

CONSERVATION ADVISORY COUNCIL

Notes from meeting November 15, 2006

Attending from the Council:

Suzanne Dillard, ODOE

Mat Northway, EWEB

Stan Price, Northwest Energy Efficiency Council

Lauren Shapton, PGE

Attending from Energy Trust board:

Debbie Kitchin

John Reynolds

Attending from the Energy Trust of Oregon:

Fred Gordon

Margie Harris

Steve Lacey

Sue Meyer Sample

Jan Schaeffer

Jill Steiner, Energy Trust

Others attending:

Kathie Barnard, Cascade Natural Gas

Charlie Grist, Northwest Power & Conservation Council

Lori Koho, OPUC

Lee Kuhl, Lockheed Martin

Christine Kautzman, Cascade Natural Gas

Michael Early, ICNU

1. Introductions and Announcements

Steve Lacey convened the meeting at 1:35 pm, reviewed the agenda and asked attendees for self introductions.

2. Draft 2007 Energy Efficiency Budget and Action Plan

Margie Harris introduced her presentation. She explained our forecast of spending by year's end is not perfect. Funds for committed projects expected to complete in 2006 but do not finish will be added to the budget in February or March 2007. She reviewed currently forecast year-end balances. She reviewed 2006 efficiency program accomplishments, which included expanding service to Avista and Cascade Natural Gas territories, project reservation and program forecasting tools, significant growth in Efficient New Homes, and CFL sales expected to exceed 2 million in Oregon. She noted the launch of Home Performance with ENERGY STAR, penetration of the restaurant industry, continued strong partnerships with utilities, ODOE and others. She reported projected electric savings for 2006 of 26 aMW (compared to 23 aMW best case goal). This amount is down from 39 aMW in 2005, a year in which accumulated carryover provided additional revenues and the Blue Heron project accounted for 12 aMW. Michael Early asked for 2004 electric efficiency savings by sector. Sue said we will provide this. Gas savings in 2006 are on track to reach 2.4 million annual therms, shy of our 2.6 million annual therm 2006 conservative goal.

Margie reviewed renewables accomplishments for the year, cumulative renewable energy investment and generation 2003-2006, and 2006 renewable generation.

She reviewed 2006 OPUC performance measures. Lori Koho, OPUC, proposes to apply these same measures in 2007, with the possible exception of levelized cost for gas, which Energy Trust may seek to raise, based on experience in the market. She provided more detail on the administrative cost performance measure (11% OPUC; 9% “stretch” target set by Joint Legislative Advisory Council).

She reported that by the end of 2007 we will have achieved about 150 aMW, half way to the 2012 goal of 300 aMW. On the gas side, we will be 1/3 of the way to 19 million annual therms. Depending on utility scale projects, renewable programs will achieve between 53% and 120% of the 2012 goal of 150 aMW. She reviewed preliminary 2007 revenue assumptions.

She reviewed 2007-2008 Action Plan themes, which include:

- Balance electric efficiency savings and equity goals across sectors
- Serve the commercial sector
- Stimulate more gas savings
- Maintain diverse renewable energy investment opportunities
- Achieve operations excellence and enhance customer service
- Advance transmission and distribution deferred opportunities

She reviewed plans for 2007 on the efficiency side:

- Use some investment income, while maintaining sufficient cash reserves
- Balance spending in PP vs PGE territory
- Increase outreach in commercial sector
- Focus on investing in commercial sector
- Focus on investing gas funds (high efficiency rooftop units, fireplace inserts, etc.)
- Seeking Conservation Rate Credit (\$2 M) by early next year

She reviewed spending by sector, including electric efficiency spending by sector over time. Michael Early asked for administrative costs per sector over time. Aggregate administrative costs are not tracked by sector; for some reporting purposes an allocation of administrative costs is made based on total program costs, but it is merely an allocation. Fred noted we have the capability to bring the “marginal” cost of each program – the cost of an additional megawatt, while retaining fixed costs.

Margie reviewed gas efficiency spending and savings by sector over time. She expects gas spending to change over time as we pursue new initiatives and new measures.

She noted a \$600,000 investment in improving IT tools for data management and forecasting, along with simplified forms and procedures. She noted our intent to undertake a review of the PMC model in 2007. We will retain a consultant by December, and hope to receive preliminary findings in February. Stan Price requested a copy of the RFP; Margie will provide one to Michael Early as well. She reported the assumption of 4 new FTE, including 1 FastTrack coordinator, a ½ time network administrator, an administrative coordinator, a renewable energy coordinator and a ½ time solar program assistant. This would take us to 42 FTE. She noted the 401k contribution is stable at 6%, a 15% increase in medical.

She showed carryover trends. Efficiency spending tracks closely with revenues, gas spending is growing and carryover slowly coming down, and accumulated renewable funds are expected to turn sharply downward in 2008.

Margie reviewed highlights of projected spending and savings in 2008.

She presented an analysis showing recommended cash reserves of \$2.6 million in 2007 and \$2.8 million in 2008. We propose to direct an additional \$1.5 million in 2007 reserves to energy efficiency (mostly existing commercial and industrial) and an additional \$2.2 million in reserves in 2007 and 2008 to renewables. Steve said he has identified an additional \$1.1 million potential appetite in commercial efficiency in 2007.

Suzanne asked how this compares to the existing cash reserve. Margie said this is about \$2.3 million.

Michael Early asked about risk. Sue Meyer Sample explained constraints imposed by inability to spend gas funds on electric projects, or efficiency funds on renewables. He noted a line of credit doesn't cost much if you don't use it. Given our small risk, he thinks we should feel comfortable with a small reserve.

Lori said you have to have cash reserves. She thinks there's a lot to know about the projects and savings related to the \$1.1 million, so one can understand what it would buy, and asked if there were other portions of the budget from which to seek savings. Margie said she is looking at marketing and evaluation budgets for this purpose.

Mat Northway thinks it is acceptable to use a line of credit to sustain a cash reserve. The more confident we are about revenue and spending assumptions, the smaller the reserve needs to be. Michael noted utilities historically have been conservative in their projections, supporting a smaller reserve.

Lauren Shapton supports using available funds to serve as many customers as possible, and using line of credit as a cash reserve.

Suzanne Dillard sees line of credit and cash reserve as two complementary tools.

Stan Price agrees with Mat. If the board is comfortable using a line of credit, and utility forecasts are reliable, it isn't unreasonable to have a smaller cash reserve.

Charlie Grist supports using the line of credit to free up more of the cash reserves.

Steve noted funding through Conservation Rate Credit could help meet the efficiency appetite, but we can't count on this coming.

John Reynolds noted the board a year ago turned down the proposal to use line of credit to meet excess demand for incentive funds.

Margie described next steps on the budget and action plan. We go to the OPUC for an informal session Nov. 21 and back to them for a formal hearing Dec. 5. The board packet goes out with revised information in it on Dec. 6, they meet to adopt a budget and action plan Dec. 13, and the budget is turned in to the OPUC by the end of the year.

3. New Homes and Products Incentive Changes

Kendall Youngblood reviewed some new measures and changes expected to take effect in Jan. 2007. First change is to combine the Efficient New Homes and Efficient Home Products programs. The new program will continue having channels: New Homes, Products, and Manufactured Homes.

She introduced Bob Stull, who will oversee the various channels.

New program elements include a verifier oversight specialist, green building specialist, low-rise multifamily (3 stories and below) and Change-a-Light (previously called Lights for Learning). The program will offer add-on components, including technical school outreach, solar training for the production builder market, and sustainable community development (beyond houses).

New measures include increasing clothes washer incentive from \$75 to \$85, for a higher efficiency model (2.0 MEF); offering a \$50 Sales Person Incentive Fund (SPIF) for 90 AFUE gas furnaces; \$200 incentive for tankless water heater in a single or multifamily home (\$100 for ENERGY STAR home upgrade), \$70 for a high efficiency gas fireplace (at least 80% AFUE). An ENERGY STAR qualified manufactured home sited in gas-only territory will receive a \$250 incentive. Other changes include reduction of gas with air conditioning from \$700 to \$550, heat pump stand alone plus commissioning of \$300, efficient heat pump with commissioning or duct sealing would receive a \$150 upgrade or \$300 for both. Manufactured home, gas or electric, would get a \$350 incentive.

Regarding RFQ for PMC evaluation

Stan Price wondered why Energy Trust didn't ask the CAC to comment on the RFQ and the need for this review before it went out the door, given that the PMC model is so fundamental to initial visions about how Energy Trust would function. Steve said we intend to have multiple conversations with the CAC on the topic of whether to change the delivery model. Fred said there is no sense that the current system is broken and needs to be fixed. He noted the opportunity to consult and collaborate before the scope of work is set. Steve said the timing is influenced by the fact that three PMCs have a re-compete in the second half of 2007, so that new contracts could be in place in 2008.

Lauren seconded Stan's comments, stating it would have been nice to have had a discussion of the concept at the CAC, recognizing the idea has been around since the June board retreat.

Steve noted their concerns.

Back to New Homes

Lori Koho asked about the sustainable community initiative. Bob Stoll said the dollar amount is about \$100,000 to work with trade allies in a community setting to expose them to sustainable design approaches, including siting.

Charlie Grist asked about the cost of a tankless water heater. Bob Stull said unit cost is \$1,200. He also asked about the efficient fireplace measure.

John Reynolds asked how we plan to pursue tying tankless water heater to solar hot water systems. Kendall said we are interested in these. Fred said we have a lot to learn about these. An Energy Trust employee installed a tankless device that has parasitic electric loads.

Charlie suggested investigating heat exchangers for shower waste water, particularly in multifamily. Kendall requested receiving more information from Charlie on this technology.

4. Energy efficiency program integration schedule

Steve said the Energy Trust is proposing to collapse the current efficiency programs to fall under two umbrella programs. One is Home Energy Solutions, with two main tracks: existing homes and new homes/products. The second is Business Energy Solutions, with three main tracks: existing buildings,

new buildings and production efficiency. For reporting, we will separate industrial from commercial. He sees particular advantages on the business side. Customers who cross programs will get better service.

He noted each track (subprogram) will have its own budget, as at present. Changes in collateral will be phased in. For instance, New Homes and Products will change names in January when the new contract becomes effective and existing homes will change when new incentives rollout in March.

Lori asked if we had tested the usability of our website. Jan said we have not done this formally. In her experience, doing this has value. Lauren said PGE tests their website usability, including links to Energy Trust, and has found our website works better with changes made in the past year.

The meeting adjourned at 4:05 pm.