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April 4, 2024

DECISION MEMORANDUM

TO: Council members

FROM: Kevin Smit, Manager of Power Planning Resources

SUBJECT: Authorization to Contract with Apex Analytics to Conduct a Study of Administration Costs for Energy Efficiency Programs in the Northwest

PROPOSED ACTION

Staff recommends authorization to contract with Apex Analytics to assess regional energy efficiency administrative costs for a cost not to exceed \$32,000 for the 2024 fiscal year.

SIGNIFICANCE

All the energy efficiency measures for the Council power plans and the Regional Technical Forum include an assumption for administrative costs. The administrative cost is added to the capital cost to represent the total cost of acquiring the EE resource.

BUDGETARY/ECONOMIC IMPACTS

The proposed cost for this project is \$32,000.

BACKGROUND

Program administrative costs represent the additional costs borne by utilities, or other program operators, to acquire energy efficiency resources. Administrative costs include expenses such as marketing, evaluation, implementation, planning, and technical assistance; however, they do not include incentives paid by the utility to the customer.

Importantly, administrative costs are included in the levelized cost calculation used for conservation resource acquisitions in the power planning process.

Historically, the Council has estimated administrative costs as a percentage of the incremental cost of a measure; for the 2021 Power Plan, this value was set at 20 percent and assumed constant across all sectors and end uses. Other methodologies have been considered – a July 2019 Conservation Resources Advisory Committee (CRAC) meeting presented other potential approaches to estimating administrative costs, such as:

- splitting out administrative costs by sector and/or end use, where significant differences are observed
- using a different administrative cost metric, such as \$ per first-year kWh.¹

The Council staff would like to have a more thorough review of utility administrative costs in the region to help determine what value or values should be applied to measures for the next power plan. This is one of our global assumptions that gets applied to every EE measure in our supply curves.

The council staff issued an [RFP](#) for these services and have selected Apex Analytics Consulting as our recommendation to provide the needed services.

ALTERNATIVES

We could continue to use the 20% administrative cost without further review. Or we could ask the Conservation Resources Advisory Committee to weigh in and provide recommendations and data to support or adjust the 20%. However, this approach has historically resulted in going with the status quo and little new data.

¹ See 2019 [CRAC presentation](#)