

**ENERGY TRUST OF OREGON, INC.**  
**2007-2012 STRATEGIC PLAN**  
**July 30, 2006 Draft**

**I. Introduction**

**A. Energy Trust**

The Energy Trust of Oregon, Inc., began operating in March 2002, funded by revenues collected from customers of Pacific Power and Portland General Electric pursuant to a 1999 Oregon law (SB1149). Energy Trust invests these funds on behalf of customers to further electric energy conservation and efficiency, renewable energy development and energy market transformation. Energy Trust began operating natural gas efficiency programs for NW Natural in 2003 and for Cascade Natural Gas in 2006.

**Energy Trust 2002 Mission Statement, Vision and 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.*

Vision:

*Imagine meeting the future energy needs of Oregonians in a way that lowers energy cost, adds comfort to homes, strengthens our economy and leaves our environment healthier for generations to come. This will happen when we use energy efficiently and create renewable energy. The people at Energy Trust are committed to this future.*

Goals:

1. *Save 300 average megawatts of electricity.*
2. *Save 19 million annual therms of natural gas.*
3. *Help Oregonians meet 10 percent of their electric energy needs from renewable resources.*
4. *Expand participation by underserved consumers.*
5. *Help businesses to thrive by promoting energy efficiency and renewable energy.*
6. *Encourage Oregonians to integrate energy efficiency and renewable energy in daily life.*

Starting from scratch in 2002 with ambitious goals (see text box above), Energy Trust developed a 2002-2006 strategic plan targeted to save 65 average megawatts from energy efficiency programs by October 2004 with a cumulative total of 141 average megawatts by October 2007. The plan aimed to produce 35 average megawatts of renewable energy through 2004 and a cumulative total of 115 average megawatts by October 2007.

## **B. 2002-2006 Accomplishments**

Energy Trust currently has 13 programs and a proven track record of accomplishments. Electric efficiency programs achieved record savings of over 39 aMW in 2005, a 64% increase over 2004 (23.77 aMW). Gas savings in 2005 (about 1.4 million annual therms) were about 90% higher than in 2004 (737,730 therms). With a cumulative total of 96.4 aMW of electricity saved by the end of 2005, Energy Trust had achieved 32% of its 2012 electric efficiency goal, although it is unclear whether funding will be adequate to achieve 300 aMW by 2012. Gas efficiency programs had saved 2,263,853 annual therms by the end of 2005 and although this is only 12% of its ten-year goal, Energy Trust expects that the goal is achievable. Renewable energy programs had secured 14.85 aMW of production by the end of 2005 (13% of 150 aMW goal), and are expected to accelerate sharply in 2006 and 2007.

These accomplishments notwithstanding, the political and economic landscape in which Energy Trust operates is constantly changing and is likely to change even more over the coming five years. Demand for Energy Trust programs has dramatically grown, creating new expectations for Energy Trust service delivery. Energy issues are high on state and federal policy agendas and legislative proposals could have a profound impact on Energy Trust programs. Fuel prices, private capital, markets for clean energy “environmental attributes” and other factors change Energy Trust’s energy efficiency and renewable energy roadmap. Finally, the legal authorization for the electric funds that supply revenues to Energy Trust is scheduled to expire in 2012. Energy Trust is not an advocate for change in any of these areas and we recognize the need to understand and plan for them if we are to meet our responsibilities.

## **C. The 2007-2012 Strategic Planning Process:**

Energy Trust is looking ahead to 2007-2012 to identify areas in which changes in Energy Trust’s approach or perspective may help us be more effective. The strategic themes identified below emerged from a planning process that began in early 2006, overseen by a strategic planning committee with members from the board, staff, Oregon Public Utility Commission and Oregon Department of Energy. Energy Trust consulted extensively with its staff, board, Program Management Contractors and others to identify our strengths, weaknesses, opportunities and threats. In June, the Energy Trust board met for two days to evaluate this information and identify strategic choices that it wished to consider further – areas where a change in Energy Trust’s strategy or perspective could enable us to do a better job of meeting Oregon’s clean energy needs.

## **II. Strategic themes:**

### **A. In electric efficiency programs, Energy Trust will balance energy savings, cost and equity in light of limited funds and growing demand.**

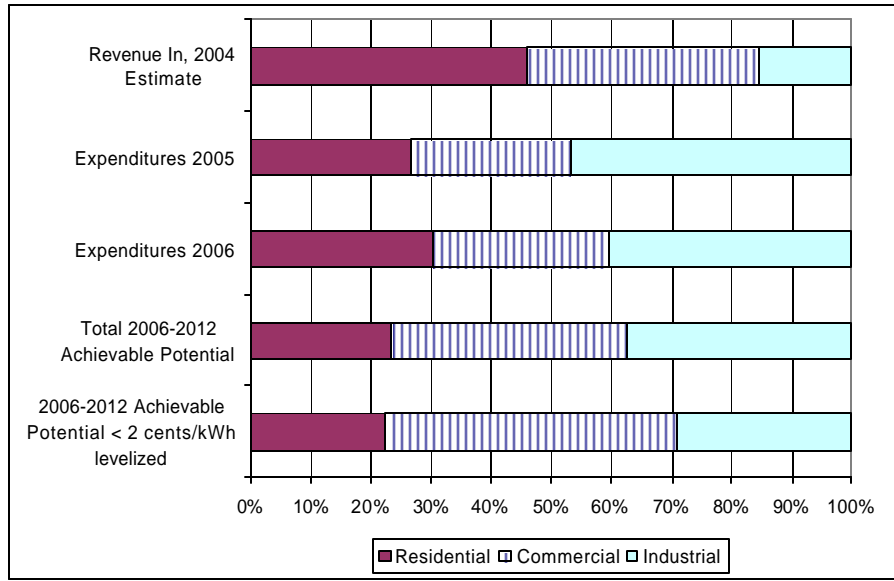
1. Current status: Energy Trust’s current mix of electric efficiency programs balances savings volume, cost and equity considerations, with none of these considerations dominating. Industrial programs save more energy than others but contribute less money than they receive; residential ratepayers contribute more than they receive but represent less and longer lasting savings; through 2012, the current mix of programs is expected to fall 50-60 aMW short of the 300 aMW 2012 goal but well above the level required by the minimum OPUC performance measures. According

to the latest resource assessment, commercial programs represent the most and least-cost potential savings through 2012.

2. Background: Energy Trust considers several factors when allocating funding among sectors:

Category	Planning Considerations	Description and impact on decisions
2002-2007 Strategic Plan Goals	300 aMW by 2012	Implies “bang for the buck,” low first-cost measures, irrespective of measure life and balance between sectors.
	Reach a diverse range of public purpose fund contributors	Encourages “more opportunities for a broader mix of consumers to save money, energy, and use clean power” (goal 3) and “encourage[s] Oregonians to integrate energy efficiency and renewable energy into their daily lives” (goal 5).
OPUC Performance Indicators	Total program levelized lifetime cost of no more than 2¢ per kWh	Encourages cost-effective, persistent savings measures.
	3-yr rolling average of at least 20 aMW	Stresses moderate savings volume at moderate or low cost.
Potential cost savings from shifting funds	Marginal Cost (the incremental cost of serving one more participant) versus program cost	Residential and commercial programs have higher fixed (non-incentive) costs than industrial, but are approximately equal in terms of incentives per participant. Shifting incentive dollars between programs does not necessarily impact savings unless the program is eliminated.
Economics	Balancing revenue source, funding and savings between sectors	Energy Trust invests more electric funds than it receives from the industrial sector because it provides the most electric savings. Residential ratepayers contribute more than they receive; Home Energy Savings is the most popular cornerstone residential program with high demand.
Program Continuity	Long-term market transformation	Residential programs with market transformation aspects are just maturing; cutting them would drastically impair future savings.

Over time, these factors have led to varying expenditure patterns. The graph below shows revenues by sector in the first bar and 2005-2006 expenditures by sector in the second and third bars. The final two bars show the 2006-2017 resource assessment’s evaluation of electric savings potential by sector.



**Electric Efficiency Resource Allocations**

3. Options:

- If the board prefers more focus on a given objective or sector, adjust the goals and reflect changes in the strategic plan and 2007 budget.
- Retain current goals, continue to monitor allocations and evaluate balance during the annual budget process.

4. Work plan:

- In July and August, frame resource allocation issues in a paper distributed internally and to the board.
- Discuss the issue with interested parties during the outreach process.
- Brief the board at a special session August 8<sup>th</sup>.
- Report to the board at the August 23rd board meeting.
- Incorporate board feedback from the August meeting into budget planning (becomes the long-term program mix base case).

**B. Energy Trust will focus and streamline its management and information technology systems, budget process and communications to increase effectiveness and flexibility.**

1. Current status: Program implementation experience and solicited feedback has combined to identify areas where current Energy Trust information technology systems can be enhanced and improved to allow better access, transparency and ease of use. Opportunities exist to improve the functionality of existing management, budget and communication tools to reflect actual experience with mature programs and match systems and data requirements to them.
2. Background: During its first years, Energy Trust focused on program design and delivery. In 2005, Energy Trust's first management audit acknowledged significant program results over a short time period and also identified areas to strengthen infrastructure, which Energy Trust has since addressed. Since then, market demand

for Energy Trust programs has grown significantly and expanded to include two and potentially three natural gas utilities. Complexities related to system design, ease of use and data requirements have highlighted new opportunities to further strengthen program management, project and budget tracking, refine data collection, improve reporting and strengthen communications. In addition, system improvements would allow greater flexibility to incorporate changes based upon our dynamic operating environment. Short-term investments in these operating improvements are designed to improve efficiencies and keep administrative costs low. Energy Trust is currently addressing these improvements and expects to continue to make such improvements a high priority into 2007.

3. Options and work plan: This is a diverse set of internal operating priorities. Updates will be provided during board committee or regular meetings in August, September and October, with budget implications identified. Some outreach on these subjects will occur with targeted stakeholders.

**C. Energy Trust will consider how to engage green tag and carbon credit (“environmental attribute”) markets, with the goal of transforming energy efficiency and renewable energy in Oregon.**

1. Current status: The current Energy Trust green tag policy requires Energy Trust to acquire green tags in proportion to its payment of above-market costs of renewable energy projects. Energy Trust has no policy on energy efficiency environmental attributes, but has co-funded one energy efficiency project partially financed by carbon credits. We are exploring other opportunities with the Climate Trust and more broadly through the Governor’s Carbon Allocation Task Force.
2. Background: Environmental attributes associated with renewable electricity generation or saving energy through efficiency can be traded in financial markets. So far, markets for renewable energy environmental attributes (“green tags”) and energy efficiency environmental attributes (“white tags”) have not been well established or integrated. These markets are now starting to mature with the enactment of laws and policies such as Renewable Portfolio Standards and carbon allocation and trading frameworks in other states. As they mature, these markets may significantly change renewable energy and energy efficiency financing and, hence, the role of Energy Trust programs.
3. Options:
  - *Status quo*: Do not include in the strategic plan; continue to evolve green tag policy as warranted by experience with particular projects; explore energy efficiency environmental attributes as suitable projects arise.
  - *Make engaging environmental attribute markets a priority*: Identify engagement with environmental attribute markets as a strategic priority, develop a protocol to translate FastTrack energy data into environmental values and actively work with stakeholders in 2007 to explore such markets to advance clean energy in Oregon.

4. Work plan:
  - Ongoing: Track renewable portfolio standard-related and carbon allocation and trading activity in Oregon and neighboring states; protect ownership of carbon-related credits in energy efficiency programs.
  - July: Brief board on green tag markets, and on consequences of current Energy Trust green policy under different scenarios.
  - In August and October, brief the board on the results of outreach and determine priority in strategic plan.
  - Winter 2007: Review green tag policy and analyze policy issues associated with energy efficiency/carbon credits.

#### **D. Energy Trust will plan for change in its policy and operating environments.**

1. Current status: Energy Trust monitors changes in government policy (e.g., Renewable Portfolio Standards, government financial incentives), and its operating environment (e.g., fuel and capital costs, emerging technologies) and adjusts its programs in response. Energy Trust policy matters are overseen by the Energy Trust board policy committee. Energy Trust takes no position on legislative or political initiatives, but provides information and analysis to policy processes (e.g., renewable energy and carbon allocation task forces) if requested.
2. Background: Energy issues, including energy efficiency and renewable energy, are of increasing interest to state and federal legislatures and private business. Under its agreement with the OPUC, Energy Trust may not use its public purpose funds for political purposes. However, change in these areas affects Energy Trust programs, such that if government and market incentives grow, Energy Trust may focus more of its attention in areas such as marketing and education, coordinating diverse incentives for projects, and coordinating with utility integrated resource plans.
3. Options:
  - *Status quo*: Monitor policy, market and technology developments; advise policy processes on request; consult with the board policy committee as issues arise.
  - *Incubate innovation*: Ask a board committee to work with staff and others to identify policy, industry, technology or market trends that offer new opportunities for Energy Trust initiative, oversee analysis and develop options for board consideration.
4. Work plan:
  - In July and August, consult with the policy and strategic planning committees and others.
  - In August and October, brief the board on the results of consultations, including any analyses the committee might direct if option 2 were chosen.
  - Resolve in October when board acts on the strategic plan.

#### **E. Energy Trust will target its investments to reduce the need for new utility transmission, distribution (T&D) and peak generation facilities.**

1. Current status: Energy Trust counts T&D and peak deferral benefits in cost-effectiveness and above-market analyses, but does not otherwise target investments

in this way. Community-based programs were intended for these and other purposes and to date, electric funding for this was redirected to meet demand from other efficiency programs.

2. Background: Economic savings to utilities for avoiding or deferring T&D and peak investment are potentially large. Helping to avoid T&D and peak generation could serve Energy Trust's mission of investing in efficient technologies and renewable resources that save dollars and protect the environment. Whether it is practical for Energy Trust to help avoid utility T&D and peak generation investment depends on utilities' interest and ability to identify such opportunities enough in advance for Energy Trust projects to deliver such benefits and in time for Energy Trust to devote sufficient resources to defer or avoid such utility investment.
3. Options:
  - Include this initiative in the strategic plan
  - Propose funding for a pilot project in the 2007 budget, depending upon utility interest
  - Adopt a policy generally preferring investments that help reduce the need for new utility T&D or peak investment, all other things being equal
  - Status quo: leave this initiative out of the mix
4. Work plan:
  - In July and August, consult with the utilities, OPUC and others on this proposition: Between 2007 and 2012, Energy Trust will work with utilities to develop one or more pilot projects to test the hypothesis that the utilities and Energy Trust can coordinate such utility planning and Energy Trust investments to produce mutually beneficial results.
  - In August and October, brief the board on the results of consultations.
  - In October, ask the board to decide how to approach this in the strategic plan

**F. In annual budgeting, Energy Trust will look for opportunities to increase funding for "direct-application renewables."**

1. Current status: Because of legal restrictions, Energy Trust invests considerably more funds in residential solar photovoltaic systems than in other projects that are a better buy, such as solar water heating and passive solar design.
2. Background: Energy Trust can fund the above-market cost of renewable energy projects. The law that governs Energy Trust's electric revenues defines "renewable energy" to exclude projects that do not generate electricity. Because non-generating renewable projects ("direct-application renewables," e.g., solar water heating, passive heating, cooling and ventilation, etc.), reduce fuel consumption, Energy Trust can treat them as efficiency measures, and fund them if they are cost-effective. Few if any residential direct-application renewable projects have been cost-effective; more commercial projects have been cost-effective. In addition to saving energy, direct-application renewable technologies provide more resilience against blackouts because they do not rely on the grid or gas lines to work.

3. Options:
  - Status quo: continue to identify opportunities to promote direct-application renewables where cost-effective in traditional terms, but primarily rely on other programs, e.g., Oregon tax credits for passive solar, and potential tax credits for zero-energy homes.
  - Provide a quantitative credit (e.g., 10%) in evaluating cost-effectiveness of direct application renewables in efficiency programs.
  
4. Work plan:
  - In July and August, consult with the utilities, OPUC and others on the above options.
  - In August and October, brief the board on the results of consultations.
  - In October, ask the board to decide how to approach this in the strategic plan.

### **III. Planning for 2012**

The public purpose charge that funds Energy Trust's electric programs expires in 2012 unless it is extended by the Oregon Legislature. Accordingly, in 2008 Energy Trust expects to begin planning for this contingency.