

## **CONSERVATION ADVISORY COUNCIL**

Notes from meeting Nov. 16, 2005

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### *Attending from the Council:*

Steve Bicker, NW Natural  
Gary Curtis, West Wall Group  
Suzanne Dillard, ODOE  
Terry Egner, Micro Group  
Don Jones, Jr., Pacific Power  
Debbie Kitchin, Energy Trust board  
Mat Northway, EWEB  
Stan Price, NEEC  
John Reynolds, Energy Trust board  
Syed Rezvi, OPUC  
Lauren Shapton, PGE  
Dave Tooze (for Sue Anderson), OSD

### *Attending from the Energy Trust of Oregon:*

Fred Gordon  
Margie Harris  
Steve Lacey  
Elaine Prause  
Maureen Quaid  
Andy Saleh  
Jan Schaeffer  
John Volkman

### *Others attending:*

Kim Burt, West Linn Paper  
Bill Darden, Harris Group  
Dave Emmenegger, Alderbrook & Assoc.  
Tom Dunn, Weyerhaeuser Co.  
Walt Figueras, Platt Electric  
Kelly Gorham, Christenson Velagio  
John Graham, Efficiency Development  
Larry Haage, Energy Payback Solutions  
Michelle Haage, Energy Payback Solutions  
Curt Harrison, The Stoner Electric Group  
Steve Hatheway, Siemens Bldg Technologies  
Brian Hedman, Quantec  
Lynn Kittilson, OPUC  
Lee Kuhl, Aspen Systems  
Mark Larsen, North Coast Electric  
Patrick McCarthy, Aspen Systems  
Will Miller, Aspen Systems  
Steve Rubbert, Inertia Energy  
Ken Self, Aspen Systems  
John Shinn, QEI Energy  
Ray Steaberg, Environmental Systems, Inc.  
Buzz Thielemann, RHT  
Phil Welker, PEI  
Geoff Wickes, Ecos Consulting  
Frank Wiering, Rogers Machinery Co.  
Bruce Witmer, Weyerhaeuser

## **1. Introductions and Announcements**

Steve Lacey welcomed attendees, and asked for self introductions.

## **2. 2006 Meeting Schedule**

Steve distributed a proposed meeting schedule

## **3. Self Direction Policy Amendment**

John Volkman presented two proposed changes to the existing policy governing how Energy Trust can support self-directing businesses (over 1 aMW usage/year at one site). He explained that, according to the existing policy, eligible businesses can receive 50% of Energy Trust's regular incentives for a new project or stop self-directing for 36 months, in which case they would be eligible for 100% of Energy Trust incentives. There is an exception from the 50% rule for unitary HVAC systems and motor replacements, which always qualify for a full incentive.

In the revision staff proposes to take to the board in December, staff hopes to clarify the original intent of the policy, and to propose two substantive changes:

- Authorize Energy Trust to pay full incentive for measures with modest savings/costs where otherwise the policy would frustrate program objectives; and
- Give staff flexibility to decide whether to seek recovery of incentives if self-direction agreement is breached.

Ken Self asked what happens if a company that has received Energy Trust incentives decides to self direct. Is there an impact on the past incentives? Points of discussion:

- Companies may have paid public purposes since day one without participating in programs at a level proportional to their funding of the Energy Trust, and as a consequence without receiving commensurate benefits. Now they may be ready to proceed with measures and face delays in implementing projects due to the near-term oversubscription to the production efficiency program. As a result, they may want to self direct. If they self-direct should they have to pay back a portion of the incentive funds they received from the Energy Trust for the measures they've already installed?
- Other companies may have begun as self directors, have withdrawn to pursue Energy Trust funding, and now want to return to self direction to fund additional projects sooner than additional funds will be available through PE. Should they be required to pay back funds?
- Can staff or board consider projects case-by-case, or would this be too difficult to administer fairly?
- Should there be a "pass" provided for 2006 due to special circumstances?

Steve asked the council if language should be added to the policy to provide flexibility during 2006?

- Terry Egnor: suggests looking to the past, as well as forward, to count 36 months.
- Suzanne Dillard: recommends flexibility.
- Mat Northway: would be concerned about policy changes that encourage gaming. Flexibility would be acceptable if approached to discourage gaming.
- Dave Tooze: flexibility is desirable to maintain momentum.
- Syed Rezvi: flexibility is Ok so long as you don't open up opportunities for gaming.
- Lauren Shapton: supports flexibility.
- Stan Price: Stan favors flexibility to keep momentum in the market.
- Don Jones: flexibility plus clear guidelines.
- Gary Curtis: flexibility with yardstick for measurement.
- Debbie Kitchin: if there is discretion, give clear guidelines. A history of paying in should be a significant factor. Fairness is important, for all kinds of customers.
- John Reynolds: use flexibility carefully. As a sector, industry has received far more money than they've put into the Energy Trust. There is an equity issue here.

#### **4. Building and Production Efficiency Incentive Changes for 2006**

Andy Saleh presented this topic. He noted current volume limitations for current programs, a consequence of successful marketing and promotions. The current project pipeline is robust, as is the "expected" project pipeline (projects without formal incentive made). Budget for Building Efficiency in 2006 is \$2.7 million and Production Efficiency is \$8.5 million.

Proposed changes starting Jan. 1 to the Building Efficiency program include:

- Custom project incentives (over \$1,000) must be pre-approved.
- Incentive cap for new project lowered from 15 cents/kWh to 12 cents/kWh.
- Maximum incentive lowered from 35 to 25% of incremental cost.
- Maximum project incentive lowered from \$500,000 to \$100,000 (per site per year). Additional projects at same site could be funded in subsequent years.
- Eliminate incentives for standard T8 retrofits; promote high performance T8 systems that conform to CEE standards.
- Reduce screw-in CFL incentive (\$2 one piece, \$4 two pieces).
- Insulation incentive reduced from 30 cents/sf to 20 cents/sf.
- Change in funding for studies:
  - No change if BE contracts for study
  - For studies brought in by an ATAC, BE pays 50% up front and rest if company moves forward to implement

Production Efficiency changes proposed to take effect Jan. 1:

- Incentive cap for new projects lowered from 15 cents/kWh to 12 cents/kWh.
- Incentive cap for new municipal water and wastewater projects lowered from 25 cents/kWh to 20 cents/kWh.
- Maximum project incentive lowered from \$500,000 to \$250,000 per site per year.
- Eliminate provision that incentives buy down savings to 18-month project payback.

Discussion points included:

- Consideration of “mega-projects” will be done on case-by-case basis.
- Whether change of approach to funding of studies will be a disincentive to ATACs. Steve noted customer can request Energy Trust to assign a particular ATAC. Andy clarified that either way, if a customer doesn’t move forward, Energy Trust will pick up only 50% of the study cost. Purpose of change is to avoid Energy Trust in effect paying marketing costs for ATAC+ who do many studies with hopes of landing a few. Steve Hatheway suggests collecting a portion of the study funding back from the ATAC if a project doesn’t go forward. (ATAC = under contract to Aspen. ATAC+ = organizations outside the ATAC pool under contract to Aspen capable of performing technical studies).
- Will lowering the maximum PE dollar incentive cut out some significant projects that need help to get pushed over the feasibility threshold? Steve said we retain discretion to waive the cap on a project-by-project basis per the mega-project track where individual projects are reviewed by committee for cost-effectiveness and incentives are negotiated.
- When will a PE project stop getting 12 cents/kWh and start getting 2 cents/kWh? Steve said the 2 cents/kWh is for very attractive projects with a payback of less than 18 months.

Andy explained a commitment reservation process:

- Projects with signed offers get funds committed in quarter they are submitted on first-come, first-served basis.
- Funds are reserved for an agreed-to term (typically 90 days from commitment date). If no implementation within the reservation term, project is abandoned and funds released in that quarter. Project can reapply for the next quarter. Projects with proof of implementation progress will have funds reserved until projected completion and payment date.
- Funds left over in a quarter will be transferred to the next quarter.

Discussion topics included:

- How to define “implementation” – that funds have been requested from corporate? That construction has started? Parts ordered? Steve is inclined toward demonstration that project has been approved to commence. Chicken and egg issue: a corporate board may be reluctant to approve a project if they are unsure funds will be available?
- How a small business can move forward next year. Steve said we will have available funds for lighting and HVAC; we won't know the exact amount until the board acts on the budget. Steve thinks a business could wait for a few weeks until our funding levels are ascertained before submitting projects for approval.
- Andy noted the changes put us in much more one-on-one conversation with customers about when projects are ready to move forward.
- What about submission of projects between now and Jan. 6? Andy said we aren't going to put a project in the queue for Q1 if it isn't going to hit until Q2. Projects with completion dates after December 12 will not be accepted until January 2, 2006.
- Whether a company could complete a project now and wait to submit paperwork until later? So long as the project is pre-approved, the Energy Trust will pay the incentive agreed to on the application form. Will this encourage gaming the system: that projects seeking funds in Q1 will roll over to Q2 if Q1 dollars are all spent.
- What happens to a project set for completion by end 2005 that doesn't start or complete by then? Will funds roll over into 2006? Anticipated and committed project funds are accounted for in the 2006 budget. If projects have not started within the time specified on the Form 120-420 they will need to be resubmitted for approval and will be offered the 2006 incentive level.
- Will the spreadsheet provided by Energy Trust to calculate lighting incentives change? Andy said it will.
- Can projects get into 2006 queue now? Andy said yes, informally. Gary Curtis said it would not be fair if this were done without giving everyone the same information and same opportunity. (*Point of clarification per Steve Lacey: Projects submitted with anticipated completion dates after December 12 will not be accepted until January 2, 2006.*)
- If you've already spent money on a study, without a commitment form signed, they'd need to apply at the new incentive level.
- How much of the \$8.7 million PE budget for 2006 has been committed (signed 420s)? Steve said “just about all of it.”

## 5. 2006 Budget and Action Plan

Margie presented slides on background and summary of the proposed 2006-2007 action plan and 2006 budget. Some of her key points:

- 2005 is shaping up to be a banner year

- Demand for services is at an all-time high, especially in Pacific Power territory
- Annual efficiency savings goals are being attained or exceeded
- Transitioning from surplus funds to close fund management, particularly for energy efficiency programs
- Proposed \$47,393,000 efficiency budget for 2006
- Renewables side includes new biopower program, community wind program; open solicitation program funds are contracting as project shift to the two new categories; changes to funding for solar and utility scale are in play
- Intent to maintain equity across sectors
- Need to emphasize NW Natural
- Are adding CHP
- Introducing community energy strategies
- Integrating delivery of programs
- Questioning whether to pursue a transmission and distribution project
- Emphasizing evaluations and resource assessment
- Maintaining partnerships
- Complying with OPUC performance measures
- Establishing a line of credit and an undesignated incentive reserve to provide flexibility to serve programs with high demand and consideration for highly cost-effective lost opportunity projects.

Discussion topics included:

- Will PE costs/Average Megawatt (aMW) continue high? Margie said likely not; costs are coming down.
- Should we revisit how industrial costs/aMW are calculated? More coming later in the meeting.
- Can we establish an internal escrow system to borrow money from one bucket (e.g., gas, renewables) for use in another (e.g., electric efficiency)? Margie thinks it would be imprudent to borrow internally given that the funds are contracted separately or are separate in law. What if, for example, gas program activity increased and we needed the funding for those programs.
- Why more spending in Pacific Power territory? Margie said Buzz Thielemann's RHT group's marketing was effective, customers were receptive, solar was easier to sell there because of the sunshine (even though solar works well in PGE's cloudier territory, the perception is different).
- Analysis of why programs are selling out: incentives too high, more resources than funding can acquire? Margie said a resource potential study will be completed in spring that will shed light on this.
- What was behind the misunderstanding about funding available for PE? Did that money go to other programs? Margie said she has initiated a review so she and others can understand what happened and not repeat it.
- How far will BE and PE levelized costs drop? Steve said that in 2007, costs will go further down, but not necessarily below residential. He thinks residential costs were driven down by the Alliance and compact fluorescent lightbulbs. Fred said the Alliance hasn't figured out how to quantify their commercial savings, so they aren't claiming much savings there yet.

## 6. Cost Effectiveness Analysis Update

Elaine Prause presented updates of the cost effectiveness calculations:

- We currently assume 9.7% additional savings over end-use savings due to reduced transmission and distribution losses associated with energy savings. This number is assumed for all sectors. We have re-analyzed this by sector and will assume 8.9% loss for residential, 8.7% for commercial and 5.5% for industrial. We expect a net impact of 5-6 aMW reduction in expected savings by 2012 because of this adjustment to savings.
- We are considering adopting the results of the NWPCC risk modeling for the Fifth Power Plan to provide a value for risk avoidance associated with energy efficiency (energy efficiency provides a hedge against volatile market and fuel prices for the electric system because most costs are paid up-front there is no uncertainty about the price of fuel for conservation). These values would be applied to the avoided cost determination within Energy Trust's benefit cost ratio determination. This would make efficiency B/C ratios look slightly better but would not change levelized costs, or significantly change program funding decisions.
- We have analyzed marginal versus average utility system costs. This allows calculating levelized marginal costs per program, levelized total program costs per program and marketing transformation levelized total program costs. Upshot: everything looks less costly analyzed on the basis of marginal costs, since the analysis doesn't consider fixed costs. However, the analysis does not appear to staff to call for any changes in the ways budgets are allocated to various programs and sectors in the draft budget.

Discussion topics included:

- Whether the new values would be accepted by lay persons.
- Energy Trust is awaiting comment on the hedge value proposal from PUC staff.
- After OPUC weighs in, we will take this to our Policy Committee.
- Caution about the Alliance numbers and the cost of CFLs, which present potentially a significant potential for distortion. Fred said the Alliance believes that roughly two thirds of homes don't have any CFLs yet and Energy Trust and Alliance programs combined are helping to shift this share.

CAC member comments on budget/action plan:

- Suzanne Dillard: no changes to suggest
- Mat Northway: supports budget and action plan
- Syed Rezvi: OPUC comments will be presented Nov. 22 during worksession
- Dave Tooze: OK with proposed budget, action plan
- Lauren Shapton: in general thinks the proposals are good; suggests watching the undesignated reserve carefully to determine how it's used, the appropriate level
- Stan Price: thinks we have taken pretty good steps to move programs closer to match annual revenues; says it's important to make data available, and to make sure the trade ally network doesn't bear an undue burden from the changes – line of credit will help
- Terry Egnor: ditto
- Don Jones: changes to incentive levels are good; echoes the need for being transparent; encourages presenting information on revised program funding levels at December board meeting; urges rules for study funding to be standardized among all ATACs (i.e., pay half of costs up front for all)

**Adjourn**

Steve adjourned the meeting at 4:17 pm.

The next meeting of the Conservation Advisory Council is Jan. 18, 2006, 1:30-4 pm in Energy Trust offices.