

## **Final 2006-2007 Action Plan**

**December 21, 2005**

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### **I. INTRODUCTION**

2005 is shaping up to be a banner year. Energy Trust is on track to serve a record number of consumers, exceed its energy efficiency goals and significantly further renewable energy usage in our state. The organization has demonstrated that when stable program funding is provided, the marketplace responds and customers participate. The result is more efficient energy usage and greater reliance upon diverse renewable energy technologies to serve residential, commercial and industrial consumers, both now and into the future. In short, Energy Trust is fulfilling the Oregon Legislature's vision of what an "independent non-profit entity" dedicated solely to providing energy efficiency and renewable energy benefits can deliver.

Nearly halfway through our 2002-2012 timeframe, Energy Trust has established mature programs operating successfully throughout the state. To date, a total of 90,000 customers have been served, representing nearly every geographic part of the three service territories in which we operate.

As we approach the end of 2005, an important transition is taking place. Energy Trust is moving from a period of surplus funding in every revenue category to a time when demand for services is exceeding available resources in key program areas. Specifically, NW Natural revenues are being expended at an ever increasing rate, with predictions of a break-even level of resources and expenditures by the end of 2007. Portland General Electric revenues, which represent over half of our total funding, are closely matching the rate of expenditure. Comparatively little carryover is anticipated by year-end 2006 for PGE. Overall, Pacific Power revenues are currently in greatest demand, resulting in shortfalls being offset with PGE funds. Though operating well within the legal requirements governing electric energy efficiency expenditures, Energy Trust is committed to bringing investments between the two electric utility service territories back into balance over time.

This 2006-2007 action plan starts with highlights for the coming year (section II), followed by detailed program descriptions and corresponding budgets (section III). The 2006 budget captures these themes and allocates resources consistent with them. A summary of anticipated actions for 2007 is included at the end (section IV).

### **II. 2006-2007 FINAL ACTION PLAN HIGHLIGHTS**

Many topics discussed by the Energy Trust Board of Directors at its June 2005 strategic planning worksession are incorporated as key areas of emphasis in the action plan. In addition, action plan implementation is designed to comply with minimum performance measures established by the Oregon Public Utility Commission for 2006. Full achievement of the action plan also depends upon maintaining and strengthening our working relationships with all three utilities, the Oregon Department of Energy and numerous stakeholders, trade allies and other organizations with whom we collaborate.

The following specific themes are emphasized in the action plan and corresponding budget:

1. *New practices to closely manage limited funds and serve customer needs.* Beginning in 2006, Energy Trust will adopt new, lower incentives for the Building Efficiency and Production Efficiency programs and initiate a reservation system for available incentive funds. Current projects will be completed and new projects pre-approved. Recent updates made to the FastTrack project tracking system will result in more frequent and standardized reports on projects at different stages of their development. Program Management Contractors (PMCs) and Energy Trust staff will work closely with program delivery contractors and trade allies to effectively communicate with and serve customers with funds available. As needed, these new practices will be updated and extended to other programs beyond Building Efficiency and Production Efficiency.
2. *Maintain equity across sectors.* The final action plan provides a balance of program activity across all three sectors that more closely approximates spending consistent with revenues received from all customer classes.

<b>2006</b>	<b>% Revenue</b>	<b>% Expenditures</b>
Residential	49%	42%
Commercial	38%	29%
Industrial	13%	29%

As programs mature in the marketplace, their corresponding delivery costs are going down and savings acquired are increasing. The cost of industrial programs per kWh saved is expected to continue to drop as projects with higher incentives are paid out in 2006 and lower incentives are applied to new projects. Residential programs have proven to be highly cost-competitive over time. Three residential programs are expected to further gain market momentum in 2006: Home Energy Savings, Efficient New Homes, and Efficient Home Products. A new residential program staff position has been included in the 2006 budget to help serve the booming residential marketplace.

3. *NW Natural gas program emphasis.* The year 2006 begins with a gas revenue surplus resulting from carryover of funds. The surplus is diminished from prior years. Reallocation of program funding and associated greater emphasis on gas savings opportunities will continue throughout the coming year, building upon momentum established during 2005. In addition, we will develop and implement a strategy to expand the market for residential tankless water heaters and tankless water/space heating units.
4. *Add combined heat and power (CHP) opportunities.* The CHP policy is expected to attract efficient fossil-fueled CHP projects within the Building Efficiency, New Building Efficiency, and Production Efficiency programs in 2006. These CHP projects complement the renewable CHP projects that are funded through the Biopower program. Such projects hold potential for both generation and savings. Energy efficiency CHP projects may prove to be cost-competitive with other investment strategies. Projects expected to be identified in 2006 will be eligible for funding in subsequent years.

5. *Increase commitment to utility-scale renewable energy projects.* It is anticipated that one or more utility-scale projects will be brought forward through the PGE master agreement early in 2006. Negotiations will continue for a utility-scale project in Pacific Power service territory, and staff will continue to work with Pacific Power toward completion of a master agreement. The final budget reallocates an additional \$920,000 to Pacific Power utility scale projects and reduces other Pacific Power renewable programs by this same dollar amount. Staff will also remain engaged in any updates of utility Integrated Resource Plans.
6. *Further diversify renewable energy program offerings.* 2006 will be the first year for 3 or more Biopower projects to be installed, resulting from projects identified in the 2005 RFP. A cluster/community wind program will seek to develop at least one 1.5 MW project in 2006. The Solar Water Heating program budget will be integrated with four energy efficiency programs: Home Energy Savings, Efficient New Homes, New Building Efficiency and Building Efficiency. Marketing of the Solar Electric program will be strengthened through coordination with the efficiency new construction programs.
7. *Introduce community energy strategies and approaches.* Concepts identified through a report on community energy will be pursued in two communities in 2006. Given the surplus of gas revenues, staff will work with NW Natural to identify likely community energy opportunities within their service territory to test and evaluate this innovative grassroots approach.
8. *Integrate program services from an account management perspective.* Tools that identify and package multiple program opportunities will be developed and promoted to those eligible to participate in more than one Energy Trust program. Staff will work to integrate services to such customers using a team and account management approach.
9. *Preserve impact and process evaluations and complete the conservation resource assessment.* 2006 planning and evaluation activity will remain focused on timely impact and process evaluations necessary to continually improve program delivery and verify results. A separate study of conservation resource potential will be completed during the first half of 2006, with the results applied to the 2007 report to the Oregon Legislature.

In addition to the items listed above, staff will remain open to a cooperative effort with a utility to potentially defer utility transmission and distribution system investments and capture related benefits resulting from energy efficiency or renewable project investments.

### **III. 2006-2007 FINAL PROGRAM SUMMARIES AND CORRESPONDING BUDGET DETAIL**

The following section includes 1-page, 2-sided descriptions of each program and major program area and corresponding budget details. The information provided includes the purpose, strategy and objectives for each program and a comparison between 2005 and 2006 budget levels and savings/generation projections. This information provides a good reference for those interested in particular Energy Trust program details. A 2007 projection is also provided.

## **IV. 2007 PROJECTED HIGHLIGHTS**

### **Energy Efficiency**

- Maintain steady state for all energy efficiency programs, with activity levels matched with revenues.
- Work toward a balance in activity by level between PGE and Pacific Power service territories.
- Work toward balance in efficiency activity between electric and gas efficiency activities.
- Explore potential for Combined Heat and Power (CHP) program implementation resulting from 2006 project analyses.
- Continue Community Energy strategy and activities, based on evaluation findings.
- Continue ongoing integration and consolidation of program delivery for customers across sectors.
- Continue close management of available resources matched with program demands.

### **Renewable Energy**

- Continue efforts initiated in 2005 and 2006 in the utility-scale program to implement the master agreements with the utilities, and define a strategy to support utility-scale geothermal generation.
- Mature the Biopower program based on the experience over the first two years and where possible expand services and standardize offerings.
- Continue to ramp the solar program to a long-term, stable budget, adjusting marketing, incentives and program services to respond to changing consumer needs.
- Fully implement the Community (Cluster) Wind Program, following the first year's launch in 2006.
- Target the PGE service territory for the Open Solicitation Program and continue to aggressively market solar in the Portland metropolitan area.

### **Other**

- Management and General, and Communications and Outreach, will grow a modest three percent.
- Increases in Planning and Evaluation will include activities originally planned for 2006.

Appendix I  
**Energy Trust of Oregon**  
**Mission Statement and Strategic Plan Goals**

**Mission statement:**

To change how Oregonians produce and use energy by investing in efficient technologies and renewable resources that save dollars and protect the environment.

**Strategic Plan Goals:**

- Goal 1:** By 2012, deliver programs to help consumers save 300 average megawatts (2.6 million annual megawatt hours) of electricity and 19 million annual therms of natural gas from long-lasting energy efficiency measures. Targets are for a weighted average measure life of 14 years for electric savings and 20 years for gas savings.
- Goal 2:** Provide 10% of Oregon's electric energy from renewable resources by 2012, (approximately 450 average megawatts for PacifiCorp and PGE if Energy Trust programs are complemented by state, federal and other policies and programs, or 150 average megawatts by Energy Trust effort alone).
- Goal 3:** Extend energy efficiency and on-site renewable energy programs and benefits to underserved consumers.
- Goal 4:** Contribute to the creation of a stable environment in which businesses that promote energy efficiency and renewable energy have the opportunity to succeed and thrive.
- Goal 5:** Encourage and support Oregonians to integrate energy efficiency and renewable resources into their daily lives.

Appendix 2  
**2006 Oregon Public Utility Commission Performance Measures  
 for the  
 Energy Trust of Oregon**

<b><u>Category</u></b>	<b><u>Measures</u></b>	<b><u>2006 Draft Budget</u></b>
Energy Efficiency	Obtain at least 20 aMW computed on three year rolling average  Levelized cost not to exceed \$0.02/KWh	16.14-21.52 aMW  \$0.18-\$0.025/kwh
Natural Gas	Obtain at least 700,000 therms  Levelized cost not to exceed \$0.30/therm	2,557,212-3,409,616 therms  \$0.24-\$0.32/therm
Renewable Resources Energy	Secure at least 9 aMW computed on a three year rolling average from utility scale projects  Secure at least 3 aMW computed on a three year rolling average from small scale projects	30-70 aMW  2.98-4.55 aMW
Financial Integrity	Receive an Unqualified financial opinion from independent auditor on annual financial statements	Accounting conforms with Generally Accepted Accounting Principles (GAAP)
Administrative and Program Support Costs	Keep below 11% of annual revenue	7.8%
Customer Satisfaction	Achieve reasonable rates	Includes customer satisfaction research
Benefit/Cost Ratios	Report both utility system and societal perspective on an annual basis and report significant changes, if any, on quarterly statements	