

# Conservation Advisory Council

Notes from meeting January 19, 2005

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Steve Lacey convened the meeting at 1:40 pm.

*Attending from the Council:*

Steve Bicker, NW Natural  
Carol Brown, PGE  
Suzanne Dillard, ODOE  
Tom Eckhart, UCONS  
Terry Egnor, Micro Grid  
Janet Fairchild, Oregon Public Utility Commission  
Bob Lorenzen (for Mat Northway), EWEB

*Attending from the Energy Trust of Oregon:*

Steve Lacey  
Mike Laney  
Andy Saleh  
Jan Schaeffer  
John Volkman

*Others attending:*

Fred Burt, West Linn Paper  
Chris Galati, NW Natural  
Alan Meyer, Weyerhaeuser Co.  
Eunice Noell-Waggoner, Center of Design/Aging  
John Ryan, WSU  
Ken Self, Aspen Systems  
Bob St. Amand, Aspen Systems  
Buzz Thielemann, RHT

## 1. Introductions

Steve reviewed the agenda and asked for self introductions. He reviewed the 2005 meeting schedule. Meetings are on the third Wednesday of the month excepting February, when the meeting will be on the second Wednesday, and July and December, when there are no meetings scheduled.

## 2. Building Efficiency contract RFP recompile

Andy Saleh presented a summary of the purpose of the program, the strategy of using "program allies" to deliver the program (the broader term represents better the full range of participants in the network), budgets and energy savings targets for 2005, 2006 and 2007. The budgets change: \$6.4M in 2005, \$5.6M in 2006, \$6.6M in 2007. Energy savings increase steadily: 2.8M aMW (\$2M/aMW) and 283,000 therms (43.4M/therm) in 2005, 3.4 aMW and 400,000 therms in 2006, 4.1 aMW and 435,000 therms in 2007. There was discussion about the challenge of better explaining the drop in budget for 2006, which, combined with increasing savings targets, results in a significantly decreased cost per unit saved. Steve said this will be made clearer in the RFP. He will show this to the CAC next month.

Carol Brown asked what is expected from the council on this topic. Steve said he hopes to have conversation of the overall program strategy that will provide input into the drafting of the RFP.

Continuing, Andy said we intend to continue core program offerings, to interface with the Efficiency Facility Operations program and PMC marketing that's supplemented by Energy Trust. The program is expected to expand by targeting smaller commercial customers, packaging refrigeration measures and rooftop HVAC/gas equipment, closer cooperation with BOMA, possible targeting of state buildings, incorporating an equipment replacement track, and significantly accelerating gas savings.

Carol noted the challenge of serving smaller customers when the dollars available per unit of savings goes down. She asked if proposals will be required to specify savings for each goal area. She notes that if we're looking for innovation (to better serve smaller businesses, for instance), we need to be relatively more flexible. Steve said the proposals will not be required to break out savings by market sector.

Steve Bicker asked if the RFP will include more specifics about equipment and technologies. Fred said some more specifics will be included.

### **3. Production Efficiency contract RFP recompetete**

Andy reviewed the purpose and strategy of the Production Efficiency program, also up for rebidding. Alan Meyer from Weyerhaeuser asked how he would find out about industrial efficiency offerings. Ken Self explained contacts and discussions with Weyerhaeuser are underway.

Andy reviewed the budget and savings projections. In 2005, budget is 23.8M to achieve 19.5 aMW; in 2006, budget is \$11M to save 9.4 aMW; in 2007, \$12M to save 10.2 aMW. There was discussion of what accounts for the drop in the budget between 2005 and the next two years. Blue Heron accounts for \$5.6 million; other large one-off projects make up the difference. Fred said we are expecting the PMC in 2006 and 2007 to find a few projects with savings at the cost/aMW of Blue Heron. Carol suggests there aren't very many Blue Heron's out there in terms of size. Ken said he believes projects in this cost range are available.

Tom Eckhard noted the issue of investments in industrial efficiency having short measure lives due to plant shutdowns. Fred said Energy Trust assumes a 10-year measure life for industrial measures, even though equipment may have a far longer life expectancy. Tom asked whether lights and motors count as industrial process measures; Ken Self said only processes count. Lights and motors are covered in the Building Efficiency program.

Bob St. Amand said the biggest question he has for both programs is whether there is a new test for qualifying custom projects. If it continues to be based on cost effectiveness, there is no way to control what is spent per kWh. Steve said we are looking at this question; it will be an iterative process. Ken said the bottleneck has been with the contractors. Companies like Rogers Machinery cannot keep up with the volume. Buzz said some of the major industrial customers cannot support the staff engineering needed to accomplish everything they would like to do.

### **3. RFPs jointly issued?**

Andy said we need to decide whether to require respondents to bid on both programs, or allow them to choose one, the other or both. Carol Brown and Terry Egnor suggested it will be important for Energy Trust to explain up front whether they prefer a joint proposal. Steve asked the council members to consider this and make a recommendation at the next CAC meeting.

The timetable is:

- RFP release late February
- Proposals due mid April
- Selection mid May
- Contract signed Aug. 1

Suzanne asked when we might expect to have budget and savings goals clarified. She cannot attend the Feb. 9 meeting. Steve said this will be done at least a week before the next meeting.

Steve Bicker wonders why not submit two RFPs, and permit a firm to bid on both. He is concerned about the fact that gas funds are available for commercial and not industrial. Would this confuse a single RFP?

## **BREAK**

### **4. CHP**

Fred Gordon presented a paper on where we are now. We have been talking with the board and CAC about this topic since summer 2004. He noted the PUC document UMI 169 may include CHP legal and policy issues; Janet confirmed this will be so.

He reported on the Nov. 30 workshop at OPUC, concluding it was useful in generating ideas and considerations, with no consensus. CHP is part of distributed generation policy, with potentially important societal benefits and a high degree of PUC interest. CHP proponents are interested in small, medium and large projects; the level of financial commitment and viable financing arrangements are unclear. Significant obstacles were noted, some of which the PUC may address (back-up, interconnection charges) and some not (price uncertainty, complexity of transactions). The cost effectiveness of potential CHP projects compared to Energy Trust industrial efficiency projects can only be inferred.

Input on potential Energy Trust roles included that Energy Trust might help with funding (combined with BETC and Climate Trust); technical assistance (analysis of CHP values, feasibility studies, site inventory); market transformation and advocating the value of CHP in the utility IRP process; advocating CHP generally.

Input on funding, included some urging a higher electric or gas public charge, which large industrial customers say would only reduce their bottom line. Generally, it was suggested that Energy Trust should pay for savings, like any other conservation investment. Perhaps Energy Trust should solicit bids at a maximum \$/MWh with a cap. Another suggestion is that Energy Trust should fund above-market costs.

He continued by describing "design issues," and considerable wide-ranging discussion around them.

Fred reviewed strategic options:

- Stand pat (stay with existing policy)
- "Just go out and do something." What? Why? Can we justify funding some projects and not others?
- Systematic investigation and program design.

We want to get a better understanding of the project size, number of “real projects, cost/kWh, odds of success, merits of RFP versus other approaches. Then we would engage a consultant to develop almost-ready-to-implement program options, specifying funding caps, RFP, other approaches. Once PUC legal issues are settled, we would decide whether and how to proceed. We would expect to implement and, if successful, continue for at least 2-3 years with adjustment for utility acquisitions through IRPs.

Our goal is to acquire generation efficiency as “conservation” (PUC is addressing legal aspects and possible policy aspects of this). We would need to consider supporting projects only if they are less costly than other projects in the same sector, or only if they are infeasible with BETC alone.

He noted risks. CHP plants are contingent on gas and electric prices and continued operation of the host plant. There is the question of whether Energy Trust should pay up-front (as we do in the Production Efficiency projects) or pay-for-performance (which is our policy for utility-scale wind projects). Alan Meyer said paying for performance is acceptable to him. With respect to tie to the utility IRP process, Kim Burt noted his company is not interested in selling power on the market. Chris Galati said economics are more favorable when the output is used on site.

One participant noted that a Klamath cogeneration facility operated even after the host plant shut down. Another wanted to make sure we considered generation efficiency enhancements and opportunities to build generation off of waste energy such as in pressure reduction stages of steam systems.

Fred noted that even if we select projects in 2005, incentive payments may mostly be after the project is completed in 2006, when funding may be tight. We need to decide whether to fold it into the Production Efficiency program. If this happens, we need to consider what balance in terms of funding access we want between CHP and other projects.

Our proposed work plan is to fund cost-effective micro-turbine demos (hospitals) and fast-track options (if the board supports generation efficiency) while we investigate large-scale CHP. Ken Self and John Ryan suggested pursuing small projects with enhancements to efficiency for existing generation now. We propose to select a consultant in March-April and be ready to present a course of action for the board to consider this summer.

There was discussion of the legal question of whether Energy Trust can fund generation efficiency.

Steve Lacey asked Chris to provide NW Natural’s position on using gas funds for CHP when their industrial customers don’t contribute to public purpose funds. Chris said he thought the group had concluded CHP is mainly an electric matter. Steve said it is a budget question: Energy Trust has surplus gas money and may need to borrow money on the electric side. Chris says the company can look at this. Steve Bicker said it would require contractual changes. Janet Fairchild thinks this is a leap.

Chris asked if we could use our existing policy would permit us to fund more small demonstration projects. Fred said yes, if the board approves an extension of their authorization for three projects, although each case requires significant analysis, since it must be a market transformation project.

Steve said we hope the board will approve moving forward on this at their February meeting.

*The meeting adjourned at 4:10 pm.*

*The next meeting is Feb. 9, 1:30 pm, in Energy Trust’s new offices.*