinated, market-based program platforms that enhance local program delivery and leverage regional and national resources

3. Coordinate regional program activities targeted toward upstream market actors such as manufacturers, distributors and retailers to leverage the aggregated market power of the region

4. Provide training and education to NEEA's partners to strengthen their skill set in areas that enhance their ability to deliver effective services

Goal 3: Build Regional Market Knowledge and Capability through Education and Training

Regional stakeholders agree that a general lack of energy efficiency know-how among business, industry and consumers is a major roadblock to the region achieving its energy efficiency potential. NEEA has a history of successfully building market knowledge and market capability by coordinating regional training, education and technical support. Recently, the demand for these resources has far outstripped the supply. Going forward, NEEA will continue its work with its market partners, building trades and other professionals to further expand market capability for delivery of energy efficiency. NEEA will expand its partnership efforts with regional educational institutions to help bring best practices to the next generation of the energy efficiency workforce. Achievement of this goal will be measured by assessing changes in behavior/practice resulting from NEEA-sponsored activities.

Key Strategies:

1. Work with market partners (e.g. builders, designers, HVAC contractors, building operators, BOMA, USGBC, Northwest Food Processors Association (NWFPA), etc.) to incorporate energy efficiency in their training and professional development programs

2. Provide technical assistance and information to trades and professionals who influence energy efficiency choices

3. Partner with the regional higher education system to train the next generation of efficiency workers

Goal 4: Increase Regional Market Availability of Emerging Technologies

NEEA's goal of market change and the region's collective energy efficiency goals depend on a continuous pipeline of commercially available new energy efficiency technologies and practices. Over the years, NEEA has played a unique role as an intermediary between laboratories and the market by coordinating demonstrations and evaluations of new technologies and practices, and by designing and implementing strategic market interventions that successfully removed barriers to market availability.

The 2005-2009 NEEA Business Plan does not have an explicit strategic goal around new technologies and practices. Accordingly, NEEA has not been making significant investments in emerging opportunities in exchange for more near-term projects. The result is a smaller incoming pipeline for commercially available demand-reduction opportunities. The region's tremendous success with CFLs, clothes washers, windows and other technologies and practices that are still paying dividends have hidden the pipeline problem. Going forward, NEEA will pursue this goal by managing an ongoing portfolio of commercially viable emerging technologies/practices and strategic market interventions to overcome barriers impeding their commercial availability. NEEA will be measured against this goal by the long-term energy savings associated with the emerging technology projects that NEEA helps become commercially available.

Key Strategies:

1. Conduct ongoing market research for opportunity assessment (technical and market)

2. Serve as an intermediary between regional stakeholders and upstream market actors with an interest in bringing market-ready energy-efficient innovations to market

3. Develop and maintain relationships with regional/national organizations to leverage and influence their research, development and demonstration activities of new energy-efficient technologies (e.g. DOE/National Labs, Electric Power Research Institute (EPRI), California)

4. Conduct market and technology demonstrations of promising technologies/approaches

5. Conduct savings evaluations, both in the lab and in the field

6. Establish effective communication channels (e.g. website, forums, conferences, expert committees) to disseminate information about and strategies related to these technologies within the Northwest energy efficiency community

Goal 5: Support the Region's Efforts to Promote Energy Efficiency

Although utilities and other energy efficiency organizations widely recognize energy efficiency as the first priority for meeting energy supply constraints and environmental challenges, the general public and the marketplace at-large does not. Regional stakeholders are unanimous in their agreement that the current level of awareness and interest in climate change represents a tremendous opportunity to promote energy efficiency as an actionable solution.

NEEA is in a unique regional position to assist the Northwest in developing effective unified messaging and to support initiatives designed to elevate awareness about the benefits of energy efficiency. NEEA will coordinate regional support efforts (i.e. marketing research) and facilitate regional coordination among stakeholders, as suggested by NEET Work Group #4. Achievement of this goal will be measured by stakeholder perceptions of NEEA's contribution to their coordinated efforts.

Key Strategies:

1. Conduct market research to inform most effective messaging

2. Disseminate actionable findings/recommendations

3. Serve as a regional clearinghouse for information on what energy efficiency organizations are doing to promote energy efficiency—within and outside of the Northwest

4. Support regional stakeholder coordination efforts (i.e. by "hosting" a "Coordinating Council", such as that suggested by NEET WG #4)

5. Communicate regional market transformation accomplishments

Goal 6: Facilitate Regional Energy Efficiency Planning and Implementation

As a not-for-profit regional collaborative with stakeholder support, NEEA is in a strong position to advance coordinated regional market transformation strategies by developing and gaining buy-in to comprehensive market strategies, conducting regional market research on a schedule that coordinates with regional planning timelines, and providing key information services. While the Northwest Power and Conservation Council provides a focal point for regional planning of energy efficiency resource potential, stakeholders agree that if there were greater coordination of roles and activities, the region could achieve a higher level of projected energy efficiency potential.

Although NEEA has developed "comprehensive regional strategies" for markets in which it is engaged, in the past it has stopped short of actively engaging with regional stakeholders in the planning and implementation of these strategies. In the future, NEEA will strive to gain regional buy-in to these strategies and the various organizations' roles in specific market transformation efforts. Achievement of this goal will be measured by integration of these market transformation efforts into utility and other energy efficiency organizations' plans.

Key Strategies:

1. Develop and gain buy-in to comprehensive market strategies with suggested roles for NEEA and key stakeholders critical to achieving the market goals in the most efficient and effective way

2. Coordinate planning with utilities and other regional energy efficiency organizations

3. Conduct/coordinate regional market research and disseminate results

Strategic Initiatives: This section provides an overview of specific initiatives that NEEA considers critical over the next few years. They each represent an activity or set of activities that is new, substantial in scope and affects the entire organization. These initiatives are under consideration for inclusion in NEEA's 2010-2014 Business Plan.

1. ***NEEA integration with funder energy efficiency planning.*** Currently, only a few of NEEA's funders include NEEA as a specific component of their energy efficiency planning efforts. NEEA believes that alignment of goals and objectives would lead to more effective coordination and collaboration, and would result in increased effectiveness of both NEEA and utility efforts. Further, NEEA is engaged in forecasting of future market change that should be coordinated with load forecasting activities in specific target markets. Under this initiative, NEEA will work with its funders to integrate its efforts with their own energy efficiency efforts.

2. ***Fuel-neutral action plan***. This strategic plan includes a "fuel-neutral" mission statement (see appendix B for a summary of this issue). The new mission statement opens the door for—but does not obligate—NEEA to pursue funding from non-electric utilities, and to pursue specific non-electric energy efficiency activities. It should be emphasized that NEEA does ***not*** have any intention of engaging in activities that would encourage "fuel-switching." Moreover, any change in NEEA operations will need to follow the creation of Board-approved policies and procedures and a Board-approved fuel-neutral action plan.

3. Portfolio management system. In order to achieve its goals, NEEA must establish a portfolio management system that is formal, holistic, analytically based, transparent and which includes a mechanism for considering tradeoffs between continued investments in existing projects and new project opportunities, as well as tradeoffs at the corporate level (i.e. between sectors). Such a portfolio management system will help ensure that NEEA's funders are receiving the optimal return on their investment**.**

4. Leverage out-of-region resources. The Northwest can benefit by deliberately leveraging out-of-region energy efficiency resources. In the past, NEEA has frequently pursued such leverage by working with national organizations as part of specific market transformation strategies. Going forward, the region can benefit further by pursuing a deliberate strategy of leveraging other substantial energy efficiency resources. Two immediate opportunities are: collaboration with California on one or more of its "big, bold" initiatives, and pursing federal financing via the recently passed American Reinvestment and Recovery Act (ARRA). In order to effectively leverage such out-of-region resources, NEEA would need to assign staff resources and create mechanisms to coordinate and communicate with Northwest stakeholders.

5. ***Information services for energy efficiency program community.*** As described in Strategic Goal #2, NEEA believes it is important to ramp up the information services it provides to the region's energy efficiency organizations. Although stakeholders have clearly expressed the need for such services, the most appropriate mechanisms to satisfy those needs are yet to be determined. Suggestions have ranged from web-based information and tools on best practices to in-person conferences. NEEA will need to work with its funders to identify their largest needs and to understand where economies of scale could bring additional value to the region. Under this strategic initiative, NEEA will first develop appropriate market research to better understand the varying needs for information services and subsequently develop an appropriate implementation plan.

NEEA's Distinct Characteristics and Core Competencies

The goals and strategies outlined in this plan reflect the collective priorities of the region's stakeholders and leverage NEEA's distinct characteristics and core competencies. NEEA recognizes that many organizations are working toward a common goal of improving energy efficiency in the region. It seeks to maximize return on investment to its funders by focusing on areas that build on NEEA's core competencies and leverage its strengths to complement local energy efficiency program efforts.

Distinct Characteristics
The following characteristics—combined with NEEA's core competencies (below)—position NEEA well to serve the region in the areas outlined in this plan.

- ***Aggregator of Market Resources***
  NEEA is the only consortium of both public and private electric utilities that represents the entire four-state region to national and global market partners. The aggregation of market resources provides the region with greater potential to influence market actors for the benefit of stakeholders.

- ***Impartial Promoter of Energy Efficiency***
  NEEA's sole focus will continue to be on energy efficiency, and because it has no product or service to sell or promote, it presents a credible face to the market.

- ***Mechanism for Cost-Effective Long-Term Energy Efficiency Initiatives***
  NEEA provides the region with a mechanism through which it can undertake and fund higher risk, long-term energy efficiency initiatives than would otherwise be impossible without a regional energy efficiency organization. By pooling funds into a portfolio of long-term initiatives, utilities can leverage their dollars and mitigate risk while investing in tomorrow's successful energy efficiency initiatives. NEEA has proven success at delivering an attractive return on a portfolio of initiatives over the long term.

Core Competencies
In order to maximize its value to the region, NEEA has developed a set of core competencies and areas of expertise that leverage the distinct characteristics described above. Together, these skills and characteristics help the region achieve sustained adoption of energy-efficient technologies and practices, and provide the foundation for NEEA to achieve the goals and execute the strategies presented in this plan.

- ***Market Assessment to Identify Energy Efficiency Opportunities***
  NEEA has more than a decade of experience designing and managing a variety of market assessments that have enabled it and the region at large to identify the most promising opportunities for energy efficiency. Examples include large regional studies such as the Commercial Building Stock Assessment, which helped NEEA identify market opportunities, helped the Northwest Power and Conservation Council develop its Power Plan, and assisted several regional utilities with their integrated resource planning. In addition, targeted market research such as lighting purchaser studies, ductless heat pump focus groups, and the regional water heater market study helped the region identify barriers to adoption of energy-efficient technologies.

- ***Design & Execution of Innovative Market Strategies***
  NEEA has accrued significant experience and expertise in developing and executing innovative market strategies that effectively increase market adoption of energy-efficient technologies and practices. One example of where NEEA has successfully designed and pursued strategies to overcome barriers to market adoption is with its Northwest ENERGY STAR Homes program. NEEA designed and collaborated on the development

of an entire market infrastructure, including negotiating a Northwest ENERGY STAR specification that was appropriate given the region's more stringent codes versus the rest of the country. Another example of where NEEA has overcome market barriers to increase market adoption is with the 10 years of market interventions to advance the adoption of high-efficiency clothes washers. These activities included the *Double Your Savings* campaign, which resulted in changes to both the federal standard and the ENERGY STAR specification.

- ***Leveraging Market Relationships***
  Over its last 12 years of operation, NEEA has developed strategic relationships that allow the Northwest region to leverage its strong reputation into national market change. NEEA's relationships include: national manufacturers and retailers; government organizations such as DOE, EPA and national efficiency organizations; and a broad array of industry and professional organizations such as ASHRAE, BOMA, Hydraulic Institute, National Electrical Manufacturers Association (NEMA), andNWFPA. For example, through its DrivePower Initiative, NEEA, along with its national partners, negotiated with industry leaders to create a recognized class and label for premium efficient motors, NEMA Premium. As part of NEEA's commercial building initiative, BetterBricks, NEEA has developed a strategic partnership with BOMA that has helped the Northwest BOMA chapters provide training to commercial building owners on energy efficiency best practices. This competency, like others, is enabled by NEEA's impartiality and effectively leverages NEEA's distinct position as a representative voice for the entire region.

- ***Fostering Lasting Business Practice Change***
  NEEA has worked with regional market actors to define and institutionalize business practices that incorporate energy efficiency as a standard part of business activity. For example, NEEA's Industrial Initiative worked with the NWFPA to develop and increase the adoption of Continuous Energy Improvement (CEI) within the industry. In the commercial sector, NEEA's BetterBricks initiative has worked with the healthcare industry to develop and implement Strategic Energy Management Planning (SEMP). In several cases, NEEA's efforts to foster business practice change have resulted in the development of market-based infrastructures that support energy-efficient business practices. For example, by working with key industry representatives, the Building Commissioning Association was conceived and today is a self-sustaining international organization that has helped standardize the practice of building commissioning.

- ***Codes and Standard Expertise and Relationships***
  NEEA holds key competencies in energy code development and strategy formulation, and has successfully engaged in the national standards setting process throughout the past decade. NEEA has pursued this work as an integral part of the overall market transformation process. Results have included: the adoption of new energy codes in all four states within the past five years, including the first-ever statewide commercial code in the state of Idaho and the first new code in more than 10 years in Montana. In addition, NEEA supports training of building officials and design professionals that has resulted in some of the highest compliance rates in the country.

- ***Regional Coordination and Communication***
  Over the course of 12 years working as a regional consortium, NEEA has had to adjust to a changing landscape. Over the last several years NEEA has been redesigning program operations to work more closely in collaboration with other efficiency programs.. Over this period, NEEA's capability to coordinate regional activities has grown as utilities have ramped up local energy efficiency programs and NEEA has learned from its experiences. NEEA has demonstrated this competency on a variety of projects including: the "Double Your Savings" program for ultra-high efficiency clothes washers; the Green Motors

program and numerous regional assessment studies (i.e. Commercial Building Stock Assessment, and Commercial and Residential New Construction studies).

Risks

This section briefly addresses the risks that NEEA anticipates in achieving its mission.

1. ***Scope of strategic goals is limited by access to funding.*** At the time this strategic plan is approved, NEEA will not yet have secured funding commitments beyond 2009. Although NEEA anticipates continued support from its current funders for the 2010-2014 period, the level of funding is uncertain—particularly given the current economic situation described above—and will determine the scope of work that NEEA is able to pursue effectively. Funding level will be determined as follows:

    - In April 2009, NEEA's Board of Directors will approve a Business Plan and associated budget for 2010 - 2014.

    - Renewal discussions with funders will begin shortly after the plan is approved, with funding contracts in place during the third quarter of 2009.

2. ***Current economic recession threatens future funding and market transformation.*** Northwest consumers and businesses, including the utilities that fund NEEA, are dealing with the grim realities of the recent economic downturn. While it can be argued that energy efficiency delivers strong economic stimulus and that it is a smart long-term investment, NEEA's funders--like all businesses and consumers--are facing reduced income and consequent budget cuts that make it more difficult to commit funding to NEEA. In addition, the reduction in energy load that has accompanied the recession may lessen the perceived urgency and priority of funding collaborative market transformation efforts through NEEA. Likewise, the risk also exists that market actors such as manufacturers, distributors, builders or end users may be less willing to invest time or resources in energy efficiency during difficult economic times, making market transformation more difficult.

3. ***Current funding structure/mechanism lacks security and flexibility.*** Virtually all of NEEA's funding currently comes from a voluntary agreement by all regional electric utilities. This agreement is based on a model whereby the costs and benefits of NEEA are shared in proportion to regional power sales. While this approach has been viewed as a reasonable proxy for regional equity, it suffers from a number of shortcomings that make it a risk for the future of NEEA:

    a. *Security*: The current model is dependent on an "all-in" funding approach. If one funder pulls out, there is potential for a "domino" effect as regionality dissolves into a special interest organization funded by a few utilities.

    b. *Variability*. Utility loads have changed dramatically over the last decade along with key policies such as the residential exchange. The current model would need to be frequently updated in order to stay current with the fluctuations in loads and policy creating potential for a high degree of variability from year to year.

    c. *Flexibility*: The current model does not readily adapt itself to "opt-in" projects desired by some, but not all of the funders. It is also not clear how value gets distributed if other funding sources, such as natural gas utility contributions are brought to NEEA.

4. ***Pressure to deliver short-term results threatens NEEA's long-term focus and sustainability as an organization.*** NEEA's funders have historically invested in NEEA because of its ability to deliver sustained market change that delivers energy savings over the long term. These market transformation ventures typically require substantial up-front investments that are riskier by definition—since they deliver return on investment over a period that is 5 -15 years in the future. However, in recent years some NEEA funders have strongly encouraged the organization to adopt initiatives with shorter-term payoffs, which assist utilities in meeting their short-term conservation or energy efficiency targets. Due to increasingly constrained budgets, short-term efforts often impede investment in longer-term initiatives. This issue may come even more to the forefront depending on the health of the overall economy and the utility industry. Ideally, NEEA will have both the authority and responsibility for delivering a portfolio of projects that delivers a set of objectives that is agreed upon in advance of funding. The creation of a portfolio management system, as described in the "Strategic Initiatives" section, should help NEEA mitigate this risk.

5. ***Organizational growth to meet accelerating market demand may exceed the capacity to change.*** With the rapidly increasing market demand for energy efficiency and the supporting infrastructure, NEEA as an organization may be asked to grow to keep pace. However, there is a limit to the amount of change that can be absorbed by any organization for a given amount of time. Over the last two years, NEEA has already had to absorb significant changes in business operations, Board governance and new executive management. Future changes to meet the demands of a growing market will need to be carefully managed to avoid overloading or overstressing staff and contractors. NEEA should develop a plan for managed growth that allows for adequate "ramping" of staff and contractors. The growth plan will need to balance the need to be nimble and move to meet market demands with the upper limits of NEEA's capacity to change.

6. ***Increased complexity demands resources and threatens ability to respond nimbly to market opportunities.*** As regional energy efficiency organizations have ramped up their energy efficiency activities, NEEA's work has demanded a much greater level of collaboration with other program efforts. Although the benefit from collaborative efforts is proven and great, additional coordination and communication now require significantly greater resources and time for gaining regional buy-in than in the past. In recent years, NEEA has underestimated the magnitude of the resources and time required for effective collaboration. NEEA management must ensure appropriate resources to effectively manage complex collaborative efforts in order to ensure that NEEA remains nimble enough to capture market opportunities as they arise.

6. ***Lack of defined priorities, roles and responsibilities for regional efficiency efforts.*** For regional energy efficiency efforts to be as effective as possible there needs to be an action plan with clearly defined roles and responsibilities along with prioritization of specific activities. Without such a comprehensive plan, NEEA and other efficiency organizations are at risk of duplicating efforts and/or missing opportunities as they independently move ahead to address regional opportunities. This situation can lead to perceived or real competition among organizations and impede collaborative, coordinated efforts. Alternately, important regional efforts may slow or stall-out as individual organizations wait for clear resolution of roles and priorities. In either case, NEEA risks being less valuable than it could be or being perceived as competing with, rather than complementing, regional efforts.

Conclusion

NEEA and the Northwest region stand at a crossroads in energy policy. On the one hand, the future for energy efficiency looks brighter than ever. Unprecedented levels of awareness and demand from both energy utilities and climate change mandates point to energy efficiency as the resource of choice. On the other hand, meeting the demand for energy efficiency will require unprecedented levels of investment at a time when business and consumers are reeling from the recent economic downturn. Supporting infrastructure, new paradigms for program operations and creative approaches to markets will be needed if energy efficiency is to scale up and achieve its full potential.

To realize the shared vision for energy efficiency, NEEA and the region will need to tackle some hard issues head on. Ensuring that there is adequate investment in future energy efficiency technologies and practices in the face of enormous pressure to deliver near-term energy savings will not be easy. Acknowledging and measuring the value of behavior change will require breaking new ground, but is critical to the ultimate successful transformation of energy markets. And to be most effective, the region must come together and map out comprehensive strategies for these markets that recognize the appropriate roles for all of the region's efficiency efforts, whether they be local, state or regional. Only through a collaborative, coordinated effort will the Northwest be able to achieve the significant increase in energy efficiency adoption that will be required to meet the challenges of the next decade.

NEEA stands ready to work collaboratively with all regional efficiency interests to help the region realize its full energy efficiency potential.

Appendices

A. Stakeholder Outreach Summary
B. Discussion of Issues

Appendix A
Stakeholder Outreach Summary

On April 2, 2008, the Northwest Energy Efficiency Alliance (NEEA) kicked off a comprehensive strategic planning outreach effort. NEEA's 2010- 2014 Strategic Plan will define the organization's mission, values, guiding principles, goals and strategies and set direction and priorities for NEEA's future efforts in support of regional energy efficiency.

To make the process open and collaborative, NEEA sought broad regional input from stakeholders about trends and challenges facing them, where the Northwest is headed with energy efficiency and how NEEA could deliver the greatest value to the region. NEEA encouraged a broad range of stakeholders to participate, including Northwest utilities, public utility commissions, state energy offices, government officials, energy efficiency consultants, trade allies and contractors, members from advocacy organizations and other interested parties.

NEEA utilized a variety of outreach mechanisms to solicit and gather stakeholder input. These mechanisms included a web survey, regional in-person workshops, one-on-one meetings, and presentations at regional stakeholder organizations. The findings documented in this report reflect stakeholder input from in-person meetings at 58 organizations, nearly 200 participants at seven regional workshops and 114 completed online surveys. NEEA sought feedback in four general areas:

- Trends and challenges facing the stakeholder organization
- Future vision for energy efficiency in the Northwest, along with the obstacles to and opportunities for achieving that vision
- NEEA's role and perceived value
- Specific issues, including whether NEEA should adopt a fuel-blind mission, NEEA's portfolio balance, and the importance of regional equity and customer class equity

Trends & Challenges

NEEA asked stakeholders to provide feedback on trends and key challenges their organizations are facing now and that they anticipate in the future. Several themes emerged, including:

- Increasing energy demand coupled with mounting supply constraints
- Workforce shortages
- Economic, environmental and legislative uncertainties
- Changing energy technologies

These trends are accompanied by upward pressure on energy prices, which many stakeholders expect will continue. Stakeholders face uncertainty with respect to the timing, magnitude and volatility of energy prices.

Increasing Energy Demand and Mounting Supply Constraints

Increasing demand. Stakeholders view population increases and the proliferation of consumer electronics products as primary drivers of growing energy demand. Respondents are also concerned about the potential impact on energy load from the electrification of transportation. Regional air conditioning use has increased dramatically and is expected to continue increasing. This trend could lead to increases in summer peak demand, where historically the region has been winter peaking.

Increasing supply constraints. Generation options to meet increasing demand are becoming more limited due to consumer, environmental and economic pressures. In addition, transmission and distribution challenges are increasing and infrastructure costs are particularly steep and rising.

Workforce Shortages

The energy and energy efficiency communities are experiencing a lack of skilled, qualified employees, suppliers and contractors in all aspects of the business. Many organizations expect to lose additional experienced personnel in the coming years due to an aging workforce reaching retirement and to more lucrative job opportunities elsewhere. This situation is not unique to the Northwest. The Northwest is already facing competition from other parts of the country for the limited pool of skilled workers. A significant gap exists between the retiring and newly recruited portion of the workforce, raising questions on how best to transfer knowledge, shorten learning curves and build capability.

Economic, Environmental and Legislative Uncertainties

Economic Uncertainty. The majority of stakeholders mentioned uncertainties surrounding the economy, specifically the future access to and cost of capital for utilities, as well as rising and volatile prices for raw materials such as natural gas and metals.

Climate Change and Legislative Uncertainty. Growing awareness and concerns over climate change and the potential for associated legislation at the federal, state and local levels is an area that many stakeholders feel is critical to monitor and influence, yet they lack adequate resources to do so. Some respondents also believe a new federal administration will have a substantial impact on priorities. Washington State stakeholders said that they face challenges with interpretation and implementation of new state legislative requirements (I-937).

Changing Technology

Advanced metering initiatives (AMI) and the development of "Smart Grid" appliances and other demand response technologies are changing the landscape for electric distribution utilities. These technological changes combined with occupant feedback systems, such as in-home displays or peak-shedding rate structures, create the potential for powerful tools to manage peak demand and energy loads. However, capturing these benefits requires purchasing and installing costly AMI infrastructure that will require many changes in the distribution utility. It also brings new questions about actual aggregated consumer behavior and price response and persistence of behavioral changes when using these technologies.

Northwest energy efficiency vision, obstacles & opportunities

NEEA asked stakeholders for feedback on the future of energy efficiency, as well as their perceptions of obstacles to and opportunities for achieving greater levels of energy efficiency. Stakeholders expressed remarkably consistent visions for the future of energy efficiency. Most stakeholders anticipate that energy efficiency will play an important role in reducing future energy load. Several themes emerged with respect to obstacles and opportunities that need to be addressed in order to achieve greater energy efficiency, including:

- The lack of regional vision, goals and coordinated program efforts
- A measurement paradigm that encourages short-term thinking
- Insufficient resource commitment to energy efficiency
- Making it easier for consumers/end-users to be energy efficient
- Building market relationships and supply chain infrastructure
- Augmenting energy efficiency skills and workforce development and retention
- Increasing education and awareness

- Innovation in energy efficiency technology, building practices, business practices and communications
- Greater sharing of energy efficiency information, learning and best practices
- Adequate funding for research and evaluation
- Leveraging economies of scale
- Competition for capital; higher first costs for energy efficiency
- Energy prices that are still too low in the region
- A rate structure that encourages energy efficiency and conservation
- Tax incentives
- Climate change (policies to address the issue and changing attitudes/increased receptivity to messages)
- More stringent energy codes & standards
- Collaboration with California

More detail about these perceived obstacles and opportunities for greater energy efficiency can be found in the full report.

NEEA's Role

The funding organization questionnaire and the online survey asked respondents to value and "rank order" six specific roles that NEEA currently plays. Value and rankings varied to some degree by respondent type. On average, however, stakeholders ranked the following three roles to be the highest priorities for NEEA:

- Bring new energy-efficient technologies to market (Note: stakeholders generally did not see NEEA working in traditional research and development, but rather being the link between the labs/private sector and early commercialization efforts in the Northwest)
- Increase the market adoption of commercially available energy-efficient technologies in ways that are more difficult or costly for utilities acting individually. Upstream efforts are considered particularly valuable
- Develop comprehensive market strategies to increase the market adoption of energy-efficient technologies, services and practices

The following three roles were also considered valuable but were less frequently ranked as one of the top three items in the "forced rank ordering":

- Develop the region's capability to build and operate buildings/systems efficiently via activities such as education, training and technical support
- Increase the energy efficiency level of building energy codes and standards for consumer and business equipment
- Conduct regional market research, assessment and evaluation that support resource and program planning

It should be noted, however, that although these roles scored lower in a forced ranking, they were rated nearly as valuable as the other three roles (4 out of 5 on a 5-point scale). Discussion in the outreach meetings and workshops reinforced the perceived importance of these roles.

In addition to those listed above, stakeholders also identified these potential roles for NEEA:

- Coordination to ensure regional consistency for the market, leverage economies-of-scale opportunities, provide account management and develop turnkey programs

(Note: there is disagreement regarding level of role in program design/implementation)
- Serve as an "information clearinghouse" for energy efficiency best practices
- Research, develop and possibly implement a regional behavior change effort
- Develop the region's capability to build and operate buildings/systems efficiently via activities such as education, training and technical support

Stakeholders also shared their thoughts about where NEEA should ***not*** play a role:***Policy development.*** Stakeholders do not see NEEA as a leader or active participant in policy development (i.e., advocating climate change policy; the exception is involvement in codes and standards support) or in utility rate structuring activities.

Program design and implementation. Several utilities indicated that NEEA plays an important role in upstream efforts, but that it absolutely should not be designing or implementing incentive programs (i.e. resource acquisition programs) on the local level. Smaller and rural utilities, however, stated that they need the support of turnkey programs.

Issues

NEEA asked stakeholders for feedback on a number of strategic issues including: adopting a "fuel-blind" mission for the organization; the types and balance of projects in NEEA's portfolio; and the importance of regional equity and customer class equity.

NEEA Mission

Pursue fuel-blind energy efficiency. Most stakeholders believe NEEA's current mission should be broadened to include overall energy efficiency—not just electric energy efficiency — in order to align with the consumer perspective. End users are generally concerned with overall energy consumption and efficiency (BTUs) and would benefit from greater integration. Some utilities, however, are concerned about expanding the mission beyond electric energy efficiency. Major concerns include whether it would cause NEEA to dilute its mission and to lose focus; adamant opposition to support any effort that supports fuel-switching; and making sure that gas utilities and others who benefit from NEEA's activities contribute to funding. Some stakeholders pointed out that an expanded mission would allow NEEA to pursue funding from gas utilities for work that it's already doing. Stakeholders agree that if the mission were to be fuel-blind, NEEA would need to commit to funding equity and an agreement that fuel switching would not be part of any program efforts.

Include all stakeholders. NEEA's current mission states that it works in alliance with utilities, but it doesn't mention any other market actors, thereby seeming to exclude them. In the regional workshops, where they were specifically asked to comment on the mission, most stakeholders suggested the mission should be broadened to include other stakeholders and market actors.

Mission should be memorable and inspirational. Many stakeholders suggested that the current mission be made more succinct and inspirational.

NEEA Portfolio

Cost-effectiveness. For several NEEA funders, cost-effectiveness is prerequisite for continued participation in NEEA; quite simply, regulatory requirements demand it. It appears, however, that meeting an overall cost-effective portfolio is sufficient, as opposed to measuring each individual activity. Other funders, however, felt strongly that NEEA should cease its measurement and reporting of aMW savings altogether.

"Next-generation" technologies. Some stakeholders strongly advocate that NEEA dedicate a portion of its portfolio to next-generation/emerging technologies (i.e. zero-energy

homes), while others prefer to see NEEA focus on only commercially available technologies. There is broad consensus that NEEA should not be in the role of "hard" research and development (R&D), nor act as a venture capital entity. Many stakeholders agree that NEEA's role should include: identifying new opportunities to fill the pipeline for energy efficiency opportunities; coordinating regional demonstrations; and serving as an intermediary between the labs and the market.

Consumer behavior change efforts. A large number of respondents indicated that the opportunity is ripe for behavior change efforts. Many felt NEEA was in a good position to research and develop strategies to address consumer behavior, and possibly even help implement such a campaign (akin to California's *Flex Your Power* campaign). However, some stakeholders believe that any NEEA role would be most appropriately confined to market research and messaging, if anything at all.

Incorporation of renewables into NEEA efforts. Although some respondents suggested NEEA begin to incorporate renewables into its portfolio, others asserted that NEEA should be helping to stress efficiency first. Adding renewables may dilute NEEA's mission and focus when it's already struggling to meet other priorities with limited resources. Most stakeholders agreed that for now, any consideration of renewables should be confined to on-site renewables in the context of NEEA's broader market strategies (i.e. new construction, building operations and industrial efficiency).

Regional equity. The majority of stakeholders agreed that some degree of regional equity is critical to NEEA's ongoing existence as a regional organization. Moreover, for a number of funders regional equity is closely tied to cost-effectiveness. They and their respective regulators need to see direct customer benefits from NEEA activities. Thus, some degree of regional equity is critical.

Customer class equity. Customer class equity was far less important to stakeholders than regional equity. The common theme was "reasonable balance."

Conclusions

NEEA's outreach process identified the major trends and challenges facing its stakeholders, many of which point to an increasingly important role for energy efficiency. Workshop participants confirmed this vision for the future of energy efficiency. Stakeholders identified many obstacles to and opportunities for achieving greater energy efficiency—several of which they believed NEEA should help address.

Notable among the suggested roles for NEEA were:

- Developing comprehensive market strategies that will help the region work in concert to transform markets
- Developing and maintaining relationships with upstream, regional and national market actors
- Identifying and facilitating the market availability of emerging energy efficiency technologies
- Facilitating energy efficiency training and education
- Disseminating information on energy efficiency best practices
- Conducting regional research
- Helping to improve the stringency of energy efficiency codes and standards

There was broad stakeholder support for a broader NEEA mission that takes a fuel-blind approach to energy efficiency and is better aligned with the customer perspective. Stakeholders vary in their opinions regarding NEEA's portfolio of projects, but they do agree

that its work on long-term market transformation projects is important. For several funders, continued funding will depend on a regionally balanced portfolio that delivers some level of cost-effective energy savings.

Appendix B
Discussion of Issues

As summarized in the Stakeholder Outreach Report of Findings, there are several issues pertaining to NEEA's scope and role on which stakeholders expressed varying points of view. Notable among these are:

- Whether NEEA's mission should be fuel-neutral
- NEEA's role in emerging technologies
- The balance of NEEA's portfolio and the importance of delivering annual savings tied to investment
- NEEA's role in regional program coordination

Because these issues are somewhat controversial, the Strategic Planning Committee believes it is critical to directly address these issues and propose solutions that establish common ground.

The following "issue briefs" on each of the four topics provides a brief context for each issue, summarize the various points of view we heard during the outreach process and propose how the issue be addressed—in the strategic plan and in NEEA's general operations.

NEEA 2010-2014 Strategic Plan
Key Issues Brief:

Should NEEA Adopt a "Fuel-Neutral" Mission?

Summary Recommendation: In order to align with market perspectives NEEA's mission should be inclusive of all forms of energy including, but not limited to electricity and natural gas. In so doing, NEEA should:

- Keep a consumer/market perspective focused on improving energy efficiency, regardless of fuel.
- Avoid any activities that might be perceived as "fuel switching" or otherwise directly seeking to influence fuel choice.
- Pursue equitable funding of NEEA efficiency efforts from all fuels.
- Develop an action plan with stakeholders to implement any new efforts to work with other fuels.

Current Context:

- Market: Currently, most Northwest residential, business and industrial markets have multiple fuel choices and many already have energy service provided by multiple fuels.
- Mission: NEEA's current mission statement references "electric energy efficiency" only. If interpreted strictly, this mission restricts NEEA from pursuing activities and/or funding from non-electric energy providers.

What We Heard:

- NEEA should maintain a consumer/market perspective and therefore must include multiple fuels in its efforts.
- Natural gas and electricity are interconnected for both energy supply and at the end-use.
- If NEEA were to actively pursue projects that conserve other fuels/resources, it would be essential to secure funding from the providers of those resources; electric utilities believe they are already getting benefits for free.
- NEEA should not engage in activities that would be viewed as "fuel switching" and would need to have policies and procedures in place to guard against "fuel-switching"
- NEEA must be careful not to lose focus on electric efficiency while pursuing efficiency of other fuels or resources.
- Electric-only utilities are concerned that they will lose value if NEEA expands its scope to include gas energy efficiency.

Questions and Answers:

1. ***Does this change in NEEA's proposed mission mean that NEEA will engage in fuel switching activities?***

   No. The change in mission simply means that NEEA would take an "end-customer" point of view about energy efficiency. It would allow NEEA to work more effectively with customers who already have multiple fuels and need to make good decisions about how to improve their overall energy efficiency regardless of fuel source.

2. *Would electric utilities be paying for natural gas energy savings?*

No. Electric utilities would be paying for energy efficiency efforts that target electric energy efficiency. However, due to the mixed-fuel nature of some markets, natural gas ends up being saved as a by-product of an effort targeted at electric efficiency. For example, high-efficiency residential clothes washers save hot water that may be produced using electricity or natural gas, but consumers are making choices about the efficiency of the washer; not what fuel is used for hot water.

The change in mission statement opens the door for discussions with natural gas utilities about supporting overall energy efficiency improvements in mixed fuel markets. Under the current NEEA mission, since these gas savings are simply a by-product of the overall market effort they are not paid for by the natural gas providers.

3. *Wouldn't adding other fuels dilute NEEA's focus on electric energy efficiency?*

No. The main purpose for opening the mission to be fuel neutral is to align with the end-customer point of view. Our experience has shown that markets are more likely to respond to efforts that align with their own needs and perspectives. In many cases, the overall energy efficiency efforts will be much more effective as fuel-neutral and should ultimately increase electric efficiency results.

NEEA 2010-2014 Strategic Plan
Key Issues Brief:

What is NEEA's Role in New and Emerging Efficiency Opportunities?

Summary Recommendation: NEEA should act as a facilitator of new and emerging efficiency opportunities to help ensure that there continue to be a number of new technologies, practices and services available for future (5- to 10-years out) market interventions.

Current Context:

- Market: There are various market actors engaging in the development of new efficiency opportunities. With the advent of "clean tech" funding, there are a number of private sources of capital to facilitate bringing new technologies to market as well as funding for research and development for various technologies through the National Laboratories and the University systems. There are also various state-level organizations throughout the region targeting new technology. However, there are often market barriers that create a gap between the laboratory and widespread market availability.
- Mission and strategic business plan: Historically, NEEA's mission to "catalyze the marketplace" has provided a platform to bring a number of emerging efficiency opportunities to market. Some examples of successful launches of emerging opportunities include: BacGen (wastewater treatment), MagnaDrive (variable speed industrial motor drives), SAV-AIR (compressed air optimization services), Verdiem (network computer energy management), and Building Operator Certification (commercial building operator training). In the current funding cycle, the emphasis and funding has shifted to developing and facilitating the introduction of business practice change including Strategic Energy Management in the commercial sector and Continuous Energy Improvement in industrial markets. These recent efforts are still in the early commercialization phase in their respective markets.
- Policy: Current operational policy allows for NEEA to engage with specific market actors to bring new and emerging products, services and practices to market. The current policy allows for a wide range of support appropriate to the primary barriers identified. Supported activities have historically ranged from providing lab testing to field demonstrations and case studies to assisting in business planning to market introductions to the utility sector. Up until recently, NEEA has operated an "unsolicited proposal process" that has provided an open door for new opportunities to come forward and go through a process of screening and analysis to determine eligibility for funding. Actual funding was dependent on a clear identification of market barriers and a path to sustainable business launch assuming the barriers were removed. Given the current budget situation this particular aspect of NEEA's operations has for all practical purposes been shut down.

One unique aspect of policy in this area has been the option to require a royalty payment back to NEEA when working with individual companies. This policy has provided an additional potential benefit to NEEA to compensate for the higher level of risk and to preserve a sense of fairness through compensation for allowing a single entity to receive the benefit of NEEA funding.

What We Heard:
There were widely varying viewpoints about NEEA's role in expanding the market for new and emerging efficiency opportunities:

- NEEA should stay out of pure research and development activities that have traditionally been the purview of national laboratories and universities
- NEEA should not try to play the role of a venture capitalist
- There is a need for coordination of regional demonstrations and support for early commercialization activities
- NEEA should play a role in identifying the "next big thing," next CFL, etc.
- Caution against NEEA taking on too much risk; but balance risk with reward
- There are plenty of currently available technologies that are not fully deployed so NEEA should focus on getting the market to deliver what we already have rather some new thing that is not yet proven

Recommendations:

- NEEA should identify a set of qualifying parameters/criteria for emerging technology project opportunities
- NEEA should undertake and coordinate activities to actively identify new and emerging opportunities and engage with regional stakeholders on plans to develop and deploy these opportunities
- NEEA should play a role in coordinating regional demonstrations of new and emerging efficiency opportunities
- NEEA should not undertake traditional research and development activities that are currently the purview of National Laboratories and Universities
- NEEA should be cautious about taking on too much risk and should deploy appropriate policy and mechanisms to balance risk and reward

NEEA 2010-2014 Strategic Plan
Key Issues Brief:

Portfolio Balance

Summary Recommendation: NEEA should develop and employ a portfolio management system that allows it to balance its portfolio to ensure: 1)a pipeline of energy efficiency opportunities that can deliver continuous measurable regional savings over the long term; and 2) 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; 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 (i.e. 10 years) are acceptable.
- The current system of measuring and cost-justifying savings is an obstacle to achieving greater regional energy savings.

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 and cost-effectiveness. Specifically:

- The Strategic Planning Committee should agree on a set of portfolio guidelines that will be applied to NEEA's 2010-2014 business plan. These guidelines should include required measurable ROI.
- 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
- NEEA's portfolio should include longer-term projects, subject to the above guidelines, as well as other activities that support its Strategic Plan goals, even if they don't have associated measurable energy savings.

NEEA 2010-2014 Strategic Plan
Key Issues Brief:

Should NEEA be Involved in Coordinating Activities for "Local" Efficiency Programs?

Summary Recommendation: NEEA should be engaged with local program delivery where it:

1) Can bring additional value through aggregation and upstream market power;
2) Where coordination of local program activities facilitates accomplishment of regional market transformation goals; or
3) Where coordination brings economies of scale or other value not achieved by local programs acting alone.

Current Context:

- Market*:* Market actors are being bombarded with messages and offers from accelerated local efficiency programs, state and federal tax credits, national initiatives from the U.S. DOE, EPA and other agencies, potential carbon taxes or credits, sustainability initiatives and a host of "green" product marketing. While choice is generally good, it can also be confusing to market actors who are trying to decide where to focus limited resources. This confusion can inhibit increasing market adoption of efficiency. Conversely, where messages and offers are coordinated, the combined market power can yield substantial results.
- Policy: While the current mission covers a very broad range of activities, NEEA has historically deliberately minimized its activities in local program coordination in order to focus on upstream market actors (manufacturers, distributors, retailers and service providers) or corporate level decision makers that own facilities or businesses across service territory and state boundaries. It has worked together with local programs to coordinate market activities as part of an overall market transformation effort. Examples include:
  - Manufacturer buy-downs (e.g. "Change-A-Light" CFL promotion) targeted to specific products (100 watt equivalents), markets (grocery stores) or barriers (consumer awareness)
  - Created common branding platforms (e.g. ENERGY STAR Homes NW)
  - Harmonized local program requirements in order to make it possible for market actors to respond cost-effectively to utility program needs (e.g. Green Motors)

What We Heard:
We received very mixed input from stakeholders on this issue including:

- NEEA should stay completely out of local "incentive" programs; this comment was made primarily by a few large utilities with significant efficiency program resources.
- NEEA should help local programs work with the market to achieve their goals; this comment was noted by several smaller utilities and some of the stakeholders in the eastern portion of the region who do not have access to large efficiency program resources.
- NEEA should focus on upstream market actors to increase supply/delivery chains and leverage national efforts.
- NEEA has to deliver cost-effective energy savings within utility service territories; this comment was voiced primarily by eastern region regulatory commissions.

- NEEA should work where opportunities exist to exercise market power with national markets through aggregation of local programs.

Recommendations:
Given the diversity of opinions expressed by stakeholders, there is no clear solution that will satisfy all parties. However, in order to fulfill the mission and return benefits to the whole region, NEEA should implement the following recommendations:

- Work with local programs where doing so can provide some advantage either through economies of scale or other value not achieved by local programs acting alone.
- Coordinate the development of comprehensive market strategies that identify roles and responsibilities for national, regional and local programs that maximize market impacts and accelerate market adoption. To the extent that coordinating with local programs makes sense within the overall market strategy, NEEA should help engage local programs to achieve the goals in the strategy.
- Where it can advance both regional and local efficiency goals, work with local programs to accelerate local acquisition of cost-effective energy savings. This could be done via manufacturer buy-downs such as the CFL promotions or through creation of a marketing platform with common technical requirements such as ENERGY STAR Homes Northwest. These activities may not be directly linked to market barriers but may be justified on the basis of accelerating market adoption alone.