I. Introduction

A. Energy Trust

The Energy Trust of Oregon, Inc., began operating in March 2002, funded by revenues collected from customers of Pacific Power and Portland General Electric pursuant to a 1999 Oregon law (SB1149). Energy Trust invests these funds on behalf of customers to further electric energy conservation and efficiency, renewable energy development and energy market transformation. Energy Trust began operating natural gas efficiency programs for NW Natural in 2003 and for Cascade Natural Gas in 2006.

### Energy Trust Mission Statement, Vision and Goals

**Mission statement:**

To change how Oregonians produce and use energy by investing in efficient technologies and renewable resources that save dollars and protect the environment.

**Vision:**

Imagine meeting the future energy needs of Oregonians in a way that lowers energy cost, adds comfort to homes, strengthens our economy and leaves our environment healthier for generations to come. This will happen when we use energy efficiently and create renewable energy. The people at Energy Trust are committed to this future.

**Goals (by 2012):**

1. Save 300 average megawatts of electricity.
2. Save 21 million annual therms of natural gas.
3. Help Oregonians meet 10 percent of their electric energy needs from renewable resources.
4. Expand participation by customers that have been hard to reach historically.
5. Help businesses to thrive by promoting energy efficiency and renewable energy.
6. Encourage Oregonians to integrate energy efficiency and renewable energy in daily life.

Starting from scratch in 2002 with ambitious goals, Energy Trust developed a 2002-2006 strategic plan targeted to save 65 average megawatts from energy efficiency programs by October 2004 with a cumulative total of 141 average megawatts by October 2007. The plan aimed to produce 35 average megawatts of renewable energy through 2004 and a cumulative total of 115 average megawatts by October 2007.

B. 2002-2006 Accomplishments

Energy Trust currently has 12 programs and a proven track record of accomplishments. Electric efficiency programs achieved record savings of over 39 aMW in 2005, a 64% increase over 2004 (23.77 aMW). Gas savings in 2005 (about 1.4 million annual therms) were about 90% higher than
in 2004 (737,730 therms). With a cumulative total of 96.4 aMW of electricity saved by the end of 2005, Energy Trust had achieved 32% of its 2012 electric efficiency goal. Gas efficiency programs had saved 2,263,853 annual therms by the end of 2005 and although this is only 12% of its ten-year goal, Energy Trust expects that the goal is achievable. Renewable energy programs had secured 14.85 aMW of production by the end of 2005 (13% of 150 aMW goal), and are expected to accelerate sharply in 2006 and 2007.

These accomplishments notwithstanding, the political and economic landscape in which Energy Trust operates has changed and is likely to change even more over the coming five years. Demand for Energy Trust programs has grown dramatically, creating new expectations for Energy Trust service delivery. Energy issues are high on state and federal policy agendas and legislative proposals could impact Energy Trust programs. Fuel prices, private capital, markets for clean energy “environmental attributes” and other factors change the context of Energy Trust programs. Finally, the legal authorization for the electric funds that fund Energy Trust programs is scheduled to expire in 2012. Energy Trust does not advocate for change in any of these areas, but recognizes the need to understand and plan for them.

C. The 2007-2012 Strategic Planning Process:

The strategic themes identified below emerged from a planning process that began in early 2006, overseen by a strategic planning committee with members from the board, staff, Oregon Public Utility Commission and Oregon Department of Energy. Energy Trust consulted with program participants, Program Management Contractors, utilities and others to identify areas where a change in Energy Trust’s strategy or perspective could enable it to do a better job of meeting Oregon’s clean energy needs. Energy Trust received a number of comments on the strategic plan, which are summarized and addressed in a separate document, “Strategic Plan Comments and Responses, October 4, 2006.”

II. Strategic Directions

A. Balance energy savings, cost and equity in light of limited funds and growing demand for electric efficiency programs

1. Current status: Energy Trust’s current mix of electric efficiency programs balances savings volume, cost and equity considerations, with none of these considerations dominating. Industrial programs save more energy than others but contribute less money than they receive; residential ratepayers contribute more than they receive but represent fewer and longer lasting savings; through 2012, the current mix of programs is expected to fall 50-60 aMW short of the 300 aMW 2012 goal but well above the level required by the minimum OPUC performance measures. According to the latest resource assessment, commercial programs represent the most and least-cost potential savings through 2012.

2. Background: Energy Trust considers a number of factors when allocating funding among sectors: achieving 300 aMW by 2012, reaching a diverse range of those who contribute to the public purpose fund, different savings potentials in different sectors, and market transformation potential. In addition, Energy Trust puts its highest priority on satisfying OPUC performance measures involving savings targets and cost per unit over the life of the savings. Over time, all these factors have led to varying expenditure patterns. In general, residential and commercial programs are
funded lower than receipts from ratepayers in those sectors, and industrial programs more. Looking ahead, Energy Trust’s 2006 resource assessment indicates highest potential savings in the commercial sector, followed by the industrial sector. Energy Trust analysis suggests that the only way to significantly increase electric efficiency savings is to close down some programs and redirect funds into the commercial and industrial sectors.

3. Draft strategic direction:

Energy Trust seeks to help Oregonians save energy while balancing a range of concerns:

- **Least-cost:** Energy Trust will seek measures with the highest energy savings potential at lowest cost per unit of energy over the life of the efficiency measure.
- **Serve all major sectors:** Energy Trust will offer energy savings opportunities for various geographic areas of Oregon, not just population centers; and for residential, industrial and commercial ratepayer classes, recognizing that some of these ratepayers contribute more funds than others, and others offer more energy savings potential.
- **Hard-to-reach customer groups:** Energy Trust programs will serve customer groups that historically were hard for energy conservation programs to reach, e.g., renters, small businesses, and owners of manufactured homes. Any increased cost attributable to these programs should, however, have only a modest effect on the cost of the Energy Trust portfolio.

By these means, Energy Trust will strive to achieve 300 aMW of energy savings by 2012, while also achieving other goals.

B. Focus and streamline management and information technology systems, budget process and program management to increase effectiveness, flexibility and responsiveness to participants

1. **Current status:** Program implementation experience and feedback have identified areas where current Energy Trust information technology systems can be enhanced and improved to allow better access, transparency and ease of use. Opportunities exist to improve the functionality of existing management, budget and communication tools to reflect actual experience with mature programs and match systems and data requirements to them.

2. **Background:** During its first years, Energy Trust focused on program design and delivery. In 2005, Energy Trust’s first management audit acknowledged significant program results over a short time period and also identified areas to strengthen infrastructure, which Energy Trust has since addressed. Since then, market demand for Energy Trust programs has grown significantly and expanded to include three natural gas utilities. Complexities related to system design, ease of use and data requirements have highlighted new opportunities to further strengthen program management, project and budget tracking, refine data collection, improve reporting and strengthen communications. In addition, system improvements would allow
greater flexibility to incorporate changes based upon our dynamic operating environment. Short-term investments in these operating improvements are designed to improve efficiencies and keep administrative costs low. Energy Trust is currently addressing these improvements and expects to continue to make such improvements a high priority into 2007.

3. **Draft strategic direction**: Internal operating improvements, especially those that improve services to program participants, will be a high priority for Energy Trust over the coming 2-3 years. While the board does not wish to disrupt current programs to address internal operating improvements, it does recognize that making these improvements will require some redirection of budget and staff, and is prepared to make judgments of degree in the 2007 budget and beyond.

C. **Engage green tag markets and consider Energy Trust’s position vis-à-vis energy efficiency environmental markets**

1. **Current status**: The current Energy Trust green tag policy requires Energy Trust to acquire green tags in proportion to its payment of above-market costs of renewable energy projects. Energy Trust has no policy on energy efficiency environmental attributes, but has co-funded one energy efficiency project partially financed by carbon credits. Energy Trust is exploring other opportunities with the Climate Trust and more broadly through the Governor’s Carbon Allocation Task Force.

2. **Background**: Environmental attributes associated with renewable electricity generation or saving energy through efficiency can be traded in financial markets. So far, markets for renewable energy environmental attributes (“green tags”) and energy efficiency environmental attributes have not been well established or integrated. These markets are now starting to mature with the enactment of laws and policies such as Renewable Portfolio Standards and carbon allocation or other trading frameworks in other states. As they mature, these markets may significantly change renewable energy and energy efficiency financing and, hence, the role of Energy Trust programs.

3. **Draft strategic direction**: Energy Trust necessarily engages environmental attribute markets in renewable energy projects. Over the remainder of 2006, the board requests that the Policy Committee identify potential changes in the Energy Trust green tag policy regarding renewable energy environmental attributes, for board consideration in late 2006 or early 2007. In 2007, the board requests the Policy Committee to explore whether a policy regarding trading in environmental attributes of energy efficiency would be appropriate.

D. **Plan for change in policy and operating environments**

1. **Current status**: Energy Trust monitors changes in government policy (e.g., Renewable Portfolio Standards, government financial incentives), and its operating environment (e.g., fuel and capital costs, emerging technologies) and adjusts its programs in response. Energy Trust policy matters are overseen by the Energy Trust board policy committee. Energy Trust takes no position on legislative or political initiatives, but provides information and analysis to policy processes (e.g., renewable energy and carbon allocation task forces) if requested.
2. **Background:** Energy issues, including energy efficiency and renewable energy, are of increasing interest to state and federal legislatures and private business. Under its agreement with the OPUC, Energy Trust may not use its public purpose funds for political purposes. However, change in these areas affects Energy Trust programs, such that if government and market incentives grow, Energy Trust may focus more of its attention in areas such as marketing and education, coordinating diverse incentives for projects, and coordinating with utility integrated resource plans.

3. **Draft strategic direction:** Energy Trust will continue to monitor policy, market and technology developments; advise policy processes on request; and rely on the board policy committee to address issues as they arise.

E. **Target investments to reduce the need for new utility transmission, distribution (T&D) and peak generation facilities**

1. **Current status:** Energy Trust counts T&D and peak deferral benefits in cost-effectiveness and above-market analyses, but does not otherwise target investments in this way. Community-based programs were intended for these and other purposes and to date, electric funding for this was redirected to meet demand from other efficiency programs.

2. **Background:** Economic savings to utilities for avoiding or deferring T&D and peak investment are potentially large. Helping to avoid T&D and peak generation could serve Energy Trust’s mission of investing in efficient technologies and renewable resources that save dollars and protect the environment. Whether it is practical for Energy Trust to help avoid utility T&D and peak generation investment depends on utilities’ interest and ability to identify such opportunities enough in advance for Energy Trust projects to deliver such benefits and in time for Energy Trust to devote sufficient resources to defer or avoid such utility investment.

3. **Draft strategic direction:** Energy Trust will work with the utilities to identify a pilot project using a community-based approach in connection with the 2007 and/or 2008 budget processes. Separately, the board requests the policy committee to explore the merits of a policy favoring investments that help reduce the need for new utility T&D or peak investment.

F. **Explore opportunities to increase funding for “direct-application renewables”**

1. **Current status:** Because of legal restrictions, Energy Trust invests considerably more funds in residential solar photovoltaic systems than in other projects that are a better buy, such as solar water heating and passive solar design.

2. **Background:** Energy Trust can fund the above-market cost of renewable energy projects. The law that governs Energy Trust’s electric revenues defines “renewable energy” to exclude projects that do not generate electricity. Because non-generating renewable projects (“direct-application renewables,” e.g., solar water heating, ground-source heat pumps, passive heating, cooling and ventilation, etc.), reduce fuel consumption, Energy Trust can treat them as efficiency measures, and fund them if
they are cost-effective. Few if any residential direct-application renewable projects have been cost-effective; more commercial projects have been cost-effective. In addition to saving energy, direct-application renewable technologies provide more resilience against blackouts because they do not rely on the grid or gas lines to work.

3. **Draft strategic direction**: Energy Trust will continue to identify opportunities to promote direct-application renewables where cost-effective, and also rely on Oregon tax credits for passive solar, and potential tax credits for zero-energy homes to fund these applications.

**III. Planning for 2012**

The public purpose charge that funds Energy Trust’s electric programs expires in 2012 unless it is extended by the Oregon Legislature. Accordingly, in 2008 Energy Trust expects to begin planning for this contingency.