The Role of Energy Efficiency in the Northwest

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To Understand the Present, You Need to Know Our Past
What Happened After Lewis and Clark Left?
The First Three “Eras” of Power Planning in the PNW

■ “New Deal” Mysticism (1930-1950)
  – Politicians plan using “chicken entrails and crystal balls” legislate what’s needed and when

■ Engineering Determinism (1950-1970)
  – Engineers, using graph paper and rulers schedule the next power plants

■ Economic Determinism (1970 to April 27, 1983)
  – Economist, using price elasticity's slow the engineer’s construction schedules
Actions Taken in Response to “Engineering and Economic Determinist’s” Forecasts

- Utilities planned and/or started construction on 28 coal and nuclear power plants to be completed over a 20-year period.
- Native American tribes sued the state and federal government over loss of salmon.
- Environmental groups sued Bonneville Power Administration over plans to turn the Columbia River into “Wave World”
Impact of Actions Taken in Response to "Engineering and Economic Determinist’s Forecasts and Plans"
Reaction to Impact of Actions Taken in Response to “Engineering and Economic Determinist’s Forecasts and Plans

Terminate or mothball 9 nuclear and 5 coal plants at a cost to the region’s consumers of more than $7 billion.

Motivate the region’s politicians, utilities, larger industries and public interest groups to accept the “deals” embodied in the *Northwest Power and Conservation Planning Act of 1980*
The Fourth Era -
Northwest Power and Conservation Planning Act of 1980 (PL96-501)

- Authorized States of ID, OR, MT and WA to form an “interstate compact” (aka, the “Council”)
- Directed the Council to develop 20-year load forecast and resource plan (“The Plan”) and update it every 5 years
  - To assure the region of an *adequate, efficient and reliable power system*
  - To provide for the development of the *least cost* mix of resources*
    - *Conservation (energy efficiency) deemed highest priority resource equivalent to generation with a 10% cost advantage over power generating resources (2nd priority > renewable resources, 3rd>Co-gen, 4th>conventional generation)*
- Mandated *public involvement* in Council’s planning process.

*Federally mandated “least cost integrated resource planning” on *regional basis*
Council Planning Process and Plans

- Serves as “Regional Lens” through which state Commissions view utility IRPs (and other resource development)
  - Regional resource adequacy
  - Resource cost-effectiveness
  - Conservation/Efficiency goals
How Has It Worked?

- Fundamentally changed utility resource planning
  - Council’s independent view of resource adequacy in first Plan led Bonneville and the region’s utilities to terminate WNP 4&5, Skagit 1&2 and defer and ultimately cancel WNP 1&3, Creston 1&2, etc.
  - Oregon and Washington Commissions adopted “least-cost” planning requirements for investor-owned utilities, Idaho and Montana have since followed
  - First Council “Action Plan” Called on Bonneville and the Region’s Utilities to Develop Conservation to Reduce Year 2002 Loads by Between 5 – 17%

» Let’s See How This Worked
How a PNW Kilowatt-Hour Gets Saved

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The “Plan”

Bonneville Power Administration

Public Utilities

Northwest Energy Efficiency Alliance

Investor Owned Utilities

SBC Admin., Energy Trust of Oregon & NWENergy (MT)

End Use Consumers

Regional Technical Forum

State Regulatory Commissions

= Rate Revenues

= Policy

= Policy Recommendations

= Program Funding

= Technical Recommendations

= Conservation Programs

= Market Transformation Programs/Projects

Markets, Codes & Standards

Northwest Energy Efficiency Alliance

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Markets, Codes & Standards
PNW Energy Efficiency Achievements
1978 - 2004


Average Megawatts

- BPA and Utility Programs
- Alliance Programs
- State Codes
- Federal Standards

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So What’s 3000 aMW?

- It’s enough electricity to serve the entire state of Idaho and all of Western Montana.
- It Saved the PNW Region’s Consumers Nearly $1.25 billion in 2004.
Energy Efficiency Resources
Significantly Reduced Projected PNW Electricity Sales

Average Megawatts

- Medium High Forecast
- Medium Low
- Medium High Minus Conservation
- Actual

[Graph showing projected electricity sales with different scenarios from 1980 to 2000]
PNW Average Residential Electricity Use/Customer

Average Annual Use/Customer (kWh)

Energy Efficiency Met Nearly 40% of PNW Regional Firm Sales Growth Between 1980 - 2003

61% Generation
39% Conservation
Regional Utility Energy Efficiency Acquisitions Have Helped Balance Loads & Resources

Creating Mr. Toad’s Wild Ride for the PNW’s Energy Efficiency Industry

Conservation Acquisitions (aMW)

- Response to NW Recession
- Response to “Restructuring Discussions”
- Response to West Coast Energy Crisis


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Utility Acquired Energy Efficiency Has Been **A BARGAIN!**

[Graph showing the relationship between Wholesale Electricity Price and Levelized Cost of Efficiency Acquisitions and Wholesale Market Price from May 1996 to May 2005.]
So Much for the Past, What’s Ahead
5th Plan Relies on Conservation and Renewable Resources to Meet Load Growth*

*Actual future conditions (gas prices, CO2 control, conservation accomplishments) will change resource development schedule
Cost-Effective and Achievable Conservation Should Meet Over 45% of PNW Load Growth from 2005-2025*

Cost-Effective Potential (aMW in 2025)

- Agricultural Sector - 80 aMW
- Non-DSI Industrial Sector - 350 aMW
- Commercial Sector Non-Building Measures - 420 aMW
- HVAC, Envelope & Refrigeration - 375 aMW
- New Commercial Building Lighting - 220 aMW
- Existing Commercial Buildings Lighting - 130 aMW
- Residential Space Conditioning - 240 aMW
- Residential Lighting - 530 aMW
- Residential Water Heating - 325 aMW
- Residential Appliances - 140 aMW

*Medium Load Forecast Loads & Market Prices
Regional Near-Term Conservation Targets (2005-2009) = 700 aMW
Why Should We?

What’s Behind the 5\textsuperscript{th} Plan’s Conservation Targets?
Plans Along the Efficient Frontier Permit Trade-Offs of Costs Against Risk

NPV System Cost (Millions)

$37,500

$37,000

$36,500

$36,000

$35,500

$23,600 $23,800 $24,000 $24,200 $24,400 $24,600

NPV System Risk (Millions)

Least Risk

Least Cost
Three Conservation Options Tested

- **Option 1**: *Accelerated* – Similar to the “best performance” over the last 20 years
  - Non-lost opportunity limited to 120 aMW/year
  - Ramp-up lost-opportunity to 85% by 2017

- **Option 2**: *Sustained* - Similar to typical rates over last 20 years
  - Non-lost opportunity limited to 80 aMW/year
  - Ramp-up lost-opportunity to 85% by 2017

- **Option 3**: *Status Quo* - Similar to lowest rates over last 20 years
  - Non-lost opportunity limited to 40 aMW/year
  - Ramp-up lost-opportunity to 85% penetration by 2025
Average Annual Conservation Development for Alternative Levels of Deployment Tested

- Option 3 - Status Quo
- Option 2 - Sustained
- Option 1 - Accelerated
Accelerating Conservation Development Reduces Cost & Risk

NPV (billion 2004$)

Option 1 - Accelerated
Option 2 - Sustained
Option 3 - Status Quo

NPV System Cost
NPV System Risk
WECC Carbon Dioxide Emissions Reductions for Alternative Conservation Targets
Why Energy Efficiency Reduces System Cost and Risk

- It’s A Cheap (avg. 2.4 cents/kWh TOTAL RESOURCE COST) Hedge Against Market Price Spikes
- It has value even when market prices are low
- It’s Not Subject to Fuel Price Risk
- It’s Not Subject to Carbon Control Risk
- It’s Significant Enough In Size to Delay “build decisions” on generation
The Plan’s Targets Are A Floor, Not a Ceiling

When we took the “ramp rate” constraints off the portfolio model it developed

1500 aMW

of Energy Efficiency in 2005
Where Are We Getting The Savings?
Sources of Savings by Sector

- Industrial: 350 aMW, 12%
- Irrigation: 80 aMW, 3%
- Residential: 1340 aMW, 46%
- Commercial: 1105 aMW, 39%
Major Sources of Efficiency Resource

![Graph showing the major sources of efficiency resource with data points for various categories such as Residential CFLs, Industrial, HP Water Heaters, AC/DC Converters, New Commercial HVAC, Res. Clothes Washers, Exist. Com. HVAC, Exist. Com. Lighting, Exist. Com. Equipment, and Exist. Com. Infrastructure. The graph indicates achievable potential (MWa) and average levelized cost (Cents/kWh) for each category.]
Implementation Challenges
Ramp up “Lost Opportunity” conservation
  » Goal => 85% penetration in 12 years
  » 10 to 30 MWa/year 2005 through 2009

Accelerate the acquisition of “Non-Lost Opportunity” resources
  » Return to acquisition levels of early 1990’s
  » Target 120 MWa/year next five years

Employ a mix of mechanisms
  » Local acquisition programs (utility, SBC Administrator & BPA programs)
  » Regional acquisition programs and coordination
  » Market transformation ventures
The Total Resource Acquisition Cost* of 5th Plan’s Conservation Targets 2005 – 2009 = $1.64 billion

*Incremental capital costs to install measure plus program administration costs estimated at 20% of capital.
PNW Utilities Now Invests Less Than 2% of Their Retail Sales Revenues in Energy Efficiency
Meeting the Plan’s Efficiency Targets Will Likely Require Increased Regional Investments

- **Average 1991-2004**
- **Average 2001-2004**
- **Estimated Utility Cost of 2005 Target**
- **Estimated Utility Cost of 2009 Target**
Although, the share of utility revenues required is modest.

Regional Average Revenues/kWh will need to increase by $0.000006/kWh.
Utility* Efficiency Acquisition Plans for 2005 Are Close to 5th Plan Targets

*Targets for 15 Largest PNW Utilities. These utilities represent approximately 80% of regional load.
Most IOU Efficiency Plans are Close to 5th Plan’s Targets
However, Several Large Public Utility Efficiency Plans Are Well Below 5th Plan Targets