NORTHWEST ENERGY EFFICIENCY ALLIANCE

Strategic Plan | 2015-2019

July 8, 2014

1 NEEA'S VISION & MISSION

INTRODUCTION

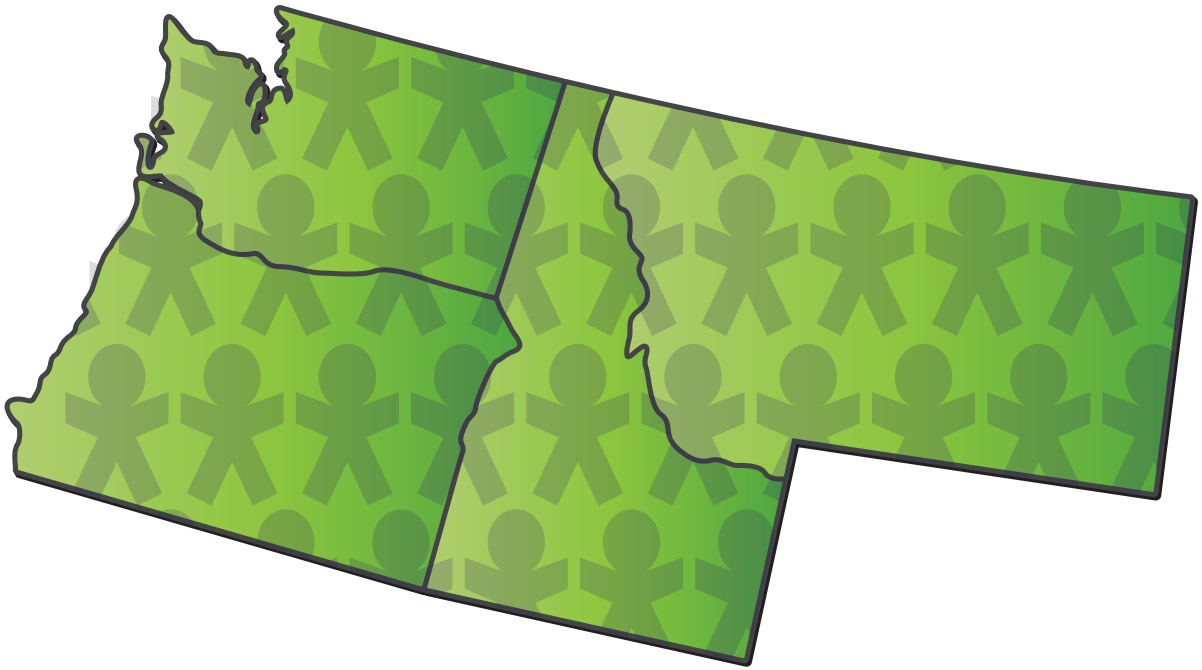
Nearly twenty years ago, Northwest energy efficiency stakeholders from Idaho, Montana, Oregon and Washington came together to address the challenges of a changing utility environment. In the face of potential deregulation, the majority of Northwest utilities ramped down or ended successful local energy efficiency programs. Long-standing regional support infrastructure for energy efficiency was being downsized or dismantled as wholesale market prices for energy dropped. At the same time, there was a growing recognition of a powerful, new approach to efficiency program design and operation. In several distinct markets, the region had demonstrated the value of a coordinated, market-based approach to efficiency programs. Recognizing that this new approach would be most effective if it represented the collective market power of the entire Northwest, regional stakeholders came together in 1996 to create the Northwest Energy Efficiency Alliance (NEEA) to capture the value of this new approach called "market transformation."

Market transformation, as practiced in the Northwest, is a commitment by the utilities, energy efficiency program administrators, and other energy efficiency stakeholders to unite efforts to move energy efficiency markets far beyond what any organization could do individually. This collective influence empowers the region to develop the market's long-term commitment to deliver energy-efficient products, services and practices to benefit utility customers. NEEA's unique role in this process is to look to the future to find emerging opportunities and to create a path forward to make those opportunities a reality in the region. As NEEA tests and vets those emerging opportunities, it creates conditions for sustained market adoption, successful utility programs, and accelerated benefits for the end-use customer.

Together, we achieve sustained energy efficiency benefits through market transformation.

This process involves the identification of barriers and opportunities to accelerate and increase the market adoption of efficiency.

Through collaboration and pooling of resources, the region's utilities and stakeholders harness their collective influence to drive market adoption of energy efficiency products, services and practices for the benefit of utilities, consumers and the region.



Vision:

Energy efficiency is a cornerstone of a vibrant sustainable Northwest.

Mission:

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

2 WHY AN ALLIANCE?

- Market Leverage
- Economies of Scale
- Risk Pooling

Since 1996, the results of the region's collaborative action to deliver energy efficiency through market transformation have exceeded the region's original expectations. Working together as an alliance, the region has cost-effectively built an efficiency "power plant" of more than 1,000 average megawatts. Northwest energy consumers have benefitted, not only from lower utility bills, but also from products, services and practices that have:

- improved their lives and the value and comfort of their homes;
- provided them jobs; and
- improved the profitability and competitiveness of their businesses.

Ultimately, this commitment to energy efficiency as a preferred resource and the region's focus on long-term collaborative action through NEEA has contributed to an economically vibrant and more sustainable Northwest.

Today, NEEA is a strong alliance of more than 140 Northwest utilities and energy efficiency organizations working together on behalf of 13 million energy consumers.[1] By voluntarily joining forces in the form of the alliance, the region's energy efficiency investment portfolio is less expensive and less risky because NEEA's market transformation works to lower the cost and risk of energy efficiency and ensures future energy efficiency opportunities. By participating in the alliance, utilities[2] are able to increase the return on their energy efficiency investment through:

Increased Market Leverage By coordinating activities and resources through NEEA, the region is able to exert greater influence on regional and national market actors than it could if Northwest utilities acted individually and locally. Regional and national market actors are much more likely to collaborate with an organization representing 13 million consumers than with many smaller entities.

Through NEEA, the region's utilities are able to support and influence: 1) products and services that manufacturers, distributors and retailers bring to market; 2) quality, availability and affordability of products and services in the market; and 3) development and improvement of building energy codes and equipment standards.

[1]U.S. Census Estimate (2012).
[2]Utilities are defined as including the region's utilities as well as the Bonneville Power Administration and the Energy Trust of Oregon.

Economies of Scale By working as an alliance to aggregate regional demand for energy-efficient products, services and practices, NEEA lowers energy efficiency portfolio costs for utilities through economies of scale. These benefits include not only reduced costs for programs but also reduced costs for data collection, building stock assessments, field research, and evaluation and measurement.

Risk Pooling Through joint investment in NEEA, the region's utilities are able to pool their risk in energy efficiency at large – utilities are all in it together, and hence reduce their individual risk. In addition, NEEA mitigates individual utility risk associated with evaluating and accelerating emerging energy efficiency technologies, services and practices which, by nature, are risky pursuits.

Currently, faced with a slow economic recovery and lack of load growth, some utilities have had challenges rationalizing energy efficiency measures and have raised questions about the business case for continued investment in NEEA.

Regional versus local issues have also emerged as utilities looked for more concrete evidence of local value with NEEA's regional initiatives. This plan addresses these key issues as well as other trends identified in the discussion of the energy efficiency landscape.

Launched as a pilot in 2004, the 80 PLUS program targeted computer manufacturers to install highly efficient power supplies to improve the energy efficiency of commercial desktops. The program partnered with leading North American computer manufacturers, such as Hewlett-Packard, Dell and Lenovo, to bring these energy-efficient power supplies to market.

NEEA also worked with EPA on an updated specification for ENERGY STAR® PCs that, as of 2007, requires power supplies to meet the 80 PLUS criteria.

Today, more than 200 power supply manufacturers have certified 80 PLUS power supplies, while increased competition among power supply manufacturers has reduced incremental costs. Market share of 80 PLUS certified power supplies has grown from 0 percent in 2004 to an estimated 70 percent in 2012.

3 PRINCIPLES AND VALUES

In the pursuit of our Vision and Mission, NEEA's Board of Directors and staff are guided by the following principles and values.

Principles

Principles serve as our cultural cornerstone.

Long-Term Orientation and Lasting Change

Our core work is the long-term development of emerging, cost-effective energy efficiency resources via market transformation. Our activities aim for lasting changes in the structure and function of markets resulting in the market adoption of emerging opportunities. We are committed to ensuring that our market transformation process is fine-tuned, collaborative and transparent.

Complementary Approach

Our work complements and supports utilities' local program activities; and local programs support regional work. As such, we focus on activities with market participants who are "upstream" from utility customers. We recognize the importance of the utility/customer relationship and commit to collaborate with utilities as those utilities deem appropriate on specific market transformation efforts that involve direct customer engagement. We will develop coordinated efforts that engage local programs in a way that maximizes the overall market transformation effort while upholding and enhancing customer relationships and service.

WHAT GUIDES OUR WORK?

- Long-term Orientation and Lasting Change
- Complementary Approach
- Equity

Equity We balance our portfolio of work to deliver value equitably across the region, recognizing the needs of stakeholders in all four states and in both rural and urban settings. In so doing, we address and balance the needs of both large and small utilities and other energy efficiency organizations. This balance includes the mix of region-wide and limited geographic opportunities as well as operational differences, such as the rate of market transformation and product adoption across the region.

Values

Values set the tone for our future success.

Accountability We take personal responsibility for our decisions, actions and results. We set clear goals and establish measurements and standards for success. We clearly define expectations, roles and responsibilities, and will ask for the help and collaboration necessary to accomplish our mission. We proactively interact, exchange ideas, seek input and share information.

Continuous improvement We adapt quickly to changes in market dynamics. We make fact-based decisions and conduct ongoing market research and evaluation to accelerate learning and improvement reflected in our work.

Operational efficiency We are accountable to funders and ensure excellent stewardship of resources deployed to cost-effectively achieve regional energy efficiency goals. We are thorough and maintain a high level of rigor in our analytical processes. We commit to best practices in: portfolio management; development, delivery and evaluation of programs; contractor management; and budget and expenditure controls. We provide a high level of visibility to all of our organizational assets to assure funders that an investment in a regional alliance is in the best interest of each funder.

Integrity Integrity includes honesty—both by the organization and the individual conduct of staff and management—as well as transparency and openness. We are committed to an open and transparent process by which the region's dollars will be used to transform markets, and how value is determined and results reported. The NEEA Board directs criteria for these investments at the highest level. Key functional areas of NEEA operate with input from Advisory Committees and through the work of many stakeholder workgroups, staff and contractors.

Collaboration We value utility, advisory committee and stakeholder input to help shape our work - and believe that two-way collaboration is necessary for success. We are committed to improve the structure, process and timeliness of decision-making.

Innovation We are committed to advancing our work through new ideas and approaches, and refuse to accept the status quo. We take informed risks while considering the progress, resources and potential savings associated with new opportunities. We welcome change, clarify ambiguity and are open to new mission-related opportunities.

Supportive work environment We are committed to a supportive environment for our talented staff, including work-life balance, and a culture of respect and kindness.

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

4 THE ENERGY EFFICIENCY LANDSCAPE

Over the last 35 years, the Northwest has met over half its load growth through investment in energy efficiency; the equivalent of over 5,000[3] average megawatts of clean, carbon-free power. The region has built a robust regional energy efficiency network that plans, delivers, and measures this important energy resource. The network includes many participants and points of engagement, including: utility programs; state and local governments; private sector businesses; regional agencies; non-profits; and advocacy groups as well as educational and research institutions. In 2011, total utility investment in energy efficiency exceeded $480 million, of which NEEA represented less than nine percent.

Despite this success, there remains significant, untapped cost-effective energy efficiency potential. The Northwest Power and Conservation Council's Sixth Power Plan estimates that there are more than 6,000 average megawatts of achievable potential savings that can meet 85 percent of the region's new load growth over the next 20 years. While low natural gas costs could lower the total cost-effective potential in the upcoming Seventh Power Plan, recent analysis by the Council suggests that the efficiency resource will still be very significant in meeting long-term resource requirements in the region.[4] Looking forward, there are both challenges and opportunities that will impact the region's ability to realize the full potential of energy efficiency. The following trends[5] have specific implications for NEEA:

- **Slow and uneven economic recovery** Some sectors and geographic portions of the region are experiencing recovery, turning attention from cost-control to meeting new demand for homes, commercial buildings and industrial production. Other areas of the regional economy and geography are struggling under difficult economic conditions, creating an uneven regional economic situation for the near future.

- **Low load growth** Near-term forecasts for electric loads are predicting low, uneven growth across the region. These reduced loads are due in part to a lagging effect of the recent economic downturn, the growth of distributed generation, and in part from the success of regional efficiency efforts.

- **Lowered avoided costs** Low natural gas prices are significantly reducing the cost-effective thresholds for energy efficiency. Some recently completed Conservation Potential Assessments and Integrated Resource Plans are reporting reductions of 20-30 percent in cost-effective energy efficiency potential compared to assessments completed a few years ago.

- **Climate protection/carbon policy** For some states, climate protection and carbon policy are priority issues. Resulting goals, action plans, and/or new legislation for carbon reduction create an opportunity to promote energy efficiency as a solution. Energy efficiency continues to be the most viable and cost-effective solution to address climate challenges.

- **Pressure to keep current electric rates low** Given the unevenness of the economic recovery and the need to recover rising infrastructure costs, many utilities face significant pressures to reduce costs to keep current electric rates and their customers' bills as low as possible, requiring all costs, including energy efficiency programs costs, to be "on the table" as targets for cost-reduction.

- **Customer Satisfaction** For many utilities, customer satisfaction has become a driving metric of overall utility success along with more traditional measures of service delivery such as reliability. Awareness and participation in energy efficiency programs has been identified as one of the top drivers of customer satisfaction by firms such as J.D. Power and Associates.

- **"Low-hanging fruit" is disappearing** Thanks in large part to the success of codes and standards, the era of large, easy-to-capture energy efficiency programs (e.g., compact fluorescent lamps, commercial lighting retrofits) appears to be ending. While there are still areas of efficiency opportunity that remain "close to the ground," by and large the remaining energy efficiency potential is generally available in smaller increments, is more diverse, and tends to be integrated into larger "systems" and "behavior" that must simultaneously be addressed to capture the savings.

- **Pace of change in technology is accelerating** Technology in energy-consuming products and services is evolving at an increasing pace. For example, changes in lighting technologies are moving so quickly that products that go through "qualification assessment" for program rebates may be replaced by entirely different models or may no longer be available by the time the "qualified list" is published.

Overall, these trends create a challenging, near-term environment for energy efficiency development in the region. However, within these challenges are opportunities for the region to capture more cost-effective efficiency and build on the very substantial foundation of an efficiency resource that is equivalent to almost half of the firm power output of the region's hydropower system.

NEEA is well positioned to serve the region to help address these trends. Through the vehicle of market transformation, NEEA has demonstrated the ability to help the region acquire efficiency even in complex markets where the "simple solutions" have already been applied. By leveraging our regional advantage through NEEA, the region can lower the cost of acquiring energy efficiency, making it possible to continue to develop this important resource even during times of low avoided costs. By pooling investment in emerging technologies through NEEA, the region can spread the risk of rapidly changing technology. NEEA's Strategic Goals and Key Strategies describe what NEEA will do and the approaches it will take to address the trends facing the industry.

[3]Source: NW Efficiency Exchange Conference, May 2013. General Session, Tom Eckman presentation, https://conduitnw.org/Pages/Article.aspx?rid=321
[4]Source: Ibid.
[5]Source: Larkspur Energy, Environmental Scan for the Northwest Energy Efficiency Alliance, November 2012.

5 STRATEGIC GOALS & KEY STRATEGIES

How do we facilitate market transformation?

GOAL 1
Fill the energy efficiency pipeline with new products, services, practices and approaches; and

GOAL 2
Create market conditions that will accelerate and sustain the market adoption of emerging energy efficiency products, services, and practices.

Given the current and projected landscape for energy efficiency for the next five to ten years, the case for regional collaboration focused on transforming markets is still strong. In an era of increasing complexity, tougher cost-effectiveness thresholds and rapidly changing technologies, NEEA provides the region a leveraged, cost-effective way to continue the legacy of energy efficiency development. NEEA's mission, "Mobilize the Northwest to become increasingly energy-efficient for a sustainable future" is as relevant now as it was in 1996. NEEA will achieve its mission by focusing on two strategic goals.

Since its inception, NEEA has played a key role in developing the next-generation of energy efficiency resources by scanning the market, identifying emerging energy efficiency technologies, driving regional customization and availability of emerging technologies,[6] and conducting market research and feasibility studies. These efforts identify opportunities for the region to meet future energy needs in the most cost-effective way possible.

These two goals are complementary and interdependent. Together, the strategies that NEEA pursues to achieve these goals comprise a continuum of market transformation activities. The key strategies associated with each goal are described in the following pages. Appendix 3 provides additional detail on the continuum of market transformation activities and depicts their interrelationship.

GOAL 1
Fill the energy efficiency pipeline with new products, services, practices and approaches.

Five-Year Success Metric:
Fill the 20-year energy efficiency pipeline with 1,000 aMW of regional potential savings in process and 175 aMW of savings readied for market adoption.[7]

Key Strategies:

A. Identify new energy efficiency opportunities.

- Actively "scan" for new emerging technologies by reviewing leading edge information sources, networking with other emerging technology organizations, and reviewing technology development trends in fields that are closely connected to end-use technologies.
- Conduct primary and/or secondary market research to identify potential technology or market trends that create new opportunities for energy efficiency.
- Engage upstream market partners with an interest in bringing market-ready, energy-efficient innovations to market.

- Maintain an "open door" for new ideas to be submitted for assessment. NEEA cannot have visibility of all new opportunities through our own activities.
- Develop and maintain relationships with regional/national organizations to leverage and influence their research, development and demonstration activities of new energy-efficient technologies.

B. Assess the potential for newly identified emerging technologies.
   - Conduct analytical assessments of the technical savings potential for newly identified emerging technologies.
   - Formulate early assessment of technical and market barriers.
   - Identify and assess current data related to actual performance of the emerging technology and recommend needed additional testing to "prove the concept" embodied in the new technology.

In 2011, NEEA developed and released an updated Northern Climate Specification for heat pump water heaters. Since then, NEEA has validated the performance of Northern Climate-approved heat pump water heaters through in-home testing, and collaborated with Sears on a successful market test that increased sales by 600 percent.

In 2012, NEEA collaborated with Seattle City Light and the Seattle Department of Transportation on a streetlight test to demonstrate the effectiveness of solid-state street lighting. The tests found that LED streetlights use far less energy while maintaining safety and better visibility for residents.

C. Prove the viability of emerging technology concepts.
   - For emerging technologies identified that do not have independent confirmation of product performance, develop and implement an appropriate "proof of concept" test that can confirm the viability of the new technology.

D. Screen, select, and prepare technologies to "enter" the market initiative pipeline.
   - Develop and maintain appropriate processes to ensure that there are an adequate amount of new market transformation opportunities entering NEEA's market transformation pipeline.
   - Work in collaboration with stakeholders to identify appropriate partners to collaboratively prepare these new opportunities for adoption through market transformation programs.
   - Collaborate with regional and extra-regional emerging technology partners to work on identification, validation and development of emerging technologies.
   - Host the Northwest Regional Emerging Technologies Advisory Committee to help advance emerging technology work in the Northwest.

NEEA and its partners piloted ductless heat pump systems in the Northwest climate in October 2008, and trained installers unfamiliar with the technology. Through 2013, over 19,000 ductless heat pump systems were installed through a network of nearly 1,000 contractors, which is equivalent to saving enough energy to power 4,400 homes each year.

[6]For purposes of this document, emerging technologies include physical technologies (e.g., new lighting product), a service offering (e.g., heating system tune-ups), or best practices (e.g., energy management).
[7]Performance metrics are further defined in NEEA's 2015 – 2019 Business Plan and reported via NEEA's performance scorecard.

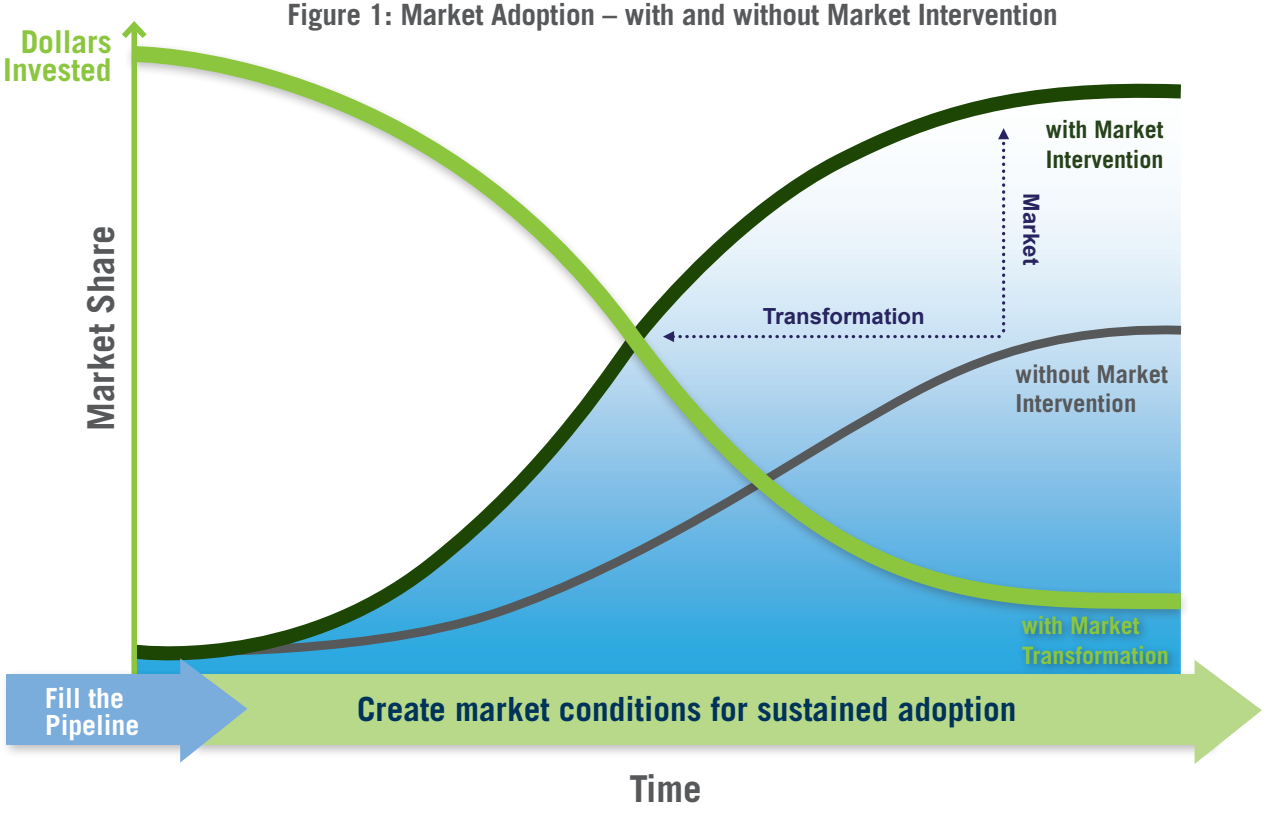
GOAL 2

Create market conditions that will accelerate and sustain the market adoption of emerging energy efficiency products, services, and practices.

Five-Year Success Metric:
In all of the markets in which NEEA works, NEEA programs result in substantive and measurable change in market conditions, resulting in energy savings.[8]

NEEA focuses on products, services and practices that, while technically promising, are not taking hold in the market on their own. NEEA targets these commercially available technologies because they are experiencing limited, slow or no market adoption; i.e., market research indicates that, without deliberate market intervention, market diffusion of the identified energy efficiency technology or practice will move more slowly or stall. This situation is graphically represented in Figure 1, which depicts two patterns of possible market adoption over time—one without deliberate market intervention ("naturally occurring") and one with deliberate strategic market intervention to remove identified barriers to market adoption (i.e., market transformation).[9] To realize the promise and energy savings potential of these emerging products, services and practices, NEEA facilitates the development of coordinated regional strategies to permanently remove market barriers and executes components of those regional strategies for which a regional approach brings greater value to the region than would individual action by utilities/administrators. NEEA's role varies by market transformation initiative and is characterized by activities with

Figure 1: Market Adoption – with and without Market Intervention



[8]Performance metrics are further defined in NEEA's 2015 – 2019 Business Plan and reported via NEEA's performance scorecard.
[9]Market Transformation is rooted in social sciences theory: Edward Rogers described the "S-curve" in his seminal work, "Diffusion of Innovations" (Edward Rogers, 1962); Geoffrey Moore described the types of strategic market interventions that could help companies overcome the "chasm" between market adoption by "innovators" and "early adopters" that often afflicts the diffusion of innovations.

market participants who are "upstream" from utility end-use customers.

Without this "market development" work, the region would not capture as much of the energy efficiency opportunities NEEA targets, or capture energy savings as quickly, because the market barriers to their adoption would persist. Figure 2, at the end of this section, provides a summary of typical market barriers and associated market intervention strategies. By executing intervention strategies directed at overcoming market barriers, NEEA creates the market conditions that will accelerate and sustain the market adoption of emerging energy efficiency products, services, and practices.

NEEA joined forces with California utilities to offer retailers incentives for selling the most efficient televisions. Representing 19 percent of the U.S. population and speaking with a unified voice, NEEA and its partners influenced retailers to change the product mix on their shelves. As a result, televisions that met the highest efficiency criteria began to outsell less-efficient models across the region. Televisions on the market in 2012 were 15 percent more efficient than those manufactured in 2011, and 60 percent more efficient than those made in 2009.

Key Strategies:

A. Influence market actors to increase availability of energy-efficient products and services.

- Develop and maintain long-term relationships with regional and national market actors.
- Use targeted midstream (e.g., retailers; distributors) and upstream (e.g., manufacturers) incentives and approaches.
- Work with influential companies in targeted markets to test and demonstrate the value/business case for energy-efficient business practices.

B. Improve/ensure product quality.

- Conduct lab and/or field testing and share results with the manufacturer or service provider.
- Establish 3rd-Party quality testing systems (e.g., verification network for ENERGY STAR new homes; and the Program for the Evaluation and Analysis of Residential Lighting (PEARL)).
- Establish or influence product specifications, such as ENERGY STAR, building codes or appliance standards.

NEEA, in collaboration with the Refrigerating Engineers & Technicians Association, has partnered to develop a new energy efficiency certification for industrial refrigeration operators.

The Certified Refrigeration Energy Specialist, or CRES, certification provides a market-based recognition of refrigeration system operators, technicians, managers and other refrigeration professionals that have the right skills and knowledge to manage energy usage and find low- and no-cost energy savings in their plants.

C. Build market knowledge/capability.

- Develop and deliver training, certification and professional development programs for sales associates, installers, building operators, maintenance employees and other market participants.
- Work with market partners to incorporate energy efficiency in their training and professional development programs.
- Provide technical assistance and information to trades and professionals who influence energy efficiency choices.

GOAL 2 *Continued*

Create market conditions that will accelerate and sustain the market adoption of emerging energy efficiency products, services, and practices.

Over the past five years, Idaho, Montana, Oregon and Washington adopted new residential or commercial codes that reduced energy use in new buildings by 20 percent. NEEA played a key role in these code adoptions with strong support from utilities and other stakeholders. To help the states implement the aggressive code changes, NEEA provided training and education in urban and rural communities across the region, working with utility and state partners. More than 4,000 building officials, architects, engineers, builders and subcontractors participated.

D. Identify and develop market resources that capitalize on the compelling value proposition/business case (i.e., "non-energy benefits") for an energy-efficient product, service or practice.
   - Conduct market research to identify most compelling messaging to influence purchasing behavior.
   - Partner with stakeholders to conduct demonstration projects; disseminate case study results.
   - Develop and disseminate marketing resources that can be used to increase market demand (e.g., research-based messaging, business case tools, case studies).

E. Increase product awareness.
   - Develop and deploy research-based marketing materials/tools.
   - Use regional leverage to negotiate marketing investments by market actors.
   - Coordinate with local program marketing efforts.

F. Develop strategies to address price/first cost issues.
   - Coordinate with utility/energy efficiency program administrator-provided customer incentives.
   - Coordinate bulk purchase or buyer aggregation to create production scale economies.
   - Partner with market actors to identify/encourage possible financing programs.

G. Influence and support the successful implementation of more stringent building codes and appliance standards.
   - Pursue voluntary market transformation programs to advance product and building efficiency, and use data from successful programs to influence more stringent codes and standards.
   - Develop/maintain relationships with national standards-setting organizations to promote energy-efficient standards.
   - Develop product standards, protocols and 3rd-Party certifications to improve product quality/suitability for the region.
   - Develop/maintain relationships with state/regional/national organizations that influence building energy codes.
   - Develop and implement training programs in support of new codes.
   - Collect data on costs and savings performance of proposed codes and standards provisions.

Figure 2: Typical Market Barriers and Intervention Strategies

	Market Barrier	Intervention Strategy
SUPPLY SIDE	**Product Availability**	• Develop/maintain long-term relationships with regional and national supply side market actors • Use targeted mid- and upstream incentives to influence stocking and promotion practices of efficient products • Develop design competitions based on desired performance
SUPPLY SIDE	**Product Quality**	• Conduct lab and/or field testing and share results with the manufacturer or service provider to improve product • Establish third-party quality testing system • Establish or influence a specification, such as ENERGY STAR, code or standard
SUPPLY SIDE	**Knowledge/ Capability**	• Partner with manufacturers, trades and/or retailers to influence technical and sales training • Provide technical assistance and information to trades and professionals who influence energy efficiency choices
DEMAND SIDE	**Product Price/1st Cost**	• Coordinate with utility/energy efficiency program administrator-provided customer incentives • Coordinate bulk purchase or buyer aggregation to create production scale economies • Partner with market actors to offer financing options
DEMAND SIDE	**Product Awareness**	• Develop and deploy research-based marketing materials/tools • Use regional leverage to negotiate marketing investments by market actors • Pursue earned media opportunities • Coordinate with local program marketing efforts
DEMAND SIDE	**Value Proposition/ Business Case**	• Conduct research to identify compelling selling/value proposition • Partner with utilities to conduct demonstration projects; disseminate case study results • Develop and disseminate business case tools

6 RISKS

NEEA's success depends on many factors in a complex and rapidly-changing environment. There are significant risks inherent in these factors which could impact NEEA's ability to achieve its strategic goals, and, in the end, its mission.

Risks for which NEEA has some level of control and has plans to mitigate:

1. Funding The loss of one funder can create a domino effect resulting in an organization that does not have the leverage required for market transformation. Loss of funder(s) can also create inequity and issues of free ridership across the region. Funding could be in jeopardy if:

- NEEA does not achieve equitable distribution of benefits across the region (i.e., urban/rural);
- NEEA does not achieve its goals;
- NEEA fails to deliver on its commitments cost-effectively; and/or
- NEEA is perceived by funders as not providing additional value.

NEEA mitigates this risk by clearly defining and delivering value to funders and by maintaining open, meaningful channels of communication to resolve issues and maximize NEEA's impact. In the event that a funder ceases to participate in the alliance, NEEA does not assume that remaining funders would contribute additional amounts to retain the same level of overall funding. NEEA would conduct an assessment of the impact on delivery of goals and propose appropriate scale adjustments in services.

2. Different approaches to market transformation Other parts of the country, namely California and New York, are actively investigating market transformation. Different approaches by these large players could create market confusion and lack of effective market influence for the Northwest.

NEEA mitigates this risk by establishing and maintaining relationships with key players in other geographies to influence and collaborate on market transformation programs.

Risks which are outside NEEA's control and cannot be easily mitigated:

1. Regulatory or governing body decisions that end or curtail investments in energy efficiency;

2. Events or conditions that lead to a significant contraction of the economy;

3. Significant changes, such as the expansion of distributed generation and/or disintermediation in the utility industry that shift the responsibility of energy efficiency away from utilities;

4. Ongoing pressure for utilities to limit rate increases, combined with low load growth and potentially declining avoided costs; and

5. Federal government that is less active, and/or reduces funding for Federal Appliance Standards.

NEEA monitors activity and developments in the industry to identify potential impacts and will work through NEEA's Strategic Planning Committee on specific mitigation actions as the need arises.

7 LOOKING FORWARD

NEEA's five-year Strategic Plan outlines a path to boost the region's energy productivity by accelerating the adoption of new technologies and practices that build on the past success of the alliance. As the future holds more challenging and complex opportunities, joint action by NEEA funders will help ensure that our collective efforts are leveraged and our resources are deployed efficiently so the power of the region can deliver on the promise of energy efficiency resources, and the vibrant Northwest that we seek for our future.

Susan E. Stratton
Executive Director
NEEA

Jim West
Board Chair
Snohomish PUD

8 APPENDICES

Appendix 1:

Strategic Planning Process

In preparation for the strategic planning process, the NEEA Board conducted workshops in 2012 to determine their desired strategic direction. The Board also directed the Strategic Planning Committee (SPC) and staff to engage a consultant to scan the business environment in late 2012, which helped inform the work of the Committee and the Board.

The strategic planning process began in earnest in 2013, with the SPC leading discussions at Board meetings in February, May, August, and December and leading full-day Board workshops in April, July, and October. NEEA and the Board solicited public input early in the process through the Conduit website and again after the release of the draft plan.

NEEA hosted two region-wide webinars in late September and early October, and factored that input into developing the second draft. NEEA staff also met with numerous stakeholders, including advisory committees, state energy offices, public utility commissions, the Northwest Power and Conservation Council and energy efficiency advocates to capture their feedback.

After gathering and considering feedback from stakeholders, the SPC finalized the plan for Board consideration in June, 2014.

Appendix 2: Stakeholder Feedback Themes and Board of Directors Resolution

Following are stakeholder feedback themes that were deemed out of scope and hence have not been incorporated into the Strategic Plan.

Stakeholder Feedback Themes	Board Resolution
Consider demand response	Demand response will not be pursued independently as part of this strategic plan. NEEA will integrate demand response capability information into emerging technology assessments of energy savings potential. In addition, since NEEA uses the Northwest Power and Conservation Council's methodology and values related to peak value (today winter peak only) in its cost-effectiveness calculations, NEEA will report peak value from a regional perspective in its energy savings results.
Consider giving strategic direction on natural gas market transformation	NEEA's mission statement is "fuel-neutral" to improve the efficiency of energy use, regardless of the energy source. NEEA is currently funded solely by electric utilities. NEEA is exploring a gas market transformation pilot, which is called out in the Business Plan. The pilot would be funded separately by gas utilities. As a matter of policy NEEA would not use funds from any fuel source to engage in activities that would be seen as encouraging fuel-switching. Rather, NEEA would start from the end-user, fuel-neutral perspective defined in the mission statement. Any activities funded through other fuel sources would need to support both the mission and goals defined in the strategic plan.
Consider other resources such as water	NEEA acknowledges the relationship between water and energy efficiency, but water efficiency will not be pursued independently as part of this strategic plan. In market transformation initiatives where water savings can be documented, NEEA will report this additional value stream.
Consider giving strategic direction on work outside of the region	NEEA will not take on any work outside of the region that would divert resources from its core work and commitments. NEEA has a process for vetting new opportunities, and would use this process should an opportunity arise to pursue work outside of the region. The Board of Directors will review and monitor. Coordinating with organizations outside of the region has been and will continue to be a strategy that NEEA utilizes. The benefits include increasing NEEA's market leverage and economies of scale to achieve its market transformation objectives.
Include workforce development	No further action; out of scope.
Identify how this plan is different from current Strategic Plan	There are some significant differences from the previous strategic plan. First, it's shorter and to the point, leaving the details of "how" we do our work to the Business Plan. The more significant changes include: •Revised the principles to incorporate what we have heard, adding complementary approach and operational efficiency. •Removed Distinct Characteristics and Core Competencies, and added to the 2015 – 2019 Business Plan. •Reduced the number of strategic goals from six to two, with a focus on NEEA's core work of market transformation.

Appendix 3: Market Transformation Continuum

The following is an illustration of how NEEA's Strategic Plan Goals map to market transformation phases and typical activities[1] that would be undertaken in that phase.

Goal 1

Filling the Emerging Technology[2] Pipeline

1 Market scanning and concept identification	2 Concept opportunity assessment	3 Market and product assessment
• Conduct secondary research on new technology in select markets • Screen unsolicited proposals to support NEEA's work • Maintain strategic alliances with other emerging technology and research and development partners • Test product "feasibility" in laboratory or similar controlled settings to verify energy savings potential	• Develop a market transformation "logic model" that links identified barriers and opportunities to specific strategies to remove those barriers • Establish preliminary estimates of regional savings potential and costs • Identify initial target market segments • Identify and describe roles and program opportunities for NEEA and utilities • Conduct market research and market characterization studies	• Conduct controlled "in-field" demonstrations and technical assessments of products in targeted market applications to assess performance, energy savings and end-user experience • Test and validate assumptions about market barriers and opportunities based on limited field assessments • Analyze field data and make recommendations • Establish baseline market conditions to develop an energy savings forecast

Codes and standards support

(Across entire Market Transformation Continuum)

- Provide support of voluntary programs to advance building practices, which then creates improved codes opportunities
- Collect data on costs and savings performance of proposed codes and standards provisions

[1] The activities listed are examples only, are not in order of priority, and may not be required for all market transformation efforts. Activities and roles vary widely from initiative to initiative and from utility to utility, but should be identified during NEEA's initiative process through stakeholder advisory channels. In all cases, effective communication, coordination and collaboration between and within organizations is essential for a successful market transformation effort.

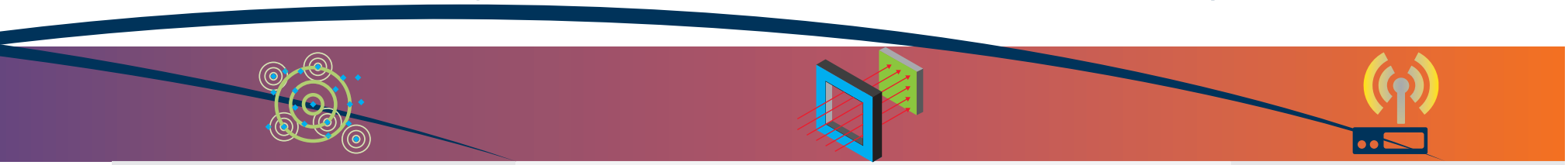
[2] "Emerging Technologies" refers to emerging technologies, services, and practices.

Appendix 3: Market Transformation Continuum

The following is an illustration of how NEEA's Strategic Plan Goals map to market transformation phases and typical activities[1] that would be undertaken in that phase.

Goal 2

Creating the Market Conditions that will Accelerate and Sustain Market Adoption



4 Market transformation strategy testing and finalization	5 Full-scale market development/strategic market intervention	6 Long-term monitoring and tracking
• Develop market intervention plans to address market barriers and opportunities based on findings • Develop and implement a data management plan to collect market data (i.e. sales data) • Test and evaluate strategies in limited scale "market tests" • Incorporate any findings for next phase of continuum • Develop a cost-effectiveness model, which produces energy savings forecasts and cost-effectiveness metrics	• Develop product standards, protocols and certifications to improve product quality/suitability for region • Design and test programs to increase product availability and sales • Provide financial incentives to national/regional market actors to influence buying, stocking, promotional practices, and to manufacturers to produce efficient/suitable technologies • Develop training, certification and professional development programs for sales associates, installers, building operators, maintenance employees - to increase market capability • Develop and implement research-based marketing/communications strategies to increase product demand and raise awareness, in coordination with utilities, retailers, distributors and manufacturers • Provide technical assistance to trades, building/facility operators and professionals who influence energy efficiency choices • Collect, analyze and validate market data (i.e., sales data) for market progress and energy savings results	• Evaluate market progress of market transformation initiatives to assess lasting market change • Revise and implement a data management plan to collect market data (i.e., sales data), analyze and validate data for market progress and energy savings results

- Develop and implement training programs in support of new codes
- Collect data on code compliance to help ensure energy savings is captured and verified
- Influence the development of new codes and standards by serving as a technical expert as part of the codes and standards setting process