



Memorandum

November 7, 2018

TO: NEEA Board of Directors

FROM: NEEA Staff

SUBJECT: Key Themes from 2020-2024 Draft Business and Strategic Plan Outreach Activities

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BACKGROUND: NEEA's Board determined a scope of regional outreach for input on the draft 2020-2024 Business and Strategic Plans that included email outreach, in-person public meetings and regional webinars.

In addition to five public workshops held over the course of the year, the Strategic and Business Plans were shared with the region for public comment via Conduit from June – October 2018.

Summary of 2018 Outreach Activities

Respondents were contacted via email, Conduit and NEEA newsletters, to review the Plans and participate in two regional webinars and eleven in-person presentations coordinated by NEEA Board members and staff. Results include:

- The Draft Strategic Plan was posted for a public comment period, running from June 28-August 31, and remained posted through October 19. The Draft Business Plan was posted for public comment from September 25-October 19.
- Approximately **5,600 stakeholders** were directed to the Plans via Conduit, email, and the BPA and NEEA newsletters.
- The Strategic Plan received **613 views, 248 downloads, and four completed feedback forms** from Northwest Requirement Utilities (NRU), the Northwest Public Power Association (NWPPA), the Northwest Energy Efficiency Council (NEEC), and the Northwest Energy Coalition (NVEC) within the comment period.
- The Business Plan received **657 views, 226 downloads, and nine completed feedback forms** within the comment period.
- In-person presentations were made to approximately **334 stakeholders**, through meetings held at the Washington Utility and Transportation Commission (WUTC), the Oregon Public Utility Commission (Oregon PUC), the Northwest Power and Conservation Council (Council), and the Pacific Northwest Utilities Conference Committee (PNUCC), among others.
- NEEA's Executive Director, Susan Stratton, also conducted two input sessions for NEEA staff.

This outreach mirrors the target audiences and activities conducted in March and October of 2017 for initial feedback on the draft Strategic Plan, which included email outreach and in-person meetings around the region with Board members and NEEA staff, and an online survey via Conduit on the Strategic Direction.

NEEA staff has collected and synthesized the general themes of the funder and stakeholder feedback from each of these recent activities for Board review and consideration. Verbatim responses are detailed where available from stakeholder events, as well as from Conduit submission forms.

Key Themes of Outreach Feedback

Much of the feedback during regional outreach on the Plans were questions and clarifications around how core funding and special projects are structured, and the reasons behind discontinuing Conduit (along with feedback both for and against discontinuing the platform). There was support for integrating natural gas and electric work and for getting alignment on downstream marketing. There was some concern expressed about the delayed timing of the stock assessments. The most common concern expressed was whether the proposed 2020-2024 budget was sufficient to attain enough savings through cost-effective energy efficiency for the future of the region.

Recommendations for Changes to Plans

The Business Planning Committee recommends publishing a summary of regional feedback themes and outreach activities included in this memo, as a supplemental document to the final 2020-2024 Business Plan. A draft of that outreach summary document is included in the “Key Changes Between Fourth and Fifth 2020-2024 Business Plan Drafts” memo in this packet.

Business Planning Committee and the Ad Hoc Natural Gas Committee Recommended Changes:

Based on questions received during public outreach, staff reviewed clarifications to language in the Draft 5 Business Plan with the Business Planning Committee and the Ad Hoc Natural Gas Committee on October 29, 2018. Those language changes are captured in the “Key Changes Between Fourth and Fifth 2020-2024 Business Plan Drafts” memo in this packet.

Board Changes

Based on feedback received during the outreach period, NEEA staff will look to the Board to advise on any additional changes to the Business and Strategic Plans.

Outreach Activity	Key Themes of Stakeholder Input	NEEA Staff Responses	Recommended Actions
Regional Webinars			
<p>Regional Webinar #1 - Oct 4 (<i>Portland, OR</i>)</p> <p><i>Attended by approximately 50 local utility/EE stakeholders, advocacy group representatives and other interested parties.</i></p> <p>Commenters: -Dan Berne, Next Chapter Marketing -Amy Wheeless, NWECC -Dan Berne, Next Chapter Marketing -Patrice Flynn, CLEAResult -Jennifer Snyder, WUTC</p>	<ol style="list-style-type: none"> 1. Comment: Expressed satisfaction for moving away from Conduit. 2. What is motivating moving away from Conduit? 3. It seems like the alliance approach and boundary conditions should alleviate confusion about roles and responsibilities between alliance staff and funder staff in collaborating on programs. Is this already happening? 4. Regarding emerging technology work in 2020-2024, what is the split between residential and commercial sectors? 5. Are there opportunities to increase the budget, and pursue cost-effective opportunities within the cycle? 	<ol style="list-style-type: none"> 2. During tradeoff discussion related to budget, the Board determined that the platform was not critical for moving Market Transformation forward. Conduit's core functions may be provided in different ways, and in 2019, staff will look at ways to support that transition. 3. Yes, the approach and boundary conditions are helping to clarify that. Staff respect the utilities' need to be the face in front of utility customers, so are working closely with funders to define how to work together in that downstream space. 4. The alliance portfolio includes new technologies and savings opportunities in the commercial, residential and industrial sectors. As new technologies and opportunities emerge over time, that balance will shift. As of Q3 2018, there are 4 Residential, 3 Commercial, 3 Industrial/Ag and 7 Cross-Sector technologies actively in the pipeline. 5. If funders are interested in specific, additional areas, those could be added as special projects. 	<p>None, staff will relay feedback to Board for consideration.</p>

<p>Regional Webinar #2 - Oct 10 (<i>Portland, OR</i>)</p> <p><i>Attended by approximately 37 local utility/EE stakeholders, advocacy group representatives and other interested parties.</i></p> <p>Commenters: -Amy Wheelless, NWEA -Monica Cowlshaw, Cascade Natural Gas Corporation -Ken Nichols, EQL -Deb Young, NorthWestern Energy</p>	<ol style="list-style-type: none"> 1. Any changes proposed to Integrated Design Lab (IDL) funding in the Plan? 2. Is there opportunity to increase the budget? 3. How do special projects work? 4. If there is a lot of extra-regional interest in a specially funded project, would it still need to be approved by NEEA's funders? 5. Comment: There is core electric funding, core natural gas core funding, and special project funding. And, in addition to the two natural-gas only utilities, there are several alliance funders who represent both electric and natural gas customers. 	<ol style="list-style-type: none"> 1. The IDL base funding in Cycle 6 is 80% of the Cycle 5 base funding. In addition, NEEA may also contract on special projects with the Labs. 2. The Board explored a wide budget range, to balance needs across the region. 3. Special projects are those, like the End Use Load Research (EULR), that exist outside the core activities in the Business Plan. Special projects must advance the purpose of the organization and adhere to the boundaries in the Strategic Plan. Three special projects: Commercial and Industrial Strategic Energy Management, Industrial Technical Training, and the Multifamily Building Stock Assessment are considered complementary to the core-funded activities in the plan. 4. Subsets of regional parties as well as extra-regional entities have expressed interest in additional opportunities beyond those identified in the core plan. In the current Business Cycle, several of these types of activities are already funded separately from the current Business Plan; EULR is such an example. 5. A special project should fit NEEA's Purpose, to provide benefits to Northwest customers. If not, the Board might consider that a distraction to the work of the organization. The alliance works extra-regionally to leverage its efforts, but for the Board to consider it, it would need to fulfill this purpose. 	<p>Staff examined Business Plan language for opportunities to clarify.</p>
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<p>NEEA Staff Input Session – Oct 8 <i>Attended by approximately 22 NEEA staff.</i></p> <p>Commenters: -Debbie Driscoll, NEEA Staff -Becky Walker, NEEA Staff -Dulane Moran, NEEA Staff -Aaron Winer, NEEA Staff -Tamara Anderson, NEEA Staff -Anne Curran, NEEA Staff</p>	<ol style="list-style-type: none"> 1. What is BPA’s role in Conduit? 2. Is there more cost-effective EE to achieve? 3. Does this Plan distinguish between infrastructure vs non-infrastructure activities? 4. Is the special project portion of budget set – how can budget or scope be determined without knowing who’s in? 5. Can non-core funders participate in special projects? 6. What funding is set aside in the Plan for new initiatives that are not defined yet? 	<ol style="list-style-type: none"> 1. BPA originally developed Conduit, and it has been jointly managed since then. 2. The Northwest’s utilities have the responsibility to get all cost-effective EE, and it’s up to funders to decide how to invest in NEEA to meet those goals. The cost of attaining that cost-effective EE goes up as opportunities are harder to reach. NEEA takes a longer-term view to cost-effectiveness, so is well positioned to continue to pursue those cost-effective opportunities. 3. The Board looked at NEEA’s work by product groups supported by cross-cutting infrastructure more effectively than operating products in silos, so the infrastructure costs are lower than in the last cycle as NEEA has learned to leverage infrastructure across programs. A few infrastructure items moved to special projects. 4. Once the Plan is final, staff will set a critical mass of participation before moving forward on the work. Conversations with funders will happen during the contracting process, and the final scope and budget will rely on which funders select each option. 5. Allowing non-funder participation is at the Board’s discretion. 6. The new program budget is down slightly (from an estimated \$8.8M in Cycle 5 vs. \$7.25M in Cycle 6), due to a healthier pipeline and more programs in development 	<p>Staff examined Business Plan language for opportunities to clarify.</p>
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Outreach Activity	Key Themes of Stakeholder Input	NEEA Staff Responses	Recommended Actions
NEEA Staff Input Session – Oct 8 (Continued)	<p>7. Comment: On the gas side, this is a great first step, and for NEEA to continue to keep integrating gas and electric work.</p> <p>8. Is the current ILC process locked in?</p> <p>9. What prompted the Conduit cuts, and does it mean that it can stay as a static site vs. an online community?</p> <p>10. Are regulators participating in this planning process?</p>	<p>than at the beginning of the last cycle. The Board has asked staff to bring any new opportunities forward during the cycle. There is flexibility built into NEEA's financial policy for the Executive Director to move budget between programs and product groups as work evolves.</p> <p>7. In 2019, NEEA staff are taking steps to begin dual-fuel funding the residential new construction program, to potentially book new natural gas savings in this cycle.</p> <p>8. The alliance will continue to use the stage-gates and dedicated funder coordination processes.</p> <p>9. During budgeting, the non-savings items like Conduit were seen as lower-priority, and a more efficient place to cut that taking dollars from programs.</p> <p>10. Yes, regulators are weighing in on the Plans, through participating in Board meetings, in-person meetings and webinars.</p>	

Outreach Activity	Key Themes of Stakeholder Input	NEEA Staff Responses	Recommended Actions
<p>WUTC Presentation – Aug 9 (<i>Olympia, WA</i>) <i>Attended by approximately 20 local utility staff, public interest groups, commission staff, and commissioners.</i></p> <p>Commenters: -David Danner, Commissioner -Deborah Reynolds WUTC -Jennifer Snyder, WUTC -Monica Cowlshaw, Cascade Natural Gas Corporation -Tom Karier, Council -Ann Rendahl, Commissioner -Holly Braun, NW Natural</p>	<ol style="list-style-type: none"> 1. Concern over reduced savings because of decreased inputs to pipeline and decisions not to focus on certain initiatives from previous cycle. 2. Figure out details of marketing; it's a core part of NEEA's work; include gas funders in discussion. 3. Concern that strict boundary conditions may inhibit necessary flexibility. 4. Support for integration of electric and gas plans. 5. Concern about lack of mission statement and no mention of push for all cost-effective EE. 	<ol style="list-style-type: none"> 1. Plan was rebalanced to add more budget for new initiatives. 2. Board recommended that staff convene RPAC and additional stakeholders to determine details of marketing as a core part of NEEA's work; are including gas funders in discussion. 3. Staff will share to Board for consideration. 4. Have fully integrated electric and gas plans. 5. Staff will share with Board for consideration. 	<p>Staff will relay feedback to Board for consideration.</p>
<p>Council Presentation– Sept 11 (<i>Eugene, OR</i>) <i>Attended by approximately 30 local utility stakeholders, council staff and council members.</i></p> <p>Commenters: -Ted Ferrioli, Council Member -Richard Devlin, Council Member</p>	<ol style="list-style-type: none"> 1. Concern over the reduction in NEEA's budget while need for more research and new EE products seems to be increasing (low-hanging fruit gone.) 2. Clothes washers did well, now slipping. What is NEEA doing about that, and the high cost of entry for new technologies? 	<ol style="list-style-type: none"> 1. Budget is relatively flat versus reduced, staff will share with Board for consideration. 2. NEEA is looking at broader laundry market including washers to continue driving improved efficiency Business Plan includes pairing with new product, efficient clothes dryers. NEEA will continue to work with manufacturers to encourage development of cost-effective product options. 	<p>Staff will relay feedback to Board for consideration.</p>

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Idaho Consumer-Owned Utilities Association – Sept 13 (<i>Boise, ID</i>) <i>Attended by approximately 20 local utility stakeholders.</i>	Group generally sees value in NEEA and the work to cut energy usage in various products.	N/A	Staff will relay feedback to Board for consideration.
BPA Roundtable – Oct 3 (<i>Roseburg, OR</i>) <i>Attended by approximately 30 local public utility stakeholders.</i>	Group asked for details on when/what timeframe Conduit would be disbanded.	Based on the Plan, the site would be phased out at the end of 2019.	N/A
PNUCC Presentation– Oct 5 (<i>Portland, OR</i>) <i>Attended by approximately 50 people from organizations including senior utility professionals and executives.</i> Commenters: -Clay Norris, Tacoma Power -Chris Robinson, Tacoma Power -Suzanne Cooper, BPA	<ol style="list-style-type: none"> 1. It appears that the 2020-2024 budget is about the same and the Plan delivers half the energy savings - are there cost-effectiveness issues? 2. What are the constituents of Total Regional Savings? 3. Are special projects sized by who opts into them? 	<ol style="list-style-type: none"> 1. The savings are related more to pipeline and long-term nature of Market Transformation rather than a cost-effectiveness issue. Savings are down due to: harder to realize energy efficiency, several programs were stopped at the start of Cycle 5, and the cycle started with a relatively dry pipeline. 2. Total Regional Savings includes all savings from local utility programs, investments in alliance activities, and all market movements related to those efforts. 3. Yes. The final scope and budget of the special projects will rely on the input of the funders that select each option. Those determinations will be made the contracting process in 2019. 	Staff will relay feedback to Board for consideration.
BPA Roundtable – Oct 10-11 (<i>Gig Harbor, WA</i>) <i>Attended by approximately 20 local utility staff.</i>	No substantive comments.	N/A	N/A

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<p>Oregon PUC Meeting – Oct 12 (Portland, OR)</p> <p><i>Attended by 2 NEEA Staff and the Oregon Commission Chair.</i></p> <p>Commenters: -Megan Decker, Commissioner</p>	<ol style="list-style-type: none"> 1. Discussed conversations with the California Public Utility Commission about progress on a market transformation framework. 2. Asked about the challenges faced in agreeing on a draft Business Plan. 	<ol style="list-style-type: none"> 1. NEEA has been consulting with the California Commission on its early market transformation, with the support of NEEA's Board. 2. Aligning on marketing has been a challenge, so staff is working with RPAC on getting alignment on those issues. 	<p>Staff will relay feedback to Board for consideration.</p>

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<p>NEEA Staff Input Session – Oct 16 <i>Attended by approximately 25 NEEA staff.</i></p> <p>Commenters: -Warren Fish, NEEA Staff -Corinne McCarthy, NEEA Staff -Susan Hermenet, NEEA Staff -Elaine Miller, NEEA Staff -Tracy Paradis, NEEA Staff -Christopher Dymond, NEEA Staff</p>	<ol style="list-style-type: none"> 1. What functionality of Conduit will move over to another platform? Aspects like document sharing and broader collaboration are very valuable. Would be useful to capture the value of the platform somewhere else. 2. If Conduit is limited to a certain scope like workgroups, could that just scale back the site, to still provide that value to stakeholders? 3. With the outreach done so far – have any showstoppers been raised? 4. How much has extra-regional partnerships been a factor in input on the Plan? 5. Is California going to be part of NEEA? Or can NEEA act as a consultant outside of the region? 6. Any reactions to special projects – is the mix of programs being questioned? 7. Is staff confident and satisfied with the Plan’s proposed savings metrics? 8. Are the new opportunities able to become programs, like EV charging? 	<ol style="list-style-type: none"> 1. The information NEEA is sharing will be shared through on own website, but the community aspect of it will likely not continue. 2. Limiting Conduit’s scope is a possibility to explore to evaluate the costs/benefits. 3. No real showstoppers, the Plan has been well vetted by the Board in a deliberately open process, so stakeholders have been involved all along. 4. The Board wants NEEA to cooperate and consult on market transformation efforts in California, to leverage each other’s efforts to the benefit of the Northwest as well as other efforts to increase the region’s influence without increasing costs. 5. No plans for California to “join” at this time. Staff are consulting with MEEA, the California commission and others, to find opportunities for increased leverage. 6. The Board built the budget from the bottom up. Items with the least support were classified as special projects versus core budget. 7. The savings are lower for the cycle ahead, but that reflects that NEEA have captured many of the low-hanging fruit. 8. The Board approved working on technologies that have efficiency as a primary driver, provided they fulfill NEEA’s purpose. 	

<p>Montana Stakeholder Meeting/Webinar - Oct 11 (<i>Missoula, MT</i>) <i>Attended by approximately 20 local utility/EE stakeholders, commission staff and other interested parties.</i></p> <p>Commenters: -Deb Young, NorthWestern Energy -Jim Maunder, Ravalli Electric -Bob Decker, Montana Public Service Commission - Eric Sayre, NorthWestern Energy</p>	<ol style="list-style-type: none"> 1. Comment: Clarification that NorthWestern only includes Net Market Effects in its savings reporting, and then only for measures that it can document have occurred in NorthWestern Energy service territory, to avoid any chances of double counting. 2. There are two markets in the Northwest – the I-5 Corridor, and the eastern part of the region. That should be taken into consideration with technologies like DHPs and HPWHs. There is a trickle down to the rural areas, so would ask NEEA for ideas to help prevent that market lag. 3. Connecting the dots about budget, it sounds like NorthWestern Energy is contributing 4% of NEEA’s budget, or about \$1.2 million/year – is that in the ballpark? And, what does NorthWestern’s participation in NEEA mean to an average ratepayer in Montana? 4. What is the attributed fraction of NEEA savings related to Montana? The Public Service Commission would be interested in seeing that. 5. Comment: In a busy work schedule, it’s hard to go on Conduit very often, so fine to move away from that. For Efficiency Exchange, a two-year cycle might not be a bad idea, maybe ask opinions at EFX19. 	<ol style="list-style-type: none"> 2. Yes, NEEA recognizes that not everything lands on the east side as fast as in the I-5 corridor. Northwestern is working with NEEA staff on how to better package trainings and on balancing the interests between east and west. In terms of both market lag and applicability of DHPs and HPWHs in Montana, NEEA’s research will continue to look at whether cold-climate markets have been researched and barriers have been removed before stopping work on those programs. 3. NorthWestern staff confirmed the budget, and that participating in NEEA benefits all NorthWestern customers by 1) offering the least cost resource, and 2) by making more efficient products available for future purchases. 4. The line item savings NorthWestern reports to the Commission are savings it can attribute above the baseline, based on NEEA activities in NorthWestern’s territory. The dollars that the utility invests in NEEA also goes to non-savings efforts that bring value to Montana, such as building stock assessments, trainings and code work. 	<p>NorthWestern Energy staff will respond to the Public Service Commission, with support from NEEA staff, as needed. Staff will relay remainder of feedback to Board for consideration.</p>
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Montana Stakeholder Meeting/Webinar - Oct 11 (<i>Missoula, MT</i>) (<i>Continued</i>)	<p>6. What functionality of Conduit will move over to another platform?</p> <p>7. Comment: The alliance plans with a five-year business model, but the real-world changes faster than that. Are there options to add or drop activities as changes happen in the market?</p> <p>8. Comment: The Strategic Plan sets boundaries around the scope of the core NEEA work that the funders are signing on for. Any additional activity would take careful review and consideration by the Board, to make sure it is still in scope.</p> <p>9. Comment: NorthWestern did not participate in End Use Load Research, as there are aspects of the load shape that don't apply to Montana, but that work is able to happen as a special project, so it does not detract from NEEA's overall regional work.</p> <p>10. Comment: With the advent of a new technology, it's nice to help pilot and bring technologies never seen before to Montana!</p>	<p>6. The dynamic system of Conduit will go away, will offer some information through neea.org or other platforms, or email, but any other organization is welcome to host the community/conversation, if interested.</p> <p>7. The first year in the Plan is much more detailed, then the Board will address these in NEEA's annual Operations Plans, using the existing Initiative Lifecycle and RPAC processes to inform taking a fresh look at each year. As new opportunities come up, the Board can decide to add those, or consider special funding, such as with End Use Load Research. That work is on its own timetable and funding, outside of the current Business plan cycle.</p> <p>10. It's terrific that Ravalli is piloting these new technologies, and the good partnership is appreciated.</p>	

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<p>Idaho Stakeholder Meeting - Oct 15 (Boise, ID)</p> <p><i>Attended by approximately 8 local utility/EE stakeholders, advocacy group representatives and government staff.</i></p> <p>Commenters: -Ben Otto, Idaho Conservation League -Stacey Donohue, Idaho Public Utility Commission</p>	<ol style="list-style-type: none"> 1. If marketing isn't regional, will utilities be responsible? 2. Why are the industrial and manufactured homes assessments not considered valuable? 3. Comment: On the Funding Cycle Comparisons – these savings reductions broadly aligns with what the Commission is seeing from utilities, with overall lower savings, that are more expensive to attain. 4. Comment: Rents and labor costs are going up; this situation is expected in the market. 	<ol style="list-style-type: none"> 1. Staff is currently working through these marketing issues with Regional Portfolio Advisory Committee discussion on marketing. 2. In building the budget from the bottom up, the Plan took Board's direction, and those activities with the least support were classified as special projects versus core budget. 	<p>Staff will relay feedback to Board for consideration.</p>
Comments via Conduit			
<p>Northwest Requirements Utilities (NRU) + Northwest Irrigation Utilities (NIU) - Strategic Plan Feedback <i>Submitted via Conduit by Roger Gray</i></p>	<ol style="list-style-type: none"> 1. NEEA's role in DR/DM - see it as a critical need for both power supply and transmission constraint management. 2. Coordinating efficiently with BPA is key, especially with rising rates. 3. Encourage an appropriate focus on smaller and rural communities, and on keeping the technology pipeline full. 4. See "white label" marketing materials as valuable, for local utilities to adapt centrally-developed materials to use with their own customers. 	<p>Staff is currently working through these marketing issues with Regional Portfolio Advisory Committee discussion on marketing. Will relay additional comments to the Board for consideration.</p>	<p>Recommend that Board submit a formal response back to the organizations addressing this feedback.</p>

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Northwest Energy Efficiency Council (NEEC) - Strategic Plan Feedback <i>Submitted via Conduit by Kerry Meade</i>	1. Need more background on why NEEA was formed, overall value, and how NEEA's mission/vision have evolved. 2. Need to explore the concept of connected loads and the value of energy efficient products from a time and locational perspective.	1. Enhanced background section in Business Plan to include formation, overall value, and how NEEA's mission/vision have evolved to current purpose. 2. Included initial exploration the concept of connected loads and locational perspective to pipeline work.	Recommend that Board submit a formal response back to the organization acknowledging this feedback.
Northwest Public Power Association (NWPPA) - Strategic Plan Feedback <i>Submitted via Conduit via Anita Decker</i>	No mention of DSM, would be good to see increased transparency around emerging technology activities, important how the Strategic Plan is operationalized.	Staff will share feedback with the Board for consideration.	Recommend that the Board submit a formal response back to the organization acknowledging this feedback.
Northwest Energy Coalition (NVEC) - Strategic Plan Feedback <i>Submitted via Conduit by Wendy Gerlitz and Amy Wheelless</i>	Concerned about seeing a sufficient budget to preserve long-term energy savings, and an absence of equity focus in Strategic Plan. Suggest diversifying both funding sources, and composition of the Board of Directors.	Staff will share feedback with the Board for consideration.	Recommend that the Board submit a formal response back to the organization acknowledging this feedback.
Northwest Power and Conservation Council – Business Plan Feedback <i>Submitted via Conduit by Charlie Grist</i>	Generally supportive of mix of activities and success metrics for the 2020-2024 Business Plan. Council expressed concern over potential budget constraints on stock assessments and emerging technology work. It encouraged the alliance to pursue extra-regional support as necessary, as well as to resolve ongoing issues around customer-facing marketing.	Staff will share feedback with the Board for consideration.	Recommend that the Board submit a formal response back to the organization acknowledging this feedback.

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Ruralite – Business Plan Feedback <i>Submitted via Conduit by Kathi VanderZanden</i>	Encourage preserving a communications platform and Efficiency Exchange to maintain regular audience outreach to the region.	Staff will share feedback with the Board for consideration.	Recommend that the Board submit a formal response to acknowledge this feedback.
National Center for Appropriate Technology (NCAT) – Business Plan Feedback <i>Submitted via Conduit by Dale Horton</i>	NEEA's role in codes and standards test and ratings procedures and developing emerging technology is more important than ever. Consider adding regionally diverse representation to NEEA's program implementations team.	NEEA actively seeks to include balanced representation in the region in program workgroups and advisory committees. Staff will share balance of feedback to the Board for consideration.	Recommend that the Board submit a formal response to acknowledge this feedback.
NW Energy Coalition (NWECC) - Business Plan Feedback <i>Submitted via Conduit by Wendy Gerlitz and Amy Wheelless</i>	Concerned that budget leaves opportunities on the table, particularly for new initiatives and regional stock assessments. Supportive of exploring demand response, and caution that it may be hard to clearly distinguish between a "demand response" and an "energy efficiency" technology. Suggest several alternatives to preserving the convening features of Conduit and Efficiency Exchange.	Staff will share feedback with the Board for consideration.	Recommend that the Board submit a formal response back to the organization acknowledging this feedback.
Northwest Requirements Utilities (NRU) - Business Plan Feedback <i>Submitted via Conduit by Megan Stratman</i>	Encourage Plan flexibility, to be adaptable to changing future circumstances. Supports NEEA's continued efforts to eliminate duplication of effort and activity with BPA.	Staff will share feedback to the Board for consideration.	Recommend that the Board submit a formal response to acknowledge this feedback.

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Energy Trust of Oregon - Business Plan Feedback <i>Submitted via Conduit by Fred Gordon</i>	Sees Plan as a balanced mix of efforts; recommends continued close coordination with their staff and funders on marketing, market research and natural gas efforts, particularly in the Next Step Homes program. Expressed hesitancy over supporting currently available gas water heating equipment.	Staff agree that close coordination is important and plans frequent check-ins with the advisory committee during this scoping and researching phase and before significantly increasing activities or spending on these products. Staff will share all feedback to the Board for consideration.	Recommend that the Board submit a formal response to acknowledge this feedback.
Northwestern Energy - Business Plan Feedback <i>Submitted via Conduit by Bobbi Schroepel</i>	Supports overall mix of Plan. A diverse portfolio with a strong focus on regional equity is crucial, including strategies to address market barriers to heat pump technologies. Expressed desire to see a critical mass of support for special projects, and a strong continued focus on bringing new technologies to the region.	Staff agree that regional equity is a key criterion for the alliance portfolio, in its current work and in Cycle 6. Staff will share all feedback to the Board for consideration.	Recommend that the Board submit a formal response to acknowledge this feedback.
NW Natural - Business Plan Feedback <i>Submitted via Conduit by Holly Braun</i>	Supports the direction and balance within the portfolio. Asked for language clarification on Natural Gas Portfolio Section, denoting that particular activities are inclusive of natural gas, and providing examples of potential partnerships, as well as to update Plan to reflect new Natural Gas Board Committee.	Staff will recommend language updates as requested and share all feedback to the Board for consideration.	Recommend that the Board submit a formal response to acknowledge this feedback.

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Washington Utilities and Transportation Commission - Business Plan Feedback <i>Submitted via Conduit by Mark Johnson</i>	Recognize need for tradeoffs, expressed concern that NEEA's five-year budget and savings goal may not be aggressive enough, plus concern for pace of stock assessments and the elimination of Conduit. Encourages work on demand-response-ready appliances and supports efforts to align around downstream marketing coordination.	Staff will share all feedback with the Board for consideration.	Recommend that the Board submit a formal response to acknowledge this feedback.

Verbatim Responses from Outreach Activities

1. **Northwest Public Power Association (NWPPA):** The following comments were submitted by NWPPA on NEEA's Draft 2020-2024 Strategic Plan.

Key themes – No mention of DSM, would be good to see increased transparency around emerging technology activities, important how the Strategic Plan is operationalized.

Macro Trends - last bullet. On the customer side are also technology and devices that give the consumer more control that may also decrease energy intensity and further influence energy demand. Another emerging macro-trend is third-party management of consumer use, i.e. Nest or Tendril.

It is interesting that while summary on macro trends mentions energy demand and generation, et al, there is no mention or even implied mention of DSM. The topic may have been considered outside the boundaries. It seems that NEEA could have something more transparent in the emerging technologies arena. All in all, it looks good. The more important document is how this gets operationalized.

2. **NW Energy Coalition (NVEC):** The following comments were submitted by NVEC on NEEA's Draft 2020-2024 Strategic and Business Plans.

Key themes – Concerned about seeing a sufficient budget to preserve long-term energy savings, and an absence of equity focus in Strategic Plan. Suggest diversifying both funding sources, and composition of the Board of Directors.

To: Susan Stratton, NEEA Executive Director; Andrew Grassell, Chelan County PUD and NEEA Board Chair; NEEA Board

From: Wendy Gerlitz, Policy Director; Amy Wheelless, Policy Associate, NW Energy Coalition **Date:** August 31, 2018

Re: Draft NEEA 2020-2024 Strategic Plan

The NW Energy Coalition appreciates the opportunity to comment on NEEA's draft strategic plan, and we look forward to engaging with you as you finalize the business plan for 2020-2024. We appreciate the substantial work that Board members and NEEA staff have contributed in developing this new strategic plan and for their continuing efforts on the business plan. The Coalition has been involved with NEEA as a board member and as a stakeholder since its inception in 1997. While not a funder, the Coalition is very invested in the organization's success: NEEA's market transformation work is critical to our region's success in achieving conservation, our best and cheapest resource.

Without NEEA's work in identifying emerging technologies and helping to remove market barriers for their adoption, the region would be further behind—and customers would be worse off. Looking forward, NEEA needs the flexibility and nimbleness to build on its past success, quickly react to new opportunities, and continue the research, data collection and analysis, and collaboration that has made the Northwest a leader in clean energy. In turn, NEEA's Board and funders should establish a budget that is sufficient to support this important work and leave no efficiency opportunities uncovered or unaddressed. To reiterate the importance of establishing a sufficient budget, Figure 1 above shows the projected savings projections from different initiatives—2020 to 2024, in particular, show a bit of a dip in savings, resulting from investments phasing out, new programs phasing in, and, notably, the removal of three initiatives from the 2015-2019 funding cycle.

Short-term budget focus that results in the removal of potential energy savings does the region and its customers no favors, and as the Board finalizes the business plan, they should keep this at the top of their minds.

Strategic Plan

In this strategic plan, the NEEA board has assessed the macro trends affecting the utility industry and energy efficiency, the strong and trusted role that NEEA plays in market transformative efforts, and the varying perspectives of different stakeholders—and from this assessment developed a strategic direction. Our understanding is that the strategic direction does not lay out a path for the organization that is dramatically different from past operations, but that it tries to bring more written clarity on how exactly NEEA will perform its work in a changing and challenging environment. Below we offer a few comments to keep in mind as the Board moves forward finalizing the plan.

Overarching Priorities: The two overarching priorities, a transformation goal and an operational goal, are clearly described. However, for the transformation goal, the concept of equity in the region is no longer reflected as it is in the current strategic plan. A portfolio of initiatives that brings the benefit of conservation to all customers in the region is important and should be reflected in this document.

Boundary Conditions: The creation of these boundary conditions should give NEEA's Board and funders the assurance that NEEA staff are focused on core activities that will continue to fill the pipeline with new efficiency measures and break down market barriers to their adoption. However, we hope that these boundary conditions will not be used to constrain the organization's ability to pursue initiatives

and work that will positively benefit consumers and funding utilities. Most notably and, as alluded to in the context of the draft strategic plan, performance-based efficiency programs, demand response technologies, and electrified transportation could all have a big impact on utility efficiency programs and achievement—and we expect big changes on these fronts over the five-year strategic plan. Extra-regional collaboration will also be essential. In collaboration and consultation with its Board, NEEA should continue to have the flexibility to engage positively in a changing utility and efficiency environment.

Success Metrics: As mentioned in the draft strategic plan, the NEEA Board will develop success metrics as part of the business plan process. Adding measures of success beyond energy savings is a clear need, given the many different strategies in which NEEA engages and stakeholders with which it works. However, we believe that energy savings should continue to be the primary performance metric.

Governance: As a long-time stakeholder of NEEA, the Coalition is familiar with the changes in organizational governance and the challenges that the organization has faced over the years in decision-making and the delicate balance between staff autonomy and Board expectations. Below we offer some suggestions that we think can contribute to improvements in NEEA's organizational health.

- **Diverse Sources of Funding:** As we did during the last strategic plan cycle, we encourage the Board to look beyond its existing utility funders for new and diverse sources of funding. For example, NEEA could benefit from utilities outside the region that currently indirectly benefit from NEEA's work; from manufacturers or industry interested in expanding markets; and from state and federal government grants. Leveraging new and different funding would benefit the organization and its initiatives.
- **Board make-up:** The current board is very funder-driven, and the addition of the two new natural gas funders (NW Natural and Cascade Natural Gas) will make it even more so—of the 20 Board members, 15 will be funders. NEEA is a mature nonprofit with a broad base of stakeholders, and its Board should reflect that. We suggest gradually but steadily moving to a model with more targeted expertise—for example, there could be representatives from each state government or regulator, public representation, electric utility representation, gas utility representation, utility legal expertise, financial analytics expertise, manufacturer representation, and others representing emerging technologies, who could provide strategic guidance as NEEA continues and expands its market transformative efforts in the face of and in the context of a changing environment. The need for market transformation work has never been more critical, and NEEA is and should continue to be a leading organization to help the region, and all of its consumers, achieve more conservation sooner.

We look forward to speaking with you soon to provide feedback on the business plan and urge your continued and sustained support for NEEA's important work.

3. **Northwest Requirements Utilities (NRU) and Northwest Irrigation Utilities (NIU):** The following comments were submitted by the NRU and NIU on NEEA's Draft 2020-2024 Strategic and Business Plans.

Key themes – NEEA’s role in DR/DM - see it as a critical need for both power supply and transmission constraint management. Coordinating efficiently with BPA is key, especially with rising rates. Encourage an appropriate focus on smaller and rural communities, and on the keeping technology pipeline full. See “white label” marketing materials as valuable, for local utilities to adapt centrally-developed materials to use with their own customers.

Background:

Northwest Requirements Utilities (NRU) represents 53 of BPA load following customers. NRU members rely entirely or mostly on BPA for their power supply and transmission services. NRU members serve smaller and rural communities in the BPA footprint.

Northwest Irrigation Utilities (NIU) represents 16 BPA load following customers that receive the *Irrigation Rate Mitigation Product* (IRMP). NIU members also serve smaller and rural communities in the BPA footprint with a higher degree of agricultural loads that make them eligible for the IRMP. 15 of the 16 NIU members are also members of NRU.

NRU and NIU members represent about 25% of BPA’s preference power sales. Energy Efficiency (EE) is built in to BPA rates for NRU and NIU members. BPA is a direct funder of NEEA and funds about one-third of NEEA's budget. NRU and NIU members, therefore, are indirect funders of NEEA and have a direct interest in NEEA’s strategic and business plans.

Situation Overview:

NEEA’s situation overview captured in the draft Strategic Plan recognizes several key points that ring true for NRU and NIU. With a few exceptions, most members are experiencing flat or declining loads. This is due to a variety of factors including: continued success in energy efficiency, codes and standards, general economic situation, loss of traditional business base (e.g. declines in natural resource-based economy) and other factors. A few areas driven by high technology (e.g. data centers) are exceptions.

NEEA also notes the emerging and rising need for capacity including flexible capacity. This finding is very consistent with the NWPCC 7th plan and many of the Integrated Resource Plans (IRP) from utilities around the NW. While NEEA has historically and properly focused on traditional EE (i.e. deliver the same useful output of things like light, power or heat with less electricity or gas), we think the concept of “efficiency” can also extend to capacity including flexible capacity. We think this properly belongs in NEEA's strategic thinking, but it could raise issues that are covered in more detail below.

Role of Demand Response or Demand Management:

As our electric system continues to move toward more renewable sources (e.g. hydro, wind and solar) and less thermal resources like coal and gas, capacity and flexible capacity will become increasingly important. Demand-side resources like Demand Response or Demand Management (DR/DM) are recognized in the 7th plan and many IRPs. While other parts of the country have been using DR/DM for longer and we do have some amounts and success in the NW, it appears that the 7th plan and IRPs need a lot more. We think the concept of “efficiency” can include its historical definition as well as the efficient and effective use of increasing amounts of renewable power and avoiding peaking capacity that is often thermal-based. It could be more efficient from an economic and carbon standpoint to

effectively use renewable power by shifting load or storing energy than building traditional peaking capacity.

With this broader and more modern definition of efficiency perhaps it could be a role for NEEA. Of course, many EE products have different capacity benefits already, but there certainly is more there. Focusing on capacity and flexible capacity could also help NEEA meet a clear regional need. Our regional success on EE could be leveraged in to finding solutions in DR/DM. In order for NW utilities to be successful in the search for DR/DM solutions we need to standardize approaches and achieve economies of scale rather than pursuing “one-off” utility specific solutions. This pretty much sounds like what NEEA did in the EE world.

We recognize that to the extent NEEA focused on DR/DM, it would need to seriously reevaluate the current funding methodology. The draft plans seem to contemplate optional funding for DR/DM. Currently, BPA funds about one-third of NEEA’s budget, which of course is paid by the Tier 1 preference rate. The Tier 1 rate also collects EEI from BPA customers. Customers are only able to use EEI for EE and not for DR/DM today. Today, BPA has an EE goal and no DR/DM goal. However, regional needs are not uniform, and they are changing. DR/DM may also be valuable for solving transmission constraints in the region. For example, BPA has sought DR/DM solutions recently in helping solve transmission constraints.

From a tactical and current funding standpoint NEEA remains focused on EE. This is necessary and proper. We don’t think there can be a wholesale change in focus in the strategic plan or business plans without the question of funding at the same time. However, the question of DR/DM remains before the region. It appears to be a critical need for both power supply and transmission constraint management. The strategic question is what is the best way for the region to deal with what appears to be a need.

Long-term vs. Short-term Perspective and Innovated vs. Developed Products:

As with any strategic plan or business plan there can be a variety of tensions in goals. One form of tension might be the long-term versus short term goals. Another tension could be whether NEEA focuses more on “testing and pushing” innovative new products or “delivering” more developed products based on demand from its members. We don’t think this is a question about all one or all the other when balancing these tensions. It seems that this question is more about finding a general balance and building institutional flexibility to adjust and adapt based on changing conditions and needs.

While it makes good sense to develop five-year plans that look forward it probably would be unwise to establish rigid goals for 2024 today in 2018. The value of having short and long-term goals and the ability to deliver new innovative products and safer developed products is important and it is enhanced by the flexibility to adapt based on changing conditions and needs.

For example, say there was an initial split of 50/50 (this is not a recommendation) between innovative versus developed products. Innovative products represent higher risk perhaps, but without innovation we don’t fill the pipeline of new ideas that helps transform markets. Developed products really get taken over by the commercial market. Most utilities set directly (or indirectly through BPA) long-term EE goals. This also makes sense, but it might make more sense to let those goals be somewhat

flexible. For example, when the economy had a serious down-turn beginning in 2007-08, it might have made sense to focus less on delivery of developed products as loads were declining and more on innovation to fill up the future pipeline of new products. If NEEA, for example, were to formally adopt DR/DM as part of its core mission it could allow NEEA to be flexible to focus on short versus long term, innovation versus developed and capacity and energy.

This is not a matter of going 100% one year and 0% the next. It would make sense to have base amounts dedicated across the entire portfolio and the ability to adjust at the margin based on changing conditions. Again, the question of DR/DM is both a strategic question and a funding question that NEEA does not answer alone. NEEA members, both IOUs and COUs, have important processes at state commissions and with BPA where these would have to be worked first.

Coordination and efficiency between BPA, NEEA, Utilities and other Organizations:

BPA rates have increased substantially in the past decade. This has created a serious and rising competitive issue for BPA as market prices have come down and the costs of alternative resources have declined dramatically. NRU and NIU members value BPA as a partner and our goal is to keep BPA competitive. BPA's strategic plan is very much focused on keeping BPA competitive so that it can continue to deliver value to its customers and the entire region.

BPA is looking internally and externally at all of its costs and services. No area of the BPA organization or BPA suppliers is exempt from this necessary work. We encourage NEEA to continue to work with BPA, utilities and other organizations to make sure that product and service delivery is made most efficient. In doing this though we raise a caution that not all BPA customers are the same. Larger BPA customers may have their own fully staffed EE departments with several employees. That is their business decision. The smaller utilities may dedicate part of an FTE to the EE function. Smaller and rural communities also have different needs than larger and urban communities. This is covered in the next section. We encourage NEEA to continue to work with BPA and other organizations to optimize service delivery while insuring that we don't create major gaps in service delivery. The strategic or business plan should perhaps identify this as a specific initiative.

Needs of Rural and Smaller Communities:

Similar to comments we share with BPA, we want to repeat here that smaller and rural communities' needs are different than larger and urban communities. The needs of utilities that serve these communities can also be very different. Delivering new technologies, for example, can be more difficult in rural communities. Residential housing stocks may be very different in terms of multi-family vs. manufactured homes. The average age of homes and percentages of new homes may be different and therefore the effect of codes and standards may be different.

To illustrate this point about BPA customers being very different, we offer a specific example of a NRU member to help illustrate the points in this section.

Ravalli Electric Co-op in Montana is a good example that not all BPA customers are the same. Ravalli's load profile as a small, rural, residential utility is:

Residential:	86.5%
Agriculture:	5%

Small Commercial:	7%
Large Commercial:	1.5%
Industrial:	0%
Total	100%

As residential programs are being downsized or discontinued due to code adoption and market transformation NRU and NIU encourage NEEA to look for measures and products to help fill the void/gaps. While Oregon and Washington have more stringent building and energy codes Idaho and Montana do not. Western Washington and Western Oregon have larger markets and population centers. Market lag and new-technology implementation takes longer and, in some cases, doesn't occur in rural communities. NRU and NIU members are willing to work to find solutions to bridge the differences that exist across our region. This is not solely a COU issue. IOUs, for example, often serve everything from the most urban to the most rural areas of the region.

Some, but not all rural areas, are agricultural. Ravalli Electric Co-op is a good example of a rural utility that does not have a large agricultural sector. Some NIU members are well above 50% agricultural load. Agricultural business needs are very different than high tech needs on the business side. As indirect funders of NEEA through BPA we strongly encourage NEEA to keep appropriate focus on smaller and rural communities. Some of the best opportunities for DR/DM may in fact lie in the agricultural sector. Should funding models change this may be an opportunity. Focusing on energy efficiency alone is a hard sell to commodity type businesses that compete in world markets. Selling EE or DR/DM on how it improves crop yield or the bottom line to increase margins might be the best marketing plan.

"White Label" Marketing Materials from NEEA:

In the past, we understand that there could have been issues associated with NEEA direct marketing (or a perception of direct marketing) versus local utility marketing of EE programs. This certainly has a potential to create confusion for local utility customers. We think NEEA and the local utilities can work together to avoid possible confusion. For developed products, we think the concept of "white label" marketing materials is valuable. Local utilities can use these materials and make them "local" for customers. Rather than every utility developing their own materials from scratch we can use the "white label" materials as a great starting point. When it comes to finding ways to test or pilot concepts more in the innovative products area it also makes sense to coordinate with the local utilities. Local utilities can help work with NEEA and utility customers so that everyone better understands that nature, goals and risks associated with more innovative products and services. Some customers may want safe developed products and services that are more "plug and play." Other customers might be willing to try something new. We think coordination with the local utility makes sense in either case.

Closing Comments:

NEEA has properly and wisely recognized that things continue to change and evolve in our industry. The challenge to NEEA as well as utilities is how we can change and evolve to meet these changing needs. We think we can leverage historical strengths like the high degree of regional collaboration that we created through NEEA and build flexibility and adaptability in to the business and strategic plans. We also think business efficiency is critical. Thank you for the opportunity to comment.

4. **Northwest Energy Efficiency Council (NEEC):** The following comments were submitted by the NEEC on NEEA's Draft 2020-2024 Strategic and Business Plans.

Key themes – Need more background information on why NEEA was formed, overall value, and how NEEA's mission/vision have evolved. Need to explore the concept of connected loads and the value of energy efficient products from a time and locational perspective.

We appreciate the opportunity to provide comment on NEEA's Draft 2020 – 2024 Plan. The Northwest Energy Efficiency Council believes our industry is undergoing rapid transformation and these macro trends are well documented in the first section of the draft plan. Given these significant changes, it's rational that we look to our regional institutions to examine and understand how they are restructuring themselves to keep pace with an industry that no longer resembles the one that existed when these institutions were formed.

Our comments largely fall into a few categories that seek to understand the following:

1. How is NEEA adjusting its mission and vision given the new context in which it operates?

2. Given the shift from technology specific efficiency to system and grid level efficiency as a distributed resource, how is NEEA adjusting its activities to align with this new approach to efficiency and what unique value does NEEA bring?

3. What internal assessment has been conducted to ensure that NEEA is appropriately organized to address this new context?

We appreciate the detailed assessment of the current market conditions surrounding utilities and the efficiency industry. The world has changed since NEEA was first formed, and this document does a great job outlining some of the macro trends impacting the efficiency industry today. Given this change, it would be helpful for the NEEA staff and NEEA Board of Directors to include background information on why NEEA was formed, why the Alliance is valued today, and how NEEA's mission and vision have evolved from the original to the current context.

In the absence of this description, the document lacks a clear connection to the current market conditions and reads as a plan to maintain the status quo approach to market transformation that was formed within a no longer relevant context. It is also unclear how the Board and NEEA staff see the Alliance transitioning over the next business cycle to address the shifting dynamics of the energy industry that were outlined in the macro trends. Leaving NEEA to focus solely on energy efficiency market transformation may open the organization up to risk by stifling its ability to create long-term relevancy; our assumption is that NEEA staff and the NEEA Board of Directors understand this risk and intend to shift the organization to address the new world described by the macros trends, but it would be helpful to clearly articulate how the NEEA staff and Board of Directors plan to transition the organization.

On a related note, we seek clarification around the following nomenclature: when speaking to efficiency is it implied in the plan that NEEA is speaking to the power system, as a whole, or specifically to

individual technologies and practices. This is particularly relevant in the discussion of the macro trends. The system, as a whole, is changing, and shifting our market approach to energy efficiency to mirror this focus on the system is essential. NEEA has a unique role to play in the future of our industry. The market transformation framework created and invested in by the region is applicable to coupling energy efficiency values with other grid and customer values to tackle industry and regional trends. For example, emerging technologies are turning homes and buildings into virtual and physical assets that can improve power delivery, increase reliability, security, asset utilization and open up new services and business models for utility value. NEEA offers a unique and needed forum to support and partner with the region as they navigate this emerging landscape. We also note that Market Development is not included in NEEA's Primary Strategies to create market transformation. Market Development is a critical component to bridge the gap between emerging technologies and codes and standards. Activities that develop markets and empower partners such as marketing, education and training, growing consumer and market awareness, supply chain development, as well as ongoing product refinement and development should be added as a primary strategy. Backing away from these activities will result in decreased benefits to the region (efficiency will happen slower) or increased risk for utilities who are forced to take on this role. We appreciate the comments provided by stakeholders and would like to understand the strategies to address the findings in the Overall Themes from Regional Outreach including: anticipation of a new business model, increasing desire by the market and utilities for customer engagement and how to capitalize on the growing desire and demand among consumers for energy efficiency, capacity, desire to explore renewable and electronic vehicles.

Additional Ideas:

Limiting the role of NEEA to neutral convener fails to recognize the skillset, knowledge and expertise in creating market transformation NEEA staff possesses. Furthermore, the relationships and information NEEA employees possess are a critical piece of the overall puzzle in creating market transformation; to limit NEEA staff's participation could dampen or eliminate a unique perspective in regional discussions. Lastly, it would be helpful to acknowledge the connection between efficiency and demand management. Technology has advanced to a place where efficient measures also enable demand management. There is a need to explore the concept of connected loads and the value of energy efficient products from a time and locational perspective. This is a shift from purely looking at one to one replacement and instead examining the larger potential enabled through the connected load, whether that be a whole building commercial property or aggregated residential loads etc. It seems appropriate to assign NEEA to the market transformation needed to allow our regional energy efficiency industry to access this large opportunity.

5. **Northwest Power and Conservation Council (Council):** The following comments were submitted by the Council on NEEA's Draft 2020-2024 Strategic and Business Plans.

Key themes – Generally supportive of mix of activities and success metrics for the 2020-24 Business Plan. Council expresses concern over potential budget constraints on stock assessments and emerging technology work and encourages the alliance to pursue extra-regional support as necessary, as well as to resolve ongoing issues around customer-facing marketing.

Dear Ms. Stratton:

Thank you for the opportunity to comment on the draft strategic and business plans for 2020-2024. The Council had a formative role in establishing NEEA in 1997 and continues to see the regional value of using market transformation principles and practices to enhance and accelerate the adoption of cost-effective energy efficiency. The work of NEEA and its partners continues to be a crucial part of regional energy efficiency resource development.

The Council set forth an ambitious goal for acquiring energy efficiency in the Seventh Plan. NEEA both directly acquires energy efficiency and supports utilities in their acquisition. The Council recommends the ramp-up of regional conservation acquisitions from about 200 aMW per year in 2016-2017 to about 350 aMW per year by 2024 as part of the plan's resource strategy. We have some concern that the proposed business plan may not do enough to enhance the acceleration of conservation acquisition. However, we understand the business plan was formed within budget limitations and appreciate the balance NEEA has worked to achieve.

The Council recommended in the Seventh Plan that NEEA pursue activities that were existing in the 2015-2019 Strategic and Business Plans. These included developing strategies to coordinate energy-efficiency planning, developing a regional work plan focusing on emerging technologies, monitor and track code compliance in new buildings, and understanding the impact of codes and standards on load forecasting and regional conservation goals (Chapter 4, REG-2). The Council supports the inclusion of these activities in the 2020-2024 business plan and appreciates the important role NEEA continues to fulfill regarding these activities.

The Council also recommended in the Seventh Plan that NEEA add activities to the strategic and business plans. These included developing a robust set of end-use load shapes, supporting regional market transformation for demand response, developing and deploying best practices guides for new and emerging industries, and conducting research to improve understanding of electric savings in water and wastewater facilities from reduction in water use (Chapter 4, REG-2).

The Council appreciates that even under budget limitations the 2020-2024 business plan provides movement on the first two of these activities; however, there is no inclusion for deploying best practice guides or conducting research in the water and wastewater facilities. Although budget limitations may make it difficult to include these activities, the Council recommends NEEA include these efforts as part of the 2020-2024 business plan.

The Council would like to highlight its support for several elements of the draft business plan:

- **Demand Response:** The Council supports NEEA's plan to engage in enabling demand response capabilities for the efficiency products it works on. It will also work on common technical specifications for demand response enabled equipment that the industry can adopt, resulting in economies of scale and cost reductions. This is a good outcome and aligns with the Council's Seventh Plan recommendation calling for NEEA engagement in market transformation for demand response (Chapter 4, RES-5).
- **Capacity and Success Metrics:** The draft plan proposes to include capacity as well as energy metrics to gauge its success. The Council's Seventh Plan identifies the large value of capacity delivered by

energy efficiency measures (Chapter 4, RES-2). The Council strongly supports the addition of these capacity metrics, along with other success metrics outlined in the draft business plan.

- **Efficiency Exchange:** The Council has been a co-sponsor of Efficiency Exchange and values the regional coordination and collaboration that is supported by the conference. We support the balanced decision to move this conference to every other year that maintains this important function while reducing the expense associated with running the conference.
- **Conduit:** While Conduit has helped with communication among energy efficiency professionals, we appreciate the decision to discontinue Conduit to reduce NEEA expenses.
- **Optional Special Funding:** The draft plan includes optional special funding of Emerging Business Opportunities that may include electric storage and additional demand response activities. The Council supports using market transformation principles and practices to accelerate the adoption of these business opportunities especially when they can be leveraged to support funding for cross-cutting work NEEA is already accomplishing without compromising current activities to support energy efficiency. Exploring such opportunities in the 2020-2024 cycle makes sense.

The Council recognizes the challenge of developing a strategic direction and business plan for the next five years among stakeholders and funders that share different perspectives. Finding the common ground among these differing perspectives while keeping long-term regional progress in sight is a balancing act. In general, difficult decisions were made to live within budget constraints. While we appreciate the thought and effort that went into these trade-offs, we would like to highlight concerns with a few of the decisions:

- **Stock Assessments:** The draft business plan proposes to scale down the residential stock assessment by eliminating manufactured housing, to shift the commercial stock assessment later in time, and it proposes to make a multi-family stock assessment an optional item for funders. This is contrasted to the Council's recommendation in the Seventh Plan to expand the stock assessments to the industrial (including water and wastewater) and agricultural sectors. The Council also recommended that the stock assessments should be updated regularly (Chapter 4, REG-7). The draft business plan leaves large gaps in knowledge by eliminating major segments of the residential building market – manufactured housing and potentially multi-family buildings. It also proposes a delay in the commercial stock assessment which will push findings beyond the time frame needed for the Council's ninth power plan and impacts other utility energy-efficiency potential assessments. The Council recommends NEEA reconsider this proposal in the business plan. While we appreciate the need to fit within a budget for the stock assessments, there may be creative ways to work with that budget and still maintain the schedule and scope of stock assessments over a multi-cycle period. There also may be opportunities to look for additional funds since these data are useful for applications beyond energy efficiency. One potential way of reducing the expense of the stock assessments would be to collect data on fast-changing elements, like lighting, more frequently through sales data or via more frequent but limited lighting-specific surveys to augment a slower paced more comprehensive stock assessment. In the Council's view, comprehensive coverage of the stock is more important than frequency of updates, provided that fast-changing elements are surveyed on a timely basis. Given time to work with the experts that use these data, we would anticipate there may be other ways to reduce the expense but maintain this critical function. Rather than prescribing changes to the scope and pace of the stock assessments, the

Council suggests the business plan set a budget and start a process to explore the best way to meet the need for these data going forward.

- **Emerging Technology and New Initiatives:** The Seventh Plan included significant energy-efficiency potential from emerging and new technologies. The Council appreciates the focus NEEA puts around these areas in the draft 2020-2024 business plan (Seventh Plan, Chapter 4, MCS-4). The Council feels that this is a critical area and recommends NEEA review the budget again and look for ways to provide funding for promising new initiatives, if and when they arise. Additionally, we continue to recommend NEEA emphasizes understanding opportunities in new and emerging industries (Seventh Plan, Chapter 4, MCS-6). The Council understands the challenge these recommendations will present to other areas of focus that already have significant funding reductions, but still feel they are important undertakings.

- **Outside Funding:** The Council is concerned that near-term budget limits may constrain the optimal strategy for achieving regional energy efficiency goals. Outside funding may relieve near-term budget constraints that limit the scope of NEEA's core portfolio and may diversify the pool of organizations sharing the cost of the cross-cutting work that NEEA accomplishes. The work NEEA accomplishes benefits more than just the member utilities. NEEA should explore ways to partner with new utilities inside and outside the region and other organizations that are invested in energy efficiency and the data that support energy efficiency evaluation. This includes addressing any structural barriers to expanding the potential funders of NEEA's core portfolio. In the last business cycle, NEEA's successful incorporation of natural gas efficiency in its portfolio is a good example of leveraging existing NEEA infrastructure to expand the pool of funders for some of the core functions. The addition of Natural Gas Utilities to NEEA expanded the funding pool for work that supports both electric utilities and natural gas utilities. This will result in savings during this next business cycle for electric utilities that would have otherwise carried the entire expense of these cross-cutting functions. The Council recommends NEEA pursue further expansion of funders and partners where there is a potential for shared value and savings.

- **Downstream and Customer-Facing Marketing:** The issue of how NEEA interacts with end-use customers and customer-facing activities continues to be a difficult problem. Resolving the issue is critical to the success of NEEA's business model. The support of appliance manufacturers and other upstream partners for NEEA's future initiatives will be based on the success of the current and past efforts of the alliance. As part of the business plan, NEEA needs to assess the effectiveness of strategies that rely on voluntary cooperation of its members and determine how to manage friction among them to ensure that local exceptions do not compromise initiatives designed for the benefit of the region.

6. **Ruralite Services:** The following comments were submitted by Kathi VanderZanden on NEEA's Draft 2020-2024 Strategic and Business Plans.

Key themes – Encourage preserving a communications platform and Efficiency Exchange to maintain regular audience outreach to the region.

I understand the labor-intensive necessity of monitoring the conversations on Conduit. However, the weekly presence of the 3-topic email is invaluable to you and to us, your audience. As a professional communicator, I highly encourage you to replace Conduit with some other, regular form of value-added communications that is delivered to your audience(s). Don't simply rely on the static approach of

posting stuff to your website. You will lose people; you will lose their interest and attention. You can't afford to risk these potential losses. Rather, more communication (as opposed to less) is the better, healthier and more brand-building option. I've never liked Conduit, per se, but you need some ongoing form of audience outreach on a regular basis. I think changing the Efficiency Exchange conference to every other year is okay -- but don't do away with it. Providing a forum for sharing ideas is an invaluable service to the region.

7. **National Center for Appropriate Technology (NCAT):** The following comments were submitted by Dale Horton on NEEA's Draft 2020-2024 Strategic and Business Plans.

Key themes – NEEA's role in codes and standards test and ratings procedures and developing emerging technology is more important than ever. Consider adding regionally diverse representation to NEEA's program implementations team.

NEEA's adding natural gas to the portfolio is a real positive and should be expanded as appropriate. The proposed portfolios appear balanced. The role of demand management has become a major issue. How utilities implement demand management strategies will impact energy efficiency and deserves NEEA research and support. Will utilities, in their efforts to reduce demand, actually increase energy use or discourage use of wind and solar by individual customers?

Demand management measures will only become more important to the Montana energy situation. NEEA's role in scanning for emerging technologies is critical. Local utilities often do not have the technical resources to make those evaluations let alone affect the market regarding those technologies. The RETAC has proven itself extremely useful. NEEA's extra-regional collaborations are essential, as so many elements of energy efficiency are national in scope, this is especially true of energy codes and standards. NEEA should consider activities that focus on residential ventilation solutions. Ventilation is a key challenge in the new home market and plays a key role in the efficiency, indoor air quality, and durability of a home. This effort would dovetail nicely with work in the HVAC product group.

The comment under Strategy 3: Codes and Standards regarding Market Conditions and Assumptions relative to the current administration's reducing its role in test and ratings procedures should be emphasized. NEEA's role in codes and standards test and ratings procedures is more important than ever. Also, under this strategy is a list of products and systems for which NEEA will support test methods. Residential mechanical ventilation should be added to that list.

Region-wide education by NEEA as an unbiased third party related to emerging technologies such as heat pump water heaters and ductless heat pumps is extremely useful, especially in more rural areas such as Montana. NEEA does a good job of seeking regional input but only a moderate job of actually incorporating those comments into program implementation. This is to be expected given the diversity of the region. Even so, NEEA might consider adding regionally diverse representation, and a person or two, to the implementation team so that those regional voices are heard not only at the start of a program but during the key, and often frantic, development of the implementation strategy.

Taking a fresh look at how to more effectively provide the functions of Conduit and the Exchange is a great idea and very appropriate.

8. **NW Energy Coalition (NWECC):** The following comments were submitted by NWECC on NEEA's Draft 2020-2024 Business Plan.

Key themes – Concerned that budget leaves opportunities on the table, particularly for new initiatives and regional stock assessments. Supportive of exploring demand response, and caution that it may be hard to clearly distinguish between a “demand response” and an “energy efficiency” technology. Suggest several alternatives to preserving the converging features of Conduit and Efficiency Exchange.

To: Susan Stratton, NEEA Executive Director
Andrew Grassell, Chelan County PUD and NEEA Board Chair, NEEA Board Members
From: Wendy Gerlitz, Policy Director, NW Energy Coalition
Amy Wheelless, Policy Associate, NW Energy Coalition

Date: October 17, 2018

Re: Draft NEEA 2020-2024 Business Plan

The NW Energy Coalition appreciates the opportunity to comment on NEEA’s draft business plan for 2020-2024. We have been actively engaging with the process, and we appreciate the substantial work that Board members and NEEA staff have dedicated in developing the business plan and the associated strategic plan.

The Coalition has been involved with NEEA as a board member and as a stakeholder since its inception in 1997. While not a funder, the Coalition is very invested in the organization’s success: NEEA’s market transformation work is critical to our region’s success in achieving conservation, our best and cheapest resource. NEEA essentially acts as a research and development arm for energy efficiency—innovation that is increasingly needed as utilities begin to work within a new policy paradigm and as customers increasingly change the way they interact with their energy use and with their utilities.

Below, we provide overarching comments on the draft business plan, followed by responses to the specific questions posed by NEEA and the Board.

Draft Business Plan Comments

Funding Levels: We are concerned that the budget, as presented in this draft business plan, will leave conservation opportunities on the table, hampering market transformation and leaving utility customers worse off.

NEEA’s largest funder, the Bonneville Power Administration (BPA), has been open in its own budget process that the federal entity is striving to keep costs flat. As a result, its budget is constrained—and thus its funding of NEEA will be constrained. While the Coalition appreciates the work that BPA and NEEA staff did as a part of this process to identify potential overlaps in work and thus where more BPA funding could be leveraged for the region, BPA’s funding of NEEA is still less than the last business plan cycle. Due to NEEA’s funding structure, having one funder come into the process budget-limited tightens the entire budget, even if all other funders are supportive of a broader work plan and consequently higher budget. During discussions on the development of this business plan, Board members were debating trade-offs between what we see as essential functions of NEEA, such as regularly timed building stock assessments—work that will not be done by any one utility—and initiatives that can result in market transformation and verifiable energy savings. The region needs a well-funded, highly-functioning NEEA to be able to transform new technologies into future market successes, and we remain concerned that NEEA is not getting the support it needs from all of its funders.

This process has highlighted the need for NEEA to seek diversification in funding as it moves forward. Stakeholders from around the region and outside the region benefit from NEEA's work—and thus there is an opportunity for the organization to seek funding from other sources, whether it be government grants, manufacturer partnerships, or funding from utilities external to the Northwest.

Optional Funding: In the last Business Plan, there were a number of optional activities identified and funded by some NEEA funders. We expressed concern during that cycle that having these optional activities does not necessarily mean that the work would be completed independently by non-participating utilities, and increases the risk that market transformation will not happen in those program areas.

We appreciate that, at the June meeting on the business plan, the Board gave the direction that, for this cycle, all programs should be assumed to be core. However, likely due the budget constraints discussed above, a few programs are listed as optional in this draft business plan: a multi-family stock assessment, strategic energy management, and industrial technical training infrastructure.

All of these activities seem core to NEEA's role and mission, and we hope that all funders step up to fund these optional activities as the budget process moves forward. We are especially concerned to see the multi-family housing stock assessment put on the back burner given the important connections between multifamily housing, affordable housing crises in the Northwest, and the importance of energy efficient homes to help people manage their expenses and stay in their homes. The multifamily stock assessment provides essential information to inform our regional efforts to promote energy efficiency in these markets that are often underserved by existing utility programs and that are often housing lower income residents.

Special Funding: NEEA outlines a few potential opportunities that could fall into "special funding": emerging opportunities in demand response and in storage that are not directly in the realm of energy efficiency but that will impact Northwest utilities and customers and could benefit from NEEA's experience in market transformation. The Coalition is particularly supportive of NEEA engaging in demand response technologies, but cautions that the line between a "demand response" and an "energy efficiency" technology may become increasingly harder to distinguish and thus more difficult to determine when a technology should be a "new initiative" versus "special funding."

New Initiatives and Emerging Technology: Part of NEEA's function is to regularly scan and assess emerging technologies. As noted in the draft business plan, we expect that new technologies will continue to emerge, but that they will be more complex due to sensors and connectivity becoming increasingly common. As NEEA staff and board cannot perfectly predict the future, the Business Plan expects that this review of emerging technologies will eventually result in some new initiatives within the Business Plan period. Despite this function being the essential research and development arm of NEEA and despite technologies becoming more complicated and connected, this draft business plan proposes to cut the budget for emerging technologies and new initiatives by about \$4.5 million compared to the last Business Plan cycle. Scaling back on this area of NEEA work will ultimately limit the ability for NEEA and its funders to capture efficiency savings in the long-term.

Stock Assessments: The draft business plan proposes to eliminate manufactured housing from the residential building stock assessment; to make a multi-family housing stock assessment optional; to delay the commercial building stock assessment to the next business plan cycle; and to only conduct a single-family residential study in two states. In addition, an industrial facility stock assessment was discussed

but not put forward as funded or optional in this business plan. While stock assessments do not result in direct energy savings, they are essential for understanding the environment in which we operate and are inputs for utility planning around the region and for the NW Power & Conservation Council's power planning.

During discussions for this business plan, it was suggested that the Business Plan be less prescriptive about which stock assessments will be conducted, but to set a budget for building stock assessments and have the work determined during NEEA's annual operational planning. We are supportive of being less prescriptive at this stage in terms of which stock assessments should be pursued but would also suggest that the Business Plan include direction to staff and other stakeholders that all building sectors need to be reviewed in a timely fashion and that fast-moving technologies, such as lighting and retail technologies, be reviewed frequently.

Codes and Standards: As noted in the draft business plan, the current federal administration has devalued the U.S. Department of Energy's codes and standards work, and it is unclear if and when they will be revived. Thus, work will need to happen at a sub-federal level to continue moving the needle on codes and standards, which are the most cost-effective ways to provide efficiency to all consumers. We remain very supportive of the work that NEEA does at the state level on energy codes and their continued engagement at the federal level on standards, test methods, and test procedures.

Consumer Awareness and Marketing: There have been many and on-going conversations about the role of NEEA in marketing to end-use customers. We have been and remain supportive of NEEA providing the consumer awareness marketing that is needed for a customer to even know that a product is available. Often this education happens before a utility has even considered creating an incentive for it and may not consider it viable in the near-term—so there are few other ways that a customer would learn about a new or emerging product. The business plan lays out the many reasons why NEEA "marketing" or creating awareness about a product is more coordinated and cost-effective at the regional level.

The Coalition would be very concerned about any efforts to make this kind of consumer awareness and education optional for funding utilities, and the business plan seems to leave that door open. Conversations at the Board have indicated that there would need to be a very high bar for a utility to not fund these efforts—we agree that it should be a very high bar, as undermining this education and awareness can hamper initiatives and resulting energy savings. Funders should be comfortable with the campaigns that may touch their customers, so we encourage active participation by utility staff in these conversations at NEEA to minimize any concerns.

Specific NEEA Questions

Response to: The electric and natural gas portfolios, and whether they deliver a diversified and equitable portfolio while balancing short- and long-term market transformation opportunities

As noted above, we are concerned that the business plan does not allocate enough money for emerging technologies and new initiatives, potentially hampering the progress that NEEA is able to make long-term. We are also concerned that, as outlined in the July 30, 2018 budget and savings memo to the NEEA board, there are enhancements to existing initiatives that could result in real energy savings—and for the moment, those enhancements remain unfunded.

Response to: The alliance's focus on energy efficiency while addressing demand management opportunities that are complementary and additive to the alliance's core energy efficiency work
We are supportive of NEEA using its experience and skillset to support demand response market transformation opportunities. There are multifold benefits of demand response technologies that will impact the other success metrics that NEEA has laid out in this business plan, including capacity value and avoided greenhouse gas emissions.

Response to: The discontinuation of Conduit and changes to Efficiency Exchange conference

Conduit has played a role in bringing together energy efficiency professionals and stakeholders in an online forum to discuss issues, and Efficiency Exchange has brought those conversations in person, and we see value in both of these activities in terms of exchange of ideas. However, we do understand that they come with costs that may be less prioritized than other initiatives that NEEA works on.

- **Conduit:** In discontinuing Conduit, we recommend that the materials that are currently available on Conduit (e.g., materials for NEEA workgroups, summaries of past Efficiency Exchange conferences) be made available on another platform. Going forward, we recommend that NEEA workgroup materials continue to be posted on the NEEA website in advance of meetings. We would also suggest looking at existing social media platforms (e.g., LinkedIn, Facebook, Medium) and determining whether there could be a low-cost way of continuing asynchronous conversations about energy efficiency programs and issues in the region.

- **Efficiency Exchange:** While the Coalition has valued the presentations and exchange of ideas at Efficiency Exchange, we understand the costs and staff time that it takes, and are supportive of moving the large event to every other year. However, in moving to a more “self-funding” model, we encourage NEEA and its partners to stay mindful of the limited budgets that local governments, small utilities, and community partners have to attend conferences, and to strive to keep registration costs low. We would also encourage NEEA and the Board to consider whether there are smaller, more workshop-like events that NEEA could put on in different areas of the region that would fill some of the gap left by a yearly Efficiency Exchange and could potentially be even more valuable.

Response to: Any specific suggestions or comments on the Draft Strategic Plan

In August, the Coalition provided comments on the draft strategic plan and we refer to them here. In sum, we think that the draft strategic plan should give assurance to funders and other stakeholders that NEEA staff are focused on core activities that will continue to fill the pipeline with new efficiency measures, but that the plan gives the organization flexibility to respond to changing market and policy conditions that will impact utility business models and the future of efficiency. In particular, performance-based efficiency programs, demand response technologies, and electrified transportation will have big impacts on utility efficiency programs and achievement. We also commented that more diverse sources of funding and a Board representing varied stakeholder interests would improve NEEA’s organizational health.

The need for market transformation work for energy efficiency has never been more critical, and NEEA is and should continue to be a leading organization to help the region, and all of its consumers, achieve more conservation sooner. We thank you for the chance to comment and welcome any further questions.

9. **Northwest Requirements Utilities (NRU):** The following comments were submitted by NRU on NEEA’s Draft 2020-2024 Business Plan.

Key themes – NEEA should ensure its business plan is flexible and adaptable to changing future circumstances. And, NEEA should continue working to eliminate duplication of effort and activity with BPA.

Re: NRU’s Comments on NEEA’s Draft 2020-24 Business Plan

Northwest Requirements Utilities (NRU) represents the interests of 53 Load Following customers of the Bonneville Power Administration (BPA). On a combined basis, NRU members purchase over 25% of the power sold at the Tier 1 rate. As such, NRU members are significant indirect funders of NEEA. It is

important that NEEA's budget is spent on the most relevant and needed activities at any given time within the existing budget (that is, not via special projects requiring additional NEEA member funding). To achieve this, NEEA should ensure its business plan is flexible and adaptable to changing future circumstances. Adopting a business plan in 2018 for the operating period of 2020-2024 means things will change. Emerging technologies may take off and no longer need the support of NEEA's market transformation efforts. The market may demand different standards or applications of measures. NEEA's business plan should be adapted accordingly.

NEEA's business plan should be regularly evaluated and reprioritized as markets and circumstances change so all work initiatives fit within the existing budget. For example, if a new opportunity is identified, but was not included in the original business plan, existing work streams should be analyzed and reprioritized to include this new opportunity without needing additional, opt-in special project funding. It is likely there will be some work items that become less relevant as time goes on; those items should shift down the priority list and may not be funded. NEEA should recognize that its mission is to transform markets and, thus, future workstreams need to be fluid in order to ensure NEEA is focused on the most relevant work at a given time without requiring additional funding for special projects.

In addition, NEEA should continue working to eliminate duplication of effort and activity with BPA and others. BPA customers fund the work of both NEEA and BPA, and both organizations need to ensure these funds are spent responsibly and not on duplicated or redundant efforts.

Thank you for the opportunity to comment.

10. Energy Trust of Oregon: The following comments were submitted by Energy Trust of Oregon on NEEA's Draft 2020-2024 Business Plan.

Key themes – Sees Plan as a balanced mix of efforts; recommends continued close coordination with their staff and funders on marketing, market research and future natural gas market transformation work.

Dear Susan and NEEA staff:

My staff congratulates you and your team on the completion of NEEA's draft strategic and business plans. The documents are comprehensive, clear and well organized, depicting a valuable role and ongoing contribution for NEEA to make in the coming years. We are supportive of the description of NEEA's role and emphasis, agree that NEEA's overall proposed strategic framework is the right one, and agree with the overall funding level anticipated.

We sincerely appreciate the opportunity to provide comments on these important draft materials. This letter provides general and specific feedback on the draft strategic and business plan, and includes insights from all Energy Trust staff here who work with NEEA.

We thank you again for your thoughtful work and look forward to continued engagement.

A. The draft strategic plan and business plan emphasizes that NEEA's best value and purpose is to deliver long-term savings for the region. The suite of market transformation investments includes vetting emerging technologies and Initiatives, pooling regional and potentially national purchase power

and influence, leadership on new codes and standards, and providing forums for regional exchange and education. We view these activities as NEEA's core role and function, appropriately focused on what you as a regional organization can achieve. This work is complementary to other local energy efficiency entities and helps prepare us for future, longer-term savings acquisition. We support continued activity in the following areas:

1. Help to identify and refine technologies for future market adoption
2. Design, develop and pilot new program initiatives and approaches
3. Upstream work with manufacturers, distributors, retailers and others to bring new products to the region
4. Support for the advancement of codes and standards through forward-looking strategies and implementation structures
5. Ongoing and complementary support for regional efficiency programs through market research, data collection and analysis, and through educational forums for learning, information sharing and exchange

B. Implementation-In the past five years NEEA has expanded efforts to improve communication and coordination of activities in our common service territory. We appreciate these efforts and believe they have had improved our delivery of cost-effective efficiency, and we also see additional opportunities to improve coordination. We particularly appreciate NEEA's current efforts through board and Regional Portfolio Advisory Committee discussion to further define where and how NEEA engages in customer-facing marketing. We anticipate that these discussions will result in some modifications to the coordination process described in the business plan.

C. Market research-NEEA can provide great value to the region by providing market research. Comprehensive building and housing stock analyses are very important. The proposed multifamily stock analysis is a useful addition. Studies that support scanning, scoping and progress evaluations of NEEA's initiatives add depth to our understanding of critical markets. However, we have some reservations about how far NEEA should go in creating multi-source data bases and conducting segmentation analysis to aid in targeting customer-facing marketing. There may be cases where NEEA is in a unique position to do these studies, but more often utilities are better positioned given their direct access to customer data systems and program tracking data. We recommend that NEEA have limited expectations for this type of service.

D. Gas market transformation-Energy Trust supports the transition of NEEA's gas efficiency activities from a separate initiative focused exclusively on new technologies to an integrated initiative with electric efficiency focused both on emerging technology and delivery of market transformation initiatives. We also support joint gas/electric funding of work to influence codes and standards. NEEA is headed in the right direction.

E. The Next Step Home initiative may require less NEEA activity in some funder service territories than others. The program has significant redundancies with Energy Trust's efforts. We support continuation of the Next Step Home initiative to provide services that complement our own in our service area. We also support this work because NEEA covers parts of Oregon not served by the

Energy Trust, and this work helps create conditions to advance codes. At the same time, we recommend close coordination with Energy Trust (and other funders) to ensure maximum effectiveness and minimum redundancy in joint delivery of program services.

F. We see opportunities to further coordinate our relationship marketing activities for efficient new buildings.

G. **Gas water heating**-While Energy Trust supports efforts to develop gas heat pump water heaters, we are less confident that there is a near-term technology where NEEA has an important role in marketing. We look forward to NEEA's scoping and scanning research on small pipe tankless systems.

11. **NorthWestern Energy:** The following comments were submitted by NorthWestern Energy on NEEA's Draft 2020-2024 Business Plan.

Key themes – Supports overall mix of Plan, but a diverse portfolio with a strong focus on regional equity is crucial, including strategies to address market barriers to heat pump technologies. Expressed desire to see a critical mass of support for optional activities, and a strong continued focus on bringing new technologies to the region.

NorthWestern Energy (NorthWestern) appreciates the opportunity to provide additional comments on NEEA's Draft Business and Strategic Plans for 2020-2024. The Regional Market Transformation activities by NEEA in partnership with the region have historically delivered a significant cost-effective resource to our demand side management (DSM) portfolio and to our Montana customers. The energy-savings dividends produced by investments over the past 22 years have justified the investments made. The research and infrastructure activities, to the extent that they are applicable to our Montana market, provide additional value.

We appreciate the risk-pooling and economies of scale and the leveraging of the region's influence to bring more efficient products, services, practices and technologies to the market and recognize how difficult, sometimes impossible, it would be for our utility to have similar impacts on energy efficiency on our own.

Ours is the sixth largest electric funder of NEEA, representing about 4% of its current business cycle (2015-2019) funding. Our market is not typical of the regional average. We generally have smaller commercial/industrial facilities, colder climates, more rural communities, and less local delivery infrastructure. Our service territory reaches communities 1,000 miles east of NEEA's offices in Portland. We look at the portfolio under the current business cycle (2015-2019) and recognize that several of the initiatives lack potential to deliver cost-effective benefits in NorthWestern's territory in the next several years. Another reality is that the annual energy savings associated with the historic investments, from earlier business cycles, will decline especially as new codes and standards are adopted. Therefore, as we consider the 2020-2024 Business Plan and Strategic Plans, having a diverse portfolio with a strong focus on regional equity, including strategies to address market barriers in our territory is of critical importance.

Regarding market barriers in our territory, let's discuss two specific technologies in the current portfolio-ductless heat pumps (DHP) and electric heat pump water heaters (EHPWH). Discussions of

the 2020-2024 Business Plan indicate that NEEA is transitioning out of the DHP market starting in 2019. In our territory, and likely in other colder and more rural markets, DHPs have not been adopted at the pace as in other parts of the region-market transformation does not occur at the same pace or with regional equity. Electric heat pump water heaters seem to have growing support in new construction but, when in retrofit indoor applications, the costs and potential remodeling expenses appear to be barriers. NorthWestern is concerned that the market transformation strategy of changing the Federal Standard for electric water heaters could be ahead of the time when the barriers of cost and practicality for electric heat pump water heater installations in cold climates are addressed.

In general, the Draft Business Plan appears to deliver a diversified, equitable portfolio with potential to balance short- and long-term market transformation opportunities. The value to our customers and our supply portfolio will depend upon execution of the Plan.

NorthWestern is comfortable with the limited demand management opportunities identified in the Draft Business Plan but points out that it is energy efficiency market transformation for which we are contracting and funding NEEA.

The continued approach in the 2020-2024 Business Cycle of including "optional" activities creates an interesting situation for us at this time. Industrial Technical Training and Strategic Energy Management (SEM) seem to be valuable regional infrastructures to support market transformation. We are hopeful that there will be a sufficient critical mass for these activities to be offered and will be looking at how the incremental cost of these valued services over impact the cost-effectiveness of the NEEA portfolio in our electric supply portfolio. If we had been doing the picking and choosing of what initiatives/activities would be "optional", we likely would have made different choices.

We encourage and support efforts to develop products in the emerging technology pipeline that will deliver value to our customers. Given the challenges of addressing the barriers and opportunities in small, rural, and cold-climate markets such as ours, we caution that NEEA should not become distracted with extra-regional work or activities that dilute the energy efficiency market transformation for which NEEA was created.

Please recognize that NorthWestern's comments are based upon our interest in continuing to receive energy efficiency market transformation benefits through NEEA for the past, current and future initiatives and to the benefit of our customers. At the end of the day, NorthWestern's investments in NEEA's portfolio must deliver cost-effective energy savings in our electric supply portfolio.

12. Northwest Natural (NW Natural): The following comments were submitted by NW Natural on NEEA's Draft 2020-2024 Business Plan.

Key themes – Asked for language clarification on Natural Gas Portfolio Section, denoting that particular activities are inclusive of natural gas, and providing examples of potential partnerships, as well as to update Plan to reflect new Natural Gas Board Committee.

We had several sets of eyes on this at NWN and all-in-all feel really good about the direction and balance within the portfolio. We have a few comments within the 2 natural gas sections (starting on

page 37 and the second appendix). Thank you for your time and dedication to hearing all the parties and developing such a thoughtful and robust plan to delivery savings.

Specific changes requested (with relevant page numbers and sections annotated) include:

p. 38: Under STRATEGY 1: EMERGING TECHNOLOGY - This phrase is confusing - unless removing this word [market] changes the meaning I think it helps clear up the meaning.

1. *Portfolio Advancement: Total energy efficiency potential of emerging technologies advanced into the alliance's market transformation portfolio over the 5-year business cycle.*

p. 38: Under STRATEGY 1: EMERGING TECHNOLOGY - Why would value be linked to market barriers? "considering the product's value based on opportunities and market barriers"

Product Management:

Once technologies are identified and prioritized, the alliance works to translate the technologies into an evaluable product or measure that is useful to meet the region's goals. Product management involves defining the product, considering the product's value based on opportunities and market barriers, developing and evaluating test methods, collaborating on performance specifications, testing commercially available products, planning for product evolution, and collaborating with manufacturers to adjust products to better meet the needs of the Northwest. Product management activities vary significantly between products, but they are more aligned within product groupings. The high-level product management activities are highlighted in the description of the product groups that follow.

p 43: Under STRATEGY 3: CODES AND STANDARDS - Who do you anticipate these partners being?

New "gas" code proposals? New "gas" product standards?

p 45: Under STRATEGY 4: CONVENE and COLLABORATE - Isn't this shifting to a standing board gas committee rather than "ad hoc"?

p 82: Under Appendix 2: Natural Gas Programs – New Construction Program [Re: Bullet #3] We want to be sure this is done in a way that doesn't alienate natural gas.

Market Engagement and Activities

1. Engage with residential home builders, home energy raters, and code stakeholders to refine the value proposition for energy-efficient new construction buildings.
2. Partner with residential and commercial certification programs, Integrated Design Labs, and other industry associations to align technical specifications and increase the adoption of technology, practices and future code measures.
3. Leverage local policies and regional and national trends toward net zero building practices to create greater alignment between code, utility programs and market practice.
4. Engage with HUD and key code stakeholders to support code increases for manufactured homes over time.

P 83 - Under Appendix 2: Natural Gas Programs – New Construction Program [Re: Bullet #2] Which groups does NEEA work with in OR and WA to inform code advancement?

Why NEEA?

1. NEEA actively supports code development and adoption in all four states and has existing relationships with utilities and key code stakeholders that can be leveraged to create alignment on long-term goals.
2. NEEA's code work with the Northwest states and IECC can inform state code road maps, long term goals, and utility program planning.

P 83 - Under Appendix 2: Natural Gas Programs – New Construction Program [Re: Bullet #2]: Is this perhaps the wrong unit? 20 therms isn't much at all.

Prior Alliance Accomplishments to Build Upon

1. NEEA has collaborated widely with the region to develop and support energy code proposals in individual states. The adoption of new codes in the Northwest reflects regional progress in building better buildings and acknowledges steady improvement in building and system technologies.
2. 20.12 aMW and 20.35 Therm savings from 2010-2016 *(including code savings)*.

13. Washington Utilities and Transportation Commission (WUTC): The following comments were submitted by the Commission on NEEA's Draft 2020-2024 Business Plan.

Key themes – Recognizes need for tradeoffs, expressed concern that NEEA's five-year budget and savings goal may not be aggressive enough, as well as concern for pace of stock assessments and the elimination of Conduit. Encourages work on demand-response-ready appliances and supports efforts to align around downstream marketing coordination.

October 22, 2018

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

RE: Commission Comments on 2020-2024 Proposed Business Plan

Dear Mr. Grassell,

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

Market transformation is inherently a long-term strategy with the bulk of savings often occurring years after an initiative has begun. The intention of market transformation is to help promising new technologies overcome market barriers and to fill the pipeline of future utility efficiency programs. In its strategic deployment of market interventions, NEEA provides value to the region by reducing risk to

individual funders and leveraging the entire region’s economic voice when advocating for change from manufacturers or governments.

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

We recognize the difficult tradeoffs NEEA has made during planning for this cycle as a result of downward budget pressure from funders. While the budget for 2020-2024 is not significantly different from that of 2015-2019, we recognize that, as a result of naturally increasing costs, there is an effective budget decrease.¹ Reductions in the scope of programs, market intelligence work, and the “convene and collaborate” function are particularly regrettable. It is certainly possible that reductions to potentially valuable regional initiatives may increase energy costs to all northwest utility customers in the long run. To the extent that NEEA is unable or unwilling to act on promising cost-effective initiatives, utilities in Washington and the region may have to bear a larger share of the cost of those initiatives to meet the conservation mandate of Washington’s Energy Independence Act. This would be a suboptimal outcome.

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

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

We applaud NEEA for leveraging resources to encourage demand-response-ready appliances in certain circumstances where the organization is already intervening in the market. Implemented correctly, this can provide value to ratepayers at negligible cost. Embedding this technology in

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

appliances now will allow customers the ability to opt-in to future programs without investing in new equipment. NEEA should consider electric vehicle smart chargers for this additional opportunity.

One contentious area that arose as NEEA developed this business plan concerned marketing and branding issues. We are pleased to hear that increased coordination of downstream regional marketing is already occurring. While individual utilities should be able to use their brand whenever appropriate, regional marketing is an essential part of market transformation. Utilities and NEEA should coordinate marketing efforts to avoid undermining the organization's regional influence or manufacturer confidence in its ability to deliver sales of energy efficient products.

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

Thank you again for the opportunity to comment.

Sincerely,

MARK L. JOHNSON, Executive Director and Secretary

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

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