



October 29, 2004

Council Members
Northwest Power and Conservation Council

Dear Council Members:

On behalf of the Northwest Energy Efficiency Alliance, I would like to comment on the Council's draft Power Plan.

The Alliance is a non-profit group of electric utilities, state governments, public interest groups and efficiency industry representatives. Our mission is to catalyze the Northwest marketplace – the states of Washington, Oregon, Idaho and Montana – to embrace electricity-efficient products and services. A convening committee called by the Council in 1996 began the Alliance. In the last six years, our programs have resulted in electricity savings conservatively estimated at 130 average megawatts at a cost of about 1 cent/kWh.

Much of the efficiency accomplishments over the last 20 years have been based upon the acquisition model. That is, acquiring energy efficiency by winning over one energy customer, one project at a time. An example of the acquisition model is the weatherization of a home, or conversion of a commercial building lighting system.

At the Alliance, our strategy for promoting and affecting heightened energy efficiency is centered on a different concept—that of market transformation. Our goal is to secure cost effective long-lasting energy efficiency in the marketplace. Market transformation means that specific marketplaces evolve as a result of carefully planned and executed strategies and tactics. As a result, the Alliance and its utility partners work with existing buyers and suppliers in the market to accelerate market acceptance of energy-saving products and services. We currently have programs to serve the residential, commercial and industrial/agricultural markets.

You asked for comment on whether 700 aMW were achievable over the next five years. We believe 700 AMW in 5 years is achievable with additional political will and sufficient resources. For example, the Alliance recently developed a 5-year Business Case and even with our current resources, we can envision developing 200-300 aMW over the next 5 years. There is probably another 150-200 aMW associated with coordinated utility rebates in those same markets for a total of 350-500 aMW. More analysis would need to be done to ensure the Plan numbers and ours are truly comparable, but it is likely 700 aMW is achievable when local acquisition and market transformation are added together.

As a ratepayer myself, I'd like to see this energy efficiency resource developed in the most effective manner possible – which means a highly coordinated effort between local acquisition and market transformation work. That leads into your second question regarding policies and implementation practices. I believe the Council needs to be front and center in helping grease the skids for implementation. I encourage you to visit periodically with all utility and state implementers in their home towns. I strongly support the Council's proposal to work with implementers to design a workable and coordinated conservation strategy. It will help all of us understand our roles and responsibilities and build commitment for an electricity resource that takes millions of individual consumer actions to accomplish. In addition, it will help develop the most conservation at the lowest cost since it will help orchestrate the integration of market transformation and local utility acquisition.

In the meantime, I'm recommending to my Executive Committee that the Alliance Board review all the conservation measures in your appendix that pertain to market transformation. The Alliance Board of Directors are the ones who will have the responsibility of guiding the Alliance forward once they can wrap their hands around your proposed market transformation tasks. I also hope to engage your staff in that conversation.

Pending the review of the Plan's market transformation efforts, here's what the last 8 years of experience has told us:

1. Market transformation is the lowest cost approach to securing conservation so far tried by the region. We have delivered savings at about 1 cent/kWh. To give you an example of how such low costs can be achieved, think about our residential windows project. Market share of the energy star efficient window moved from about 15% of total sales when we started to about 70% three years later, where it has held. For comparison, the rest of the nation is at about 25%. Seventy percent was accomplished by working directly with manufacturers and retailers withOUT using rebate money on every efficient window. This resulted in savings at very low-cost that continue to be delivered by the market even though our project has ended.

2. Partnerships produce results. We have found that linking market transformation and utility delivery is very powerful. For example, our market transformation efforts garnered a \$50 rebate from manufacturers for efficient washers and utilities put up an additional \$50 to encourage consumers to buy efficient washers. This meant that 77% of the washers sold during the joint promotion were at the highest Energy Star tier, and utilities paid only half the cost. In addition, the Alliance is following up with Energy Star to increase its nation-wide efficiency specification, given the results of our project.

3. Speaking market language is essential. For appliance retailers, the language includes co-op advertising and marketing. For Providence Health Care Systems, it includes reducing nursing staff turnover, and speeding patient recovery. As a result of learning to speak the market's language, Providence will be investing \$60 million over the next five years in efficiency improvements, with virtually no utility dollars. And we will leverage Providence's example to other hospital businesses.

Market transformation has been a resounding success so far. We will continue to do our share towards the 700 aMW over the next five years. The Alliance has the following capabilities in that regard.

- We are a regional forum for conservation: The Alliance has 28 Board members from public and private utilities, as well as public interest groups and governor's representatives. These directors meet on a quarterly basis. We're a unique regional group, focused only on energy efficiency.
- The Alliance pools resources from both public and private utilities on a retail sales basis so everyone shares the cost and gains the benefit of our work.
- We generate an aggregate regional voice. It speaks more strongly to retailers and manufacturers than individual utilities can on their own.
- By its nature market transformation tends to address lost opportunity resources – since we operate at the point of manufacture and/or purchase. And since we cross service territories and state boundaries we are well positioned to address lost opportunities in the entire region.
- Staff has strong market research analysis capability – to find the tipping point and move there – strong evaluation skills and extensive project management and implementation experience.
- The Alliance embodies the ethics of public stewardship. We are clearly in the public eye and must be responsible stewards of our resources to stay in business.
- Finally, the Alliance is supported by voluntary funding. As a result we must be accountable for producing results.

The Alliance has demonstrated that the region can collaborate to achieve more savings at lower cost.

I believe the Alliance is part of the solution to bring lower cost and less risk to the electrical system – especially when highly coordinated with local energy efficiency work. We stand ready to help.

Sincerely,

A solid black rectangular box used to redact the signature of Margaret Gardner.

Margaret Gardner
Executive Director