

CONSERVATION ADVISORY COUNCIL

Notes from meeting April 16, 2008

Attending from the Council:

Steve Bicker, NW Natural
Lisa Espinosa, Cascade Natural Gas
Ann Grim (for Suzanne Dillard), ODOE
Bruce Dobbs, BOMA
Don Jones, Jr. Pacific Power
Lori Koho, OPUC
Karen Meadows, BPA
Mat Northway, EWEB
Stan Price, NEEC
Lauren Shapton, PGE
Steve Weiss, NVEC

Attending from the Energy Trust of Oregon:

Pete Catching
Fred Gordon
Steve Lacey
Spencer Moersfelder
Elaine Prause
John Reynolds, Board of Directors
Jan Schaeffer
Greg Stiles

Others attending:

Jeremy Anderson, WISE
Dick Harmon, Industrial Areas Foundation
Susan Hermenet, NEEA
Jeff Harris, NEEA
Nick Parsons, Lockheed Martin
Jason Ping, Pacific Lamp Wholesale
Anne Wagner, SAIC
Phil Welker, PECl
Aaron Wines, Lockheed Martin

1. Introductions

Steve Lacey reviewed the agenda, introduced Susan Hermenet of the Northwest Energy Efficiency Alliance and asked for self introductions.

2. NW Energy Efficiency Alliance

Susan Hermenet presented some background information on NEEA:

- Purpose is to drive behavior change and market transformation in the NW
- \$20 million annual budget
- Largest funders are BPA and Energy Trust
- 30 on staff
- Work in 4 states (Oregon, Washington, Idaho, Montana)

Margie noted NEEA is responsible for 1/3 of Energy Trust electric savings.

Susan explained NEEA is at the front end of a process to create a new strategic plan. They will take notes on comments today from CAC. Other ways to engage include attending workshops around the region, including one in Portland May 22, and to visit NEEA's website to comment on line and connect to others who are commenting.

Jeff Harris of NEEA, acting as facilitator, asked for comments.

Steve Weiss noted NEEA's efforts come at the same time BPA is gathering NW utilities to engage in a discussion about energy efficiency. Karen Meadows said this task force will kick off in June, continue through summer, and is sponsored by the Power & Conservation Council as well as BPA and investor-owned utilities. Its purpose is to get high level people from the region together to talk about how the changing marketplace affects the future of utilities' role in the Northwest. She doesn't think there is a conflict between this effort and NEEA's strategic planning outreach. Matt Northway commented that the task force results may end up influencing the future direction for NEEA.

Karen made reference to NEEA's adoption of technology curve. Jeff explained there are different barriers to market adoption over time. Historically NEEA has identified early market barriers and tried to deal with them. At the point the barriers become price-related, where incentives can help, NEEA has backed off; but they come back at the end of the curve when technologies may be incorporated into code.

Steve Lacey asked Susan what are the chances and implications of NEEA adding gas utilities to its funders. Susan said they are early in the process of engaging folks. The question is whether there are synergies attached to being fuel blind. Two-three years ago the NEEA board chose not to actively pursue gas. Now they're ready to consider it. Steve Bicker said NW Natural is very interested in the early development part. They love to bring new technologies to the marketplace. He said NW Natural is trying harder and harder to live according to its conscience and getting to the place we all want to be. He can't conceive of getting to this place without market transformation. Lisa Espinosa said Cascade Natural Gas shares this sentiment.

Steve Weiss noted that in a cap and trade world, it's important for electric and gas utilities to work together. Karen suggested NEEA might be in a good position to support a smooth transition of technologies into new codes and standards. Don Jones expressed interest in a role for NEEA in supporting training and workforce development.

Steve Weiss said some regulatory agreements are needed to allow utility spending on moving technologies into the mainstream – it is a bigger problem than NEEA.

Steve Bicker said it is frustrating to be in the gas industry because of the dearth of new things on the electric side. There is a glimmer of hope on the horizon with a new efficient water heater and rooftop unit. Maybe there is a role in R&D for NEEA. Pete Catching suggested grants to keep new graduates in the Northwest. Bruce Dobbs said he is struck by the amount of simultaneous heating and cooling we have going on, particularly in the central city area. He wonders if NEEA should facilitate capturing waste heat from one building and use it to heat another one located nearby.

Lisa Espinosa suggested NEEA could look at the air conditioning versus heating needs, and appropriate combinations thereof, in eastern Oregon and Washington. Steve Weiss noted the inefficiencies of server farms converting back and forth from DC to AC might be an area for NEEA investigation.

Margie noted utilities would prefer NEEA focus on regional issues and not operate in individual utility markets.

Susan concluded she would like to come back in the fall with a draft plan.

3. Balanced competition policy

John Volkman said this policy was set up early in Energy Trust's existence. It includes a provision that utility personnel cannot work directly as Energy Trust program management contractors. He noted that, in the implementation of SB 838, we may wish to work more directly with utilities. The board policy committee approves removing that restriction in the case of Renewable Energy Act work, and the proposal to do this goes to the board in May.

Karen asked if this provision affected only renewables programs. John explained SB 838, the Renewable Energy Act, permits utilities to seek rate increases for supplemental efficiency funding.

4. New Buildings program rebid

Spencer Moersfelder presented the schedule for rebid of the New Buildings program management contract. RFP will be released June 6, decision on finalist August 8, and board decision on contract terms Sept. 3. There is no CAC meeting in August, so Spencer said he would communicate with CAC by email.

5. Business Energy Solutions project sorting rules

Spencer Moersfelder said this is the fourth time this topic has been subject of discussion—at two previous CAC meetings, a trade ally meeting April 4 and today's meeting.

He noted current rules for major renovation can cause confusion. Current rules have not been evaluated since 2003 and the timing is appropriate. The rules need to be defined in time for the New Buildings PMC contract rebid. He noted also the Production Efficiency has been restructured.

Energy Trust objectives are to support the market with clear, objective services and incentives, achieve deeper market penetration, in concert with trade allies, and to be good stewards of ratepayer money.

Issues with current rules are, for custom projects, different programs offer different incentives for the same work. Sometimes payments exceed incremental project costs. There is market confusion about which programs should serve specific projects: the two-or-more systems definition to define major renovations is vague.

Staff proposes Existing Buildings will continue to address retrofits and replacements. New Buildings will continue to address major renovations and new construction. The guidelines for defining major renovation will be revised and incentive offers between programs will be aligned.

Existing Buildings will use a baseline of code or industry standard for replacements. To determine the baseline, you ask if the existing equipment meets the occupant's operational requirements. If yes, the project is a retrofit, and the baseline for incentives is existing equipment. If no, the project is a replacement and the baseline for incentives is code or industry standard. Then you ask if the project will replace at least 50% of the lighting and HVAC equipment. If yes, the project goes to New Buildings as a major renovation project; if no, the project goes to Existing Buildings as a replacement project. Definition of major renovation: existing equipment doesn't meet the occupant's operations requirements and involves the replacement of lighting and HVAC serving more than 50% of the total floor area.

Stan asked if trade allies or Energy Trust is expected to figure out which program is appropriate. Steve said if it isn't apparent and requires judgment, the applicant or trade ally should call the Energy Trust for determination.

Spencer said that, beginning July 1, 2008, Production Efficiency will serve as the lead for all existing industrial facilities. Existing Buildings and New Buildings will serve other buildings on industrial campuses. New Buildings will work as lead for new industrial construction projects, in coordination with Production Efficiency Program Delivery Contractors. Production Efficiency program incentives serve all retrofits and major renovations in buildings that contain industrial processes. In establishing baselines, if the existing equipment meets the occupant's operational requirements, then existing equipment is the baseline; if the occupant has new operational requirements, baseline will be code or industry standards.

Spencer said beginning July 1 all cost-effective projects with a simple payback longer than 12 months will be eligible for incentives. The revisions to definitions of baseline and major renovations will help alleviate confusion in the marketplace. It will prevent the same project from receiving two different incentive offers. It will bring in major renovations that look like new buildings, and will help us be better stewards of ratepayer dollars. Spencer noted that staff will closely manage impacts on the market's ability to sell projects.

There was discussion about aligning project caps across programs – for instance, lighting, which in the Existing Buildings program is presently capped at 50% of total project cost, up to \$0.15 per kWh for the entire project (standard and custom incentives combined). Custom incentives for lighting are 30% of total approved project cost. Nick Parsons noted the cap for custom measures is 30%, but no more than 100% of the total project incremental cost. Don Jones suggested in marketing materials state steps one takes in calculating incentives.

Bruce Dobbs said this seems to align better with BETC. Steve said it does, in certain respects.

Steve went around the room to seek comments.

Lauren thinks it's acceptable and applauds Energy Trust for reaching out to so many stakeholders, especially trade allies. Thumbs up also came from Don, Lori, Ann, Lisa, Matt, Karen, Stan, Steve Bicker and Bruce. Steve Weiss said he didn't know enough about the subject to register an opinion.

6. Board strategic workshop first look

Fred Gordon noted process details are still being determined in concert with the board strategic committee. The board at its June 13-14 workshop will look at revisions to goals within our existing scope. They will consider our overall direction and roles. He noted our targets through 2012 are pretty much in place through the IRP process. We need to think about how our roles are changing due to IRP integration. Through 2025 and longer, he noted that historically the resource assessment has told us what we knew how to do yesterday. As interest in long-term efficiency increases, that might not be good enough.

CAC members engaged in discussion about the carbon-constrained future and its impact on the way we all do business. Discussion points included how to escalate R&D and product development, how to inform for policy maker support, how affecting behavior change might fit in, role in workforce turnover and development and education, water efficiency, other fuel types, whether Energy Trust should deliver programs for other utilities in and out of Oregon, load management concerns in light of intermittent renewable sources,

Steve announced a biomass heat workshop May 1-2 in Bend hosted by Sustainable Northwest, which has offered two free slots to members of the CAC.

Meeting adjourned at 4:00 pm.