



How Managers View Energy Efficiency

How Boards View Energy Efficiency

Success Going Forward

Presented by:
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Inland Power & Light





How Public Utility Managers View Energy Efficiency (Or At Least One Manager)



Some Similarities



According to a recent Nationwide survey:

**MORE DOCTORS SMOKE CAMELS
THAN ANY OTHER CIGARETTE**

Hot Tubs to CFLs



About the Shift

- Global warming and fossil fuels
- Scarcity of resources
- Dependence on foreign energy

- In addition to these very important reasons, the business case has changed
- Focus of my remarks

The Benefit of Incremental Sales

Old Paradigm

Revenue	6 cents
Power Costs	<u>(3 cents)</u>
Margin to Cover Other Costs	3 cents

- Utilities have lots of fixed costs
- Each new kWh sold helped pay for fixed costs
- Rates lower for everyone

The Benefit of Incremental Sales

New Paradigm

Revenue	7.5 cents
Power Costs	<u>(10 cents)</u>
Margin to Cover Other Costs	(2.5 cents)

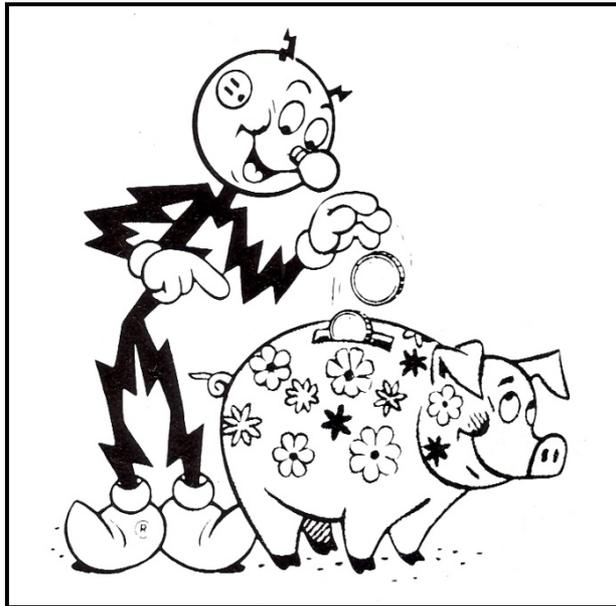
Assumes 25% Increase in Rates

You Can't Make It Up On Volume

- Growth Machine Will and Does Push Back
 - Engineering
 - Growth fuels their part of the world
 - Operations
 - They like to build
 - Marketing
 - Hardwired to sell
- Takes work to shift focus and ingrain new way of looking at the mission

Another Look at New Paradigm

- From:
Selling more kWh



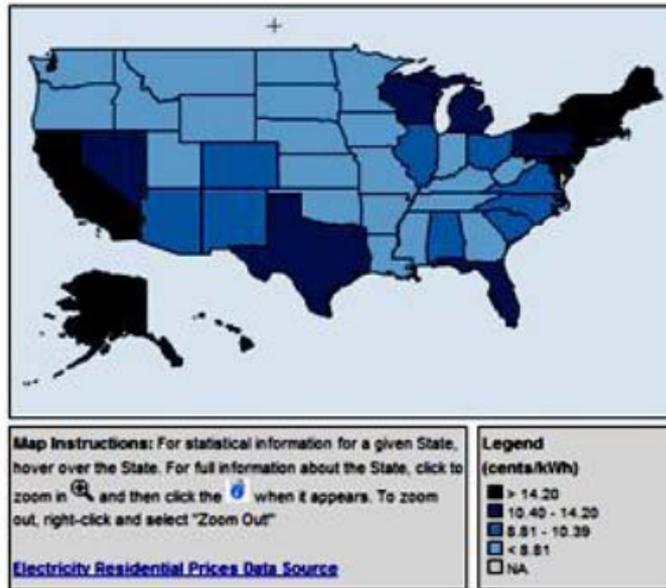
- To:
Keeping the beer cold



Rate Challenges

Residential Electricity Prices

State Ranking 12. Electricity Residential Prices, February 2010
(cents/kWh)



Rank	State	Electricity Residential (cents/kWh)
1	Hawaii	27.45
2	Connecticut	19.08
3	New York	17.89
4	Alaska	16.21
5	Rhode Island	15.03
6	New Jersey	15.00
7	New Hampshire	15.43
8	Maine	16.36
9	Vermont	15.29
10	Massachusetts	14.97
11	California	14.54
12	Maryland	14.25
13	District of Columbia	13.41
14	Delaware	13.01
15	Nevada	12.99
16	Pennsylvania	12.29
17	Wisconsin	11.03
18	Iowa	11.79
19	Florida	11.53
20	Maryland	11.49
	United States	10.91
21	Colorado	10.01
22	Illinois	10.48
23	Ohio	10.42
24	Virginia	10.27
25	South Carolina	10.19
26	North Carolina	10.07
27	New Mexico	9.97
28	Arizona	9.85
29	Alabama	9.86
29	Minnesota	9.47
30	Georgia	9.39
31	Kentucky	9.33
32	Mississippi	9.09
33	Arkansas	8.88
33	Idaho	8.68
33	South Dakota	8.68
34	Louisiana	8.67
35	Montana	8.55
36	Indiana	8.54
37	West Virginia	8.33
38	Utah	8.25
39	Wyoming	8.24
40	Oklahoma	8.17
41	Tennessee	8.13
42	South Dakota	7.99
43	Kentucky	7.96
44	Alabama	7.87
45	Washington	7.73
45	West	7.73
45	Missouri	7.29
47	North Dakota	7.05

Rate Increases

Over the last decade
in WA state

53%

Over the last
decade nationally

44%

Rate Projections

PORTLAND BUSINESS JOURNAL March 2, 2010

Pacific Power seeks 20.1% rate hike

“...the rate hike relates to... two wind energy developments in Wyoming...”

BENTON PUD Tri-City Herald, October 27, 2010

Power bills to go up by 32%

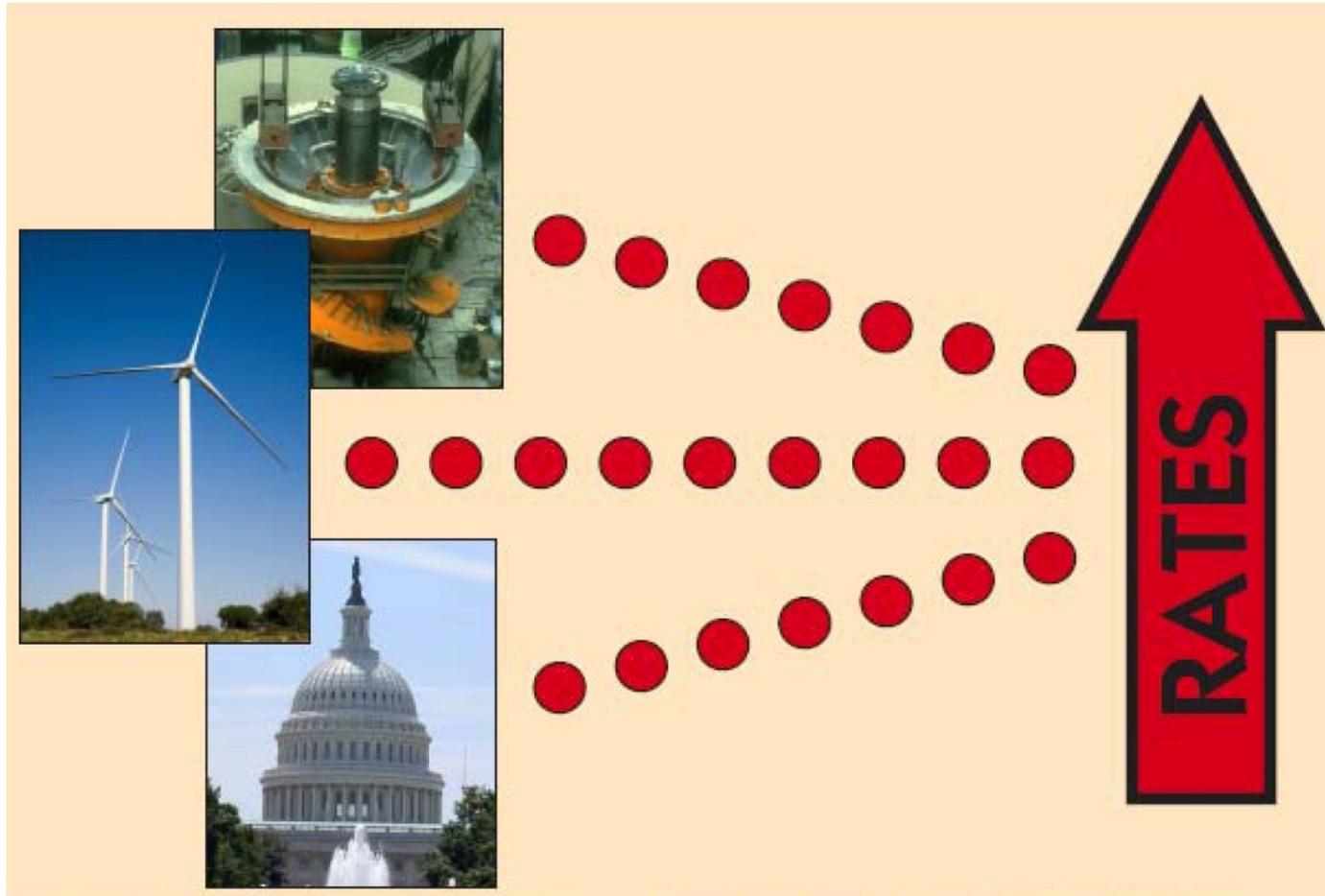
Energy costs, renewable energy mandate will force rate increase for customers over 4 years, utility says

pnwlocalnews.com

State commission says PSE's proposed rate increases too high

“... to recoup costs from... a \$100 million expansion of a wind-generator facility ...”

Cost Drivers



Looming Prospect of Customer Problems

(Just over the horizon or, in some cases, already here)

- Higher cost of generation, old infrastructure and regulation
- Customers will blame utility
 - Difficulty looking past utility to underlying causes
- Increased credit and collection problems
- No silver bullet, but helping consumers use less energy is the best option for managing an increasingly challenging business case.
- So, in addition to all the important environmental reasons to use electricity more efficiently, energy efficiency is essential to utilities' (and therefore managers') success



How Boards View Energy Efficiency



Level of Interest is High

- Unlike many topics boards deal with (RE, RD contracts, WECC compliance) this is relatively easy to understand
- Likely you will have different mindsets within the board

Inland Power's Board

- From:



Power strip to remove phantom load

- To:



Lots of Common Ground

- Operate in best interest of consumers
- Minimize monthly bills
- Operate in an environmentally responsible way
- Position the utility so that it is viewed as a good partner and knowledgeable resource that consumers turn to when making energy decisions
- Want to be re-elected

Bridging Different Mindsets

- Business case for energy efficiency
- Position energy efficiency as power supply
- Even though some headroom now, most boards understand no more Tier 1 power and that the cost of new generation will be much more expensive
- Less understanding of energy efficiency role as a substitute for Tier 2 purchases

Reinforcement of Comparative Costs

- Wind



10¢

- Low-flow Showerhead



3¢

- CFL bulb



4¢

Board Conversations Will Change

- How many directors today could name energy efficiency programs?
- As boards change their mindset regarding energy efficiency as a power supply, there will be more rigorous scrutiny of programs and results
 - Data will be needed
- Will intensify as utilities start to evaluate and invest their own money
- Need to step up communications on this subject



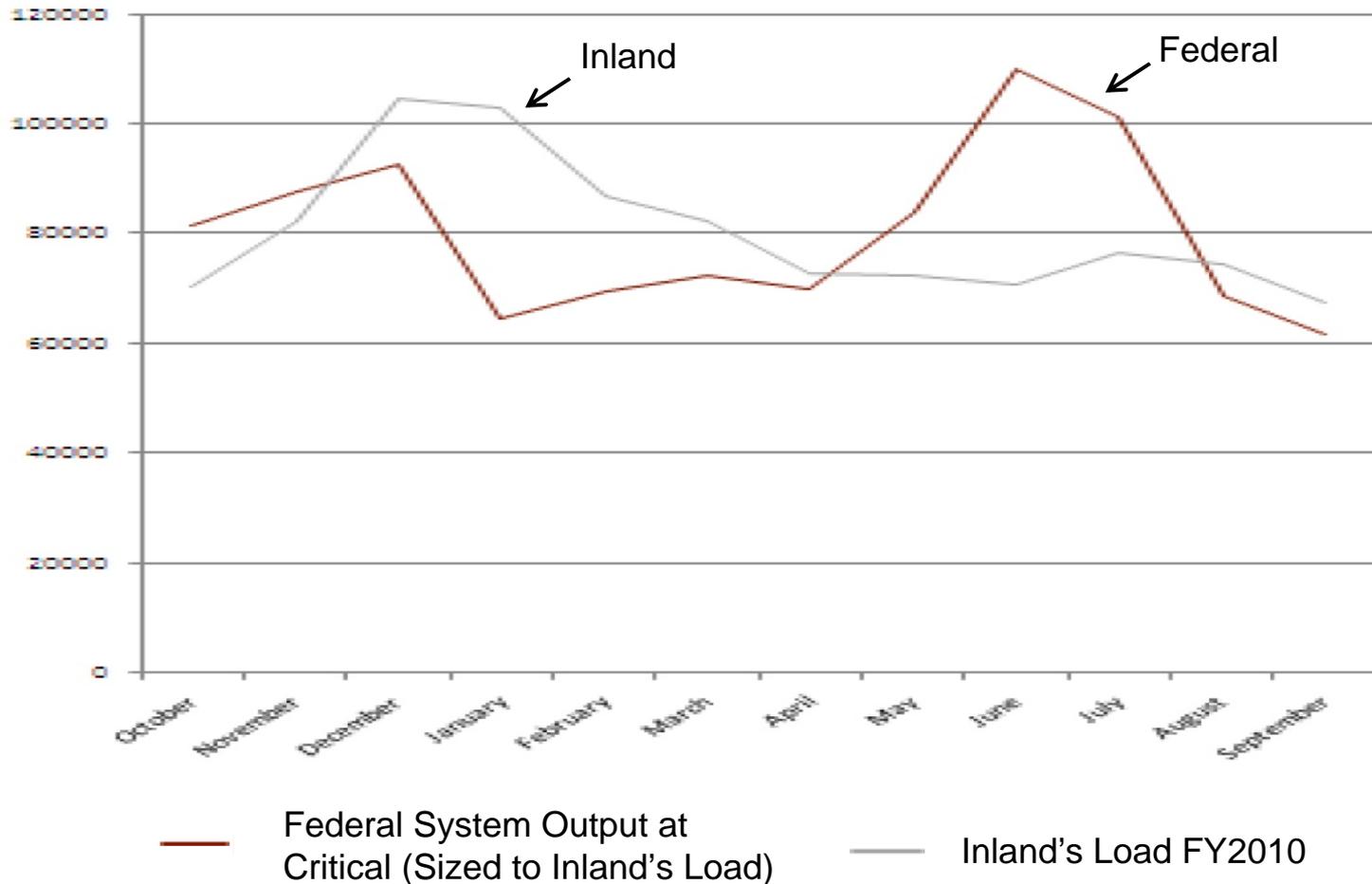
What Will It Take To Be Successful Moving Forward



Need Some New Best Friends

- Power supply expertise
 - Load and resource forecasts
 - AHWM load by year
 - Which months are most expensive for your utility?
 - Load shaping charges
 - Demand charges
 - Moving from \$2 to \$9
- If we are going to use energy efficiency as power supply, we must understand when it's needed and what measures provides the most value to the utility

Fundamentals of Meeting Future Loads



Accounting Friends

- Better tracking and understanding of all program costs
 - More rigor around cost of kWh's saved – program by program
 - May not want to spend 12¢ to save 10¢
- Under the new paradigm, the days of “ask and you shall receive” are gone
 - Most utilities are pretty good at tracking what's been spent
 - Better tracking of pipeline and future commitments

Communication Friends

- Importance of selling programs to customers is elevated when you are counting on energy efficiency to show up as power supply
 - Many utilities have offered programs, and if customers take advantage good, if not...

Customer & Customer Service Friends



- Get out in the field
- Need input from people that talk to customers every day to get feedback about what's working and what's not
- Customer surveys
- If programs have features members don't like, they won't use them

Engineering Friends



- Understand opportunities and costs for voltage reduction programs and non-wire solutions

Legislative Advisor

- State of Washington requires larger utilities to acquire all cost-effective conservation
 - CPAs – options for developing
 - Consistent with the Council's power plan methodologies
 - Penalties
 - State review process
 - Does not count toward renewable targets

Contractors and Vendors



- Utilities already do a good job with this
- Many of the most successful programs have been vendor and/or contractor driven
 - Duct sealing / windows
- Difficult to use utility employees due to labor costs
- Annual contractor breakfast

New Friends, But What About You?

- More collaborative
- Better listener
- Sharpen up your business and technical skills
- More entrepreneurial

Why I May Have Been Asked

- Not for energy efficiency expertise
- Inland Power has had major ramp up of energy efficiency acquisition in the last couple of years
- Dan Villalobos has guided our efforts and has been instrumental in our success along with John Francisco
- Because of their accomplishments, I was asked to speak today

What We've Gotten Right

- No confusion about what the goal is
 - No longer in business of trying to sell more electricity
 - In business of helping customers manage their electric bills
 - In business of buying kWh at the lowest cost through energy efficiency

Communication

- Lots of time with:
 - Senior management
 - Board of trustees
 - All staff

Rigorous Business Planning

- Revamped load forecasts
- High quality CPAs
- Acquisition targets and quarterly reviews of progress
- Overhauled accounting to better capture costs of each program
- Better budgets
- Tightened reporting around what's been spent, what's in the pipeline

Collaboration

- Power supply, energy efficiency and communications are physically located next to each other in building
- Hold frequent information sharing meetings



Still Needing Work

- Verification of savings
 - Planning purposes
 - As we supplement BPA EEI funds, we will need better real world data about persistence of measures over time and actual savings to justify investments
- Consumer education

It's Going To Get Tougher

- Rate pressures will create consumer unrest
- We need to be viewed as part of the solution, as opposed to the problem
- Energy efficiency is one of the key tools to build consumer loyalty and blunt the effects of more costly electricity
- The people on the front lines – you – will play a much more critical role in customer satisfaction at your utilities than ever before

Thanks!

Thank you to Mike Weedall and his staff for inviting me to share my thoughts with you today and to all of you for your efforts in acquiring conservation throughout the region.

Contact

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