

# Conservation Advisory Council

Notes from meeting November 17, 2004

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Steve Lacey convened the meeting at 1:35 pm.

*Attending from the Council:*

Steve Bicker, NW Natural

Jim Cox (for Carol Brown), PGE

Gary Curtis, West Wall Group

Suzanne Dillard, ODOE

Jason Eisdorfer, Energy Trust board

Janet Fairchild, Oregon Public Utility Commission

Ken Keating, BPA

John Reynolds, Energy Trust board

Anthony Roy (for Susan Anderson), Portland Office of Sustainable Development

*Attending from the Energy Trust of Oregon:*

Kacia Brockman

Diane Ferington

Margie Harris

Steve Lacey

Sue Meyer Sample

Spencer Moersfelder

Anna Parry

Andy Saleh

Jan Schaeffer

Greg Stiles

*Others attending:*

Kim Burt, West Linn Paper

Alan Dakession, Siemens Building Tech.

Tom Giffin, SAIC

Earl Johnson, SAIC

Jim Rapp, PGE

Jennifer Williamson, Ecos Consulting

## **1. Introductions**

Steve reviewed the agenda and asked for self introductions.

## **2. Program status Q3 report**

Steve presented this report. In total, on the electric side, \$6.7 million was spent in Q3, achieving a savings of 3.5 aMW, at a cost of \$1.88 per aMW.

As of Q3, savings from completed electric projects have achieved 33% of the 2004 energy efficiency goal. Steve expects to finish the year at 80%-100% of the 2004 goal.

Steve reported that gas expenses of \$680,000 amount to \$2.30 per therm. Steve Bicker noted the chart Steve displayed shows an \$18 expenditure in the industrial column, while there is no funding for gas

industrial efficiency. Steve Lacey said he will look into this. Year to date gas savings from completed projects represent 63% of the 2004 goal. With commitments, the percentage increases to 75%.

Steve Bicker also asked if the reports could include leveled costs rather than cost per aMW. Steve said we will transition to this in upcoming quarterly reports to conform with PUC benchmarks. Steve Lacey reported over 5,500 sites were served during the quarter.

Program reports were presented by program managers.

*Solar Water Heating.* Kacia Brockman reported 7 completed projects in Q3 and an expectation of 50 completed projects by year's end, well short of the annual goal. She noted a solar water heating expert team has been formed to provide a sounding board for installer's concerns and ideas. Gary Curtis asked what the cost of the systems being installed is; Kacia said the average residential home installation costs around \$5,000.

*Building Efficiency.* Andy Saleh said the program completed 177 projects in Q3. Gas incentives have been finalized and HVAC selection software has been developed for the trade allies. A new staff person at Aspen is invigorating the sales effort. Gary Curtis asked if technologies requiring engineering studies are less successful than prescriptive approaches. Andy said he's working with the PMC to take a second look at the prescriptive measures. Steve said just yesterday a meeting with SAIC (New Building Efficiency) met to consider offering more prescriptive incentives.

*Production Efficiency.* Andy reported 109 projects were completed in the third quarter. The Blue Heron contract was finalized. We have progressed to the MOU stage with Pacific Power on the irrigation initiative in the Klamath basin. Steve predicts some large efficiency projects will come in during the fourth quarter. Gary asked about the lag time completing the Blue Heron contract. Steve said the biggest issue was related to the fact that Energy Trust typically pays incentives after projects are completed, while Blue Heron needed assurance up front that the funds would be provided. The agreement ended up providing progress payments. Also, the project is further complicated by the need for separate agreements with Oregon Department of Energy, Wells Fargo Bank, and Climate Trust.

*New Building Efficiency.* Greg Stiles reported 3 completed projects in 2003, 6 completed projects to date. Overall to date the program has 47 committed projects representing 10.5 million kWh. The program will not meet its 2004 savings goal nor its 2-year goal. It will take 3-4 years for the program to hit its stride. This performance is explained by the long lead time between front-end design and completion of construction. We plan a short-term kicker Dec. 1-31 to get more programs in the door. Program delivery will begin placing greater emphasis on project hand-holding rather than outreach. The evaluation schedule has been moved forward to begin in December.

*Green LEDs.* No projects were completed this quarter. For 2005, we are looking at adding incentives for new signal fixtures, new and existing pedestrian signals, and incentives for new and existing yellow-flashing signals. Steve said we are considering adding funds to the proposed 2005 budget to continue this program through the end of 2005 (current draft budget shows it ending June 30). If extended, the incentive for green LEDs would be eliminated or reduced in 2006. No one voiced opposition to extending the program through year's end.

*Efficient Facility Operations.* An RFP for program management services will go out soon. Program goals are to improve operation and maintenance practices, purchasing decisions, develop a private sector operation and maintenance services infrastructure, and improve persistence of operations and maintenance measures. Gary noted the potential confusion that could occur if this program doesn't

dovetail with the program being designed by the Alliance, since the Energy Trust program will be rolled out first. Steve said this program will touch all our other programs as well.

*Home Energy Savings.* Diane Ferington said the program is going great guns. She reported 2,524 projects were completed in Q3. The \$50 HVAC trade ally referral spiff has been added. The multifamily program is producing results. She noted that implementation of the refrigerator recycling pilot has been deferred until spring.

*Efficient Home Products.* Diane reported 2,213 rebates were delivered in Q3. She noted 3,869 rebates from the Double Your Savings were processed, of which 84% were MEF 1.60 and higher. Energy Trust rebates represents 32% of Double Your Savings rebates in the northwest. Results of the Bosch dishwasher incentive were disappointing, with 122 incentives paid.

*Efficient New Homes.* Diane said 11 builder trade ally agreements have been submitted, representing 72 homes. The first two incentives for stand-alone furnace measures were paid in September.

*Northwest Energy Efficiency Alliance.* Steve reported the two organizations continue to collaborate closely.

*Utility Transition Programs.* Steve said these programs are being wrapped up in 2004.

## **2. RFP for Quality Assurance Contractors**

Spencer Moersfelder, Energy Trust program coordinator, said this effort seeks to create a pool of quality assurance contractors. They will be used by internal program managers to assure PMC performance. Ken Keating asked how the quality assurance effort fits with the evaluation process. Steve said the function of the QA contractors is to help program managers make sure PMCs are correctly following programmatic procedures regarding incentive processing, etc. They will not duplicate or review the work of evaluators.

## **3. Home Energy Savings re-compete RFP**

Diane presented slides portraying the scope and scale of the Home Energy Savings program. There was discussion about the need to adjust the program activity report to show consistent information. She presented participant volume from contract start to date, which illustrates which measures have been more successfully marketed, and those that have fallen short.

She said the program objectives include a 60-80% median income initiative, a community-based initiative and the refrigerator recycling initiative. She noted several questions for discussion:

- How much marketing is needed?
- Whether to package measure offerings?
- Whether the program should conduct “duct testing” and blower door testing for the entire house
- Whether the program should offer comprehensive audits for a fee?
- What \$/aMW is realistic in this market?

Diane said EPA has offered to send a representative to present “Home Performance with Energy Star” program concepts to the CAC on December 15.

Steve noted our desire to put an RFP on the street in January, which would necessitate a special meeting on December 15. In support of the special meeting: Suzanne Dillard, Jason Eisdorfer, John Reynolds (who expressed concern that the board might add an executive session), Ken Keating, Jim Cox, Steve

Bicker, Janet Fairchild and Gary Curtis. John said the meeting should be held even if the board members end up having to forego this meeting for a board executive session.

Diane noted the importance of good coordination with the utilities to the success of the program. She would like to see thinking about alternative delivery mechanisms. She said that media coverage of an EnergyStar, ODOE, Energy Trust duct sealing promotion in October generated calls and participation. Gary Curtis would like an analysis of marketing barriers to help him prepare for the next meeting.

Diane reviewed selection criteria, unchanged since the first procurement. Jason suggested adding a criterion regarding ease of transition. She described budget elements, which proposers will be asked to cost out, including program management, delivery and marketing. Steve said the Energy Trust would maintain the incentive budget outside the contract, since incentive funds are administered by the Energy Trust.

Steve reviewed the proposed compensation structure. Currently, Energy Trust pays time and materials with pass-through of other costs. The current Ecos contract includes a penalty clause based on savings targets, which has proven to be problematic, due to volatility of the marketing and the effect of true-ups in changing savings calculations. We propose the new contract to be on a cost-plus-fixed-fee-to-a-maximum basis. A performance clause would link to Energy Trust annual goals rather than a set goal over the life of the contract. Another performance clause would link to achieving lower dollars per average megawatt for the program. We think the combination of performance clauses will have the effect of encouraging the contractor to be more innovative. There was discussion about a modeling approach to assist with sizing window incentives and determining cost effectiveness. Ken Keating thinks window incentives might be considered a marketing cost.

Steve raised a policy question of whether to eliminate the two-program rule (one PMC cannot be on the program management team on more than two contracts). He believes the rule may have served its purpose. There is robust competition in the marketplace. John Reynolds asked what the impact of relaxing the rule might be on increasing the number of proposers (only two are affected by the rule). Aspen is PMC for two programs. PECL was selected to run one program that was subsequently divided into two program contracts (Efficient Home Products and Efficient New Homes) for administration reasons by Energy Trust. Under the current rule PECL cannot bid on the upcoming Efficient Facility Operations program RFP where PECL has exemplary qualifications and their exclusion would not serve Energy Trust's interests. Discussion focused on the importance of keeping a diverse base of Energy Trust contractors, to avoid putting all our eggs in one basket. At the December 15<sup>th</sup> meeting, Steve will be asking for a recommendation to take to the board that would allow the waiving of the rule.

Steve Bicker suggested considering longer contract terms. A discussion ensued.

#### **4. 2005 action plan and budget**

Margie Harris presented power point slides summarizing the draft 2005-2006 action plan and proposed 2005 budget. It includes three new programs: Efficient Facility Operations, Cluster Wind, and Biopower. New initiatives under consideration include CHP and community energy/transmission and distribution deferral. Planned expenditures may exceed revenues (\$4 million on the Pacific Power side), while on the gas side we expect to have a surplus because gas programs lag electric programs by approximately 1 year. She noted that the proposed 2005 budget is nearly \$84 million, of which is \$38 million is carryover funds from prior years. Of the additional carryover funds, \$30 million are for one-time-only, non-repeating expenditures such as major wind projects, Blue Heron, and projects identified and not yet expensed in production efficiency. Once such non-recurring items are deducted, the 2005 budget levels

are quite consistent with prior year budgets, with expenditure rates more closely matching revenues received.

Jason asked the status of an Energy Trust process for incorporating good new ideas into the energy efficiency side. He is concerned because the efficiency side does not have an open solicitation program. Steve said for the most part these ideas can be accommodated into the appropriate efficiency programs. He is trying to restructure contracts to provide more incentive for the PMCs to develop new approaches. Margie noted that staff is addressing this matter as part of its reconsidering of the board-approved program process, and it will be on the agenda of the next policy committee meeting.

Wrapping up, Margie said the draft action plan and proposed budget will be posted on the website and comments are welcome between now and December 7<sup>th</sup>.

Steve adjourned the meeting at 4:30 pm.

**There will be a special meeting of the CAC on December 15, 2004, 9 am-noon.**