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May 27, 2010

## MEMORANDUM

**TO:** Council Members

**FROM:** Tom Eckman and Charles Grist

**SUBJECT:** Presentation on the Regional Technical Forum

The staff will present background information on the origin, structure, role and funding of the Council's Regional Technical Forum (RTF). The purpose of this presentation is to prepare the Council for consideration of recommendations from the Northwest Energy Efficiency Task Force (NEET) expected to be presented at the Council meeting in July. The NEET recommendations are the result of an evaluation that was identified by NEET *Work Group 1: Measuring What Matters*, which recommended "... an independent evaluation of the RTF to determine how it can best meet the region's needs in data collection, analysis, evaluation, and dissemination of findings."

The Executive Summary of the NEET report accompanies this memo. The full report can be found here: [http://www.nwcouncil.org/energy/rtf/meetings/2010/04/RTF\\_Eval\\_EMI240310.pdf](http://www.nwcouncil.org/energy/rtf/meetings/2010/04/RTF_Eval_EMI240310.pdf).

The RTF is a Council advisory committee. The Council formed the RTF in 1999 at the request of Congress and the Comprehensive Review of the Northwest Energy System convened by the Governors of the four Northwest states. Over time the RTF's role in the region has grown from primarily serving Bonneville and the region's public utilities to providing recommendations and analysis that are relied upon by the region's investor-owned utilities and third-party energy efficiency service providers. Staff anticipates that the NEET will ask Council to review the RTF's charter and function to ensure that it continues to effectively serve the region.

# The Regional Technical Forum

## What It Is and How It Supports PNW Energy Efficiency Programs

June 9, 2010

### RTF - Origin

- **1996 Congress Charged Council and Bonneville with Formation of a Regional Technical Forum (RTF)**
  - *“to develop consistent standards and protocols for verification and evaluation of energy savings, in consultation with all interested parties.*
  
- **1998 Northwest Governor’s Comprehensive Review Expanded RTF’s Mission**
  - Track regional progress toward conservation and renewable resource goals.
  - Provide feedback and suggestions for improving conservation and renewable resource development programs in the region.
  - Conduct periodic reviews of the region’s progress.
  - Communicate recommendations to appropriate decision-makers
  
- **1999 - Council Formed Regional Technical Forum**

# RTF Structure (1)

- Scientific & Statistical Advisory Committee
  - Chartered by the Council
- Voluntary
  - Funded by voluntary contributions from Bonneville, the region's largest utilities and the Energy Trust of Oregon
- Reports to:
  - Technically, RTF reports to the Chair of the Council
  - Pragmatically RTF reports to BPA, utilities, SBCs, regulators
- Recommendations
  - To Bonneville, the region's utilities, Energy Trust of Oregon, State Energy Offices & regulatory commissions and other stakeholders
  - Out of Region entities also rely on RTF analysis & recommendations

# RTF Structure (2)

- Public Access
  - RTF meetings, recommendations, data, & proceedings are public
- Staff
  - It is staffed by the Council with contractor assistance
- Members
  - Technical Experts (Not Stakeholder)
  - About 25 voting members
  - Engineers, statisticians, evaluators, program planners & operators
  - A large group of “corresponding” members
  - All members appointed by Council
  - Refreshed every 2 or 3 years
- Develops its own work plan based on regional needs
- Develops budgets based on work plan

# RTF's Regional Role

- ***Provides standardized protocols for*** estimating savings and regional power system value for measures/programs
- ***Maintains a comprehensive data base of cost-effective conservation measures and programs*** that contains estimated:
  - Incremental cost
  - Savings (kWh & KW)
  - Benefit/Cost Ratios
    - » Wholesale and retail utility perspectives
    - » Total Resource Cost perspective
  - Carbon reduction (lbs over life of savings)
- ***Performs ongoing updates*** of data base as technology and standard practices change

## RTF's Regional Role (2)

- ***Maintains “petition process” which permits utilities or vendors to***
  - Propose new measures or savings verification protocols
  - Request modification of existing verification protocols
  - Request modification of the savings and cost assumed for existing measures
- ***Develops and Maintains Program Technical Specifications and Quality Control Criteria***
- ***Provides regional cost-effectiveness methodology and software***
  - Output includes UTC and TRC B/C ratios
  - CO2 emissions (forecast)

## RTF's Regional Role (3)

- ***Internet-based System for Planning Tracking and Reporting regional conservation progress*** including both savings and expenditures
  - RTF maintains technical data base
  - Now used for many Bonneville “back-office” functions, e.g., custom project review and approval, invoicing, etc.
  - Will be used by Washington utilities covered by new state law (I-937) requiring public and private utilities w/more than 25,000 customers to annually report conservation savings to state auditor

## What the RTF Does Not Do

*(A source of some misunderstanding)*

- Perform any regulatory function
- Require use of specific measurement and verification protocols or “deemed savings”
- Establish utility program reporting requirements and/or schedules
- Restrict which measures utilities can install
- Require the use of specific program designs
  - except for technical and quality control requirements for deemed measures (e.g., PTCS)
- Establish “rebate or willingness to pay” levels

# How Does the RTF Process Work?

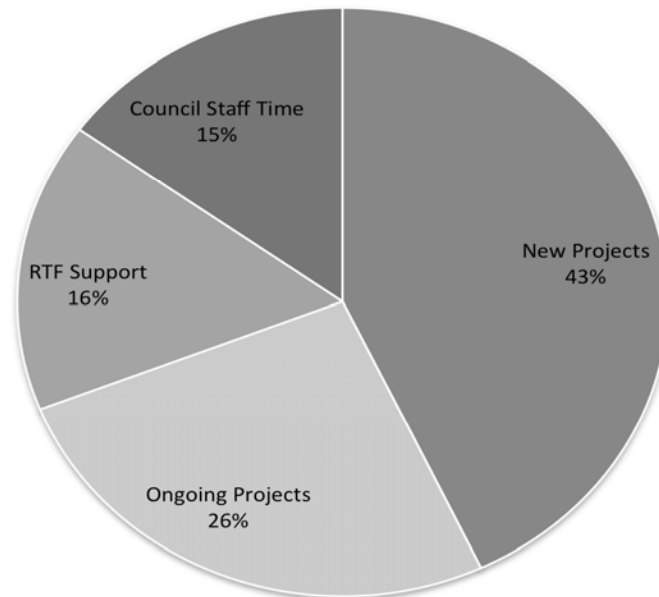
- RTF Provides Centralized Technical Review
  - Energy Savings Data and Assumptions
  - Cost-Effectiveness Methodology and Assumptions
  - Measurement and Verification Protocols/Guidelines
- Builds on historical program experience
- Public process – stakeholder “technical” involvement

## RTF Funding

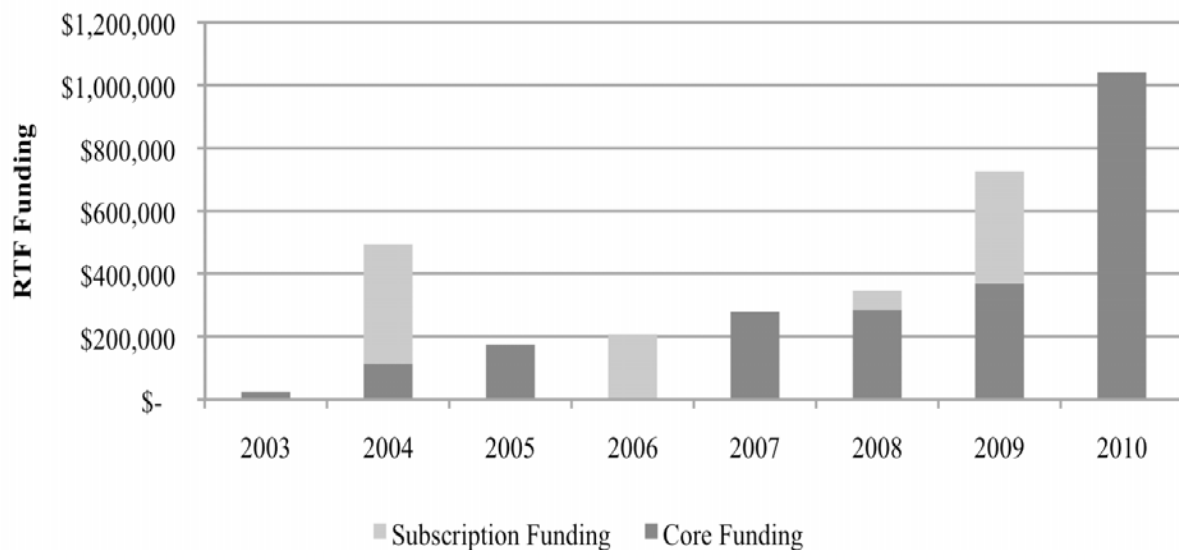
Historically, the RTF has drawn on three types of funds to support its operations:

- *Core Funding* - Supports the main activities of the RTF, including meetings, measure reviews and administrative costs.
- *Subscription Funding* - Support projects that the RTF plans in response to specific needs in the region; examples include Residential Heat Pump Maintenance (2004) and End-Use Load Data (2009).
- *Council* - Absorbs the time spent Council staff to support the RTF

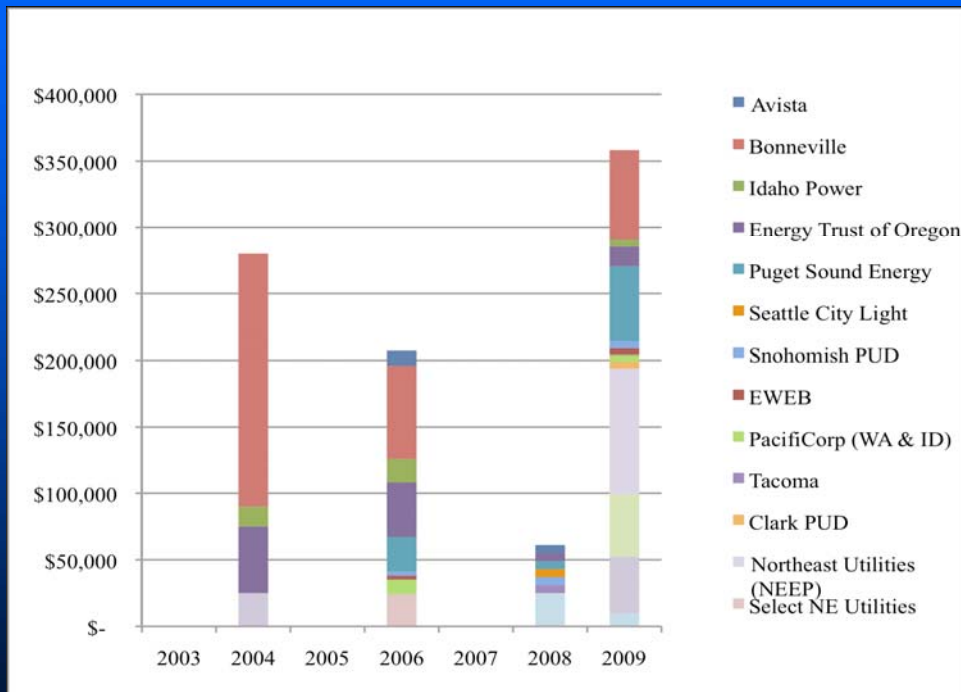
# RTF 2010 Budget, Including Council Staff Time



## RTF Budget History



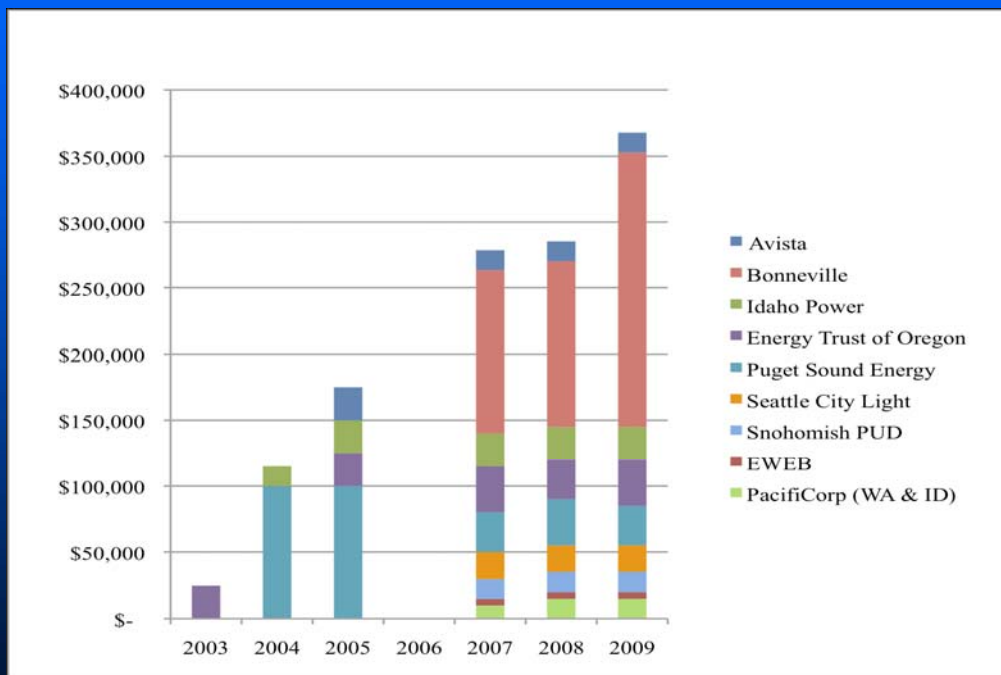
# Sources of Core Funding



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# Sources of Subscription Project Funding



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# NEET RTF Review (2009)

- *Work Group 1: Measuring What Matters*, of the Northwest Energy Efficiency Taskforce (NEET), recommended "... an independent evaluation of the RTF to determine how it can best meet the region's needs in data collection, analysis, evaluation, and dissemination of findings."
- RTF Evaluation is now complete
- Expect Recommendations from NEET at July Council Meeting

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## Recent RTF Improvements

- Consolidated "sponsorship" and "subscription" funding into single work plan and annual budget with five-year projections
- Contracted for management and technical support
  - Responsible for agenda development & supervision of technical analysis submitted to RTF for review
- Doing more in sub-committee, improving efficiency of full RTF meetings
- Documenting procedural policies and decision criteria
- Developed and enacted Conflicts of Interests policy
- Established Task Order Pool of contractors to aid with technical analysis
- Contracted for comprehensive review and comparison of RTF savings estimates with those used by others in the region and nationally
- Contracted for development of simplified measurement & verification protocols and templates that can be used by others to submit for RTF consideration
- Gillian –
  - Managing day-to-day administration and outside contracts
  - Upgrading web site
  - Created and now distributing a quarterly newsletter on RTF activities and actions

# Backup Slides

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## Context: Utility Industry Restructuring (Advent of Competition Late 1990's) *Congressional Rationale:*

- Bonneville's "reinvention" of conservation was intended to permit utilities to better tailor their conservation programs to local situations.
- More diversified approaches to conservation acquisition across the region are to be expected.
- Increased diversity creates the need for regionally consistent standards and protocols for assessing the energy savings produced by more varied programs.

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# Congressional Charge

- Congressional Appropriations language charged Bonneville and the Northwest Power and Conservation Council with formation of a **Regional Technical Forum (RTF)** on conservation evaluation and verification\*
- **Task** is to develop standards and protocols for verification and evaluation of energy savings
- **Services** available to all utilities in the Northwest
- **Membership** to include individuals with technical expertise in conservation program planning, implementation and evaluation

\*Senate Report 104-120 – Energy and Water Development Appropriations Bill, 1996



## Northwest Governor's Comprehensive Review of the Power System (1998) Amended Congressional Charge

- **Membership:** Utilities, other electricity service providers, government, energy service companies and public interest groups.
- ◆ Task 1 - **Track regional progress** toward conservation and renewable resource goals.
- ◆ Task 2 - **Provide feedback and suggestions** for improving conservation and renewable resource development programs in the region.
- ◆ Task 3- **Conduct periodic reviews** of the region's progress.
- ◆ Task 4 - **Communicate recommendations** to appropriate decision-makers.

# Comprehensive Review Rationale

(The Context Was Also Utility Industry Restructuring)

- Tracking is needed to assess whether public purpose goals are being achieved.
- A voluntary forum that permits the open exchange of information and ideas on effective approaches to securing conservation and renewable resources will benefit the region.
- Uniform standards of verification and evaluation will become increasingly important as consumers gain access to energy service markets where utilities and new market entrants can be expected to compete for “public purpose” funding.

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## Northwest Power and Conservation Council's Response

- *Formed* Regional Technical Forum
- *Assigned staff* to support the work of Forum
- *Secured assistance* from Bonneville to support Forum's work on the Conservation, Renewable Resource Rate Discount
- *Public Involvement* - All meetings noticed w/agenda & work products available on Web (<http://www.nwcouncil.org/energy/rtf/Default.htm>)

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## EXECUTIVE SUMMARY

This report summarizes the results of an evaluation of the Regional Technical Forum (RTF), undertaken by Energy Market Innovations (EMI), Inc., and Navigant Consulting. This evaluation was identified by *Work Group 1: Measuring What Matters*, of the Northwest Energy Efficiency Taskforce (NEET), which recommended "... an independent evaluation of the RTF to determine how it can best meet the region's needs in data collection, analysis, evaluation, and dissemination of findings." The overarching goal for this evaluation, then, is to provide information to the Northwest Energy Efficiency Taskforce (NEET) that will support the development of specific recommendations regarding the future role and organizational structure of the RTF.

The research for this evaluation was conducted in four stages: (1) a comprehensive review of available documentation to characterize the RTF structure, history, and operating procedures; (2) in-depth interviews conducted with three of the original *founders* of the RTF; (3) in-depth interviews with 13 current *members* and *staff* of the RTF to frame key issues and challenges; and (4) an online survey of regional *members* and *stakeholders* (including members and other participants in the RTF) that was completed by 28 respondents and served to gauge stakeholder perceptions and satisfaction regarding the RTF as well as future roles and responsibilities for the organization.

The findings of this evaluation study, and particularly from the stakeholder survey results found in Section 3 of this report, highlight four distinct areas that warrant attention:

- Stakeholder Definition and Governance Structure
- Role of the RTF
- Alignment of Activities with Stakeholder Priorities
- Scalability of Operations

A summary of each of these is provided below, followed by a set of recommended near-term action items and specific questions for NEET to consider as it moves forward.

### Stakeholder Definition and Governance Structure

During the course of this evaluation, stakeholders identified issues and concerns related to (1) the objectivity of members, (2) representativeness and regional interests in decision-making, and (3) overall composition of membership. There are multiple layers to each of these issues and, while each may be considered and addressed individually, the evaluation team believes that the underlying and common question that belies each of these issues is more fundamental: *who is a stakeholder? This issue of confusion regarding the definition of a stakeholder in relation to the work of the RTF is the most fundamental issue highlighted in this study*

While the primary stakeholders were initially BPA and the public utilities, this has since expanded to a point where there are far more potential stakeholders, including investor-owned utilities, state regulatory agencies, state energy offices, and public benefits organizations such as

Energy Trust of Oregon. Each of these stakeholders brings a unique set of perspectives, but also a potentially competing set of priorities and interests in the work of the RTF.

This question of stakeholder definition quickly leads to related questions of governance and funding. For example, once the core stakeholders are defined, issues related to funding expectations will quickly come to the fore. Reaching clarity and agreement among the various entities in the region on both the stakeholder definition and governance structure is the first priority and a process should be put in place to address this before subsequent issues related to role, priorities, and operations can be resolved.

## Role of the RTF

The research conducted during this study has shown that the RTF has been instrumental in developing an active regional energy efficiency market in the Northwest and that most stakeholders value highly the role that the RTF fills. At the same time, the needs for the types of services provided by the RTF are evolving quickly across the region as ambitious energy efficiency goals are adopted by states and utilities. The RTF has taken on an increasingly expanded role within the region and the findings from the in-depth interviews and the online surveys highlight the fact that there are varied opinions as to which of these roles are appropriate for the RTF moving forward.

There is strong agreement among stakeholders around the core responsibilities of the RTF, which includes the development of deemed savings values that are technically sound and well documented. Around other potential roles for the RTF, there is less agreement. Once issues related to stakeholder definition (above) are resolved, the clarification of these roles – including what is within the scope of the RTF and what is *outside* the scope of the RTF – will likely be the next logical step. In order to fully understand the current state of pressure placed upon the scope of responsibilities for the RTF, and the need to address alignment issues related to the future scope of responsibilities, it is helpful to bear in mind several important factors and trends.

1. ***Primary historical role of the RTF*** – An important role of the RTF has historically been to facilitate standardization in the ways that the region estimates, tracks, and reports energy savings achievements. The reason for this has been to increase the overall accuracy of regional load forecasting in order to ensure resource adequacy and system reliability.
2. ***Historical role in enabling new programs*** – Another historical role of the RTF has been to support the development of new programs and the definition of new measures to capture energy efficiency opportunities. This, in turn, aids the region in meeting its energy efficiency goals. There is some debate about the extent to which the RTF is involved in program design. However, the RTF does serve a central role in developing savings estimates, which provide data that can be used by individual utilities and BPA to design programs appropriate for their customers.
3. ***Increased demand for RTF deemed savings estimates*** – There is substantially increased interest in the RTF as the provider of savings estimates the region can count on in

resource planning efforts. This interest is driven by elevated energy efficiency goals that are targeted in the *Sixth Power Plan*, continued interest in energy efficiency as a cost-effective resource needed to meet energy demands, and increased focus on climate change mitigation.

4. ***Increased complexity of measures*** – The energy efficiency measures in need of the RTF’s attention in the future will likely be much more complicated than those measures already addressed by the RTF through its deemed savings review process. Future measures may involve hard-to-quantify aspects, such as behavior change.
5. ***Increased demand for work products in addition to deemed savings estimates*** – While deemed savings estimates are important for tracking accomplishments and enabling conservation programs to move forward, numerous other inputs are also becoming increasingly important and thus are in need of the RTF’s focus. These inputs, highlighted in interviews and surveys, include integration of evaluation data as they become available, refined and updated consumption data and load shapes for energy efficiency measures and sectors, and measure cost data (the other half of the benefit/cost equation).

While this study does not seek to define what the role for the RTF should be in the future, the results indicate that the region presently lacks a shared sense of understanding of this role. As the region moves forward with efforts to meet its energy efficiency goals, a central challenge is to define the role of the RTF more precisely.

## **Alignment of Activities with Stakeholder Priorities**

As the RTF is under pressure to increase the volume of its work, both members and staff identified the need to *prioritize* these activities. Developing deemed savings estimates has been a priority in the past and there remains much work to be done in this area. Based upon a list of potential future roles presented to stakeholders for feedback, a few stand out as being more important than the others but none can be conclusively ruled out at this point. These results, as well as verbatim comments offered, highlight that the RTF is clearly faced with stakeholder needs that are competing for scarce time and resources on the part of both paid staff and member volunteers. The need to establish agreement among stakeholders about the scope of these activities for the RTF moving forward *and* building a clear consensus about the *relative priority* of these activities is becoming increasingly imperative.

Determining how to allocate the resources of the RTF to achieve the established priorities will be a key to future success. Moving forward, it will be helpful to draw a clear distinction between the consideration and prioritization of activities related to (1) the development of deemed savings estimates, and (2) all other research activities. This distinction reflects the region’s continuing view that the primary function of the RTF is to develop deemed savings estimates and review methods to estimate savings from custom measures while, at the same time, providing stakeholders with a venue for integrating other activities that align with the established priorities.

This study did not endeavor to recommend priority research areas; however, developing a transparent, well-defined process for establishing an annual research agenda is an important step for aligning stakeholder expectations and the activities of the RTF.

## Scalability of Operations

*Organizational scalability* refers to the ability of an organization to increase the scope and/or level of effort undertaken in achieving its mission, without taxing the effectiveness of systems, infrastructure, and resources necessary to support these activities. Issues related to the adequacy of funding and staffing, information management systems, and transparency of procedures were all identified in this research as concerns among staff, members and stakeholders. Stakeholders expressed concerns related to sufficiency of staff resources, budgets, and overall transparency of business processes. The existing systems developed by the RTF are showing evidence of strain as increased demands are placed upon the organization and this is a concern because this poses potential constraints on the overall scalability of the RTF operations.

While radical changes could be envisioned in each of these areas, input from stakeholders suggests a more incremental approach is appropriate.

1. **Clarity of Policies and Procedures** – The current informal nature of the organization as well as even the overall structure of the organization appear to be contributing to some dissatisfaction among members and stakeholders.
2. **Project Management and Use of Contractors** – Procedures for management of RTF projects, including reporting back to the broader membership and guidelines for use of contractors, will help increase the transparency that stakeholders desire.
3. **Budgeting** – The RTF has already moved forward with implementing a two-year budget. In conjunction with this two-year operating budget, it may be worth also developing a longer-term five-year prospective budget that, again, reflects the longer-term priorities of the region as well as the multi-year nature of many RTF initiatives.
4. **Stable funding process** – A multi-year funding process that clearly links to the overall agenda and priorities for RTF will help to ensure an effective allocation of scarce resource and reduce the distraction to RTF leadership of the need to spend valuable time “passing the hat” to secure funding.
5. **Succession Planning** – During the next couple of years, the RTF will need to consider planning for new leadership. The current leadership, which has been very effective in establishing the solid reputation for high quality products, will not be available to continue in this role forever. Attention will need to be given to succession planning among the membership and developing the next generation of leadership in the region.

Numerous steps were identified during evaluation to increase the *transparency* of RTF operations and a clear set of action items should be relatively easy for staff and members to develop out of this study.



## Next Steps

Although this evaluation stops short of making specific recommendations, the consideration of issues related to stakeholder definition, governance structure, role of the RTF, alignment of activities and stakeholder needs, as well as refinement of operating policies and processes pose a tall order for the region. Addressing foundational issues will provide the best basis for moving forward with operating issues. Strong leadership will likely be required to achieve the necessary alignment – especially around issues of stakeholder definition and governance. With such alignment, however, subsequent alignment issues around near and longer-term priorities for the region, as well as issues related to budgets, funding, staffing, and operational processes, will be addressed much more easily.

Recommended action items offered for consideration include the following:

1. Initiate a process to reach agreement on stakeholder definition and address issues related to governance and structure of the RTF.
2. Building upon the work initiated in this study, continue to inventory the full range of stakeholder needs, establish a transparent process to *prioritize* these needs, and establish a multi-year work plan for the region with which all stakeholders are fully aligned.
3. Implement operational changes that will increase the transparency of the operations of the RTF in the following areas:
  - a. Budgeting process
  - b. Voting requirements
  - c. Operating procedures
  - d. Potential conflicts of interest

Fundamental questions that surfaced during this evaluation and may help to guide the region as it moves forward include the following:

1. Which organizations are priority stakeholders in the RTF?
2. What type of governing body is needed to ensure alignment between the needs of priority stakeholders and the activities of the RTF?
3. How will the RTF be held accountable to the priority stakeholders?
4. How might the RTF be re-structured to meet the needs that it is intended to serve?
5. How might the funding process be adjusted?
6. What levels of funding are expected from the stakeholders of the RTF?
7. How will the next generation of leaders in the region be integrated into the re- invigoration of the RTF?

Strong leadership and considerable effort will likely be required to achieve the necessary alignment around stakeholder and governance issues – as well as broad agreement around near and longer-term priorities for the region. However, with such alignment, issues related to budgets, funding, staffing, and operational processes will be addressed more easily and thereby

allow the organization to move forward with a clear agenda in supporting the development of the region's energy efficiency resource.