

CONSERVATION ADVISORY COUNCIL
Notes from meeting May 17, 2006

Attending from the Council:

Andria Jacob, OSD
Steve Bicker, NW Natural
Don Jones Jr., Pacific Power
Ken Keating, BPA
Mat Northway, EWEB
Paul Olson, Oregon Remodelers Association
Stan Price, NEEC
John Reynolds, Energy Trust bd
Syed Rezvi, OPUC
Susan Dillard, ODOE
Debbie Kitchin, InterWorks/Energy Trust bd
Terry Egnor, Microgrid, Inc
Jim Cox (for Lauren Shapton), PGE

Attending from the Energy Trust of Oregon:

Elizabeth Giles
Diane Ferington
Fred Gordon
Steve Lacey

Lee Litchy
Margie Harris
Sue Meyer Sample
Elaine Prause
Kacia Brockman
Kendall Youngblood
Kevin Whilden
Greg Stiles
Spencer Moersfelder

Others attending:

Mary Mann, Goose Hollow Windows
Brian Hedman, Quantec, LLC
Lee Kuhl, Lockheed Martin
Charlie Grist, NWPCC
Alan Meyer, Energy Trust bd
Jason Eisdorfer, Energy Trust bd
Matt Roland
Susan Steward, BOMA

1. Introductions and Announcements

Steve Lacey convened the meeting at 1:35 pm, welcomed attendees and introduced the agenda.

2. 1st Quarter Program Status Report

Steve presented the progress during the first quarter of 2006. Across all programs there was 4.03 aMW of electric savings at a cost of \$7.8 million, providing a levelized cost of about \$0.02 per kWh. The programs are tracking well and in line with what was expected for the first quarter. PE is a little behind due to several major projects that will install later than anticipated. Overall, efficiency is at 23% of the annual electric savings goal.

On the gas side, the first quarter saw approximately 441,000 therms saved at a cost of \$2.1 million, for a levelized cost of about \$0.32 per therm. Both NBE and BE have had some delays, partially due to the hiatus in the first quarter from initiating the reservation system in BE. HES and EHP are right on track. Overall, gas efficiency is 17% towards its annual goal. Over 47,000 gas and electric measures were provided during the first quarter. However, this number includes CFLs, which represent a significant number of transactions.

Building Tune-up and Operations. Currently, there are no savings on the books due to the long life of projects on the electric and, to a lesser extent, on gas side. None of the boiler tune up paperwork has been completed and no numbers are expected until second quarter. The program is largely underspent due to the lack of paid incentives and longer project lifecycles. The program hosted a kick-off meeting with the seven firms of allied technical assistance contractors that will be providing commissioning services for the retrocommissioning service channel. Three memorandums of understanding were

signed to begin diagnostic services for projects. The three boiler tune-up trade allies that have solicited enough projects to completely use the budget by the end of 2006.

New Building Efficiency. Electric savings are on track, but gas, as expected, is behind due to delays in large building projects that will be completed later in the year. NBE is under budget on both the electric and gas side, but expenses are expected to catch up later in the year to meet budget projections. The quarter saw a lot of housekeeping activities, including signing a new contract with SAIC in March. SAIC hired Jim Arends to assist with more complex projects, bringing the staff up to five employees. SAIC has seen a tripling of projects from last year. NBE has been working closely with Solar Water Heating program to integrate the programs. NBE hosted a Solar Water Heating training webinar for commercial installers to this effect. A Building Simulation Users' Group was organized with representatives from ODOE, NEEA, NW Natural and several engineering firms in an effort to raise the caliber of energy modeling across the state. This should lessen the review time for staff when projects come in. Finally, a commissioning pilot was launched. It is capped at \$40,000 per project and is an additional incentive to existing offers for those projects that have a high degree of variability. It will be evaluated in 2-3 years to see if it has been effective.

Debbie Kitchen asked what the timeframe is for the completion of a NBE project. Greg Stiles replied they are 2-3 years. Projects spend 6-12 months of initial planning work, so projects on the books now commenced two or more years ago.

Building Efficiency. BE expenditures and savings are well within expectations, with .66 aMW of electric savings and 148,000 Therms. Levelized costs are better than projected, at \$0.014 per kWh and \$0.23 a Therm. The program installed 776 high efficiency HVAC and lighting measures. Of this total, 366 buildings received electric efficiency measures, 26 buildings received gas efficiency measures, and 384 buildings saved both gas and electricity. The reservation process is working well. A few projects have been declined, a first for the program. We will have a better sense of the impact of the reservation system in the second quarter, at which point staff will present findings to the CAC and later to the Board in August.

Paul Olsen asked what the reasons were for turning projects down, and how they were treated. Steve replied they were lighting projects, and they have the option of coming back to the queue a second time. BE is attempting to spread the limited funds as far as possible.

Production Efficiency. First quarter expenditures were around \$2.9 million, resulting in 11,000 MWh of savings. The 46 first quarter projects returned a levelized cost of \$.026 per kWh, better than the conservative action plan target. There were fewer than expected completions due to delays in construction with three large projects that represented around \$250,000 in incentives each. The reservation system was initiated and appears to be working well. There will be a status report on the system and outcomes in July.

Alan Meyer asked how many projects have been turned down and Lee Kuhl replied that none have. In addition, there is funding available for small projects that do not have to go through the reservation system.

Home Energy Savings. The levelized cost is significantly better than the annual plan, with \$0.017 per kWh and \$0.27 per therm. HES is somewhat under spent on gas, but that gap will be filled later in the year. In March, 616 gas furnaces were installed. The program is very busy, with the call center receiving 6,799 calls during the quarter. The online home energy review request feature implemented in the first quarter on the website has been an effective tool, improving efficiencies for management and the call

center. In the first quarter there were 1,325 HER, predominantly in Portland metro area. Energy advisors installed an average of 7 CFLs, 0.5 showerheads and 1.1 aerators per review.

There were three blitz campaigns during the first quarter in the towns of Silverton/Mt. Angel, Stayton/Aumsville area and Dallas/Independence and there was a measurable return on investment. HES is cutting back on blitz activity because there is more than enough demand at present, and outreach to communities can be expensive.

Though gas furnaces were the dominant measure installed in Q1, 119 heat pumps were also installed. During HER, energy advisors are capturing valuable data when replacing incandescent bulbs with CFLs, including the location of the replaced bulb, what wattage it was and the average burn time according to the participant. The most common CFL being installed is the 15 watt, followed by the 25 watt and 15 watt outdoor flood.

Steve Bicker asked if HES anticipates the reduction of the furnace incentive to \$75 to lower the levelized cost below the OPUC threshold. Diane said that on the contrary, she anticipates the cost effectiveness to improve. The volume may decline, but that is normal in response to seasonal activity. In the fall, we would expect numbers to come back up. Steve Lacey noted that HES levelized cost of \$.27/therm is lower than the PUC performance measure of \$.30/therm

Solar Water Heating. 35 residential solar water heating measures were installed in the first quarter, which represents 52 systems (18 units were installed in the Clara Vista development project). 33 systems, including 18 units at Clara Vista, saved 4,700 Therms of gas, and 19 systems saved 48,000 kWh of electricity. These numbers met the best case savings goals for first quarter of 2006. Energy Trust SWH program training was approved for 8 continuing education credits for journeyman plumbers. Energy Trust worked with an Earth Advantage event to present the solar program incentives in conjunction with the tax credit presentation. There are several upcoming solar sessions planned for June.

Efficient Home Products. There are several big events coming up this summer and fall that will boost numbers for EHP. The numbers look like the program is over budget, but that is an artifact of the budgeting methodology and the program is on track. There are plenty of funds for the summer activities. In the first quarter, EHP provided incentives for 34,500 CFLs, 4,928 clothes washers, 539 light bulb boxes for residents who completed the online home energy analyzer and 450 CFLs through the Lights for Learning fundraiser where students sell CFLs and earn 50% profit on bulbs sold. Beginning February, EHP launched the \$75 clothes washer incentive, down from \$100. An energy efficient clothes washers and matching dryer were awarded for both PGE and NW Natural's on-line Earth Day contests.

Efficient New Homes. The program is under goal on savings and spending for ENH due to an ugly winter that resulted in slow starts in construction. However, the first quarter wrapped up as the strongest since the start of the program, closing 126 gas homes, 82 zonal homes and 13 heat pump homes. The program has continued to attract new builders and launched a "Champion Builder" promotion to focus high priority marketing at new builders. ENH is doing cooperative advertising in conjunction with Columbia PUD through an EPA grant of \$22,288 in the Portland, Bend, and Columbia River markets. A big event is coming up called "The Neighborhood," previously known as the Street of New Beginnings. ENH has developed ads that have a new look and feel to be consistent with other program marketing. They will be placing ads in Oregon Home and the Portland Monthly, in addition to an ad the program designed for Eagle's Loft Condominiums in that appeared in the April issue of the Alaska Airlines magazine.

Charlie Grist would like to see the fraction of the market the programs are reaching. This would give an idea of the market penetration, as well as the scope of lost opportunities.

Efficient New Manufactured Homes. The program is picking up steam, with 55 whole house incentives and 79 upgrades. We now have up to 70% of all manufactured home retailers in Energy Trust territory participating in the program. A program ally newsletter, scheduled to come out every other month, was launched. The mailing is being sent to all retail locations to keep even those not yet signed on in touch with the program. A new manufactured homes version of the touch screen virtual tour was created, along with a new promotional flyer.

Northwest Energy Efficiency Alliance. NEEA is on track with a \$.015 per kWh levelized cost. They continue to support activities with clinics to train building construction program students on energy efficient lighting practices and Energy Trust program requirements. In the commercial sector, NEEA is focusing on the hospital market and the design and construction market with BetterBricks training courses in Portland. There is a building operations initiative, focusing on facility screening and building diagnostics that includes OHSU, Willamette Falls Hospital, Columbia Financial Center and Lincoln Tower. In the industrial sector, NEEA is working in cooperation with NW Food Processor's Association and providing more training in a compressed air initiative. They are working with PGE and PAC on distribution efficiency pilot program. The hope is if the pilot works, the utilities will pick it up because it saves on both sides of the customer meter.

3. BPA Conservation Rate Credit

Steve explained that the conservation rate credit (CRC) is BPA's efficiency and renewable investment replacement to the energy efficiency and renewable funding mechanism (C&RD) for BPA utility customers. It allows PGE and PacifiCorp to get billing credit on BPA supplied power by performing energy efficiency that is additional to Public Purpose funded activities. Energy Trust is hoping to align its programs to tap into these funds. Energy Trust is proposing to enter into an agreement with PGE and PacifiCorp through a memorandum of understanding (MOU) defining the terms, including: the annual amount and term through 2007, the monthly cash flow, the defined activities and the funding allocations. Energy Trust presumes these would be reviewed and renewed annually.

The proposed funding allocation attempts to take funding that could be leveraged and putting it into programs and service territories that need it the most. The strategy is to use \$1.5 million available in PGE and \$1 million in PacifiCorp on an annual basis. These values were taken from conversations with PacifiCorp a few months ago, and they are re-evaluating now. PacifiCorp will be getting back to Energy Trust in the next few weeks with their spending plan.

Don Jones commented that the application process was extended by Bonneville and that they need to continue the evaluation process to determine how much if any will be available to Energy Trust. These numbers should not be used for planning purposes and are subject to change on the Pacific Power side.

Recognizing the current demand for program funds, the Energy Trust is proposing to spend 50% of the annual allocation in 2006, starting in July. For 2006, revenues will be only one quarter of funds. This will leave \$625,000 that would need to be made up in 2007. By 2008, expenditures will match CRC allocations through the ramping of the budget.

The funding will be assigned to specific Energy Trust programs within PGE and (separately) within PacifiCorp service territories based on where Energy Trust sees the greatest need for the funding in that territory. For example, PE has a larger share in Pacific Power because the demand is greater in that

utility. For ENH, there is nothing allocated for PGE, but there is need in Pacific Power territory. In 2007, the match will be closer since things will level out in the programs on an ongoing basis.

Charlie asked for clarification about the \$2.5 million allocation. This is a subset of a greater CRC amount anticipated by PGE and Pacific Power. Ken Keating commented that the IOUs are going out of their way to provide this opportunity by choosing to allocate some portion of the CRC to Energy Trust. If they start on July 1st, the IOU's will be fronting the money.

Steve Bicker asked if any of the CRC allocation will be going to renewables. Steve Lacey replied that a percentage of the overall CRC can be allocated to renewables but the \$2.5 million is for Energy Trust efficiency programs only, and that the utilities will deal with renewables separately outside of the Energy Trust.

There is a complication in the form of a lawsuit brought by some PUDs and concerns the current residential rate exchange. If the lawsuit goes in the favor of the PUDs, it would preclude PGE and PacifiCorp from conservation rate credit funding, and the opportunity would disappear. If Energy Trust was to move forward with a PGE and PacifiCorp MOU there could be a worst-case scenario of a \$1.25 million shortfall. However, the IOUs require a no-risk contribution.

One option is to wait out the court decision, which could take two to seven months and would lose the opportunity to fund more projects in 2006. The other option is to secure an alternative short-term funding source, i.e. rate recovery. PGE and PacifiCorp would seek OPUC approval to recoup contributions, which will require collaboration by all the stakeholders. The OPUC will need to ask the attorney general's office if this is allowed under SB 1149.

Debbie Kitchin asked what the timing would be. Steve replied that the proposed provision for rate recovery as a fall-back would be an interim solution until the issue is resolved. The next steps will be to meet with the OPUC to determine whether the utility contribution can be recovered in rates, and then to meet with stakeholders. In the interim, Energy Trust will investigate the lawsuit timeline. Finally, we will present to the Board for approval of the MOUs, presumably in August.

If BPA loses the lawsuit, it will affect the entire future of conservation. Stan Price asked if this were to go forward, who would get the credit for the savings; BPA or Energy Trust? Ken replied that BPA would account for the savings and Energy Trust would make it possible. Jason added that this is being paid for by the customers of BPA, thus they claim the savings. He continued that it is important to go forward assuming Bonneville will lose so Energy Trust is prepared with a back-up plan. There is an equity issue since the utility could raise rates to the residential customer, but not to the industrial sector, who would be benefiting from this plan.

Paul Olsen commented that if this works out, it will be a great way to supplement funding in areas that have demand. As for who claims the savings, the CAC does not feel it matters. It is acquiring savings for the rate payer in one place or another, as long as it is not double counted.

Margie asked what the process is, assuming that the Attorney General's opinion is favorable. Syed responded that it may work to a letter agreement.

Don emphasized that PGE and PacifiCorp are working on different wavelengths. PacifiCorp is working within the framework of a bigger picture and has not settled on the allocation of CRD to different opportunities yet..

4. CHP Update

Kevin Whilden explained that they have obtained approval for the CHP program and are moving forward with forms and program development. The first potential project is a tri-generation project at Nike, using an 8600 BTU heat rate as the baseline to determine energy savings and funding potential. This is an estimate derived from modeling by the Northwest Power and Conservation Council. The PUC staff has agreed that the approach used to derive this estimate is reasonable.

Ken Keating said that in light of the budget constraints, it is surprising that there is funding for CHP. Steve explained that CHP funding is a component of PE and other programs and that there is not a set-aside amount for CHP. CHP will compete for funding like any other projects. However, this project won't happen until 2007 when more funding will be available. Nike needs to proceed with some new investment, because they get hot and cold water from a third party. That supply will disappear in the next few years and they need an alternative solution.

The Energy Trust will proceed to analyze the Nike project for cost-effectiveness and, should it prove cost-effective, to estimate the possible incentive.

5. Energy Trust Strategic Plan Update

Fred explained that strategic planning is a process that occurs every five years for Energy Trust. It is an organized effort to determine the long-term scenarios and actions that shape and guide the Energy Trust's strategy and direction of activities for the next five years.

The process began with planning and mapping of the process and timeline. It moved into data collection process where staff, management, Program Management Contractors, and members of the Board Strategic Plan Committee assessed our current strengths, weaknesses, opportunities and threats (SWOT). These groups also provided thoughts about how our environment and Oregon's needs are changing and what that might mean for what is needed from us by 2012. The data from these sessions were synthesized and compiled, and strategic issues identified to be presented to RAC/CAC and Board.

The issues that emerged from this process will be binned into short term operational issues (for the 2007/8 action plan), longer 2007-2012 strategic issues and long-term visioning. By Fall, a two year action plan and a strategic plan for 2007-2012 will be written.

These action plan issues identified at the SWOT brainstorming sessions included : improving communication with participants, stakeholders, board and others about the long term value of Energy Trust and our business philosophy and organization; managing the budget effectively with internal streamlining and external transparency; managing the programs efficiently; and remaining nimble to respond to new and changing market developments.

Susan Dillard asked if Energy Trust consulted colleagues during the process, or remained internal. Fred replied that the initial processes were intended to identify and then narrow the issues down. Now that the issues have been identified, we are opening it up to external comment to see if we hit the mark.

Strategic Issues.

Management

- What level of priority should be placed on management and accountability before new endeavors? There are limited resources to pursue either one, and we need to prioritize.
- Should Energy Trust put more emphasis on planning for scarcity of funds?

Efficiency Programs

- Should Energy Trust explore alternatives to the current business model? Currently, Energy Trust uses a PMC model, and this may not be the best option.
- Should Energy Trust explore a more active role in GHG mitigation markets?
- How should Energy Trust plan for continuing to add value with the growing role of government and market forces in energy efficiency?

Renewable Programs

- If Oregon adopts an RPS, how or should Energy Trust's role change?
- Should Energy Trust explore alternative to the current business model?
- How should Energy Trust define its role in the green tag industry?
(Note: Since the meeting, a board member has identified an additional issue- how to better promote direct application renewable resources such as passive solar, heating, ventilation, daylighting, and direct use geothermal.)

Cross Program

- Should Energy Trust focus investment where it will generate the greatest system economies by deferring or avoiding new transmission and distribution or peak generation investments?

Andria Jacob asked about the Climate Trust and their multifamily efficiency program where the credits are sold to them through OSD. They have declined to fund this program for additional years. Fred responded that there are additional discussions going forward with the Climate Trust about how their role in securing carbon credits and energy efficiency programs could work together. Their position is evolving and ET will work with them to clarify it.

Jason Eisdorfer asked about the issue of Energy Trust changing its role as the environment changes. Fred replied that as the market changes, the customer changes. For example, additional or increasing tax credits may compel Energy Trust to change its focus. Jason said that regardless of opportunities in other places, Energy Trust will be needed to meet new demand. Debbie Kitchin agreed, and said the new focus is likely to be on oil.

Charlie Grist asked if there was a strategic issue concerning Energy Trust being asked to do more of what it already does. Fred replied that PGE asked Energy Trust to be involved in their integrated resource plan, where it may be identified that Energy Trust is needed to do more. Charlie said that downstream R&D is under funded at the moment. Technologies that are not yet commercial could benefit from additional support from Energy Trust.

Andria Jacob asked about operating in a budget constrained world. Fred said this could be discussed under the management issue of planning for scarcity. There are still under served customer groups, but more motivated customers are banging at the door. Debbie said that the business model issue and scarcity issue are connected. Currently, the activity and management is dispersed. If we wanted to implement a reservation system for all programs, it would be difficult to the point of requiring an entire rework of the program design for some programs, like HES.

Ken said that the OPUC plan calls for the utilities to keep demand response cost down over the coming years. Demand management may be an orphaned issue. It could be coordinated with or handed off to Energy Trust. However, there is a very limited mandate and budget.

Ken further said that at the end of the day, there is a list of activities Energy Trust could get involved in should it want to. GHG is a sticky subject, but by not documenting GHG credits currently, Energy Trust may be ignoring a valuable arena.

Alan said that the Board would likely begin at the retreat by talking about what the Energy Trust's mission is and what, within the constraints of that mission, it is allowed to do. This will direct what is possible. Fred replied that the strategic issues address the possibility of a future where the missions and needs for Energy Trust are different.

Jason added that it is worthwhile to realize what is possible and realistic for Energy Trust. T&D efficiencies, while a great opportunity for improvements, involves other organizations that may not want us to be involved. Thus, it may be a lower priority.

6. Adjourn

Steve added that the agreement with Cascade Natural Gas has been reached and Energy Trust will begin offering services July 1. He adjourned the meeting at 4:00 pm.