RESOLUTION #415

ADOPTION OF 2007 BUDGET

BE IT RESOLVED: That the Energy Trust of Oregon, Inc., Board of Directors approves the 2007 budget as presented in the board packet, *with the following change:*

Move $60,000 from the Production Efficiency incentive pool to the evaluation budget to fund the Production Efficiency process evaluation.

Moved by: Caddy McKeown Seconded by: John Reynolds

Vote: In favor: 9 Abstained: 0

Opposed: 1 Alan Meyer voted no because he thinks the budget invests too much in sectors with the smallest opportunities and highest cost and not enough in the sector with the lowest cost and highest results.

Adopted on December 13, 2006, by the Energy Trust Board of Directors.

RESOLUTION #416

ADOPTING 2007-2008 ACTION PLAN

BE IT RESOLVED: That Energy Trust of Oregon, Inc. Board of Directors approves the two-year 2007-2008 Action Plan as presented in the board packet:

Moved by: Al Jubitz Seconded by: Debbie Kitchin

Vote: In favor: 9 Abstained: 0

Opposed: 1 Alan Meyer voted no because the action plan is tied to the budget that he plans to vote against

Adopted on December 13, 2006, by the Energy Trust Board of Directors.

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EnergyTrust of Oregon, Inc.

MEMO

Date: December 13, 2006
To: Board of Directors
From: Margie Harris, Executive Director
Subject: Proposed Final 2007-2008 Action Plan and 2007 Budget

Hello! Enclosed please find materials for the December 13, 2006 board meeting during which we will discuss the proposed final 2007-2008 action plan and 2007 budget. The material in this binder is organized as follows:

1. Staff presentation (power point) emphasizing the 2007 proposed final budget and 2007-2008 action plan themes (tab 1). Changes from the November presentation are summarized on the slides and many appear in *italics*.
2. 2006 forecast information detailing actual results through the third quarter and projecting year end revenues and expenses by program and utility service territory (tab 2).
3. The 2007 summary level information, including the 1-page re-cap, a quick reference look at program budgets, goals, costs, evaluation dates and program management contractor information with additional information on programs by utility service territory (tab 3).
4. The 2007-2008 proposed final action plan, including a narrative introduction about our operating environment, updated themes and detailed strategies, actions, comparisons and budgets by program/department and 2008 projections (remaining tabs).
5. The comments received in the outreach process are contained in the final tab of the binder. A summary is being prepared and will be presented at the Board meeting, and if possible, will also be distributed beforehand.

The proposed final 2007-2008 action plan and 2007 budget are expected to acquire between 22 and 29 aMW and between 2.0 and 2.6 million annual therms in 2007, representing conservative to best case scenarios for both electricity and gas. In compliance with Oregon Public Utility Commission performance measures, electric levelized costs are expected to range from 2.0 cents/kWh (conservative case) to 1.5 cents/kWh (best case). Anticipated levelized costs per annual therm are projected at $0.29 in the best case scenario, within the Public Utility Commission minimum performance measure. In the interest of acquiring additional gas savings, this measure will be analyzed during the coming year in concert with the OPUC to determine if it should change or remain. For renewable energy, a range of 115 aMW (conservative case) to 191 aMW (best case) is projected, reflecting a continued utility scale project emphasis in both electric service territories.

At the board meeting, staff will summarize these and other changes made to the action plan and 2007 budget during our presentation. If you have any questions about this material, please contact me at 503-445-7605 or via email at margie@energytrust.org. I look forward to our meeting and discussion of these important documents.

Energy Trust of Oregon

2007 Budget
and
2007-2008 Action Plan

Approved
Board of Directors
December 13, 2006

EnergyTrust of Oregon, Inc.

Presentation Outline

- Re-cap Action Plan themes
- Highlight changes to the proposed final budget
- Review proposed guidelines for investing interest earnings
- Summarize comments received
- Update on prospective income from BPA conservation rate credit
- Plan for early 2007 budget reconciliation

2007-2008 Action Plan Themes

1. Balance electric efficiency savings and equity goals across sectors
2. Serve the commercial sector
3. Stimulate more gas savings
4. *Maintain flexibility to address possible future funding opportunities and changes*
5. Maintain diverse renewable energy investment opportunities
6. Achieve operational excellence and enhance customer service
7. *Evaluate PMC delivery model*
8. Advance transmission and distribution (T&D) deferral opportunities
9. *Apply cash reserves guidelines for investing interest earnings*
10. *Pursue BPA conservation rate credit funds*

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2007 Budget Changes

- Reduced budget by $875k and reallocate savings:
- Reduced Planning and Evaluation by ~ $180k
  - Rely upon NEEA study for New Homes impact evaluation
  - Delayed home energy monitor project
  - Delayed Production Efficiency process evaluation
  - Reduced budget needed for ODOE/ET overlap studies
  - Eliminated one service to scope new technologies; retained others
- Reduced forecasted NEEA budget by ~$300k
- Reduced renewable market and project analyses ~ $85k
- Reduced professional services ~$100k
- Reduced compensation, taxes and benefits ~$75k
- Realigned program marketing and delivery ~$75k

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Investing Interest Earnings in 2007

- Proposed new guidelines for using interest earnings
- Created cash reserve to offset potential revenue shortfall
- Determined reserve amount
- Invested remaining interest earnings
- Proposed 2007 plan
  - Cash reserve: $2.3-$2.6 million
  - Available excess: $2.6 million
    - Energy Efficiency $1.5 million
    - Renewable Energy $1.1 million
- Proposed 2008 plan
  - Renewable Energy $1.5 million

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2007 Increased Incentives

Add $7.7M in incentives:

Utility Scale	$4.7 million
Solar Electric	$250k
Open Solicitation	$110k
Production Efficiency	$ .94 million
Business Energy Solutions-Existing Buildings	$500k
Business Energy Solutions-New Buildings	$500k
Home Energy Solutions-Existing Homes	$500k
Home Energy Solutions-New Homes and Products	$175k
TOTAL	$7.7 million

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2007 Budget

in Millions $	2006 Forecast + Cumulative Carryover at January 1, 2007	2006 & 2007 + Cumulative Investment Income Distributions	**2007 Budget** + Revenue Earned in 2007 less Expenses Incurred in 2007	2008 + + Dedicated Funds for 2008 and Beyond	2007 = Forecasted Ending Balance at December 31, 2007
Energy Efficiency					
Electric *	(1.2)	2.9	(1.6)	-	0.1
Gas	6.1	-	(0.9)	-	5.1
Total	4.9	2.9	(2.5)	-	5.3
Renewable Energy					
PGE	25.1		(0.1)	(22.8)	2.2
PacifiCorp	9.1	1.1	(0.8)	(8.9)	0.5
Total	34.1	1.1	(0.9)	(31.7)	2.7
Investment Income					
Unattributed	4.3	(4.0)	2.3		2.6
Total	**43.3**	**-**	**(1.0)**	**(31.7)**	**10.6**

* Reflects compliance with 80% rule for spending within service territory from which funds derived

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'07 Program Budgets, Savings & Generation

Total 2007 Budget

- Energy Efficiency $52M
- Renewable Energy 12M = $64M

Total Savings Projected

- Electric 22 - 29 aMW
- Gas 2.0M - 2.6M annual therms

Total Renewable Generation Projected

- Electric 115 -191 aMW

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2007 Efficiency Summary

Distribute dollars and savings across all 3 sectors

- Electric utility spending balance
  - More demand than resources in Pacific territory
  - Target marketing in PGE territory
- Increase outreach in commercial sector
  - Hospitality initiative
  - Continue marketing to restaurants
  - Concentrate on HVAC and controls
  - Continue promoting lighting projects through trade ally network
- Focus on investing gas funds
  - New strategies, measures and incentives added
  - Utility collaboration
- Pursue Conservation Rate Credit (Approx. $2M)
  - *Modest* administrative costs and impacts if accepted
  - *Funding and savings* not included in budget

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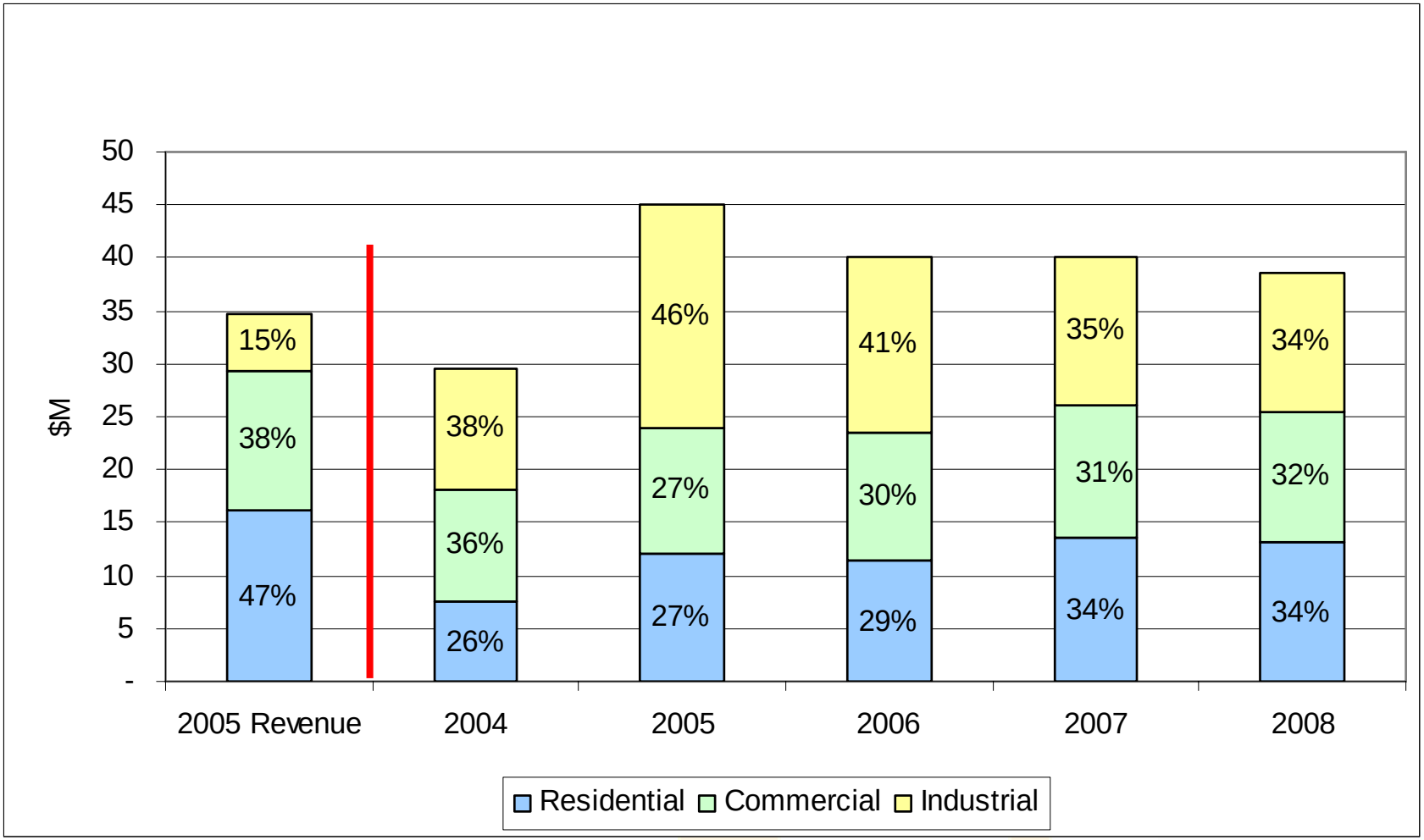
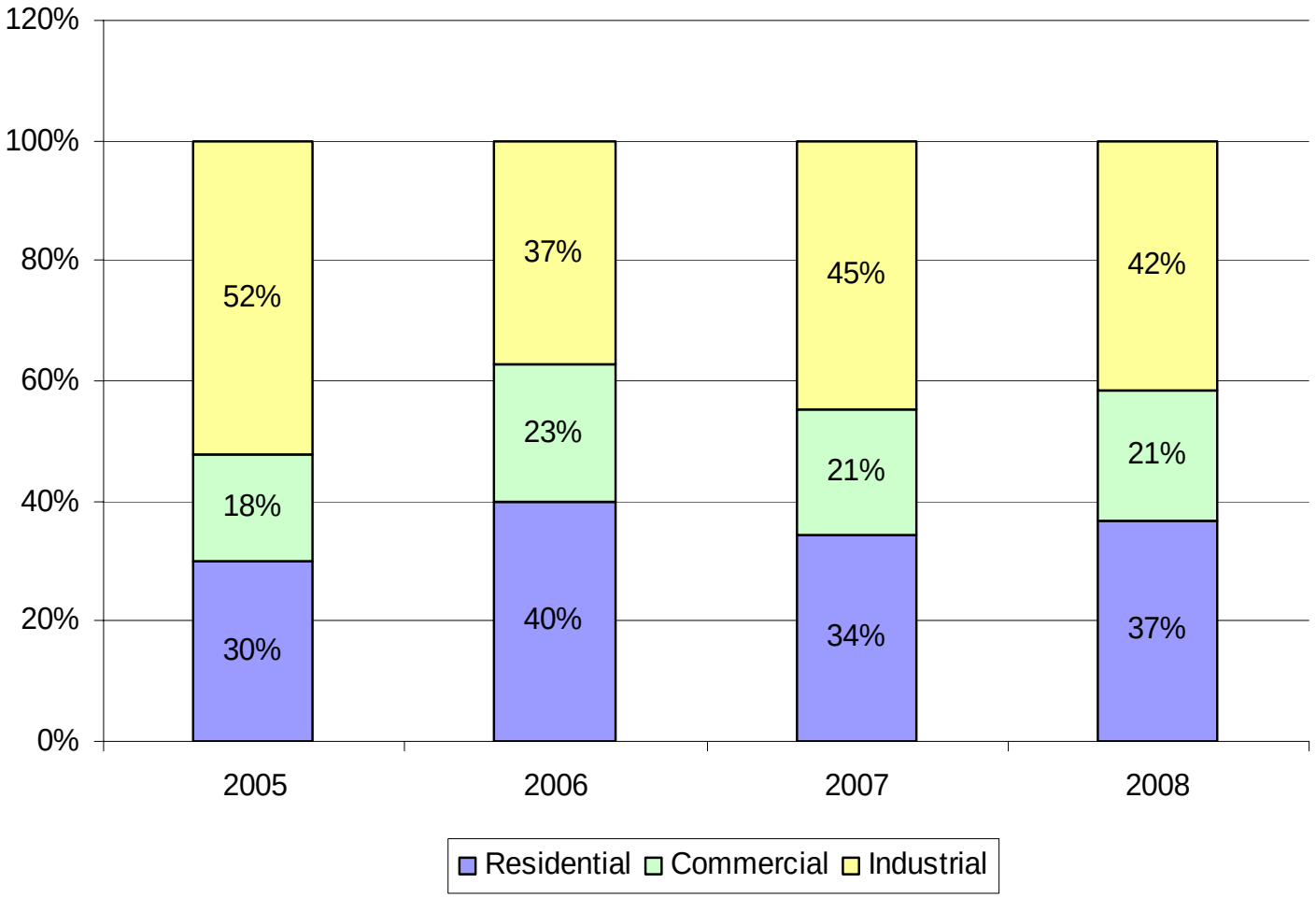
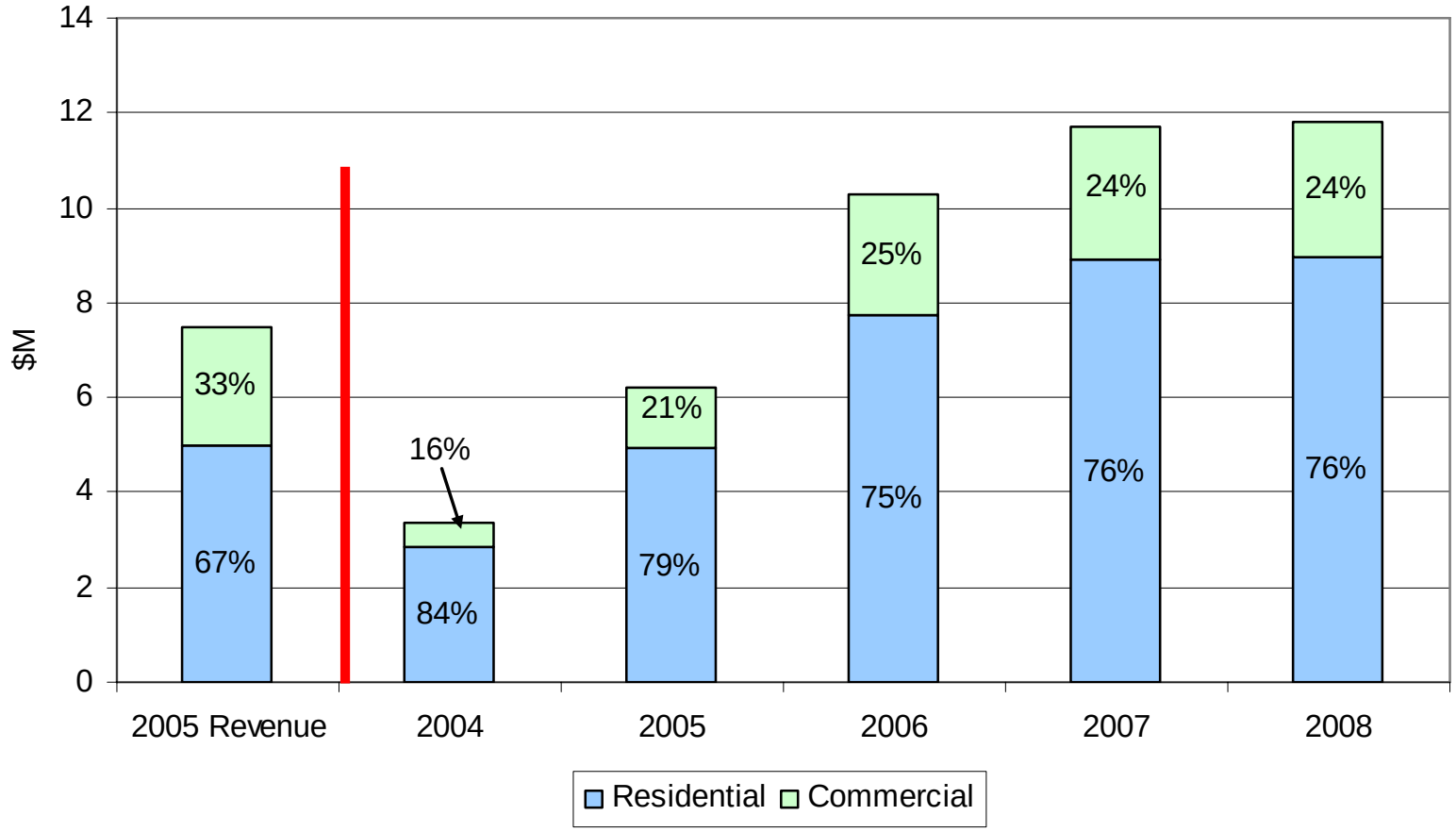
Electric Efficiency Spending by Sector Over Time



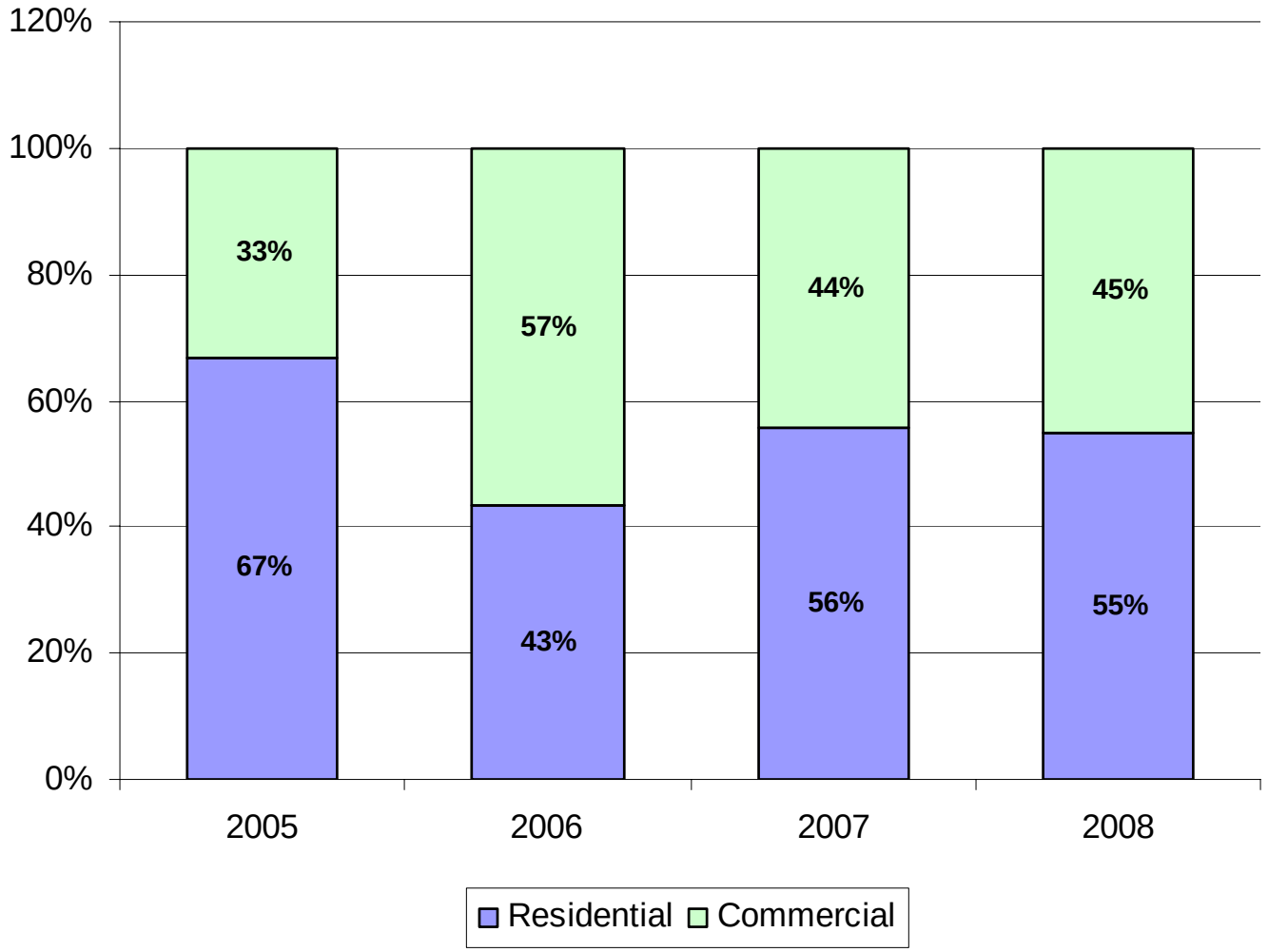
Electric Efficiency Savings by Sector



Gas Efficiency Spending by Sector Over Time



Gas Savings by Sector



2007 Renewable Energy Summary

- *Adjust budgets to address Pacific Power utility scale opportunity*
- Maintain balance between utility scale and emerging technologies
- Manage demand in Pacific Power service territory
- Federal Production Tax Credit impacts
- Remain flexible in anticipation of legislative changes

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2007 Renewable Budget

TOTAL	Accounting Perspective			Activity Perspective		
Program		2007 Expenses in Millions	%		Expenses with Dedicated Funds	%
Utility Scale	$	5.3	43%	$	18.5	50%
Solar Electric		3.0	24%		3.0	8%
Community Wind		1.4	11%		7.9	21%
Open Solicitation		1.3	10%		2.5	7%
Biopower		1.5	12%		5.1	14%
Total	$	12.5	100%	$	37.0	100%

TOTAL	Accounting Perspective		Activity Perspective	
Program	2007 Generation in aMW	%	Generation with Dedicated Funds in aMW	%
Utility Scale	38	83%	113	87%
Solar Electric	0.12	0%	0.12	0%
Community Wind	4.8	11%	9.8	8%
Open Solicitation	-	0%	0.56	0%
Biopower	2.7	6%	6.0	5%
	46	100%	130	100%

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2007 OPUC Performance Measures

Using best case assumptions:

• 20 aMW (3-year rolling average)	22 - 29 aMW
• 2 cents/kWh levelized	1.5 - 2.0 cents
• 700,000 annual therms (3-year rolling average)	2.0 - 2.6 million
• 30 cents/annual therm levelized	29 - 38 cents
• 12 AMW new renewables, 3 year rolling average	115 - 191 aMW
• 11% cap on administrative and program support costs	7.8%
• Unqualified audit opinion	
• Report B/C ratios for major programs annually	

EnergyTrust of Oregon, Inc.

2007 Operations Work Plan Status

Information Technology

- Over 80% of short-term tasks identified have been addressed
- Work continues on several significant, longer-term improvements
  - Next step: Enterprise Architecture Study

Finance

– Work continuing to improve reporting and contract administration

'08 Program Budgets, Savings & Generation

- Total 2008 budgeted expenditures
  - Energy Efficiency $50M
  - Renewable Energy 32M = $82M
- Total Savings Expected
  - Electric 22 - 29 aMW
  - Gas 2.0M - 2.6M annual therms
- Total Generation Expected
  - Electric 26 - 50 aMW

EnergyTrust of Oregon, Inc.

2008 Projection

in Millions $	2007 Budgeted + Cumulative Carryover at January 1, 2008	2006-2008 + Cumulative Investment Income Distributions	**2008 Projection** + Revenue Earned in 2008 less Expenses Incurred in 2008	2009 + + Dedicated Funds for 2009 and Beyond	2008 = Forecasted Ending Balance at December 31, 2008
Energy Efficiency					
Electric *	(2.8)	2.9	1.1	-	1.2
Gas	5.1	-	(0.7)	-	4.4
Total	2.4	2.9	0.4	-	5.7
Renewable Energy					
PGE	25.0		(12.4)	(12.2)	0.4
PacifiCorp	8.3	2.6	(7.5)	(3.4)	0.0
Total	33.2	2.6	(19.9)	(15.6)	0.4
Investment Income					
Unattributed	6.6	(5.5)	1.8		3.0
Total	**42.2**	**-**	**(17.6)**	**(15.6)**	**9.0**

* Reflects compliance with 80% rule for spending within service territory from which funds derived

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OPUC Program Delivery Efficiency Performance Measure

PUC Performance Measure	11.0%
OPUC Legislative Stretch Goal for ETO	9.0%
Energy Trust Figures:	
2005 Actual	6.8%
2006 Forecast	6.6%
2007 Draft Budget	7.8%
2008 Draft Projection	7.9%

Next Steps

- Incorporate comments received
- Submit final budget and Action Plan to OPUC by year-end
- Reconcile budget in March based upon year-end activity and final carryover results
  - Correlate allocations to meet program commitments
  - Reflect addition of CRC revenue if secured

The Energy Trust of Oregon
Year to Date by Program/Service Territory-joint costs allocated at program level
Forecast 2006-F-04
For the Twelve Months Ending December 31, 2006
(Unaudited)

	ENERGY EFFICIENCY						RENEWABLE ENERGY				TOTAL	2006 Prev	
	PGE	PacifiCorp	NW Natural	Cascade	Avista	Total	PGE	PacifiCorp	Total	Other	All Programs	Forecast -03	Change
REVENUES													
Public Purpose Funding	$22,701,070	$14,564,448	$9,028,738	$291,340	$175,355	$46,760,951	$6,817,675	$4,391,146	$11,208,821		$57,969,772	$58,298,268	($328,496)
Self Direct Repayment		53,598				53,598					53,598	53,598	
Revenue from Investments										2,223,018	2,223,018	2,193,845	29,173
TOTAL PROGRAM REVENUE	**22,701,070**	**14,618,046**	**9,028,738**	**291,340**	**175,355**	**46,814,549**	**6,817,675**	**4,391,146**	**11,208,821**	**2,223,018**	**60,246,388**	**60,545,711**	**(299,323)**
EXPENSES													
Program Management (Note 4)	1,366,015	846,243	750,471	23,041	15,686	3,001,456	327,101	218,288	545,389		3,546,845	3,546,845	
Program Delivery	5,177,683	3,627,769	2,025,517	87,623	52,401	10,970,994	46,429	56,671	103,100		11,074,094	11,084,394	(10,300)
Incentives	12,359,063	11,337,476	4,921,192	108,162	25,179	28,751,072	666,311	673,411	1,339,722		30,090,794	30,335,446	(244,652)
Program Evaluation and Planning Services	777,861	516,186	460,029	4,259	1,582	1,759,917	91,642	61,392	153,034		1,912,951	1,954,015	(41,064)
Program Marketing/Outreach	531,632	344,444	619,659	36,352	17,533	1,549,619	101,662	38,815	140,477		1,690,097	1,746,514	(56,417)
Program Legal Services	11,511	6,746	8,560	379	184	27,380	35,356	14,175	49,531		76,911	87,888	(10,977)
Program Quality Assurance	33,811	24,674	46,636	1,223	537	106,881	11,544	10,560	22,104		128,985	136,185	(7,200)
Outsourced Services	105,104	39,414	35,480	631	72	180,701	248,056	134,699	382,755		563,456	594,464	(31,008)
Trade Allies & Customer Service Management	169,304	84,332	181,481	3,426	1,309	439,852	16,655	21,679	38,334		478,186	478,186	
IT Services	391,036	249,133	276,330	6,509	3,212	926,219	53,513	32,729	86,242		1,012,461	1,012,453	8
Other Program Expenses	176,168	116,302	102,845	3,166	1,114	399,595	85,915	61,303	147,218		546,813	549,833	(3,020)
TOTAL PROGRAM EXPENSES	**21,099,187**	**17,192,718**	**9,428,201**	**274,770**	**118,809**	**48,113,686**	**1,684,185**	**1,323,721**	**3,007,906**		**51,121,592**	**51,526,223**	**(404,631)**
ADMINISTRATIVE COSTS													
Management & General (Note 1 & 3)	709,774	577,944	317,894	9,304	4,025	1,618,941	56,670	44,541	101,211		1,720,152	1,720,137	15
Communication & Outreach (Note 2 &3)	269,703	173,035	107,267	3,461	2,083	555,549	80,998	52,170	133,168		688,718	657,199	31,519
Total Administrative Costs	**979,477**	**750,979**	**425,161**	**12,765**	**6,109**	**2,174,490**	**137,668**	**96,711**	**234,379**		**2,408,870**	**2,377,336**	**31,534**
TOTAL PROGRAM & ADMIN EXPENSES	**22,078,664**	**17,943,697**	**9,853,362**	**287,535**	**124,918**	**50,288,176**	**1,821,853**	**1,420,432**	**3,242,285**		**53,530,462**	**53,903,559**	**(373,097)**
TOTAL REVENUE LESS EXPENSES	**622,406**	**(3,325,651)**	**(824,624)**	**3,805**	**50,437**	**(3,473,627)**	**4,995,822**	**2,970,714**	**7,966,536**	**2,223,018**	**6,715,926**	**6,642,152**	**73,774**
Cumulative Carryover at 12/31/05 (Note 5)	7,890,600	(6,396,731)	6,830,436			8,324,305	20,057,432	6,084,497	26,141,929	2,077,679	36,543,913	36,543,913	
Investment Income Board authorization	840,000	560,000				1,400,000				(1,400,000)			
TOTAL NET ASSETS CUMULATIVE	**9,353,006**	**(9,162,382)**	**6,005,812**	**3,805**	**50,437**	**6,250,678**	**25,053,254**	**9,055,211**	**34,108,465**	**2,900,697**	**43,259,839**	**43,186,065**	**73,774**

Note 1) Management and General (Administrative) Expenses have been allocated based on total expenses.
Note 2) General Communication and Outreach expenses (Administrative) have been allocated based on Public Purpose Revenue from each Territory.
Note 3) Administrative costs are allocated for management reporting only. GAAP for Not for Profit organizations does not allow allocation of administrative costs to program expenses.
Note 4) Program Management costs include both outsourced and internal staff.
Note 5) Cumulative carryover at 12/31/2005 has been adjusted to reflect audited results.

The Energy Trust of Oregon
Program Budget Expenses by Service Territory
Forecast 2006 F-04
For the Twelve Months Ending December 31, 2006

	PGE	Pacific Power	Subtotal Elec. Utilities	Northwest Natural Gas	Cascade	Avista	Subtotal Gas Providers	Total	Previous Forecast	Change
Energy Efficiency										
Residential										
Home Energy Savings	3,317,755	1,615,290	4,933,045	4,812,145	33,924	-	4,846,069	9,779,114	9,751,018	28,096
Efficient New Homes	1,455,032	856,227	2,311,258	1,966,644	177,942	90,921	2,235,507	4,546,765	4,533,609	13,156
Efficient Home Products	1,907,435	1,100,740	3,008,175	596,656	19,750	33,997	650,403	3,658,578	3,645,652	12,926
Market Transformation NEEA	759,703	509,184	1,268,887	-	-	-	-	1,268,887	1,264,071	4,816
Total Residential	7,439,924	4,081,441	11,521,365	7,375,446	231,615	124,918	7,731,979	19,253,344	19,194,350	58,994
Commercial										
C&I - Mkt Transformation (NEEA)	963,517	646,436	1,609,952	-	-	-		1,609,952	1,603,841	6,111
Building Operations & Commissioning	448,263	88,762	537,025	205,060	155	-	205,215	742,240	739,922	2,318
New Building Efficiency	2,939,736	1,043,728	3,983,464	814,022	12,972	-	826,994	4,810,458	4,794,344	16,114
Building Efficiency (Existing)	4,115,148	1,769,694	5,884,842	1,458,834	42,793	-	1,501,627	7,386,468	7,361,986	24,482
LED Traffic Signals	4,912	4,832	9,744	-	-	-	-	9,744	9,706	38
Total Commercial	8,471,575	3,553,452	12,025,027	2,477,916	55,920	0	2,533,836	14,558,863	14,509,799	49,064
Industrial										
Production Efficiency	5,612,237	9,935,290	15,547,527	-	-	-	-	15,547,527	15,484,192	63,335
Industrial Process - Mkt Transformation (NEEA)	554,928	373,513	928,442	-	-	-	-	928,442	924,917	3,525
Total Industrial	6,167,165	10,308,804	16,475,969	0	0	0	0	16,475,969	16,409,109	66,860
Energy Efficiency Program Costs	22,078,664	17,943,697	40,022,361	9,853,362	287,535	124,918	10,265,815	50,288,176	50,113,258	174,918
Management and General			-				-			
Communications and Outreach			-				-			
Total Energy Efficiency Costs	22,078,664	17,943,697	40,022,361	9,853,362	287,535	124,918	10,265,815	50,288,176	50,113,258	174,918

The Energy Trust of Oregon
Program Budget Expenses by Service Territory
Forecast 2006 F-04
For the Twelve Months Ending December 31, 2006

	PGE	Pacific Power	Subtotal Elec. Utilities	Northwest Natural Gas	Cascade	Avista	Subtotal Gas Providers	Total	Previous Forecast	Change
Renewables										
Utility Scale Projects	206,850	35,997	242,846	-	-	-	-	242,846	344,054	(101,208)
Solar	735,210	949,274	1,684,484	-	-	-	-	1,684,484	1,923,092	(238,608)
Community Wind	226,848	170,503	397,350	-	-	-	-	397,350	452,951	(55,601)
Open Solicitation	397,201	68,853	466,054	-	-	-	-	466,054	483,863	(17,809)
Biopower	255,743	195,807	451,550	-	-	-	-	451,550	586,339	(134,789)
Renewables Program Costs	1,821,852	1,420,433	3,242,285	0	0	0	0	3,242,285	3,790,299	(548,014)
Management and General			-	-	-	-	-	-	-	
Communications and Outreach			-	-	-	-	-	-	-	
Total Renewables Costs	1,821,852	1,420,433	3,242,285	0	0	0	0	3,242,285	3,790,299	(548,014)
Cost Grand Total	23,900,516	19,364,130	43,264,646	9,853,362	287,535	124,918	10,265,815	53,530,461	53,903,557	(373,096)

12/20/2006

2007 BUDGET RECAP (approved)

PROGRAM	TOTAL BUDGET ($M)	ELECTRIC GOALS[1]		ELECTRIC COST		B/C RATIO		GAS GOALS		GAS COST		B/C RATIO		EVAL DATE(S) (I=Impact; MA=Market Assessment; P=Process	PROGRAM REBID RFP ISSUE DATE	PMC CONTRACT EXPIRATION
		Conservative (aMW)	Best Case (aMW)	($mils/ aMW)	Levelized ($/kWh)	Utility	Societal	Conservative (annual therms)	Best Case (annual therms)	($/annual therms)	Levelized ($/Therm)	Utility	Societal			
ENERGY EFFICIENCY																
Residential																
Home Energy Solutions – Existing Homes[2]	12.1	1.5	2.0	5.000 - 3.750	0.028 - 0.021	2.1	1.6	571,448	761,930	8.252 - 6.189	0.440 - 0.330	5.7	1.7	9/2007 (P/I)	NA	12/31/2007
Home Energy Solutions – New Homes & Products[3]	9.4	1.4	1.9	3.626 - 2.719	0.032 - 0.024	4.2	1.6	526,816	702,421	8.005 - 6.003	0.470 - 0.352	2.9	1.2	6/2007(P)	7/06	12/31/2006
Mkt Transformation (Alliance)	1.0	4.4	5.9	0.231 - 0.173	0.004 - 0.003	22.6	7.8	NA		NA				NA	NA	12/31/2010
Total Residential	***22.5***	***7.3***	***9.8***													
Commercial																
Business Energy Solutions – Existing Buildings	6.6	2.1	2.8	2.230 - 1.672	0.026 - 0.019	2.9	1.7	546,669	728,892	3.613 - 3.005	0.382 - 0.287	2.1	1.9	11/07 (P/I)	3/2005	6/30/2007
Business Energy Solutions – New Buildings	6.9	2.3	3.0	2.700 - 2.025	0.021 - 0.016	4.1	2.0	327,534	436,713	2.415 - 1.811	0.162 - 0.122	4.2	3.8	10/2007(P/I) 6/2007 (MA)	10/2005	12/31/2007
Mkt Transformation (Alliance)	1.7	0.2	0.3	7.691 - 5.768	0.074 - 0.055	1.2	0.5	NA		NA				NA	NA	12/31/2010
Total Commercial	***15.3***	***4.6***	***6.1***													
Industrial																
Production Efficiency	13.0	8.7	11.6	1.509 - 1.131	0.019 - 0.014	4.4	4.1	NA		NA				12/2007 (P/I)	3/2005	12/31/2007
Mkt Transformation (Alliance)	1.0	0.9	1.2	1.114 - 0.835	0.015 - 0.011	5.2	2.0	NA		NA				NA	NA	12/31/2010
Total Industrial	***14.0***	***9.6***	***12.8***													
Total Energy Efficiency	***$51.8***	***21.5***	***28.7***					***1,972,467***	***2,629,955***							
RENEWABLE RESOURCES[4]																
Utility-Scale	$18.5	103	153	0.180 - 0.121	0.002 - 0.001			NA		NA				NA	NA	NA
Solar Electric	$3.0	0.139	0.186	21.400 - 16.000	0.164 - 0.123			NA		NA				NA	NA	NA
Wind Cluster	$7.9	8.1	17.6	0.980 - 0.450	0.008 - 0.004			NA		NA				3/2007 (P)	NA	NA
Open Solicitation	$2.5	0.65	1.05	4.600 - 2.800	0.035 - 0.022			NA		NA				10/2007 (MA)	NA	NA
Biopower	$5.1	2.98	19.46	1.700 - 0.260	0.013 - 0.002			NA		NA				NA	NA	NA
Total Renewable Resources	***$37.0***	***114.9***	***191.3***													

[1] Some columns may not add due to rounding.

[2] B/C Analysis includes furnace market transformation effects.

[3] B/C Analysis includes clothes washer market transformation effects.

[4] Budget amounts for Renewable Resources are activity based and include dedicated funds.

The Energy Trust of Oregon
Year to Date by Program / Service Territory - joint costs allocated at program level
Budget 2007-B-04.7a - Approved
For the Twelve Months Ending December 31, 2007
(Unaudited)

	ENERGY EFFICIENCY						RENEWABLE ENERGY				TOTAL	2007 Budget	
	PGE	PacifiCorp	NW Natural	Cascade	Avista	Total	PGE	PacifiCorp	Total	Other	All Programs	B-03 draft	Change
REVENUES													
Public Purpose Funding	$23,516,317	$15,035,184	$9,247,863	$889,636	$649,000	$49,338,000	$7,057,223	$4,534,421	$11,591,644		$60,929,643	$60,951,661	($22,017)
Revenue from Investments										2,325,038	2,325,038	2,318,745	6,293
TOTAL PROGRAM REVENUE	**23,516,317**	**15,035,184**	**9,247,863**	**889,636**	**649,000**	**49,338,000**	**7,057,223**	**4,534,421**	**11,591,644**	**2,325,038**	**63,254,681**	**63,270,406**	**(15,724)**
EXPENSES													
Program Management (Note 4)	1,166,463	788,189	742,668	64,457	25,100	2,786,877	468,898	247,317	716,216		3,503,093	3,563,633	(60,540)
Program Delivery	5,644,965	4,176,336	2,094,455	199,357	82,398	12,197,512	180,671	87,494	268,165		12,465,677	12,462,258	3,419
Incentives	13,316,569	8,402,367	5,119,038	433,178	125,048	27,396,200	4,974,584	4,273,457	9,248,041		36,644,240	28,955,250	7,688,990
Program Evaluation and Planning Services	1,063,508	669,587	598,611	46,930	10,480	2,389,116	137,905	76,754	214,659		2,603,775	2,754,636	(150,861)
Program Marketing/Outreach	713,446	414,152	774,168	50,392	20,606	1,972,765	150,474	41,156	191,630		2,164,395	2,540,071	(375,677)
Program Legal Services	11,890	7,285	5,753	511	161	25,600	68,797	40,923	109,720		135,320	135,320	
Program Quality Assurance	88,589	57,908	49,121	3,439	943	200,000	13,836	4,764	18,600		218,600	218,600	
Outsourced Services	242,611	138,564	72,870	7,292	63	461,400	498,152	163,268	661,420		1,122,820	1,221,220	(98,400)
Trade Allies & Customer Service Management	164,458	110,399	162,256	9,803	2,469	449,385	33,805	22,914	56,719		506,104	508,028	(1,924)
IT Services	454,369	347,699	315,729	28,675	11,248	1,157,720	131,754	70,815	202,569		1,360,289	1,367,083	(6,794)
Other Program Expenses	167,246	110,792	95,696	7,031	1,915	382,681	135,914	61,975	197,889		580,569	587,699	(7,129)
TOTAL PROGRAM EXPENSES	**23,034,114**	**15,223,279**	**10,030,366**	**851,064**	**280,432**	**49,419,256**	**6,794,790**	**5,090,837**	**11,885,626**		**61,304,882**	**54,313,798**	**6,991,084**
ADMINISTRATIVE COSTS													
Management & General (Note 1 & 3)	815,844	539,192	355,265	30,144	9,933	1,750,378	240,664	180,312	420,976		2,171,354	2,242,817	(71,463)
Communication & Outreach (Note 2 &3)	308,272	197,094	121,229	11,662	8,508	646,764	92,512	59,441	151,953		798,717	844,025	(45,308)
Total Administrative Costs	**1,124,115**	**736,286**	**476,494**	**41,806**	**18,440**	**2,397,142**	**333,176**	**239,753**	**572,929**		**2,970,071**	**3,086,842**	**(116,771)**
TOTAL PROGRAM & ADMIN EXPENSES	**24,158,229**	**15,959,565**	**10,506,860**	**892,870**	**298,872**	**51,816,397**	**7,127,966**	**5,330,590**	**12,458,555**		**64,274,952**	**57,400,639**	**6,874,313**
TOTAL REVENUE LESS EXPENSES	**(641,912)**	**(924,381)**	**(1,258,997)**	**(3,234)**	**350,128**	**(2,478,397)**	**(70,743)**	**(796,169)**	**(866,912)**	**2,325,038**	**(1,020,271)**	**5,869,766**	**(6,890,037)**
Cumulative Carryover at 12/31/05 (Note 5)	7,890,600	(6,396,731)	6,830,436			8,324,305	20,057,432	6,084,497	26,141,929	2,077,679	36,543,913	36,543,913	
2006 Net results-based on forecast 2006-F-04	622,406	(3,325,651)	(824,624)	3,805	50,437	(3,473,627)	4,995,822	2,970,714	7,966,536	2,223,018	6,715,927	6,715,927	
Investment income dedicated by board in 2006	840,000	560,000				1,400,000				(1,400,000)	0		
Proposed interest to be designated for 2007	900,000	600,000				1,500,000		1,100,000	1,100,000	(2,600,000)	0		
TOTAL NET ASSETS CUMULATIVE	**9,611,094**	**(9,486,763)**	**4,746,815**	**571**	**400,565**	**5,272,281**	**24,982,511**	**9,359,042**	**34,341,553**	**2,625,735**	**42,239,569**	**49,129,606**	**(6,890,037)**

Note 1) Management and General (Administrative) Expenses have been allocated based on total expenses.
Note 2) General Communication and Outreach expenses (Administrative) have been allocated based on Public Purpose Revenue from each Territory.
Note 3) Administrative costs are allocated for management reporting only. GAAP for Not for Profit organizations does not allow allocation of administrative costs to program expenses.
Note 4) Program Management costs include both outsourced and internal staff.
Note 5) Cumulative carryover at 12/31/2005 has been adjusted to reflect audited results.

The Energy Trust of Oregon
Program Budget Expenses by Service Territory
Budget 2007-B-04.7 - approved
For the Twelve Months Ending December 31, 2007

	PGE	Pacific Power	Subtotal Elec. Utilities	Northwest Natural Gas	Cascade	Avista	Subtotal Gas Providers	Total	Previous version	pct change
Energy Efficiency										
Residential										
Home Energy Solutions - Existing Homes	4,289,847	3,076,782	7,366,629	4,531,216	184,145	-	4,715,361	12,081,990	11,626,991	3.9%
Home Energy Solutions - New Homes/Products	2,974,009	2,194,932	5,168,941	3,424,777	493,263	298,873	4,216,913	9,385,854	9,480,143	-1.0%
Market Transformation (NEEA)	583,189	439,765	1,022,954	-	-	-	-	1,022,954	1,117,517	-8.5%
Total Residential	7,847,045	5,711,479	13,558,524	7,955,993	677,408	298,873	8,932,274	22,490,798	22,224,651	1.2%
Commercial										
Market Transformation (NEEA)	986,580	743,952	1,730,532	-	-	-	-	1,730,532	1,918,632	-9.8%
New Building Efficiency	3,865,757	2,263,845	6,129,602	680,388	110,670	-	791,058	6,920,660	6,475,268	6.9%
Building Efficiency (Existing)	3,499,568	1,158,653	4,658,221	1,870,480	104,795	-	1,975,275	6,633,496	6,202,724	6.9%
Total Commercial	8,351,905	4,166,450	12,518,355	2,550,868	215,465	0	2,766,333	15,284,688	14,596,624	4.7%
Industrial										
Industrial Energy Solutions	7,387,813	5,650,707	13,038,520	-	-	-	-	13,038,520	12,098,603	7.8%
Market Transformation (NEEA)	571,467	430,928	1,002,395	-	-	-	-	1,002,395	1,062,639	-5.7%
Total Industrial	7,959,280	6,081,635	14,040,915	0	0	0	0	14,040,915	13,161,242	6.7%
Energy Efficiency Program Costs	24,158,230	15,959,564	40,117,794	10,506,861	892,873	298,873	11,698,607	51,816,401	49,982,517	3.7%
Management and General										
Communications and Outreach										
Total Energy Efficiency Costs	24,158,230	15,959,564	40,117,794	10,506,861	892,873	298,873	11,698,607	51,816,401	49,982,517	3.7%

The Energy Trust of Oregon
Program Budget Expenses by Service Territory
Budget 2007-B-04.7 approved
For the Twelve Months Ending December 31, 2007

	PGE	Pacific Power	Subtotal Elec. Utilities	Northwest Natural Gas	Cascade	Avista	Subtotal Gas Providers	Total	Previous version	pct change
Renewables										
Utility Scale Projects	2,362,327	2,966,782	5,329,109	-	-	-	-	5,329,109	503,380	958.7%
Solar	1,775,867	1,201,524	2,977,391	-	-	-	-	2,977,391	2,767,104	7.6%
Community Wind	787,996	571,959	1,359,955	-	-	-	-	1,359,955	1,473,877	-7.7%
Open Solicitation	910,466	341,886	1,252,352	-	-	-	-	1,252,352	1,162,514	7.7%
Biopower	1,291,311	248,438	1,539,749	-	-	-	-	1,539,749	1,511,249	1.9%
Renewables Program Costs	7,127,967	5,330,589	12,458,556	0	0	0	0	12,458,556	7,418,124	67.9%
Management and General										
Communications and Outreach										
Total Renewables Costs	7,127,967	5,330,589	12,458,556	0	0	0	0	12,458,556	7,418,124	67.9%
Cost Grand Total	31,286,197	21,290,153	52,576,350	10,506,861	892,873	298,873	11,698,607	64,274,957	57,400,641	12.0%

2007-2008 Action Plan, approved

December 13, 2006

I. INTRODUCTION

One can hardly pick up a newspaper or magazine or turn on a news program today without seeing a lead story about energy. Concern about climate change has catapulted energy issues into the forefront of international attention and debate. The mission of the Energy Trust – to change how Oregonians produce and use energy – has emerged in the mainstream media as an essential way to successfully manage energy costs, improve reliability, diversify supply and minimize environmental impacts.

In the last year, as attention to energy matters has grown, Energy Trust also has expanded. Cascade and Avista added over 150,000 gas consumers to the approximately 550,000 customers we already serve through NW Natural. When combined with the1.3 million electricity customers of PGE and Pacific Power, Energy Trust now serves 70% of Oregon's electricity consumers and all of its gas customers. This expansion also further diversifies our geographic range, with more services slated for people in smaller communities and rural areas. Providing comprehensive gas, electric and renewable energy services in more of the state's outlying areas requires new outreach efforts, trade ally connections, distribution and service delivery networks and even stronger utility partnerships.

The need to motivate people to take action through efficiency and renewable energy investments remains critical, even as more consumers hear the call. Energy Trust has shifted its focus from program design and introduction to managing high program demand that exceeds both available electric efficiency and renewable energy dollars. Electric savings acquisition for 2006 remains on target, with nearly 26 aMW anticipated, meeting if not exceeding our "best case" annual target. With current year electric efficiency revenues expected to closely match expenditures for completed and identified projects, few carryover electric funds are expected at year end for the first time in our history.

This same tale can be told for 2006 renewable energy investments, where dollars are especially limited in Pacific Power service territory as compared to the identified opportunities. When committed funds are included for projects approved and being completed, annual 2007 and 2008 renewable energy generation targets will be met or exceeded.

Natural gas 2006 efficiency results are expected to approximate our "conservative case" target, with savings of 2.4 million annual therms anticipated. Energy Trust receipt of gas revenues began after electric funding, with gas programs still scaling up, diversifying and being promoted jointly with gas utilities.

The 2007-2008 action plan and 2007 budget are expected to acquire between 22 and 29 aMW and between 2.0 and 2.6 million annual therms, representing conservative to best case scenarios for both electricity and gas savings. In compliance with Oregon Public Utility Commission performance measures, electric levelized costs are expected to range from 2.0 cents/kWh (conservative case) to 1.5 cents/kWh (best case). Anticipated levelized costs per

annual therm are projected at .29 cents in the best case scenario, within the Public Utility Commission minimum performance measure. In the interest of acquiring additional gas savings, this measure will be analyzed during the coming year in concert with the OPUC to determine if it should change or remain. For renewable energy, a range of 115 aMW (conservative case) to 191 aMW (best case) is projected, reflecting a continued utility scale project emphasis in both electric service territories.

For 2007 and into 2008, strength and flexibility are derived from a balanced investment strategy across each efficiency customer class and from the promotion of a diverse mix of renewable resources. This assures that all who contribute to the public purpose charge have the opportunity to draw from it and receive its benefits. With high demand for electric efficiency services across different residential, commercial and industrial markets, the 2007-2008 action plan seeks to balance the acquisition of persistent long-lasting savings that cost slightly more with high volume shorter-lived savings that cost less. The aggressive strategic goal of saving 300 aMW by 2012 is retained. This further challenges the organization to maintain its diverse program offerings, including for those whose opportunities historically have been limited.

Planned gas efficiency strategies will see increased emphasis in the next two years, with new target markets identified for both commercial and residential customers and new cost-effective measures and new incentives added. To better strengthen customer service, efficiency programs are combined within each sector, promoting residential, commercial and industrial energy solutions and further integrating opportunities across programs.

The principle of a diverse approach across markets also extends to the broad range of renewable energy program opportunities included in the 2007-2008 action plan. The portfolio of offerings in the next two years spans technologies and fosters projects differing both in scale and geography. Large utility-scale investments remain the single biggest area of investment in renewable generation, with biopower, community wind, residential and commercial solar electric and open solicitation program opportunities rounding out our offerings. Small hydro will also receive renewed exploration.

To meet expectations and serve our expanding customer base well, Energy Trust will continue its emphasis on operational improvements. Across the board, program management and data collection will be streamlined, forms simplified and on-line incentive applications developed. Such efforts will be expanded beyond the immediate focus on information technology and financial systems improvements to encompass a review of program management and delivery models. As competition for limited resources continues, it is essential to make investments in operational excellence, ensuring that our business is conducted efficiently and that administrative costs remain low.

The 2007-2008 action plan begins with highlights for the coming year (section II), followed by detailed program/department descriptions and corresponding budgets (section III). The 2007 budget captures these themes and allocates resources consistent with them. A summary of actions anticipated in 2008 is included at the end (section IV).

II. 2007-2008 ACTION PLAN HIGHLIGHTS

The two-year action plan and annual budget are intended to comply with the minimum performance measures set for the Energy Trust by the Oregon Public Utility Commission. They also represent activities to meet the ten-year strategic goals set for the Energy Trust by our board of directors. Full achievement of the action plan depends upon

continuing collaboration and partnership with PGE, Pacific Power, NW Natural, Cascade, Avista, the NW Energy Efficiency Alliance, the Oregon Department of Energy and numerous stakeholder, trade ally and other organizations with whom we jointly pursue shared activities to best serve customers.

The following specific themes are developed and emphasized in the 2007-2008 action plan and corresponding 2007 budget:

1. *Balance electric efficiency savings and equity goals across sectors* – The 2007-2008 action plan and 2007 budget are designed to fulfill commitments to previously identified projects and dedicate sufficient funds to complete them. Planned electric efficiency expenditures are distributed nearly equally across all 3 sectors: 34% residential, 35% industrial and 31% commercial. This reflects a balanced investment across diverse markets to maintain programs for all public purpose fund contributors. The strategy acquires slightly more expensive, longer-lived persistent savings matched with high volume, lower cost savings that are shorter-lived. The approach also addresses a host of regional market transformation activities to capture lost opportunities complemented by shorter-term savings acquisition activities.

2. *Serve the commercial sector* – Over the next two years of action plan implementation, Energy Trust will expand services to small and medium commercial customers. Our approach includes pilot initiatives for the hospitality industry, focused on opportunities for hotels and motels; foodservice incentives for restaurants, building upon the strong market response to pre-wash rinse sprayers in 2006; the inclusion of commercial laundries and dishwashers in large facilities such as hospitals and college campuses; and targeted services for grocery stores. By integrating the Building Tune-up and Operations program into Business Energy Solutions, an emphasis on operations and maintenance is retained while administrative and oversight costs are reduced. The success of the commercial lighting program will be expanded to include multifamily indoor and outdoor common areas. These commercial-scale applications are budgeted for delivery through the multifamily initiative of Home Energy Solutions. Lighting program promotion will be expanded in underserved markets on the coast and in central and southern Oregon, laying the groundwork for 2008 projects and savings. Where applicable, BPA and retail utility commercial customer incentives will be coordinated with Energy Trust to achieve consistency throughout the region.

3. *Stimulate more gas savings* – Energy Trust service to all gas utility customers in the state provides new opportunities for synergy in program delivery. At the same time, this opportunity challenges us to deliver such services to more diverse and rural geographic areas. Working with the three gas utilities, new strategies to better serve gas markets will be defined and put in place. Gas efficiency marketing will be enhanced by identifying the best opportunities for statewide cooperative promotion with the gas utilities and by conducting market research to understand investment decision drivers and demographics. New residential and commercial gas measures will be added and incentives increased or established for such measures as tankless water heaters, gas fireplaces, direct digital controls, combo space and water heaters for smaller spaces and commercial cooking appliances. Projects for gas-only or predominantly gas-driven measures will be identified, thereby maximizing investment of available gas dollars while minimizing dependency on limited electric funds. Anticipating these new activities, Energy Trust will work with the Commission to revisit and potentially revise the current minimum levelized cost performance measure of .30 cents per annual therm,

incorporating actual gas program implementation experience, addressing program evaluation results and accommodating new opportunities resulting from serving gas customers statewide.

4. *Evaluate Program Management Contractor delivery model* - In the interest of providing quality customer service and effectively investing resources, Energy Trust will evaluate the Program Management Contractor (PMC) delivery model currently in place for energy efficiency services. Since inception, this model has enabled the organization to quickly bring large programs to full maturity by retaining contractors with specific expertise and experience. PMC's provide services to customers throughout a large and diverse geographic area. As we look forward, it is appropriate to ask whether the program management contractor model remains an effective way to manage and deliver energy efficiency programs. The analysis will encompass many aspects of this service delivery approach, including communications, customer service, savings acquisition and costs. Recommendations will assist Energy Trust in determining if the model remains, for which programs and how it can be strengthened and improved.

5. *Maintain diverse renewable energy investment opportunities* – The 2007-2008 action plan retains emphasis on large utility-scale renewable energy projects as part of meeting integrated resource plan commitments. Such activity is balanced with managing demand for projects in emerging sectors, including biopower, community wind and small hydro. Solar electric will continue to be marketed, particularly in PGE service territory, while momentum in Pacific Power territory will be sustained. To gain efficiencies, staff will work to shorten lead times for projects and participate with stakeholders to clarify utility interconnection requirements and processes. A revised green tag policy will be developed, intended to clarify Energy Trust's role in a changing marketplace where the value of renewable energy credits is increasing.

6. *Achieve operational excellence and enhance customer service* – A separate operations plan details specific improvements in Energy Trust information and financial management systems. Program managers and contractors who use these systems to serve customers have identified desired improvements, which in turn are expected to result in efficiency gains. Changes that simplify data input, access and reporting are the first to be made and will enable easier tracking of customer projects and computing of incentives, savings and generation. Program forms will be consolidated and simplified, with better tools developed for program forecasting and monitoring project status. In addition, the operations plan allows for adequate software maintenance and programmer support, reflecting the expansion of databases to capture a larger number of energy saving and generation measures and project history.

   Reliability of the information collected and maintained in the IT and financial management systems is essential for quality control and assurance, analysis of program status and accomplishments, evaluation, program revisions, responding to stakeholder information requests and meeting reporting requirements. Also included is a comprehensive review of the architecture and organizational structure for IT to guide operations and address long-term requirements.

   To further strengthen customer service in 2007, staff has consolidated efficiency service and program delivery by using a market sector-based approach. The public will see new names for efficiency programs intended to clarify services available and simplify how customers and other market actors engage with Energy Trust. Three flagship programs

will serve the residential, commercial and industrial sectors, each with program tracks within them:

- Home Energy Solutions, including:
  - Existing Homes (Home Energy Savings residential retrofit program)
  - New Homes and Products (Efficient New Homes and Efficient Home Products)
- Business Energy Solutions, including:
  - Existing Buildings (Building Efficiency and Building Tune-up and Operations for commercial retrofits/replacement and building operations)
  - New Buildings (New Building Efficiency for commercial new construction)
- Industrial Energy Solutions, including:
  - Production Efficiency (for industrial processes and manufacturing)

7. *Advance transmission and distribution (T&D) deferral opportunities* – In cooperation with the utilities, Energy Trust intends to analyze at least one location where current transmission and/or distribution conditions are constrained. This effort is dependent upon utility system information that identifies where a concentration of energy efficiency and/or renewable energy could defer an expensive investment in T&D. Energy Trust retains an open interest in pursuing such opportunities, which may also allow the testing of community-based investment strategies.

8. *Apply cash reserves guidelines for investing interest earnings - Energy Trust earns interest* based upon individual investments made and on committed or escrowed funds awaiting payment once projects are completed. A portion of the earnings is necessary to provide a cash reserve and address potential revenue shortfalls. The balance can be invested to benefit customers and help achieve Energy Trust goals. The guidelines state that investment of earned income should:

   a. Respond to opportunities that further achieve Energy Trust strategic goals
   b. Enable Energy Trust to meet customer expectations and fulfill project commitments
   c. Maintain market momentum and opportunities to acquire savings/generation
   d. Provide stability for program budgets that would otherwise be reduced or eliminated
   e. Consider a balanced investment between both renewable and efficiency program opportunities over time
   f. Enable the organization to explore new directions and enterprise opportunities

   The 2007 budget assumes investment of a portion of earned revenues consistent with these guidelines.

9. *Pursue Bonneville Power Administration conservation rate credit funds* - In cooperation with PGE, Pacific Power and the Bonneville Power Administration, Energy Trust has the opportunity to receive approximately $2M in conservation rate credit (CRC) funds. This additional revenue would be available for electric energy efficiency programs. Funds must be invested in a manner consistent with federal guidelines. Energy Trust is collaborating with the utilities to prioritize where CRC dollars could be leveraged to provide the greatest benefit to customers and achieve additional savings. Assuming such

funds are accepted, the budget would be amended early in 2007.

III. 2007-2008 PROGRAM/DEPARTMENT SUMMARIES AND CORRESPONDING BUDGET DETAIL

The following section contains 1-page, 2-sided descriptions for each program and major department plus corresponding proposed 2007 budget details. Each description contains a short statement of purpose, a list of top strategies and actions anticipated and the proposed budget, savings or generation targets, where applicable. Activities anticipated for 2008 are identified as well, along with projected budget. This information allows a comparison between current and future resources.

IV. 2008 PROJECTED HIGHLIGHTS

Energy Efficiency

- Maintain steady state for all energy efficiency programs, with activity levels corresponding to available revenues
- Refine and continue to rely upon the program reservation and forecasting system to closely manage available resources with demand
- Continue to balance program expenditures commensurate with funding from PGE and Pacific Power
- Increase gas marketing, investments and savings acquisition
- Test community energy strategy and activities
- Refine program integration and consolidation to optimize customer service delivery across sectors
- Consider implementing other program delivery models

Renewable Energy

- Continue efforts in the utility-scale program to implement the utility master agreements and begin to define a strategy to support other utility-scale generation
- Mature the biopower program based on the experience over the first two years and where possible, expand services and standardize offerings
- Continue to ramp the solar program to a long-term, stable budget, adjusting marketing, incentives and program services to respond to changing consumer needs
- Complete community wind projects funded in 2007, transition to more standardized offerings and development paths and define an incentive for small wind based 2007 market tests
- Target PGE service territory for open solicitation program and support, while also focusing on irrigation hydro-power for Pacific Power territory

Other

- Plan for increased management and general costs stemming from health care and potential operations plan improvements

Appendix 1

Energy Trust of Oregon
Mission Statement and Strategic Plan 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.

Strategic Plan Goals:

Goal 1: By 2012, deliver programs to help consumers save 300 average megawatts (2.6 million annual megawatt hours) of electricity and 19 million annual therms of natural gas* from long-lasting energy efficiency measures. Targets are for a weighted average measure life of 14 years for electric savings and 20 years for gas savings.

Goal 2: Provide 10% of Oregon's electric energy from renewable resources by 2012, (approximately 450 average megawatts for PacifiCorp and PGE if Energy Trust programs are complemented by state, federal and other policies and programs, or 150 average megawatts by Energy Trust effort alone).

Goal 3: Extend energy efficiency and on-site renewable energy programs and benefits to underserved consumers.

Goal 4: Contribute to the creation of a stable environment in which businesses that promote energy efficiency and renewable energy have the opportunity to succeed and thrive.

Goal 5: Encourage and support Oregonians to integrate energy efficiency and renewable resources into their daily lives.

*Subject to change based on further analysis of program implementation experience, expanded gas utility participation and other factors.

Appendix 2

2007 Anticipated OPUC Energy Trust of Oregon Performance Measures

Category	**Measures**	**2007 Draft Budget**
Energy Efficiency	Obtain at least 20 aMW computed on three year rolling average Levelized cost not to exceed $0.02/KWh	22-29 aMW $0.015 - $.02/kwh
Natural Gas	Obtain at least 700,000 annual therms Levelized cost not to exceed $0.30/therm *	2.0-2.6 million annual therms $0.29 - $0.38/therm
Renewable Resources Energy	Secure at least 9 aMW computed on a three year rolling average from utility scale projects Secure at least 3 aMW computed on a three year rolling average from small scale projects	103 -153 aMW 12 - 38 aMW
Financial Integrity	Receive an Unqualified financial opinion from independent auditor on annual financial statements	Accounting conforms with Generally Accepted Accounting Principles (GAAP)
Administrative and Program Support Costs	Keep below 11% of annual revenue	7.8%
Customer Satisfaction	Achieve reasonable rates	Includes customer satisfaction research
Benefit/Cost Ratios	Report both utility system and societal perspective on an annual basis and report significant changes, if any, on quarterly statements	

* The OPUC and Energy Trust are exploring whether the $.30/annual therm saved should remain or change in order to capture additional gas savings.

December 2006

ENERGY EFFICIENCY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: HOME ENERGY SOLUTIONS- EXISTING HOMES **SECTOR: RESIDENTIAL**

PURPOSE: Acquire cost-effective electric and gas savings by providing energy efficiency services and incentives for existing single-family, multifamily and manufactured homes. Contributes to Strategic Plan goals 1, 3, 4, 5.

PROGRAM STRATEGY:

1. Offer incentives for a wide variety of efficiency measures for single-family, multifamily, and manufactured homes.
2. Offer Nexus online home energy analyzer to Energy Trust public purpose funding contributors.
3. Work with each participating utility to create promotions targeted to their customers.
4. Promote Solar Water Heating measures to existing residential homes.
5. Coordinate with ODOE to reward participants in the State Home Weatherization Program (SHOW) from Energy Trust service territories with compact fluorescent light bulbs.
6. Continue expansion of Home Performance with ENERGY STAR®, a comprehensive, whole-house approach to single family residential energy efficiency that utilizes diagnostic equipment and generates a home analysis assessment.
7. Offer low-interest financing as an option for program customers.

2007 ACTIONS:

1. Add a new incentive to ensure quality heat pump installations by participating HVAC contractors.
2. Expand training of trade allies to become certified Home Performance contractors in southern and eastern Oregon.
3. Effectively leverage utility promotional activities.
4. Engage in promotional activities with gas utilities to promote efficient gas furnaces and other efficient gas applications.
5. Accept trade ally-initiated residential solar water heating projects that conform to Energy Trust standards.
6. Sponsor events with Oregon Remodeling Association, the Remodelers Council and other organizations that support activities of trade allies.
7. Provide full program services to Cascade service territory including Home Performance with ENERGY STAR.
8. Enhance the existing cooperative marketing program with a production and performance-based program that provides cooperative advertising opportunities to contractors that submit a minimum number of jobs.
9. Provide 6000 CFLs to State Home Oil Weatherization (SHOW) customers.
10. Pursue more opportunities for gas efficiency measures.
11. Evolve multifamily program services to focus on high value measures such as lighting, appliances and HVAC.

TARGETS:

2007 Budget		**2006 Updated Forecast**	
Energy Savings Range	1.5 – 2.0 aMW (12,907 – 17,209 MWh); $5.0 - 3.7 mil/aMW; $0.028 - 0.021/kWh, levelized	Energy Savings	1.5 aMW (13,311 MWh); $3.2 mil/aMW; $0.018/kWh, levelized
	571,448 – 761,930 therms; $8.25-6.19/therm; $0.44 - 0.33/therm, levelized		640,369 therms; $7.13/therm; $0.37/therm, levelized
Benefit/Cost (utility)	Electric: 2.1 – 1.6 Gas: 5.7 – 1.7		
Budget	$12.1 million	Forecast	$9.8 million

2008 PLANNED ACTIVITIES:

1. In 2008 a larger portion of the program savings will be coming from Home Performance with ENERGY STAR.
2. In 2008 the program funding level and commensurate activities are expected to remain similar to 2007.

	$ M	aMW	Therms
2008 PROJECTION:	$11.8	1.4 – 1.9	582,590 – 776,786

(see budget details on reverse)

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Home Energy Solutions - Existing Homes

	2006 Forecast	2007 Budget	2008 Projection
PMC			
Program Management	$245,426	$302,340	$311,410
Delivery	1,620,899	2,204,794	2,270,367
Marketing-PMC	326,264	381,843	393,298
Performance Comp	58,227	218,496	225,051
Incentives	5,500,143	6,182,240	5,852,407
Program Management	**7,750,959**	**9,289,714**	**9,052,533**
Staffing	**283,708**	**280,575**	**295,167**
Marketing	**135,432**	**375,850**	**387,126**
Services			
Evaluation and Planning Services	352,949	634,166	588,034
QA-Subcontracted	48,001	75,000	77,250
Customer Service & Trade Ally Support	288,640	325,477	335,948
Legal Services	6,097	5,120	5,274
Other Professional Services	13,107	45,400	46,762
Total Other Services	**708,794**	**1,085,163**	**1,053,268**
General			
General Program Support Costs	79,029	98,670	101,576
Shared	47,185	42,488	44,378
IT Services	350,072	353,855	369,911
Total General	**476,286**	**495,013**	**515,865**
Program Direct Costs	**9,355,179**	**11,526,315**	**11,303,959**
Allocated mgmt. & general and marketing	423,935	555,675	472,834
TOTAL EXPENSE, FULLY ALLOCATED	**9,779,114**	**12,081,990**	**11,776,793**

December 2006

ENERGY EFFICIENCY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: HOME ENERGY SOLUTIONS- NEW HOMES AND PRODUCTS **SECTOR: RESIDENTIAL**

PURPOSE: New combined program targeting lost energy efficiency opportunities in the residential sector. Provide the residential new home market with services and incentives with focus on EPA ENERGY STAR® regional specifications, reaching home buyers, builders, multifamily developers, and manufactured home retailers. Overcome market barriers to the purchase of energy efficient products through product incentives, consumer awareness and education, focusing on ENERGY STAR label and corresponding benefits of products and services that display it. Contributes to Strategic Plan goals 1, 3, 4, 5.

PROGRAM STRATEGY:

1. Provide market support (e.g., building diagnostics and equipment installation support, market-based verifier oversight, training, co-op marketing funds, retailer training, lighting support, realtor training, outreach to industry organizations)
2. Develop and implement elements to overcome barriers (e.g., education, lighting, HVAC, solar, employee turnover).
3. Provide incentives (e.g., homes, stand-alone measures, clothes washers, light bulbs, duct sealing, commissioning (Cx)).
4. Conduct marketing to create consumer demand (e.g., ads, website, education, school outreach).
5. Simplify program administration (e.g., streamlined forms, online incentive applications, cross cutting PMC delivery).
6. Leverage other related programs and organizations (e.g., NEEA, Earth Advantage, NEEM).

2007 ACTIONS:

1. Increase market share and long-term viability of ENERGY STAR homes in the new construction market place, 2.0 MEF clothes washers in the appliance marketplace, and CFLs in the home lighting market.
2. Provide incentives for:
   a) 2,000 gas heated ENERGY STAR single and multi-family homes, 700 high efficiency gas furnaces, and 75 hearths.
   b) 400 heat pump ENERGY STAR single and multi-family homes, 300 zonal electric homes, 130 high efficiency heat pumps, Commissioning and/or duct sealing for 60 heat pumps, 400 electrically-heated manufactured homes and 130 heat pump upgrades in manufactured homes.
   c) 1,500 tankless hot water heaters.
   d) 14,000 $75 clothes washer incentives on ultra-high efficiency models (2.0+ MEF).
3. Provide performance testing and duct sealing training to 36 HVAC installers.
4. Offer technical training to builders and incentives for 48 solar water heating systems to ENERGY STAR homes.
5. Provide free boxes of four CFLs to 5,000 consumers who complete the on-line home energy analyzer.
6. Buy-down the cost of 200,000 CFLs in conjunction with the Northwest regional Savings with A Twist campaign.

TARGETS:

2007 Budget		**2006 Updated Forecast**	
Energy Savings Range	1.4 – 1.9 aMW (12,488 – 16,651 MWh); $3.6 - 2.7 mil/aMW; $0.032 - 0.024/kWh, levelized; 526,816 – 702,421 therms; $8.00-6.00/therm; $0.47 - 0.35/therm, levelized	Energy Savings	3.2 aMW (27,845 MWh); $1.7 mil/aMW; $0.018/ kWh, levelized; 402,945 therms; $5.95/therm; $0.36/therm, levelized
Benefit/Cost (utility)	Electric: 4.2 – 1.6 Gas: 2.9 – 1.2		
Budget	$9.4 million	Forecast	$8.2 million

2008 PLANNED ACTIVITIES:

1. Maintain new home market transformation efforts while increasing focus on alternative strategies toward achieving low-energy homes and green communities.
2. Increase installations of solar thermal systems and provide support for direct application renewable strategies.
3. Begin promoting LED lighting options and next generation CFL technologies.
4. Promote new viable technologies (e.g., heat pump water heaters, non-condensing gas water heaters).

	$ M	aMW	Therms
2008 PROJECTION:	$9.4	1.4 – 1.9	520,019- 693,359

(see budget details on reverse.)

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Home Energy Solutions - New Homes & Products

	2006 Forecast	2007 Budget	2008 Projection
PMC			
Program Management	$592,729	$364,356	$375,287
Delivery	2,229,906	2,539,326	2,612,398
Marketing-PMC	432,625	579,058	592,074
Performance Comp	5,000	248,087	245,809
Incentives	3,413,628	3,992,186	3,833,851
Program Management	**6,673,888**	**7,723,013**	**7,659,420**
Staffing	**224,079**	**189,299**	**199,045**
Marketing	**166,153**	**103,500**	**106,605**
Services			
Evaluation and Planning Services	338,877	399,278	466,347
QA-Subcontracted	26,999	30,000	30,000
Customer Service & Trade Ally Support	86,022	78,533	81,060
Legal Services	10,741	5,120	5,274
Other Professional Services	3,624	2,000	2,060
Total Other Services	**466,263**	**514,931**	**584,741**
General			
General Program Support Costs	45,266	33,500	34,505
Shared	37,641	27,409	28,752
IT Services	235,494	357,701	373,928
Total General	**318,401**	**418,610**	**437,185**
Program Direct Costs	**7,848,784**	**8,949,354**	**8,986,997**
Allocated mgmt. & general and marketing	356,559	436,500	381,300
TOTAL EXPENSE, FULLY ALLOCATED	**8,205,343**	**9,385,854**	**9,368,297**

ENERGY EFFICIENCY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: MARKET TRANSFORMATION NORTHWEST ENERGY EFFICIENCY ALLIANCE (NEEA) **SECTOR: RESIDENTIAL**

PURPOSE: NEEA funds regional market transformation initiatives in the Northwest region across commercial, industrial and residential sectors working in coordination with Energy Trust programs. This budget contemplates leveraging NEEA regional market transformation initiatives in the residential market sector to acquire cost-effective savings while creating sustainable and efficient purchasing patterns among consumers**.** Contribute to Strategic Plan goals 1, 4, 5.

PROGRAM STRATEGY:

1. Leverage Energy Trust and NEEA programs to increase delivery support and program incentive offerings.
2. Coordinate marketing efforts in areas where there are complimentary NEEA and Energy Trust initiatives, in particular, ENERGY STAR New Homes and compact fluorescent lighting.
3. Continue the expansion of the market share of ENERGY STAR Northwest Homes, while exploring possibilities for more advanced efficient homes.

2007 ACTIONS:

1. Run regional promotions of ENERGY STAR New Homes and ENERGY STAR Lighting, in coordination with utility and public purpose provider (including Energy Trust) rebates.
2. Complete demonstrations for advanced technologies in new homes.
3. Initiate an impact evaluation that will provide an analysis of actual realized savings per ENERGY STAR new home, based on homes constructed in 2006-2007. It is assumed that residential new construction building characteristics study will serve as a baseline for this impact evaluation. (Energy Trust will leverage their evaluation on this effort.)
4. Coordinate Energy Trust program operations with NEEA regional initiatives to maximize overall program effectiveness.

TARGETS:

2007 Budget		**2006 Full-Year Forecast**	
Energy Savings	4.4 – 5.9 aMW (38,763 – 51,684 MWh);	Energy Savings	5.8 aMW (50,808 MWh);
Range	$0.23 – 0.17 mil/aMW; $0.004 – 0.003/kWh, levelized		$0.2mil/aMW; $0.004/kWh, levelized
Benefit/Cost (Utility)	22.6 – 7.8		
Budget	$1.0 million	Forecast	$1.3 million

2008 PLANNED ACTIVITIES:

- NEEA's efforts to drive regional progress toward adoption of homes certified to the Northwest ENERGY STAR and promoting CFLs in non-traditional distribution channels are planned to continue through 2008.

	$ M	aMW
2008 PROJECTION:	$1.0	5.2 – 6.9

(see budget details on reverse)

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Market Transformation (NEEA) - Residential

	2006 Forecast	2007 Budget	2008 Projection
PMC			
Delivery	$1,194,799	$939,338	$950,401
Program Management	**1,194,799**	**939,338**	**950,401**
Staffing	**16,611**	**17,547**	**18,437**
Services			
Evaluation and Planning Services		15,347	15,768
Total Other Services		**15,347**	**15,768**
General			
General Program Support Costs	498	933	961
Shared	1,966	2,364	2,484
Total General	**2,464**	**3,297**	**3,446**
Program Direct Costs	**1,213,874**	**975,529**	**988,052**
Allocated mgmt. & general and marketing	55,013	47,425	42,046
TOTAL EXPENSE, FULLY ALLOCATED	**1,268,887**	**1,022,954**	**1,030,098**

ENERGY EFFICIENCY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: BUSINESS ENERGY SOLUTIONS- EXISTING BUILDINGS SECTOR: COMMERCIAL

PURPOSE: Acquire cost-effective electric and natural gas savings by providing technical assistance and financial incentives for high-efficiency equipment and energy efficient operating practices existing commercial facilities. Contributes to Strategic Plan goals 1, 3, 4, 5.

PROGRAM STRATEGY:

1. Target decision makers of existing commercial renovation projects including owners and installation contractors.
2. Deliver program directly to owners and developers by utilizing Program Management Contractor (PMC) and a statewide comprehensive network of trade allies, leveraging existing market relationships and professional service channels.
3. Maintain and expand successful state-wide Trade Ally Network of installation and technical assistance contractors to further deliver program services to the public.
4. Create outreach program utilizing direct calls and emails, referrals, mass emails, cold calls, news releases, direct mailings, case studies, advertisements in trade publications, program seminars, sponsorships of events and organizations, web site, articles, bill inserts and partnerships with related organizations.
5. Incorporate operation and maintenance, boiler tune-ups and recommissioning services and incentives formerly offered by Building Tune-Up and Operations pilot program.
6. Incorporate Solar Water Heating (SWH) measures to leverage existing outreach and management resources.
7. Coordinate with ODOE to package program offerings.

2007 ACTIONS:

1. Add more equipment to the Standard Track incentive list (e.g. reach-in coolers and refrigerators, appliances, commercial food service equipment, ice-makers, natural gas equipment).
2. Add operation and maintenance, boiler tune-ups and recommissioning services and incentives.
3. Provide targeted incentives for direct-digital control systems, variable air volume conversions, boilers and chillers.
4. Provide targeted outreach and marketing for the foodservice, hospitality, direct-digital controls and lighting markets with additional staff.
5. Support inclusion of SWH measure in energy studies, and accept trade-ally initiated commercial SWH projects.
6. Continue to align with ODOE programs to minimize differences in program requirements (e.g. BETC, SEED, High-Performance Schools).
7. Continue to improve and streamline program rules, forms and participation steps for Trade Allies and participants.

TARGETS:

2007 Budget		**2006 Full-Year Forecast**	
Energy Savings Range	2.1 – 2.8 aMW (18,300 – 24,400 MWh); $2.2 – 1.7 mil/aMW; $0.026 – 0.019/kWh, levelized; 546,669 – 728,892 therms; $3.61 – 3.00/therm; $0.38 – 0.29/therm, levelized	Energy Savings	3.7 aMW (32,024 MWh); $1.8mil/aMW; $0.017/kWh, levelized; 742,952 therms; $2.29/therm; $0.24/therm, levelized
Benefit/Cost (utility)	Electric: 2.9 – 1.7 Gas: 2.1 – 1.9		
Budget	$6.6 million	Forecast	$8.1 million

2008 PLANNED ACTIVITIES:

1. Explore having online forms and tablet computer audit tools for field audits and installation verification.
2. Lower acquisition cost of energy savings by streamlining program operations.

	$ M	aMW	Therms
2008 PROJECTION:	$6.2	1.9 - 2.5	562,199 – 749,599

(see budget details on reverse)

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Existing Buildings

	2006 Forecast	2007 Budget	2008 Projection
PMC			
Program Management	$218,616	$164,978	$169,927
Delivery	896,547	972,107	1,001,213
Marketing-PMC	263,000	283,650	292,159
Performance Comp	181,289	142,996	147,285
Incentives	5,078,585	3,691,373	3,140,154
Program Management	**6,638,037**	**5,255,103**	**4,750,739**
Staffing	**291,971**	**161,660**	**169,652**
Marketing	**56,758**	**99,500**	**102,485**
Services			
Evaluation and Planning Services	528,598	439,774	491,047
QA-Subcontracted	18,981	30,000	30,900
Customer Service & Trade Ally Support	53,816	37,521	39,255
Legal Services	7,046	5,120	5,120
Other Professional Services	1,710	82,000	103,000
Total Other Services	**610,151**	**594,416**	**669,322**
General			
General Program Support Costs	29,981	65,500	67,465
Shared	45,860	19,231	19,974
IT Services	102,022	132,055	140,078
Total General	**177,863**	**216,786**	**227,517**
Program Direct Costs	**7,774,780**	**6,327,466**	**5,919,714**
Allocated mgmt. & general and marketing	353,928	306,030	248,572
TOTAL EXPENSE, FULLY ALLOCATED	**8,128,708**	**6,633,496**	**6,168,286**

December 2006

ENERGY EFFICIENCY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: BUSINESS ENERGY SOLUTIONS- NEW BUILDINGS **SECTOR: COMMERCIAL**

PURPOSE: Acquire cost-effective electric and natural gas savings by providing technical assistance and financial incentives for high-efficiency design and equipment in commercial and industrial new construction and major renovation projects. Contributes to Strategic Plan Goals 1, 3, 4, 5

PROGRAM STRATEGY:

1. Target decision makers in commercial and industrial new construction projects and major renovations of existing buildings.
2. Target architects and engineers by providing tools and resources to assist them in selling their clients on high efficiency design and equipment.
3. Deliver program directly to owners and developers by utilizing Program Management Contractors (PMCs) and a statewide comprehensive network of trade allies, leveraging existing market relationships and professional service channels.
4. Create outreach program utilizing direct calls and emails, referrals, mass emails, cold calls, news releases, direct mailings, case studies, advertisements in trade publications, program seminars, sponsorships of events and organizations, web site, articles, bill inserts and partnerships with related organizations.
5. Incorporate solar water heating and photovoltaic measures to leverage outreach and management resources, relying on delivery support from Energy Trust solar program staff.
6. Coordinate with ODOE to package program offerings.

2007 ACTIONS:

1. Expand ENERGY STAR® program track.
2. Work with design community to showcase/incorporate better analytical tools for building design (e.g. continue to host energy modeling meetings, update energy modeling tools with Oregon energy code data, develop and incorporate analytical lighting tools for new building design).
3. Continue to develop materials for architects and engineers to promote the program to their clients.
4. Coordinate with ODOE as they update the Oregon Non-Residential Energy Codes. Plan statewide outreach campaign to explain impacts of the code change on the program.
5. Continue to align with ODOE programs to minimize differences in program requirements (e.g. BETC, SEED, High-Performance Schools).
6. Continue to integrate Green Investment Fund projects with program activities.
7. Add more equipment to the Standard Track incentive list as opportunities arise.

TARGETS:

2007 Budget		**2006 Full-Year Forecast**	
Energy Savings Range	2.3 – 3.0 aMW (19,885 – 26,513 MWh); $2.7 – 2.0 mil/aMW; $0.021 – 0.016/kWh, levelized; 327,534 – 436,713 therms; $2.42 – 1.81/therm; $0.16 – 0.12/therm, levelized	Energy Savings	2.2 aMW (19,248 MWh); $1.8mil/aMW; $0.014/kWh, levelized; 614,978 therms; $1.34 /therm; $0.09/therm, levelized
Benefit/Cost (utility)	Electric: 4.1 – 2.0 Gas: 4.2 – 3.8		
Budget	$6.9 million	Forecast	$4.8 million

2008 PLANNED ACTIVITIES:

1. Explore having online forms and tablet computer audit tools for field audits and installation verification.
2. Identify and implement strategies to reduce program management and delivery costs.

	$ M	aMW	Therms
2008 PROJECTION:	$7.1	2.3 – 3.1	337,929 – 450,572

(see budget details on reverse)

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
NBE

	2006 Forecast	2007 Budget	2008 Projection
PMC			
Program Management	$44,956	$22,830	$23,515
Delivery	824,418	1,008,187	1,041,264
Marketing-PMC	61,749	25,000	25,750
Performance Comp		127,558	131,385
Incentives	2,885,692	4,251,000	4,378,530
Program Management	**3,816,815**	**5,434,575**	**5,600,443**
Staffing	**161,037**	**113,728**	**119,549**
Marketing	**52,373**	**83,430**	**85,933**
Services			
Evaluation and Planning Services	241,869	430,774	465,747
QA-Subcontracted		15,000	15,450
Customer Service & Trade Ally Support	9,550	6,981	7,205
Legal Services	996	5,120	5,274
Other Professional Services	161,208	325,000	334,750
Total Other Services	**413,623**	**782,875**	**828,425**
General			
General Program Support Costs	27,397	23,500	24,205
Shared	26,832	16,037	16,822
IT Services	102,584	146,157	152,786
Total General	**156,813**	**185,694**	**193,813**
Program Direct Costs	**4,600,661**	**6,600,302**	**6,828,164**
Allocated mgmt. & general and marketing	209,797	320,358	289,338
TOTAL EXPENSE, FULLY ALLOCATED	**4,810,458**	**6,920,660**	**7,117,502**

December 2006

ENERGY EFFICIENCY 2007 ACTION PLAN/BUDGET, APPROVED

PROGRAM: MARKET TRANSFORMATION NORTHWEST ENERGY EFFICIENCY ALLIANCE (NEEA) **SECTOR: COMMERCIAL**

PURPOSE: NEEA funds regional market transformation initiatives in the Northwest region across commercial, industrial and residential sectors working in coordination with Energy Trust programs. This budget contemplates leveraging NEEA regional market transformation initiatives in the commercial market sector to acquire cost-effective savings while creating sustainable and efficient purchasing patterns among commercial consumers. Contributes to Strategic Plan goals 1, 4, 5.

PROGRAM STRATEGY:

1. Create and refine business cases for investment in energy efficiency as a profit center for vertically integrated real estate firms, hospitals, and grocery chains. Market to executive management through peer consultants.
2. Support with technical initiatives to enhance new building construction and operations and maintenance services.
3. Train vendors to provide efficient services and equipment, focusing on the targeted markets described above.
4. Support code enhancements based on these successes.
5. Coordinate marketing efforts with NEEA for energy efficiency opportunities that are currently a focus of Energy Trust programs (e.g. high efficiency computer power supplies).
6. Establish the viability of high efficiency building design, operations and maintenance services, and sales of efficient equipment as profitable businesses for vendors through intensive "firm focused" technical support.

2007 ACTIONS:

1. Continue progress in changing energy related business practices in large hospitals systems and community based hospitals by assisting with strategic energy management planning, providing education and training and technical assistance.
2. Follow through with regional grocery store chains on energy management action plans, expand to other regional grocers and initiate activities with national grocers when productive.
3. Initiate energy related business practice change within office real estate by building a strong relationship with the Building Owners and Managers Association (BOMA), providing education and training, and assisting select firms with energy management planning activities.
4. Advance integrated energy design practices with architects and design engineering firms through two or more firm focus relationships, technical assistance on 10 or more projects, and broad based education and training.
5. Promote better building operating performance with building operators and building service providers through two or more firm focus relationships, technical assistance on 10 or more projects, and education and training activities.
6. Continue to promote high efficiency computer power supplies through the 80 Plus program, consider other opportunities to improve plug load efficiencies.

TARGETS:

2007 Budget		**2006 Updated Forecast**	
Energy Savings Range	0.2 – 0.3 aMW (1,971 – 2,628 MWh); $7.7 – 5.8 mil/aMW; $0.074 – 0.055/kWh, levelized	Energy Savings	0.2 aMW (1,752 MWh); $8.0 mil/aMW; $0.077/kWh, levelized
Benefit/Cost (Utility)	1.2 - 0.5		
Budget	$1.7 million	Forecast	$1.6 million

2008 PLANNED ACTIVITIES:

- The NEEA commercial initiative is a multiyear venture. Over time we can expect more firms to participate and the participants to evolve from study, to test cases, to incorporating new practices and actions into their organizational structure and directives.

	$ M	aMW
2008 PROJECTION:	$1.8	0.5 - 0.6

(see budget details on reverse)

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Market Transformation (NEEA) - Commercial

	2006 Forecast	2007 Budget	2008 Projection
PMC			
Delivery	$1,521,881	$1,624,817	$1,701,983
Program Management	**1,521,881**	**1,624,817**	**1,701,983**
Staffing	**15,676**	**12,123**	**12,724**
Services			
Evaluation and Planning Services		10,962	22,414
Total Other Services		**10,962**	**22,414**
General			
General Program Support Costs	586	933	961
Shared	2,010	1,469	1,545
Total General	**2,596**	**2,403**	**2,506**
Program Direct Costs	**1,540,153**	**1,650,304**	**1,739,627**
Allocated mgmt. & general and marketing	69,799	80,228	74,028
TOTAL EXPENSE, FULLY ALLOCATED	**1,609,952**	**1,730,532**	**1,813,655**

December 2006 - revised

ENERGY EFFICIENCY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: PRODUCTION EFFICIENCY **SECTOR: INDUSTRIAL**

PURPOSE: Acquire cost-effective electric savings through technical assistance and financial incentives for high-efficiency design and equipment in existing and new industrial processes and facilities.
(Industrial gas rate customers are ineligible for program services and incentives). Contributes to Strategic Plan goals 1, 3, 4, 5.

PROGRAM STRATEGY:

1. Continue to target key decision makers of existing industrial process projects, including owners and Chief Financial Officers.
2. Deliver program to owners, plant engineers and design process engineers through the Program Delivery Contractors (PDCs) assigned to key sectors and geographic territories.
3. Promote program participation through developing a broad offering of services that include premium lighting and high efficiency motor incentives with a focus toward smaller industrial customers.
4. Consider approval of large-scale projects (either a mega-project or CHP) to achieve program value through large-scale savings.

2007 ACTIONS:

1. Promote service delivery and market penetration for small to medium sized industrial customers.
2. Explore new strategies targeting the underserved smaller industrial market.
3. Develop additional potential prescriptive measures for compressed air, refrigeration, and hydraulic systems.
4. Continue cooperative marketing by both the Energy Trust and the Program Management Contractor (PMC).
5. Monitor project commitment level expenditures relative to utility funding territory and adjust PDC marketing to balance revenue project funding.
6. Continue to offer Irrigation Initiative Pump Repair/Replacement track and Nozzle Exchange through December 2007..
7. Develop strategies to reduce program management and delivery costs.

TARGETS:

2007 Budget		**2006 Full-Year Forecast**	
Energy Savings	8.7 – 11.6 aMW (76,257 – 101,677 MWh);	Energy Savings	8.9 aMW (77,599 MWh); $1.7 mil/aMW; $0.022/kWh, levelized
Range	$1.5 – 1.1 mil/aMW; $0.019 – 0.014/kWh, levelized		
Benefit/Cost (utility)	4.4 – 4.1		
Budget	$13.0 million	Forecast	$15.5 million

2008 PLANNED ACTIVITIES:

1. Expand services that will be coordinating efforts with the potential Community Energy and T&D deferral projects.
2. Focus on delivering lower cost savings opportunities to achieve program delivery goals.
3. Implement strategies to reduce program management and delivery costs.

	$ M	aMW
2008 PROJECTION:	$12.1	8.1 – 10.8

(see budget details on reverse)

ENERGY EFFICIENCY 2007 ACTION PLAN/BUDGET, APPROVED

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Production Efficiency

	2006 Forecast	2007 Budget	2008 Projection
PMC			
Program Management	$277,268	$103,290	$106,317
Delivery	1,807,849	1,980,020	1,807,508
Marketing-PMC	33,363	5,434	5,434
Performance Comp	125,502	121,586	125,234
Incentives	11,873,024	9,279,400	8,588,700
Program Management	**14,117,006**	**11,489,730**	**10,633,193**
Staffing	**239,927**	**185,794**	**195,005**
Marketing	**21,731**	**35,000**	**36,050**
Services			
Evaluation and Planning Services	297,624	443,468	456,383
QA-Subcontracted	12,900	50,000	51,500
Customer Service & Trade Ally Support	1,824	873	905
Legal Services	2,500	5,120	5,274
Other Professional Services	7,073	7,500	7,560
Total Other Services	**321,921**	**506,961**	**521,622**
General			
General Program Support Costs	10,401	26,200	40,080
Shared	35,707	22,426	23,496
IT Services	136,047	167,952	173,934
Total General	**182,155**	**216,578**	**237,510**
Program Direct Costs	**14,882,740**	**12,434,063**	**11,623,380**
Allocated mgmt. & general and marketing	664,787	604,457	494,612
TOTAL EXPENSE, FULLY ALLOCATED	**15,547,527**	**13,038,520**	**12,117,992**

December 2006

ENERGY EFFICIENCY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: MARKET TRANSFORMATION NORTHWEST ENERGY EFFICIENCY ALLIANCE (NEEA) **SECTOR: INDUSTRIAL**

PURPOSE: NEEA funds regional market transformation initiatives in the Northwest region across commercial, industrial and residential sectors working in coordination with Energy Trust programs. This budget contemplates leveraging the NEEA regional market transformation initiatives in the industrial market sector to acquire cost-effective savings while creating sustainable and efficient purchasing patterns among industrial consumers**.** Contribute to Strategic Plan goals 1, 4, 5

PROGRAM STRATEGY:

1. Refine the business case for managing energy use as a profit center for food processing and pulp and paper firms. Market this case to executive management thru peer organizations, trade allies and industry respected consultants.
2. Support companies engaged in the program with technical initiatives to train plant personnel on improved energy management and operations as well as energy efficient system design and capital investment.
3. Train vendors to provide efficient services and equipment, focusing on the targeted markets described above.
4. Leverage Energy Trust and NEEA programs to increase delivery outreach, support and program incentive offerings.
5. Demonstrate savings from voltage regulation on utility systems.
6. Demonstrate the process capability and energy savings from on-line paper stiffness sensor.

2007 ACTIONS:

1. Capitalize on NEEA's partnership with the Northwest Food Processing association to gain access to targeted food processing firms and to provide executive and technical training to the association's members.
2. Capitalize on NEEA's partnership with the northwest chapter of the Technical Association of Pulp and Paper Industries to gain access to targeted pulp and paper firms and to provide technical training to the association's members.
3. Develop an active partnership to establish efficiency as a business profit center with multi-site regional pulp and paper firms.
4. Train targeted equipment suppliers and process designers to provide efficient services and equipment to the targeted markets and profit from doing so.
5. Coordinate NEEA's offerings and staff with Energy Trust outreach, technical studies and incentives, to help tie sound energy management to resource acquisition.

TARGETS:

2007 Budget		**2006 Full-Year Forecast**	
Energy Savings Range	0.9 –1.2 aMW (7,884 – 10,512 MWh); $1.1 – 0.8 mil/aMW; $0.015 – 0.011/kWh, levelized	Energy Savings	0.9 aMW (7,884 MWh); $1.0 mil/aMW; $0.014/kWh, levelized
Benefit/Cost (utility)	5.2 – 2.0		
Budget	$1.0 million	Forecast	$0.9 million

2008 PLANNED ACTIVITIES:

- The NEEA industrial initiative is a multiyear venture. Over time we can expect more firms to participate and the participants to evolve from study, to test cases, to incorporating new practices and actions into their organizational structure and directives.

	$ M	aMW
2008 PROJECTION:	$1.0	1.0 – 1.3

(see budget details on reverse)

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Market Transformation (NEEA) - Industrial

	2006 Forecast	2007 Budget	2008 Projection
PMC			
Delivery	$873,285	$928,923	$939,017
Program Management	**873,285**	**928,923**	**939,017**
Staffing	**12,694**	**9,634**	**10,105**
Services			
Evaluation and Planning Services		15,347	15,768
Total Other Services		**15,347**	**15,768**
General			
General Program Support Costs	498	933	961
Shared	1,714	1,086	1,143
Total General	**2,212**	**2,019**	**2,105**
Program Direct Costs	**888,191**	**955,923**	**966,994**
Allocated mgmt. & general and marketing	40,251	46,472	41,149
TOTAL EXPENSE, FULLY ALLOCATED	**928,442**	**1,002,395**	**1,008,143**

December 2006

RENEWABLE ENERGY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: UTILITY-SCALE PROGRAMS

PURPOSE: Low-cost, resource acquisition program designed to move the market for large-scale renewable resources to parity using alternative generation sources. Contributes to Energy Trust Strategic goal #2.

PROGRAM STRATEGY:

1. Support utility Integrated Resource Plan (IRP) acquisition goals.
2. Partner with Portland General Electric and PacifiCorp on request for proposals (RFP) processes, relying on direct competition.
3. Foster utility experience by helping position Portland General Electric and PacifiCorp to acquire increasing amounts of renewable resources.
4. Support Oregon's large-scale renewables industry.

2007 ACTIONS:

1. Complete project commitments in 2006 for Pacific Power for GoodNoe Hills East and West wind projects (112 MW).
2. Complete commitments from 2006 for PGE for the proposed 126 MW Biglow Canyon wind project or develop alternatives for that portion of the funding and the remaining amount in the Master Agreement.
3. Develop and complete commitments for a new, follow-on project for Pacific Power.
4. Revise the expiring master agreement with PGE to support new projects in 2008.
5. Establish green tag reporting in coordination with the western regional generation information systems (WREGIS).
6. Work with utilities on any updates to their IRP action plans.
7. Initiate a market assessment for geothermal in Oregon.
8. Define a market strategy for supporting the next generation of possible projects for utility systems.
9. Participate in the regional efforts to define and address transmission issues for renewable resources.
10. Reserve funds in 2007 for new projects, in expectation that the federal production tax credits are renewed and extended.

TARGETS:

2007 Activity Budget		**2006 Full-Year Activity Forecast**	
Energy Generation	103-153 aMW (902,280-1,340,280 MWh); $0.180– 0.121 mil/aMW; $0.002 – 0.001/kWh, levelized	Energy Generation	38 aMW (332,800 MWh); $0.125 mil/aMW; $0.001/kWh, levelized
Budget	$18.53 million	Forecast	$4.74 million

2008 PLANNED ACTIVITIES:

1. Complete project commitments from 2007.
2. Address results of geothermal study.
3. As appropriate, implement new market strategies.

	$ M	aMW
2008 PROJECTION:	2.91	16-24

(see budget details on reverse)

Note: Budget figures include dedicated funds

RENEWABLE ENERGY 2007 ACTION PLAN/BUDGET, APPROVED

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Utility Scale

	2006 Forecast	2007 Budget	2008 Projection
Incentives		$4,700,000	$16,300,000
Program Management		**4,700,000**	**16,300,000**
Staffing	**79,263**	**87,166**	**91,504**
Marketing	**7,841**	**10,700**	**8,200**
Services			
Evaluation and Planning Services	20,532	24,116	24,780
QA-Subcontracted	3,600		
Legal Services	18,720	35,000	36,050
Other Professional Services	62,939	174,100	136,100
Total Other Services	**105,791**	**233,216**	**196,930**
General			
General Program Support Costs	6,156	20,360	22,450
Shared	9,778	10,734	11,254
IT Services	15,937	23,077	24,125
Total General	**31,871**	**54,171**	**57,829**
Program Direct Costs	**224,766**	**5,085,253**	**16,654,463**
Allocated mgmt. & general and marketing	18,080	243,856	558,076
TOTAL EXPENSE, Accounting Perspective	**242,846**	**5,329,109**	**17,212,539**
Plus/minus dedicated funds committed for future yrs	4,500,000	13,200,000	(14,300,000)
TOTAL EXPENSE, Action Plan Perspective	**4,742,846**	**18,529,109**	**2,912,539**

December 2006

RENEWABLE ENERGY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: SOLAR ELECTRIC PROGRAM

PURPOSE: Transform the solar electric market for all sectors in Oregon by expanding participation, providing quality standards and ensuring there is a strong qualified installer base for consumers. Contributes to Energy Trust goals 2, 3 and 5.

PROGRAM STRATEGY:

1. Build upon recent heightened interest among consumers, and move past the early adopters in the market transformation.
2. Provide quality standards for consumers to rely on.
3. Foster growth in the installer base.
4. Concentrate outreach efforts to increase participation among PGE customers.
5. Expand market opportunities to include homebuilders and commercial architects/engineers.

2007 ACTIONS:

1. Adjust incentives to respond to possible market factors:
   a) Elevated equipment costs
   b) Increase in net metering size limit
   c) Proposed changes to BETC
2. Expand market opportunities:
   a) Consider higher incentive for government/nonprofit, and raise incentive cap for net metered commercial systems.
   b) Move large solar projects from OSP into PV program, with budget set aside.
   c) Offer intensive support for selected home builders. Promote successful solar home developments.
   d) Streamline application process for solar on new commercial buildings. Conduct participant focus group.
   e) Respond to impact evaluation, conduct follow up on process evaluation.
3. Maintain high level of publicity for solar. Continue targeted outreach to PGE customers:
   a) Continue coop ad incentives and marketing training for trade allies.
   b) Continue effective solar seminars and support for solar home tours.
   c) Develop new messages to differentiate and reach PGE customers.
4. Expand the installer base:
   a) Sponsor efforts to expand LRT apprenticeship program and recruitment.
   b) Continue to train new entrants in best installation practices.
   c) Foster relationship with solar equipment suppliers to make product available to mainstream electrical/plumbing contractors.

TARGETS:

2007 Activity Budget		**2006 Full-Year Activity Forecast**	
Energy Generation Range	0.139 – 0.186 aMW (1,219 – 1,626 MWh); $21.4 – 16.0 mil/aMW; $0.164 – 0.123/kWh, levelized	Energy Savings	0.066 aMW (575 MWh); $25.7 mil/aMW; $0.197/kWh, levelized
Budget	$2.98 million	Forecast	$1.68 million

2008 PLANNED ACTIVITIES:

1. Continue to ramp to long-term, stable program budgets.
2. Adjust marketing to respond to changing supply and consumer needs.
3. Incorporate results from program and system evaluations.

	$ M	aMW
2008 PROJECTION:	$3.03	0.1-0.2

(see budget details on reverse)

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Solar Electric

	2006 Forecast	2007 Budget	2008 Projection
Delivery	$72,477	$70,565	$72,682
Incentives	1,020,186	2,168,185	2,232,898
Program Management	**1,092,663**	**2,238,750**	**2,305,580**
Staffing	**139,837**	**185,294**	**194,935**
Marketing	**82,333**	**111,250**	**114,588**
Services			
Evaluation and Planning Services	65,251	57,241	58,899
Customer Service & Trade Ally Support	38,334	56,719	58,537
Legal Services	2,496		
Other Professional Services	60,935	74,800	77,044
Total Other Services	**167,016**	**188,760**	**194,480**
General			
General Program Support Costs	24,215	29,200	30,076
Shared	26,869	28,112	29,488
IT Services	31,362	58,976	61,651
Total General	**82,446**	**116,288**	**121,215**
Program Direct Costs	**1,564,295**	**2,840,342**	**2,930,798**
Allocated mgmt. & general and marketing	120,189	137,049	98,245
TOTAL EXPENSE, FULLY ALLOCATED	**1,684,484**	**2,977,391**	**3,029,043**

December 2006

RENEWABLE ENERGY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: COMMUNITY WIND

PURPOSE: Expansion of the opportunities for wind from the current market models, transforming markets to bring development of distributed generation and projects of varying, smaller sizes and alternative ownership models. Contributes to Strategic Plan goals 2, 3, 5.

PROGRAM STRATEGY:

1. Confirm sufficient wind resources through anemometer loans and support for Oregon State University's wind monitoring lab.
2. Develop simplified wind resource tool for small wind.
3. Develop financial and business models to help rural Oregon communities and landowners become project sponsors.
4. Define a standard incentive offer or use successive RFPs to seed market development.
5. Build the pipeline of future projects, partnering with USDA on feasibility grants and analyses.
6. Break down knowledge barriers by providing consolidated, Oregon-specific information for project sponsors.

2007 ACTIONS:

1. Bring to fruition 2-3 projects from the 2006 Community Wind RFP.
2. Identify 2-3 PGE 10 MW projects for 2008.
3. Continue the expanded anemometer loan program to support community wind with data analysis and taller anemometers for the tier-two projects from the 2006 RFP.
4. Provide support for additional feasibility studies to continue building the pipeline of potential Community Wind projects.
5. Republish the Community Wind Guidebook.
6. Continue to partner with ODOE to gain federal co-funding of projects and studies.
7. Partner with Oregon farm groups and state agencies to co-promote the program.
8. Conduct one in-depth case study with financial fact sheet.
9. Address transmission and distribution barriers to bring BPA and Co-op wind resources to PGE.
10. Continue providing the industry with support to address interconnection issues.
11. Expand program to include small-scale, on-site generation.
12. Evaluate the use of alternative tools for evaluating wind resources for small wind.
13. Identify five small wind projects and provide support to obtain USDA 9006 grants.

TARGETS:

2007 Activity Budget		**2006 Full-Year Activity Forecast**	
Energy Generation Range	8.1-17.6 aMW (71,241–154,653 MWh); $0.98 – 0.45 mil/aMW; $0.008 – 0.004/kWh, levelized	Energy Generation	0 aMW
Budget	$7.94 million	Forecast	$0.40 million

2008 PLANNED ACTIVITIES:

1. Have a fully operational program for community wind development with standard incentive or succession of RFP's.
2. Implement program revisions based on 2006/2007 experience.
3. Bring projects to fruition that were proposals in 2005 and 2006.
4. Continue expanding the program to include small-scale on-site generation.

	$ M	aMW
2008 PROJECTION:	$3.23	6-8

(see budget details on reverse)

Note; Budget figures include dedicated funds

RENEWABLE ENERGY 2007 ACTION PLAN/BUDGET, APPROVED

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Community Wind

	2006 Forecast	2007 Budget	2008 Projection
Delivery	$30,623	$173,600	$148,600
Incentives	35,900	700,800	4,240,800
Program Management	**66,523**	**874,400**	**4,389,400**
Staffing	**124,926**	**149,009**	**156,480**
Marketing	**15,020**	**10,425**	**10,425**
Services			
Evaluation and Planning Services	18,750	51,011	51,914
Legal Services	9,000	30,560	31,477
Other Professional Services	90,630	105,600	68,200
Total Other Services	**118,380**	**187,171**	**151,591**
General			
General Program Support Costs	15,842	16,325	16,325
Shared	19,941	19,040	19,971
IT Services	7,969	41,027	42,888
Total General	**43,752**	**76,392**	**79,184**
Program Direct Costs	**368,601**	**1,297,397**	**4,787,079**
Allocated mgmt. & general and marketing	28,749	62,558	160,378
TOTAL EXPENSE, Accounting Perspective	**397,350**	**1,359,955**	**4,947,457**
Plus/minus dedicated funds committed for future yrs	-	6,580,000	(1,720,000)
TOTAL EXPENSE, Action Plan Perspective	**397,350**	**7,939,955**	**3,227,457**

December 2006

RENEWABLE ENERGY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: OPEN SOLICITATION PROGRAM

PURPOSE: Develop a portfolio of market-defining installations, each element of which demonstrates a new application, technology or business model not otherwise covered by Energy Trust programs, provides insight on whether and how to launch new, technology-specific Energy Trust programs, and/or secures a low-cost renewable energy resource. Contributes to Energy Trust strategic goals 2,3 and 5.

PROGRAM STRATEGY:

1. Offer a program to ensure that eligible good ideas do not "fall through the cracks."
2. Make funds available for renewable energy projects with economic development characteristics.
3. Focus on outreach and lead generation.
4. Make funds available for feasibility studies.
5. Assist selected applicants in further developing proposals.

2007 ACTIONS:

1. Complete the approved projects (Albany Hydro).
2. Market to defined, specific audiences in the PGE service territory, including selected on-site applications and municipalities.
3. Update Open Solicitation website with new project summaries.
4. Develop and disseminate case studies with two detailed project case studies targeted to engineering and municipal decision makers.
5. Develop hydropower projects – As applications for solar, biomass, and wind projects are moved into the respective programs, OSP will focus on hydro and other technologies while still promoting new ideas.
   a) Conclude evaluation of the applications from Swalley Irrigation District, Central Oregon Irrigation District, and St. Laurent Ranch.
   b) Build relationships and conduct outreach through hydro and irrigation district associations.
   c) Fund 3-4 feasibility studies.
   d) Work with planning and evaluation staff on an assessment of the hydropower potential in Oregon.
6. Monitor technologies that are emerging in Oregon (e.g. wave power).

TARGETS:

2007 Activity Budget		**2006 Full-Year Activity Forecast**	
Energy Generation Range	0.65 - 1.05 aMW (5,694 – 9,198 MWh); $4.6 – 2.8 mil/aMW; $0.035 – 0.022/kWh, levelized	Energy Generation	0.267 aMW (2,339 MWh); $3.82 mil/aMW; $0.029/kWh, levelized
Budget	$2.50 million	Forecast	$1.02 million

2008 PLANNED ACTIVITIES:

1. Complete projects approved in 2007.
2. Continue the targeted marketing rolled out in 2006.

	$ M	aMW
2008 PROJECTION:	$2.08	0.4 - 0.7

(see budget details on reverse)

Note: Budget figures include dedicated funds

RENEWABLE ENERGY 2007 ACTION PLAN/BUDGET, APPROVED

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Open Solicitation

	2006 Forecast	2007 Budget	2008 Projection
Delivery		$24,000	$24,720
Incentives	266,451	799,603	2,461,793
Program Management	**266,451**	**823,603**	**2,486,513**
Staffing	**49,471**	**121,025**	**127,143**
Marketing	**23,635**	**15,320**	**15,320**
Services			
Evaluation and Planning Services		48,472	48,893
QA-Subcontracted	12,504	12,600	12,600
Legal Services	3,110	16,400	16,892
Other Professional Services	50,027	90,000	114,000
Total Other Services	**65,641**	**167,472**	**192,385**
General			
General Program Support Costs	3,468	15,000	15,000
Shared	7,649	16,101	16,887
IT Services	15,037	35,898	37,526
Total General	**26,154**	**66,999**	**69,413**
Program Direct Costs	**431,352**	**1,194,418**	**2,890,774**
Allocated mgmt. & general and marketing	34,702	57,934	97,034
TOTAL EXPENSE, Accounting Perspective	**466,054**	**1,252,352**	**2,987,808**
Plus/minus dedicated funds committed for future yrs	550,110	1,249,407	(911,593)
TOTAL EXPENSE, Action Plan Perspective	**1,016,164**	**2,501,759**	**2,076,215**

December 2006

RENEWABLE ENERGY 2007 ACTION PLAN/BUDGET, APPROVED

EnergyTrust of Oregon, Inc.

PROGRAM: BIOPOWER

PURPOSE: Acquisition of significant amounts of renewable energy from wood-fired and other biomass generation; and development of markets for less mature energy resources such as dairy manure and forest biomass.

PROGRAM STRATEGY:

1. Perform targeted market analyses where necessary to fill in knowledge gaps.
2. Focus on sawmills and facilities using other sources of wood waste to acquire significant quantities of renewable energy.
3. Target upgrades at existing wastewater treatment plants to build capacity in PGE territory, and explore opportunities at such facilities in Pacific Power territory.
4. Work with dairy community to define a strategy to generate interest among Oregon dairymen in digester projects
5. Offer cost-shared support for feasibility analyses to help potential applicants identify opportunities, where possible by leveraging other sources of funding (e.g., U.S. Department of Agriculture, Western Governors' Association and the Oregon Economic and Community Development Corporation).
6. Where appropriate, provide facilities that lack technical resources with assistance in applying for Energy Trust or other funding.
7. Remain engaged in forest biomass, participating in state initiatives while continuing to engage the Lake County Initiative and Warm Springs Forest Products efforts.
8. Address Goal #2 in the existing Strategic Plan, to position Oregon to achieve 10% of its electricity supply from new renewables by 2012.

2007 ACTIONS:

1. Begin commercial operation at Rough & Ready and Columbia Blvd. Projects.
2. Complete policy on eligible renewable waste, and identify initial opportunities.
3. Explore potential for standard financial incentive offer, based, if appropriate, on revised green tag policy.
4. Commit funding for 5 projects, totaling 3 – 19 aMW, and 15 feasibility studies, including:
   a) In partnership with state agricultural interests launch a Dairy Power initiative, resulting in 3 feasibility studies and 2 complete applications in 2007.
   b) Identify strategies for upgrades at 4 wastewater treatment plants, resulting in incremental generation of 1.5 aMW.

TARGETS:

2007 Activity Budget		**2006 Full-Year Activity Forecast**	
Energy	2.98 – 19.46 aMW (26,105 – 170,470 MWh)	Energy	4.43 aMW (38,806 MWh)
Generation Range	$1.70 million – $0.26 mil/aMW $0.013 – 0.002/kWh, levelized	Generation	$0.567 mil/aMW $0.004/kWh, levelized
Budget	$5.06 million	Forecast	$ 2.51 million

2008 PLANNED ACTIVITIES:

- Continue program direction established in 2006 and complete 2007 activities.

	$ M	aMW
2008 PROJECTION:	$4.49	3 – 17

(see budget details on reverse)

Note: Budget figures include dedicated funds

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Biopower

	2006 Forecast	2007 Budget	2008 Projection
Incentives	$17,185	$879,453	$2,948,016
Program Management	**17,185**	**879,453**	**2,948,016**
Staffing	**151,892**	**173,721**	**182,282**
Marketing	**11,649**	**43,935**	**43,935**
Services			
Evaluation and Planning Services	48,501	33,819	34,661
QA-Subcontracted	6,000	6,000	6,000
Legal Services	16,205	27,760	27,760
Other Professional Services	118,224	216,920	211,920
Total Other Services	**188,930**	**284,499**	**280,341**
General			
General Program Support Costs	11,415	22,700	22,700
Shared	21,885	20,317	21,312
IT Services	15,937	43,591	45,569
Total General	**49,237**	**86,608**	**89,581**
Program Direct Costs	**418,893**	**1,468,216**	**3,544,155**
Allocated mgmt. & general and marketing	32,657	71,533	118,773
TOTAL EXPENSE, Accounting Perspective	**451,550**	**1,539,749**	**3,662,928**
Plus/minus dedicated funds committed for future yrs	2,062,000	3,525,000	825,250
TOTAL EXPENSE, Action Plan Perspective	**2,513,550**	**5,064,749**	**4,488,178**

December 2006

2007 ACTION PLAN/BUDGET, APPROVED

DEPARTMENT: **PLANNING AND EVALUATION** **ALL PROGRAMS**

PURPOSE: To provide strategic and quantitative planning, reporting, and evaluation for Energy Efficiency and Renewable Resources. Contributes to all Energy Trust Strategy Goals.

STRATEGY:

1. Provide program design staff with expert feedback to enhance programs from evaluations and market studies.
2. Expand the list of qualifying prescriptive measures, with a particular focus on gas measures.
3. Work with utilities to integrate efficiency and renewable energy as options considered through the integrated resource planning process, as a means of possibly determining future Energy Trust funding levels.
4. Explore, with utilities, demand-side options to defer transmission and distribution investments and the value of efficiency and renewables as a hedge against fuel prices.
5. Develop the capability to respond quickly to changes in the scope of Energy Trust mission and funding levels should they occur.
6. Streamline cost-effectiveness and above-market cost procedures to improve consistency, simplify documentation, and improve record-keeping.

2007 ACTIONS:

1. Help utilities served by Energy Trust integrate efficiency and (for the electric companies) renewable energy into their current resource planning processes. This will include dealing with the inconsistencies in avoided cost and discount rate between the utilities and each other and the Energy Trust.
2. Work locally, regionally, and nationally to bring promising new technologies to market and into widespread use over the next several years. These include efficient gas water heaters, fireplaces, and commercial heating, as well as promising electric efficiency measures such as rooftop cooling tune-ups for commercial buildings.
3. Provide process evaluations for programs that are beginning, rapidly changing, or have undergone management changes, to provide quick independent feedback regarding progress and of opportunities to improve program management and marketing.
4. Work with PacifiCorp to develop and consider demand-side options and proceed toward program activity as appropriate. Respond if similar opportunities occur with PGE.
5. Publish a set of final impact evaluations for all major programs and complete the second and third-year impact evaluations where possible. Summarize actual program savings for 2006 in the Annual Report and for prior years through the accompanying true-up report.
6. Work with PUC for approval of the use of the Energy Trust analysis of the value of energy efficiency as a fuel price hedge in cost/benefit modeling and valuation of renewable resources. Explore how a similar analysis might be done for gas.
7. Complete market transformation analyses for additional markets to assess the relationship between Energy Trust goals and market transformation.
8. Finalize estimates of savings overlap between Energy Trust and Oregon Department of Energy programs, for use in reporting combined emission reductions.
9. Develop, for selected programs, a second estimate of savings that is comparable to the 2005 power plan (frozen efficiency baseline).

TARGETS:

2007 Budget		**2006 Full-Year Forecast**	
Budget	$2.6 million	Forecast	$2.3 million

2008 PLANNED ACTIVITIES:

- Several impact and process evaluations
- Market studies and market transformation forecasts.
- Support to utility integrated resource planning and utility transmission and distribution planning.
- Updated tools for cost-effectiveness and above-market cost analysis

	$ M
2008 PROJECTION:	$2.8

2007 ACTION PLAN / BUDGET, APPROVED

Energy Trust of Oregon
Statement of Functional Expense
Approved Budget
Planning & Evaluation

	2006 Forecast	2007 Budget	2008 Projection
Pooled planning and evaluation costs [1]			
Staffing	$ 418,301	$ 548,210	$ 575,713
General Evaluation and Planning Services		329,500	339,385
General			
General Program Support Costs		20,000	20,600
Shared		70,280	71,601
IT Services		128,208	130,155
Total General		**218,488**	**222,357**
Program specific planning and evaluation services	**1,921,846**	**1,469,500**	**1,625,728**
TOTAL EXPENSE [2]	**$ 2,340,147**	**$ 2,565,698**	**$ 2,763,183**

[1] Prior to 2007, all Evaluation and Planning expenses were charged directly to programs on a line-by-line basis. Beginning in 2007, general planning and evaluation costs are pooled, and are charged a proportionate share of general office and IT costs. Costs directly allocable to specific programs continue to be charged to benefitting programs.

[2] 100% of these costs are allocated to programs, either as program-specific costs or pooled costs

December 2006

2007 ACTION PLAN/BUDGET. APPROVED

DEPARTMENT: **COMMUNICATIONS & OUTREACH**

PURPOSE: Energy Trust outreach and communications activities in 2007 support coordination across programs and general Energy Trust outreach. The 2007 budget provides for staff, services and materials necessary to achieve this purpose. Contributes to all strategic goals.

STRATEGY:

1. Cooperate with utilities through co-branded activities to reach their customers with Energy Trust program messages.
2. Cooperatively sponsor outreach and recognition events with peer and stakeholder organizations.
3. Position Energy Trust in local energy-themed publications with news releases, story placement and limited advertising.
4. Leverage relationships with associations representing niche market groups to reach those prospective customers.
5. Keep website and publication costs to a minimum by supplementing on-staff resources with free-lance contractors.
6. Reach out to and educate stakeholders, trade allies and participants with e-newsletters.
7. Offer excellent customer service through call centers and email.
8. Coordinate and develop Energy Trust trade ally network.
9. Implement outreach activities in support of community energy project(s) identified through NW Natural or other utilities.
10. Use market research tools to refine strategies for program outreach to prospective participants.

2007 ACTIONS:

1. Design, review, approve and keep track of all Energy Trust events, ads and other materials across all programs.
2. Manage Energy Trust media relations on behalf of all programs; produce or support media events including 5th year anniversary.
3. Develop limited general advertising, general information and educational pieces.
4. Manage content and look, ensure accuracy and improve usability of www.energytrust.org.
5. Build and maintain image library of representative Energy Trust projects.
6. Produce and disseminate public annual report; help prepare quarterly reports and other special reports.
7. Produce participant mailings and acknowledgements.
8. Publish monthly e-newsletter SYNERGY (general audience) and bimonthly INSIDER (trade allies).
9. Support annual publications Green + Solar Building Oregon and Green Living.
10. Develop and maintain cooperative relationships with utilities, Oregon Department of Energy and other stakeholder and peer groups; coordinate development of co-branded materials and joint outreach/communications initiatives.
11. Participate in community activities and organizations.
12. Manage services provided by contracted creative and public relations professionals to programs.
13. Update, disseminate marketing and communications guidelines to assure consistent look and feel in all Energy Trust material.
14. Support trade ally activities through training and coordination with PMC trade ally managers; conduct annual trade ally survey.
15. Provide customer support through oversight of call center operations; work with utilities on service enhancements.
16. Team with evaluation group to conduct market research and focus groups to refine market segmentation and messaging for solar, residential efficiency and commercial efficiency programs.

TARGETS:

2007 Proposed Budget		**2006 Full-Year Forecast**	
Budget	$.8 million	Forecast	$.7 million

2008 PLANNED ACTIVITIES:

- No major changes planned for 2008

	$ M
2008 PROJECTION:	$.8 million

(see budget on reverse side of page)

2007 ACTION PLAN/BUDGET. APPROVED

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Communications and Outreach

	2006 Forecast	2007 Budget	2008 Projection
Staffing	$298,315	$347,188	$364,806
Public Rel/Creative	52,375	22,700	23,381
Creative Services		21,000	21,630
Media Advertising	24,012	43,275	44,573
Events Co-Sponsor	25,440	15,450	15,913
Mktg Dev/Research	1,500		
Marketing	103,327	102,425	105,498
Services			
Legal Services		3,840	3,955
Website Design & Maintenance	98,301	95,500	98,365
Other Professional Services	28,000	35,000	36,050
Total Other Services	126,301	134,340	138,370
General			
General Program Support Costs	56,661	72,865	75,051
Shared	42,515	47,024	47,907
IT Services	61,599	94,874	96,320
Total General	160,775	214,763	219,278
TOTAL EXPENSE	**688,718**	**798,717**	**827,952**

December 2006

2007 ACTION PLAN/BUDGET, APPROVED

DEPARTMENT: MANAGEMENT AND GENERAL ALL PROGRAMS

PURPOSE: To Provide Overall Management, Direction and Resources to ETO Operations. Contributes to all Strategic Goals.

STRATEGY:

1. Create a highly efficient, cost effective internal organization that provides guidance, resources and operational processes to the board and staff of the Energy Trust and related Program Management Contractors (PMC's).
2. Develop both an internal and external reporting process that provides all stakeholders with timely and transparent information relating to the Energy Trust Activities.
3. Ensure that all financial data and operational systems are operating effectively and securely and producing highly reliable information in a timely manner.
4. Ensure that all contracts, employee relations and general operations are conducted in compliance with all applicable laws and regulations.
5. Ensure Energy staff receive training and resources to foster continued maximum performance.
6. Provide infrastructure to allow for adaptive management in both contracting and reporting.

2007 ACTIONS:

1. Achieve an unqualified audit opinion for 2006 from the independent CPA firm and an evaluation of internal controls.
2. Assess and analyze all the internal control processes of the Energy Trust and its data integration points with contractors.
3. Improve the internal financial systems by investing in software development that will improve reporting and monitoring capabilities, especially external financial reporting and internal contract tracking.
4. Invest in employee leadership and management training to set direction for the organization, define expected behaviors consistent with ETO values, improve management communication, define authority for decision-making, foster employee trust and improve morale.
5. Enhance the performance review and work plan process for 2007 to reward the performance of those individuals and encourage embracing ETO Value Plan Goals.
6. Develop training plan based on needs identified during performance review process.
7. Achieve both PUC and JLAC/PUC performance measures for Administrative plus Program Support Costs.

.

TARGETS:

2007 Budget		**2006 Full-Year Forecast**	
Budget	$ 2.2 million	Forecast	$1.7 million

2008 PLANNED ACTIVITIES:

- Enhance treasury management as available reserves shrink.

	$ M
2008 PROJECTION:	$ 2.2

(see budget on reverse side of page)

2007 ACTION PLAN/BUDGET, APPROVED

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Management and General

	2006 Forecast	2007 Budget	2008 Projection
Staffing	$1,000,383	$1,005,762	$1,053,463
Services			
Evaluation and Planning Services		21,924	22,529
Legal Services	92,300	105,840	109,015
Accounting Services	104,513	123,120	126,814
Other Professional Services	77,262	288,015	296,656
Total Other Services	274,075	538,899	555,013
General			
General Program Support Costs	134,009	223,225	229,922
Shared	144,751	116,282	118,474
IT Services	159,365	287,186	291,556
Total General	438,125	626,693	639,951
TOTAL EXPENSE	**1,712,583**	**2,171,354**	**2,248,427**

December 2006

2007 ACTION PLAN / BUDGET, APPROVED

DEPARTMENT: INFORMATION TECHNOLOGY ALL PROGRAMS

PURPOSE: Contribute to Strategic Goals by Providing Information Technology Support to all Energy Trust Operations.

STRATEGY:

1. Apply Information Technology to enable Energy Trust to achieve its goals.
2. Implement system improvements to improve data quality and streamline program operations and reporting.
3. Enhance secured systems to protect confidential information.
4. Partner with staff and PMCs to facilitate their activities.
5. Champion appropriate and efficient use of technology resources.
6. Promote data quality and consistency.
7. Provide reliable communication systems.
8. Operate systems to enable distributed program delivery.
9. Refresh hardware and software for efficient and reliable operations.
10. Communicate technology issues, challenges, and progress to stakeholders.

2007 ACTIONS:

1. Facilitate regular meetings of the IT Advisory Committee to provide a forum for innovative ideas and strategic direction.
2. Engage consultant for IT Enterprise Architecture (EA) review of existing systems and to provide recommendations for future technology evolution.
3. Develop plan for long-term information systems enhancement incorporating recommendations from EA review.
4. Enhance capabilities and skills of IT staff and contractors to provide efficient maintenance and support to the growing databases.
5. Publish a suite of error and exception reports to facilitate data quality.
6. Evaluate FastTrack and develop an enhancement plan for immediate efficiency improvement, forms data capture automation, and platform evolution.
7. Minimize manual tasks and streamline production of required PUC, utility, and management reports.
8. Write a new integration package between FastTrack and the proposed new project accounting module for contract tracking.
9. Eliminate separate PMC project tracking system for New Building Efficiency by generating all required information directly from FastTrack.
10. Strengthen FastTrack application administration tools to streamline configuration and maintenance tasks.

TARGETS:

2007 Budget		**2006 Full-Year Forecast**	
Budget	$ 1.9 million	Forecast	$1.3 million

2008 PLANNED ACTIVITIES:

1. Deploy enhanced information systems in accordance with Enterprise Architecture plan.
2. Operate and maintain databases with a high level of reliability and data integrity.

	$ M
2008 PROJECTION:	$ 2.0

(see budget on reverse side of page)

2007 ACTION PLAN / BUDGET, APPROVED

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
Approved Budget
Information Technology

	2006 Forecast	2007 Budget	2008 Projection
Staffing	$402,464	$648,243	$682,149
Services			
Other Professional Services	484,444	836,000	861,080
Total Other Services	484,444	836,000	861,080
General			
General Program Support Costs	340,654	313,954	323,373
Shared	80,199	100,565	102,458
Total General	420,853	414,519	425,831
TOTAL EXPENSE	**1,307,761**	**1,898,762**	**1,969,060**

[1] 100% of these costs are allocated to programs and other support functions

The Energy Trust of Oregon
Capital Purchases

	2007 budget
Server upgrade and replacement (four)	40,000
Contract accounting software	30,000
Desktop / laptop replacements	20,000
Software enhancements	60,000
Solar project management software	30,000
Total capital purchases	180,000

	2008 Projection
nature of projects to be determined in mid 2007	185,000

all hardware and software is depreciated over 3 years, straight line

EnergyTrust of Oregon, Inc.

Briefing Paper
Guidelines for Reserve Funds Derived from Interest Earnings

December 13, 2006

Summary

States guidelines to preserve and invest interest earnings.

Background

- Energy Trust earns interest income on unexpended funds.
- Such income varies month to month based upon the individual investments made and is not readily attributable to any one funding source.
- A portion of the earnings is necessary to provide a cash reserve.
- The amount of interest earnings above that necessary for cash reserves can be invested to benefit customers and help achieve goals.
- In early 2006, the board allocated $1.4M in interest earnings to meet high demand in the Production Efficiency program, thereby setting a precedent for investing interest earnings.
- The total amount of interest earnings is projected to be approximately $2.9M by year-end 2006, $5M by year-end 2007 and $7M by year-end 2008.
- Guidelines for investing interest earnings in programs will serve the organization by allowing such funds to directly benefit customers we serve.

Discussion

- To be a prudent and responsible steward of ratepayer dollars, a portion of interest earned should remain unspent and provide a cash reserve for the organization.
- The cash reserve is intended to offset any potential revenue deficiency derived from:
    - More moderate weather than anticipated by the utilities in developing their annual revenue forecasts
    - A reduction in anticipated or requested utility rate increases
    - An increase in the number of customers who self-direct
    - Other unanticipated variables
- Energy Trust also retains access to a line of credit, currently at $4 million.
- Line of credit usage is intended to address short-term, temporary cash flow requirements stemming from unanticipated changes in revenue or expenditure patterns.

- Reserve guidelines should address the amount of cash reserves, the opportunity to invest interest earnings above this amount and retain access to a line of credit.

Reserve Fund Guidelines

1. The recommended amount of cash reserves to remain unspent will be established annually at an amount sufficient to absorb the risk of revenue deficiencies.
2. Accumulated investment income above and beyond this set aside amount for cash reserves may be invested in a variety of ways provided that the proposed use:
    a. Responds to opportunities that further achieve Energy Trust strategic goals
    b. Enables Energy Trust to meet customer expectations and fulfill project commitments
    c. Maintains market momentum and opportunities to acquire savings/generation
    d. Provides stability for program budgets that would otherwise be reduced or eliminated
    e. Considers a balanced investment between both renewable and efficiency program opportunities over time
    f. Enables the organization to explore new directions and enterprise opportunities
3. If such funds are approved for investment and not fully expended, they may be returned to the reserve fund for reinvestment consistent with these guidelines.

The Energy Trust of Oregon
Year to Date by Program / Service Territory - joint costs allocated at program level
Projection 2008-P-03, approved
For the Twelve Months Ending December 31, 2008
(Unaudited)

	ENERGY EFFICIENCY						RENEWABLE ENERGY				TOTAL	2008 Projection	
	PGE	PacifiCorp	NW Natural	Cascade	Avista	Total	PGE	PacifiCorp	Total	Other	All Programs	P-02	Change
REVENUES													
Public Purpose Funding	$24,221,806	$15,486,240	$9,525,299	$916,325	$668,470	$50,818,140	$7,268,940	$4,670,453	$11,939,393		$62,757,533	$62,780,211	($22,678)
Revenue from Investments										1,838,247	1,838,247	2,249,182	(410,935)
TOTAL PROGRAM REVENUE	**24,221,806**	**15,486,240**	**9,525,299**	**916,325**	**668,470**	**50,818,140**	**7,268,940**	**4,670,453**	**11,939,393**	**1,838,247**	**64,595,780**	**65,029,393**	**(433,613)**
EXPENSES													
Program Management (Note 4)	1,244,545	760,566	782,899	67,406	25,485	2,880,905	442,312	310,032	752,344		3,633,249	3,724,538	(91,289)
Program Delivery	5,790,192	4,066,502	2,176,160	207,361	83,934	12,324,150	165,549	80,453	246,002		12,570,152	12,796,778	(226,626)
Incentives	12,395,887	7,790,936	5,061,278	427,163	118,379	25,793,642	17,360,275	10,823,232	28,183,507		53,977,149	54,160,174	(183,025)
Program Evaluation and Planning Services	1,153,447	689,038	615,230	50,318	13,476	2,521,508	125,941	93,206	219,147		2,740,654	2,805,968	(65,314)
Program Marketing/Outreach	740,717	405,364	807,851	52,588	20,895	2,027,415	145,547	46,920	192,467		2,219,882	2,603,257	(383,375)
Program Legal Services	12,218	7,190	6,107	536	165	26,215	69,426	42,753	112,179		138,393	138,395	(2)
Program Quality Assurance	90,960	57,192	52,409	3,593	946	205,100	9,360	9,240	18,600		223,700	223,700	0
Outsourced Services	260,753	140,345	84,469	7,991	72	493,632	445,949	161,315	607,264		1,100,896	1,222,996	(122,100)
Trade Allies & Customer Service Management	168,935	108,260	174,202	10,399	2,578	464,373	34,414	24,123	58,537		522,910	529,711	(6,801)
IT Services	477,260	351,924	339,249	30,509	11,695	1,210,637	123,669	88,090	211,759		1,422,396	1,414,058	8,338
Other Program Expenses	181,301	114,885	103,630	7,506	1,989	409,311	131,100	74,363	205,462		614,773	602,044	12,729
TOTAL PROGRAM EXPENSES	**22,516,215**	**14,492,204**	**10,203,484**	**865,370**	**279,613**	**48,356,887**	**19,053,542**	**11,753,727**	**30,807,268**		**79,164,155**	**80,221,619**	**(1,057,465)**
ADMINISTRATIVE COSTS													
Management & General (Note 1 & 3)	639,508	411,609	289,747	24,578	7,995	1,373,437	541,160	333,830	874,991		2,248,427	2,368,107	(119,680)
Communication & Outreach (Note 2 &3)	319,555	204,308	125,666	12,089	8,819	670,437	95,898	61,617	157,515		827,952	890,502	(62,550)
Total Administrative Costs	**959,063**	**615,917**	**415,413**	**36,667**	**16,814**	**2,043,874**	**637,059**	**395,447**	**1,032,506**		**3,076,380**	**3,258,609**	**(182,230)**
TOTAL PROGRAM & ADMIN EXPENSES	**23,475,278**	**15,108,121**	**10,618,897**	**902,037**	**296,427**	**50,400,761**	**19,690,601**	**12,149,174**	**31,839,774**		**82,240,535**	**83,480,228**	**(1,239,695)**
TOTAL REVENUE LESS EXPENSES	**746,528**	**378,119**	**(1,093,598)**	**14,288**	**372,043**	**417,379**	**(12,421,661)**	**(7,478,721)**	**(19,900,381)**	**1,838,247**	**(17,644,755)**	**(18,450,835)**	**806,082**
Cumulative Carryover at 12/31/05 (Note 5)	7,890,600	(6,396,731)	6,830,436			8,324,305	20,057,432	6,084,497	26,141,929	2,077,679	36,543,913	36,543,913	
2006 Net results-based on forecast 2006-F-04	622,406	(3,325,651)	(824,624)	3,805	50,437	(3,473,627)	4,995,822	2,970,714	7,966,536	2,223,018	6,715,927	2,223,018	
2007 Net results-based on Budget 4.6	(641,912)	(924,381)	(1,258,997)	(3,234)	350,128	(2,478,396)	(70,743)	(796,169)	(866,912)	2,325,038	(1,020,270)		
Investment income dedicated by board in 2006	840,000	560,000				1,400,000				(1,400,000)	0		
Proposed interest to be designated for 2007	900,000	600,000				1,500,000		1,100,000	1,100,000	(2,600,000)	0		
Proposed interest to be designated for 2008								1,500,000	1,500,000	(1,500,000)	0		
TOTAL NET ASSETS CUMULATIVE	**10,357,622**	**(9,108,644)**	**3,653,217**	**14,859**	**772,608**	**5,689,661**	**12,560,850**	**3,380,321**	**15,941,172**	**2,963,982**	**24,594,815**	**20,316,096**	**806,082**
	electric	1,248,978											

Note 1) Management and General (Administrative) Expenses have been allocated based on total expenses.
Note 2) General Communication and Outreach expenses (Administrative) have been allocated based on Public Purpose Revenue from each Territory.
Note 3) Administrative costs are allocated for management reporting only. GAAP for Not for Profit organizations does not allow allocation of administrative costs to program expenses.
Note 4) Program Management costs include both outsourced and internal staff.
Note 5) Cumulative carryover at 12/31/2005 has been adjusted to reflect audited results.

The Energy Trust of Oregon
Program Budget Expenses by Service Territory
Projection 2008-P-03 (round 3), approved
For the Twelve Months Ending December 31, 2008

	PGE	Pacific Power	Subtotal Elec. Utilities	Northwest Natural Gas	Cascade	Avista	Subtotal Gas Providers	Total	Previous 2008 Proj P-02	pct change
Energy Efficiency										
Residential										
Home Energy Solutions - Existing Homes	4,111,400	2,858,090	6,969,490	4,620,962	186,341	-	4,807,303	11,776,793	11,862,896	-0.7%
Home Energy Solutions - New Homes/Products	3,004,805	2,200,983	5,205,788	3,370,537	495,544	296,428	4,162,509	9,368,297	9,663,729	-3.1%
Market Transformation (NEEA)	587,178	442,920	1,030,098	-	-	-	-	1,030,098	1,140,305	-9.7%
Total Residential	7,703,383	5,501,993	13,205,376	7,991,499	681,885	296,428	8,969,812	22,175,188	22,666,930	-2.2%
Commercial										
Market Transformation (NEEA)	1,033,823	779,832	1,813,655	-	-	-	-	1,813,655	1,955,926	-7.3%
New Building Efficiency	3,973,589	2,327,750	6,301,339	702,465	113,698	-	816,163	7,117,502	6,605,138	7.8%
Building Efficiency (Existing)	3,349,253	787,643	4,136,896	1,924,935	106,455	-	2,031,390	6,168,286	6,209,865	-0.7%
Total Commercial	8,356,665	3,895,225	12,251,890	2,627,400	220,153	0	2,847,553	15,099,443	14,770,929	2.2%
Industrial										
Industrial Energy Solutions	6,840,568	5,277,424	12,117,992	-	-	-	-	12,117,992	12,208,020	-0.7%
Market Transformation (NEEA)	574,663	433,480	1,008,143	-	-	-	-	1,008,143	1,083,975	-7.0%
Total Industrial	7,415,231	5,710,904	13,126,135	0	0	0	0	13,126,135	13,291,996	-1.2%
Energy Efficiency Program Costs	23,475,279	15,108,122	38,583,401	10,618,899	902,038	296,428	11,817,365	50,400,766	50,729,854	-0.6%
Management and General			-				-	-		
Communications and Outreach			-				-	-		
Total Energy Efficiency Costs	23,475,279	15,108,122	38,583,401	10,618,899	902,038	296,428	11,817,365	50,400,766	50,729,854	-0.6%

The Energy Trust of Oregon
Program Budget Expenses by Service Territory
Projection 2008-P-03 (round 3), approved
For the Twelve Months Ending December 31, 2008

	PGE	Pacific Power	Subtotal Elec. Utilities	Northwest Natural Gas	Cascade	Avista	Subtotal Gas Providers	Total	Previous 2008 Proj P-02	pct change
Renewables										
Utility Scale Projects	11,128,989	6,083,550	17,212,539	-	-	-	-	17,212,539	18,060,862	-4.7%
Solar	1,780,620	1,248,423	3,029,043	-	-	-	-	3,029,043	2,828,944	7.1%
Community Wind	3,359,591	1,587,866	4,947,457	-	-	-	-	4,947,457	5,095,141	-2.9%
Open Solicitation	1,109,521	1,878,287	2,987,808	-	-	-	-	2,987,808	2,983,503	0.1%
Biopower	2,311,880	1,351,048	3,662,928	-	-	-	-	3,662,928	3,781,928	-3.1%
Renewables Program Costs	19,690,601	12,149,174	31,839,775	0	0	0	0	31,839,775	32,750,378	-2.8%
Management and General			-	-	-	-	-	-		
Communications and Outreach			-	-	-	-	-	-		
Total Renewables Costs	19,690,601	12,149,174	31,839,775	0	0	0	0	31,839,775	32,750,378	-2.8%
Cost Grand Total	43,165,880	27,257,296	70,423,176	10,618,899	902,038	296,428	11,817,365	82,240,541	83,480,232	-1.5%

Summary of comments on draft 2007 action plan/budget and how they are addressed in approved budget
December 8, 2006

Who	Comment topic(s)	How addressed
NW Natural – Bill Edmonds	Add funding for a community energy project in Silverton. Seek Energy Trust collaboration in designing market research (funded by NW Natural) for new construction programs that could be delivered collaboratively by Energy Trust and NW Natural.	Proposed final budget assumes program budgets include adequate funding for a community energy project with NW Natural. We can work with NW Natural to scope the project in Silverton and, if additional funds are needed, amend the budget in March. We will collaborate on the second item, which has no budget impacts in the short term.
Citizens' Utility Board – Jeff Bissonnette	Draft budget and action plan position Energy Trust to build on a remarkable track record	
PacifiCorp – Kyle Davis	Increase 2007 and 2008 budgets to cover above-market costs of one or more 2007 utility-scale projects.	Reflected in proposed final 2007 and 2008 budgets.
Community Renewable Energy Association – Paul Woodin	Provide additional funding for a Pacific Power utility-scale wind project without reducing funding for community renewables.[1]	Reflected in proposed final 2007 and 2008 budgets.
Northwest Power & Conservation Council – Jeff King	Allocations in November draft budget are about right. [2]	
	Comments voiced during Nov. 15 meeting of the Renewable Energy Advisory Council[3]	
NWPCC, Jeff King	Significant adjustments to the community wind budget should be considered in response to an eventual RPS. Additional funds for the Pacific Power utility-scale project should not come from reserves; reserves should be maintained to fund a future better opportunity.	Proposed final budget includes $2.6 million in interest earnings to support a new Pacific Power project without cutting other programs. Reflects conclusion that Pacific's request is a significant new opportunity worth achieving now if this can be done without reducing other programs. $2.3+ million in interest earnings is retained as a cash reserve.
UO Solar Monitoring Lab – Frank Vignola	Strongly endorses the proposed budget in order to achieve diversity among renewable generation options.	Reflected in the proposed final 2007 and 2008 budgets.
Renewable Northwest Project – Troy Gagliano	Strongly supports dedication of reserve monies to support the near-term opportunity to gain more large wind. Important to move when the utility is motivated. Objects to cutting other programs, which are needed to develop a full range of renewable resources.	Reflected in the proposed final 2007 and 2008 budgets.

[1] This comment is from a letter dated Dec. 1. Assuming this letter supersedes another letter from this organization dated Nov. 13, the comments in the earlier letter are not included in this summary.
[2] This comment was made by email Nov. 3.

Oregon Department of Energy – Diana Enright	Provide additional funding for a Pacific Power utility-scale wind project without reducing funding for community renewables.[4]	Reflected in the proposed final 2007 and 2008 budgets.
Oregon Solar Energy Industries Association – Jon Miller	Fully fund community renewables programs.	Reflected in proposed final budget.
Solar Oregon – Michael VanDerwater	Contract with Solar Oregon for outreach services in the amount of $18,820.	Proposed final budget has adequate funds should staff wish to engage Solar Oregon for this purpose.
	Comments voiced during Nov. 15 meeting of the Conservation Advisory Council[5]	
Industrial Customers of Northwest Utilities – Michael Early	Given Energy Trust's small exposure to risk, thinks we should feel comfortable with a small reserve.	Proposed final budget reduces the cash reserve and allocates monies to incentives.
Eugene Water and Electric Board – Mat Northway	Utilities historically have been conservative in their revenue projections. Supports a smaller reserve and use of line of credit to sustain the reserve.	Proposed final budget has a smaller reserve. Energy Trust has a line of credit for use in unanticipated cash flow situations.
Portland General Electric, Lauren Shapton	Use line of credit as a cash reserve in order to use available funds to serve as many customers as possible.	Proposed final budget shifts some funds from cash reserves into incentives. Energy Trust has a line of credit.
Oregon Department of Energy – Suzanne Dillard	Line of credit and cash reserve are two complementary tools.	Reflected in proposed final budget.
Northwest Energy Efficiency Council – Stan Price	If the board is comfortable using a line of credit, and utility forecasts are reliable, a smaller cash reserve is reasonable.	Smaller cash reserve is reflected in proposed final budget.
Northwest Power and Conservation Council – Charlie Grist	Supports using line of credit to free up more of the cash reserves.	Smaller cash reserve is reflected in proposed final budget.

[3] Comments summarized if speaker did not submit subsequent written comments.
[4] This comment is from a letter dated Nov. 30. With the assumption that this letter supersedes another letter from Diana Enright at ODOE dated Nov. 9, the comments in the earlier letter are not included in this summary.
[5] Comments summarized if speaker did not submit subsequent written comments.

Weatherization Industries Save Energy – Jeremy Anderson	Increase residential efficiency incentives budget, especially weatherization and HVAC; cut non-incentive spending.	Proposed final budget increases residential efficiency incentives budget by $500,000. About 78% of Home Energy Savings incentive budget is for HVAC and weatherization, and 22% is allocated to home reviews and CFL installs. Incentives alone won't make a program successful; marketing, technical assistance, and quality assurance also required.
	Increase residential efficiency budget in proportion to revenues from residential sector.	Energy Trust's equity policy balances efficiency savings and equity goals of offering services to all sectors but does not allocate funds to sectors based on revenue.
	Increase incentive amounts for HVAC and weatherization.	Incentive amounts are subject to continuous reassessment and periodic revisions. Increasing them to a point that would significantly influence market share beyond current levels would impair Energy Trust's ability to meet cost-effectiveness tests.
	Limit advertising budget to co-op ads.	Trade ally appetite for co-op advertising historically has fallen short of budgeted levels. Because Energy Trust is a nonprofit corporation that serves public rather than private interests, we are required to limit our contribution to cooperative advertising with trade allies and other private firms.
	Coordinate training programs with ODOE and BPA.	We presently are and will continue working to coordinate training programs with ODOE and BPA.
	Make programs simpler for trade allies to participate in.	We continuously seek to streamline programs to make them easier for trade allies and participants.
	Multifamily programs should focus on HVAC and weatherization.	91% of multifamily incentives historically is spent on HVAC and weatherization.

From: Edmonds, William R.
Sent: Thursday, November 30, 2006 5:25 PM
To: Jan Schaeffer
Cc: Margie Harris
Subject: RE: Dec. 1 is deadline for written comments on Energy Trust 2007 budget and action plan

Jan:

A few simple comments on the budget just under the wire (or maybe not quite under the wire).

NW Natural has reviewed your budget and as we said in our comments on the strategic plan, we appreciate ETO's continued efforts to address the need to increase spending on gas programs. The budget seems well designed to support this strategic goal.

We had two small comments:

1. We've discussed the possibility of moving forward with a Community Project. NW Natural has been slow to identify a suitable location but is interested in using this model in Silverton. We have some specific capacity issues in Silverton that make it of particular interest to the company and we'd be anxious to help move this forward. Our apologies for not moving more quickly to identify a location. As a result, I understand this effort was not included in the current budget. We are interested in seeing this move forward and request that you consider adding it to your gas programs to roll out in 2007.

2. While it may not have specific budget implications, I wanted to alert both you and Margie that we're working away on possible new construction programs that we could deliver collaboratively with ETO. The first step Margie has mentioned to me is pushing forward with data gathering and market research. Our team would very much like to engage with ETO to help design this market research to fill gaps in our market understanding. Obviously this effort will help in our program design and should start as soon as possible. I'd be glad to help set up a meeting with the right folks at NW Natural to get this rolling.

If you have any questions, please don't hesitate to give me a call.

thanks, Bill Edmonds

Bill Edmonds
Director, Environmental Policy and Sustainability
NW Natural
phone: 503.226.4211 ext. 3554

From: Jan Schaeffer [mailto:jan@energytrust.org]
Sent: Wednesday, November 29, 2006 1:33 PM
To: Stan Price ; Bumgarner, Jeff; Jeff Bissonnette; Kathie Barnard; Kerry.Shroy@Avistacorp.com; Suzanne C Dillard; Scott Winkels; michael@solaror.org; Troy Gagliano; Jon Miller; Joe Barra; Edmonds, William R.; Julie Brandis; Michael B. Early
Cc: Nancy Klass
Subject: Dec. 1 is deadline for written comments on Energy Trust 2007 budget and action plan

Dear Friend of Energy Trust:

Just wanted to remind you that there are two more writing days before comments on our budget and action plan are due. If you haven't already submitted them, you still have time! You also have the opportunity to address our Board of Directors when they discuss and act on the budget December 13.

Many thanks,

Jan Schaeffer
Energy Trust of Oregon, Inc.
Communications and Marketing Director
ph: 503.445.7603
fx: 503.546.6862

851 SW Sixth Avenue, #1200
Portland, OR 97204
www.energytrust.org

December 1, 2006

Peter West
Energy Trust of Oregon
851 SW 6th St.
Suite 1200
Portland, Or 97205

Peter,

CREA supports your proposed budget as presented at the RAC meeting where a funding method was proposed that provides an extra $2.7 million for Pacific's wind project while NOT cutting the proposed Program budgets for community renewables.

We understand that there were several statements concerning funding of community wind projects and it is that topic that I would like to address.

Community renewables have become a focus in Oregon in the last several years. A large majority of state agencies have incorporated programs into their policies to facilitate locally owned renewables.

The USDA has been aggressively training local farmers and communities in funding for Value Added Producer Grants and 9006 grants to help fund locally owned renewables. A number of grants are currently being developed that are bringing community wind projects to reality. This effort is mirrored by the department of Agriculture and programs adopted by farming groups such as the 25/25 program of renewables.

The Governor has funded additional funds through the Oregon Economic and Community Development Department for Renewable Energy Feasibility Funds to also help stimulate community renewables.

The Governor's office is also introducing legislation to increase the Business Energy Tax Credit (BETC) program to further provide incentives for community renewables.

The Oregon Department of Energy has conducted workshops around the state for several years promoting community renewable energy and provides BETC and Sustainable Energy Loan Program funding to encourage community renewables.

A lot of effort has been spent to attract investment capital to take advantage of Production tax credits and depreciation. There are a number of investors ready to provide capital to these community projects.

Oregon Communities and local land owners have spent considerable funds getting their projects ready to build. Their confidence in being able to develop locally owned projects includes the expectation that ETO funds will be available when their projects are ready.

ETO plays an important role in supporting these state programs. Your proposed budget for community wind is critical to their success. As a result of state agency programs, there are a number of projects ready to build and these projects are looking to ETO for funds.

CREA is pleased with your proposed budget for ETO. It includes a method of providing PacifiCorp with their requested funds while leaving intact the funds absolutely necessary to support the rapidly emerging community renewable projects encouraged by state programs.

Hopefully in the next few years, this conflict for funds will be behind us. The proposed RPS language emerging from the Renewable Energy Working Group will clarify the funding of ETO funds to projects up to 20 MW and will allow us to focus on community based projects.

Respectfully

Paul R. Woodin
Community Renewable Energy Association
509-261-0219
pwoodin@gorge.net

Community Renewable Energy Association

Helping keep Oregon Green

November 13, 2006

Peter West
Energy Trust of Oregon
851 SW 6th St.
Suite 1200
Portland, Or 97205

Peter,

The 2008-2009 ETO budgeting period will be an exciting time for Community Renewable projects in Oregon.

A number of community sized projects around the state are reaching the point of maturity where they are looking to ETO for funding.

My concern is that there are not enough funds available for the number of projects ready for financing.

The Governor's Renewable Energy Working Group (REWG) recognizes the problem of restricted funds for community projects and is recommending that ETO funds be focused on community sized projects of 20 MW and less.

This is because it is recognized that current low avoided cost rates prohibit construction of community projects without ETO funds. On the other hand, utility scale projects continue to be built at an accelerated rate, even if ETO funds are allocated to the smaller community projects.

Projects ready for funding
The following community sized projects will likely be seeking funding in the 200-2009 time frame.

- Follow-on four 10 MW projects to tie into the initial Sherman County Wind Farmer sub-station
- Hilderbrand and Summit Ridge 10 MW projects in Mid-Columbia
- 10 MW Hood River County wind project
- A number of Hood River small hydro projects
- A Hood River bio-mass project

- Several Morrow County community wind projects
- John Deere/Momentum project near Arlington
- A number of 10 MW projects in the La Grand/Baker area
- Several 10 MW wind projects and bio-mass project in Lake County
- Several 10 MW wind projects and small hydro projects in Wasco County

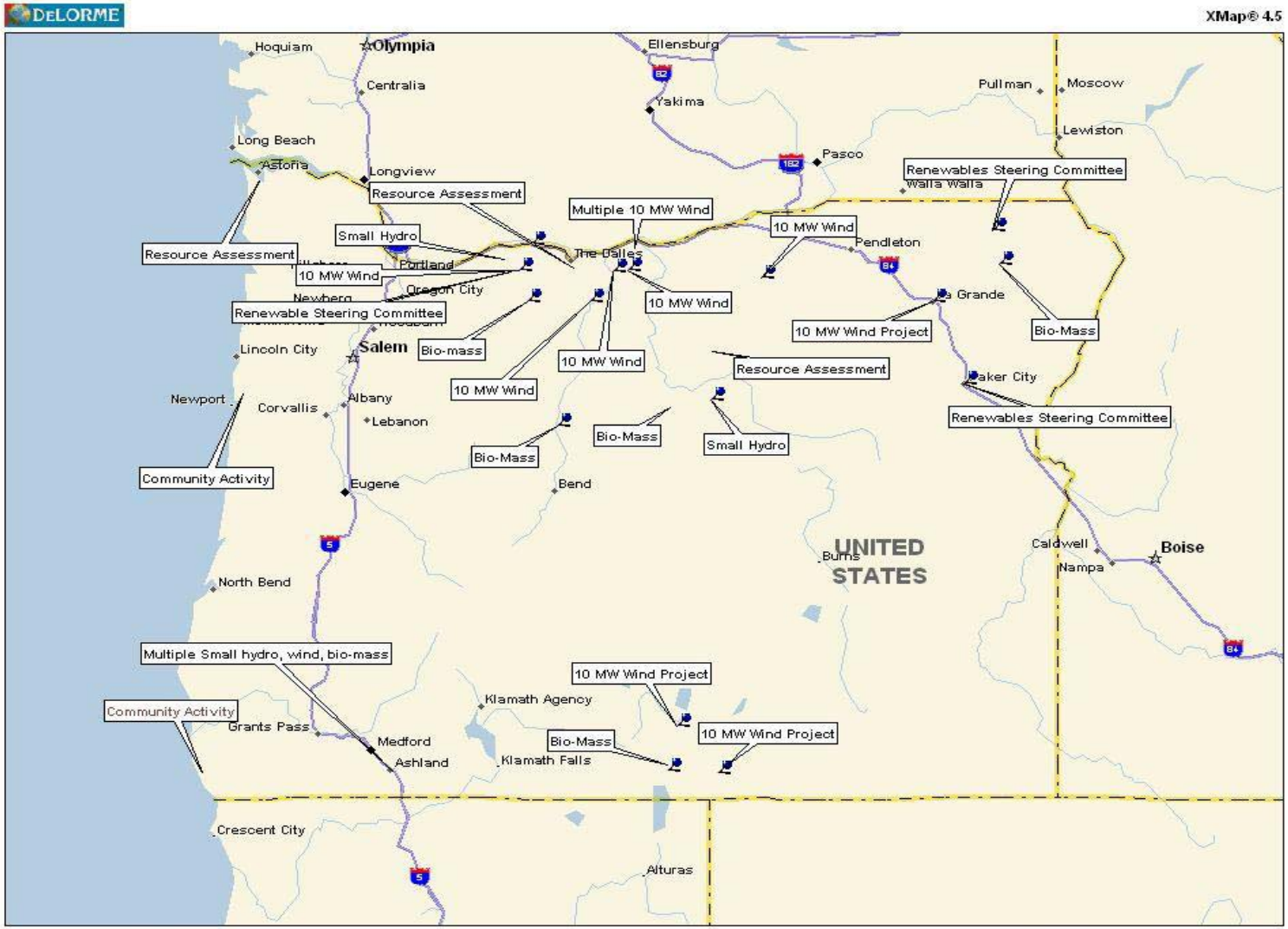
ETO funding is critical to the success of community based projects. When the first RFP went out for community wind, 15 projects applied. The final short list is 2-3 projects.

This is a concern to CREA. At current reduced ETO funding, more locally owned projects are getting killed than are being built. Hopefully future years will allocate more funds to Oregon community sized projects and less to utility scale projects – particularly those that are for out-of-state projects.

CREA looks forward to working with ETO to help shape programs that allow community based projects to flourish in the next few years

Respectfully

Paul R. Woodin
Community Renewable Energy Association
509-261-0219
pwoodin@gorge.net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Pendleton
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Oregon City
Newberg
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North Bend
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Klamath Agency
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Citizens' Utility Board of Oregon

Comments of Citizens' Utility Board of Oregon
on the Energy Trust of Oregon
2007 Draft Budget and 2007-2008 Action Plan

submitted by Jeff Bissonnette
CUB Organizing Director

These comments are offered on behalf of the Citizens' Utility Board of Oregon (CUB), the statutorily-designated representative for residential utility customers.

Over the course of the last year or so, we at CUB had the opportunity to reflect on the past several years of investment in energy efficiency and renewable resource development through the public purpose funds and the Energy Trust of Oregon (ETO) as a primary administrative and distribution vehicle for those funds.

Recently, a draft report was prepared for the legislature reviewing the use and effectiveness of all of the public purpose funds, as required by the statute created by Senate Bill 1149 as passed in 1999. The report noted that "Oregon has a 30-year history of using ratepayer funding for conservation and renewable programs prior to SB 1149." We believe this is a crucial point. Investment in energy efficiency and renewable resources was not new with the passage of SB 1149. What was new was setting a specific amount (3 percent) over an extended period of time (10 years). Thus, instead of the wild swings in efficiency and renewable investments that occurred in the past, ratepayers, and the conservation and renewable industry private sector partners who are key to delivering these services, are able to count on consistent, predictable investments over the long-term, which is a better and more cost-effective way to achieve efficiency savings and to create renewable resource development. In short, all SB 1149 did was create consistency in how much was going to be invested in energy efficiency and renewables and make sure ratepayers knew that amount. However, even that was remarkable.

Even more remarkable was the creation of an independent, third-party administrator for the bulk of those funds. As original supporters of the creation of the ETO, we believed that an independent organization solely dedicated to acquiring cost-effective energy efficiency and renewable resources would benefit all ratepayers large and small no matter what the customer class.

Simply put, and perhaps immodestly, we are gratified about how right we were. The ETO has performed far beyond our rosiest expectations, delivering substantial results far ahead of any reasonable schedule most thought possible. Even beyond the work on electricity savings that

were originally envisioned by SB 1149, the model has also been shown to work for conservation in the natural gas sector as well with the ETO successfully integrating gas conservation programs on behalf of NW Natural, Avista and Cascade Natural Gas. The board and staff are to be congratulated for a record of accomplishment that belies the relatively short time period in which those accomplishments have been achieved. While that period has not been without its controversies and disagreements, and there are surely more to come, any clear-eyed assessment underscores that Oregon put itself on the right track in terms of delivery of efficiency and renewable resource service to ratepayers.

The challenge now before the board, staff and stakeholders of the ETO is to continue the record of accomplishment while maintaining reasonable expectations and being a responsible steward of the resources entrusted to the organization. In our opinion, both the draft 2007 budget and the 2007-2008 action plan set the right tone for meeting that overarching paradigm.

We understand that the past fiscal year has been marked by demand for ETO services, particularly on the efficiency side far outstripping available resources. Of course, the only way to fully meet that demand is to increase the resources available but since that is beyond the purview of the ETO, its only choice is to manage the resources to make them stretch as far as possible.

A key way to do this, as identified in the efficiency summary is to ensure that both dollars and energy savings are equitably distributed across customer sectors. As the graph on page 21 of the PowerPoint presentation delivered to the board on November 8, 2006 demonstrates, substantial resources have been invested in commercial and particularly industrial sector efficiency projects. While we recognize that this trend has been driven by very large opportunities for energy savings in those sectors, each sector has its own cost-effective savings that need to be achieved. The distribution of both resource allocation and savings goals, as outlined on page 22 of the presentation, acknowledge that fact in an appropriate way. The acquisition of gas efficiency spending and acquisition similarly reflects that acknowledgment. It is important to note that ALL of these efficiency activities, no matter the sector, are cost-effective. So, just as we look to mitigate risk by diversifying the overall generation portfolio, so too must we diversify our efficiency activities to ensure we have a well-balanced efficiency portfolio. The budget and action plan represent such a diversity and that is excellent.

In terms of activity on the renewable side, the ETO appears to be well-positioned to be well on-track, or even already exceeding (given the best case scenarios), its goals for renewable energy generation for 2012. This is, again, truly remarkable. We recognize the instability introduced by the current scheduled end of the federal production tax credit but we hope that Oregon's federal representatives are able to make the case that this critical tax credit needs to be extended beyond its current sunset of 2007. We also urge the ETO staff, Renewable Advisory Council and board to monitor the cost-effectiveness of utility-scale wind programs to ensure that ETO dollars are truly needed to ensure that projects are undertaken. Again, much depends on the continuance of the federal production tax credit but if large-scale wind projects are able to be accomplished with minimal assistance from the ETO, those dollars can be well-utilized in the small-scale and emerging technology areas of the ETO's renewable program.

Finally, we are tremendously impressed with the efficiency with which the ETO is able to manage its operations. According to page 28 of the PowerPoint presentation, staff demonstrates that the ETO is projected not only to operate well within the PUC's performance measures of 11% administrative costs but also within the margin of the legislative stretch goal of 9%. This is an impressive demonstration of commitment of maintaining a priority in investing in the central activities of efficiency and renewable resource development. We believe that the way the ETO has chosen to operate with a small core staff and contracting for the delivery of services through private sector contractors helps to achieve this low operating overhead and we encourage the ETO to continue in that direction.

In reviewing the action plan for 2007-2008, the specific activities reflected in the action plan fit well with the resource allocation outlined in the budget. In an organization as multi-faceted as the ETO and dealing with customers across sectors, it is important to be transparent about what you intend to do and at the same time, it is equally important to have a roadmap for the organization so that progress can be evaluated as time progresses. The activities outlined in the action plan provide both the transparency and the road map required for internal management and external stakeholders and observers.

In conclusion, we hope that the next years outlined in the budget and action plan are as fruitful as the past years have been. As energy issues have grown in importance in the public mind, it is crucial to be able to offer sensible solutions to the energy challenges faced by all energy consumers in the state. We have known for a long time that the easiest way to control energy costs both in homes and business is to reduce the amount of energy needed. And the best way to future-proof ourselves, to use a modern phrase, against upward pressure on costs due to the ever-increasing probability that carbon-based resources will be more restricted is to invest in cleaner sources of energy generation to meet our (hopefully lowered) energy needs. The Energy Trust of Oregon serves ratepayers on both levels.

Congratulations and many thanks for your considerable success thus far and we look forward to working with you as you implement the current proposed budget and action plan.

From: King, Jeff [mailto:jking@nwcouncil.org]
Sent: Friday, November 03, 2006 9:22 AM
To: Peter West
Subject: Draft renewable energy budget

Peter,

I recall from the October RAC meeting that you were looking for comments regarding the Renewable Energy Program draft budget by early November. My general reaction is that the allocations of the draft 2007 budget are about right. Community wind is perhaps a bit high for my taste, but the program is in its early stages and I am willing to see how it performs. Adjustments can be made in later years if necessary.

- Jeff

Jeffrey C. King
Senior Resource Analyst
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Oregon
Theodore R. Kulongoski, Governor

OREGON DEPARTMENT OF ENERGY

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www.Oregon.gov/ENERGY

November 9, 2006

Peter West, Director of Renewable Energy
Energy Trust of Oregon
851 SW Sixth Avenue, Suite 1200
Portland, OR 97204

Dear Peter:

The following outlines Oregon Department of Energy (ODOE) comments on the 2007 Energy Trust of Oregon (ETO) budget for Renewable Energy programs.

ODOE supports the proposed budget and opposes reducing the funds for solar, community wind, biomass, and open solicitation.

The development of local electric infrastructure to support distributed generation is underrepresented throughout the budget. There are components of the budget that contribute to infrastructure development, but it may be justified to increase the budget for community focused projects to address the lack of transmission in areas best suited for distributed generation. This funding level needs to be predictable and sustainable; otherwise such infrastructure development will not occur.

In general, programs that offer the greatest potential for long-term renewable energy resources and markets should be a priority. Although acquiring renewable energy at the least cost is important, the least first cost should not be the only criterion for determining the efficient use of the Trust's resources.

In the Governor's Renewable Energy Action Plan, it says, "Promoting a diversity of renewable energy generating resources in Oregon is good energy policy for a state that has an electricity system heavily dependent on hydropower and increasingly dependent on fossil fuels." Diversity of Oregon's renewable energy resources will assure consumers adequate price risks, energy supply security, and create diverse local markets for a variety of renewable energy technologies.

These benefits are difficult to measure. However, these characteristics provide more varied interests across the state in continued renewable resource development and performance, lowering costs over the longer term. Oregon's goal to establish a "diverse array of permanently sustainable energy resources" is clearly stated in the state's PURPA Statute 758.515. A diverse array means different resources of size and type, geographic distribution and diversity in time.

Utility-Scale

Of main concern with utility-scale projects is determining the above-market costs. Often, above-market costs cannot be determined until the project nears completion, and are uncertain even then. Utility-scale wind farm costs are rising, as are utility avoided costs. The adequacy and current utility avoided costs should be ascertained per project and not rely on dated information. Utilities avoided costs and market price forecasts are only published every two years.

The Renewable Energy Working Group is developing legislative language that creates standards for utility-scale renewable energy projects, or a renewable portfolio standard. The ODOE supports the concept proposed in the RPS legislative language that focuses the Public Purpose Charge (PPC) funds on a mix of projects of 20 MW or less and exclude funding of projects larger than 20 MW.

Solar Electric

The solar electric program offers great potential because of its distributed nature and ability to offset retail value electricity, not to mention peak load issues. Because of the developing nature of this technology, the ETO should focus its efforts on removing barriers to market development. This is best accomplished by continuing to limit the maximum eligible size (increases number of systems installed) and requiring systems to be installed by trade allies (quality assurance).

Workforce development should remain an essential component of the ETO effort. Developing the skills of installers, inspectors, builders (for new construction) and realtors will all provide the core foundation for this technology beyond ETO's market presence. In addition, the ETO should leverage the work being done by ODOE and the ETO's Energy Star program to establish market pull to cover the higher above market cost of solar.

Biopower

The biopower program aligns well with other initiatives in Oregon aimed at developing biopower projects. The current budget adequately reflects the market opportunities in Oregon. Continuation of feasibility assistance is crucial to market development at this time.

Open Solicitation

The open solicitation program creates new markets for innovative projects. We recognize the benefit this program offers future electricity consumers. The ETO should reinforce this program to take advantage of new opportunities to diversify Oregon's energy supply.

For example, it is likely a two-megawatt, grid-connected wave energy project could be deployed in 2008 off the coast of Oregon. The ETO budget should be positioned to help cover the above market costs for this new emerging industry.

Community Wind

As the large response to the ETO's RFP for community wind projects has clearly shown, there is a lot of interest in rural communities for smaller scale wind farms (under 10 MW to qualify for the standard PURPA contracts) as a complement to the large commercial scale wind farms. Such smaller scale energy projects require innovative public/private partnerships that contribute to the economic development efforts of rural areas and help build a utility system with more distributed generation throughout all parts of our state.

The final UM 1129 PURPA avoided cost figures determined by the Oregon Public Utility Commission are lower than ODOE expected, in part because of the low natural gas price forecasts used in the determination of the avoided costs. Because of these low PURPA rates and the increased costs of all wind projects, 'higher' contributions from the ETO are needed to make these projects financially feasible. The proposed budget is the minimum needed for this program.

Thank you for the opportunity to comment on this important program.

Sincerely,

Diana Enright
Assistant Director
Renewable Energy Division

Oregon
Theodore R. Kulongoski, Governor

OREGON DEPARTMENT OF ENERGY

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www.Oregon.gov/ENERGY

November 30, 2006

Peter West, Director of Renewable Energy
Energy Trust of Oregon
851 SW Sixth Avenue, Suite 1200
Portland, OR 97204

Dear Peter:

Community-scale renewable energy projects need your program's support. As a follow-up on the November 15 RAC discussion, please accept the Oregon Department of Energy's (ODOE) comments on the proposed 2007 Energy Trust of Oregon (ETO) budget for Renewable Energy programs.

ODOE commends you for proposing a funding mechanism that provides an extra $2.7 million for Pacific's wind project, while NOT cutting the proposed program budgets. ODOE supports your proposed budget as presented at the RAC meeting. We certainly believe that your proposed budget meets OPUC's Commissioner Savage request "to find creative ways to help meet Pacific's request for additional funds".

Following the discussion on community wind at the RAC meeting, we would like to add additional comments to our November 9 letter.

Jeff King of the NPCC suggested a cut in this program, while Lisa Schwartz of the OPUC Staff said that the community wind budget is too large.

According to my staff, Jeff's main arguments for a budget cut were that external drivers such as the Washington RPS and an anticipated Oregon RPS will push the market forces in favor of community wind as well, and as a relatively new program (with projects in 2008 highly speculative and uncertain), there is less of a lost opportunity if the program is postponed.

The Oregon Department of Energy strongly disagrees with that assessment for the following reasons.

First, other states' renewable portfolio standards have made it very clear that distributed generation does not benefit unless a special provision is added to the general renewable requirements. Many renewable portfolio standards have "carve-outs" for specific technologies or distributed generation in general. The Governor's Renewable Energy Working Group (REWG) has looked at these carve-outs in other states, but concluded that such carve-outs often lead to higher costs.

Instead, the REWG is developing legislative RPS language including the concept of using the Public Purpose Charge (PPC) renewable funds for a mix of projects of 20 MW or less, and excluding funding for projects larger than 20 MW.

Secondly, many stakeholders have worked hard the last several years to create the infrastructure necessary to develop community wind projects. This includes a network of potential equity investors willing to invest in these projects, as they have done so successfully in the Midwest. Delaying this program further will give the signal that our state is not seriously interested in developing small wind farms and those financiers will go elsewhere. Due to the uncertain nature of the federal production tax credit, demand for wind turbines is very high and all small wind farm project developers have difficulty obtaining wind turbines. Stakeholders, including the Governor's Office, have worked and are working together to find ways to create a "pipeline" of potential small wind farm projects to make it more attractive for manufacturers to commit turbines to our state.

The proposal to reduce the community wind budget would be a significant lost opportunity.

Reducing this budget category would have a similar affect on the efforts to build an infrastructure and assure wind turbines for these projects.

Finally, Jeff King's comment that those projects beyond 2007 are highly speculative is incorrect. As the large response to the ETO's RFP for community wind projects has clearly shown, there is a great interest in rural communities for smaller scale wind farms (under 10 MW to qualify for the standard PURPA contracts) as a complement to the large commercial scale wind farms. There are several projects that could have been underway if more funds were available right now.

It is awkward, at best, for the State of Oregon to be encouraging projects under 10MW through its Renewable Energy Feasibility Fund, while the ETO is reducing its support.

In our November 9 letter, we quoted the Governor's Renewable Energy Action Plan, which says "Promoting a diversity of renewable energy generating resources in Oregon is good energy policy for a state that has an electricity system heavily dependent on hydropower and increasingly dependent on fossil fuels." Your proposed budget is an important tool that complements and enhances the Oregon Department of Energy's tax credit and loan programs, and helps further the Governor's renewable energy goals.

Thank you for the opportunity to comment on these important programs.

Sincerely,

Diana Enright
Assistant Director
Renewable Energy Division

OSEIA
Oregon Solar Energy Industries Association

December 1, 2006

Peter West, Director of Renewable Energy
Energy Trust of Oregon
851 SW Sixth Avenue, Suite 1200
Portland, OR 97204

Subject: 2007 ETO Renewable Energy Proposed Budget

Dear Peter,

The ETO's track record with community renewables is a good one and Oregon is benefiting from this support. OSEIA supports the ETO staff's proposed 2007 budget for renewables that fully fund community renewable programs.

In making the decision of which RE programs and projects to fund, the ETO must continue to look toward its strategic goals, past successes, and its contribution toward a robust energy portfolio. Developing community renewables such as solar, wind, and biomass have: contributed towards the ETO's strategic goals, proven successful at moving Oregon's distributed RE market forward, and demonstrated how community RE can contribute toward Oregon's energy portfolio.

The ETO has done a very good job supporting renewables in Oregon by providing funding to develop RE based on many factors. One important factor is looking at our energy portfolio and recognizing that no single energy source can meet our need for an affordable, reliable, and sustainable supply of energy.

Community renewable programs such as the solar program have contributed toward the ETO's strategic goals by: extending on-site renewable energy benefits to underserved residential consumers in both urban and rural communities, contributing to the creation of a more stable renewable energy business environment, and encouraging Oregonians to integrate renewable resources into their daily lives.

The success of the solar program highlights the effectiveness of the ETO's support of community renewables. Oregon's solar industry has seen rapid growth over the past three years. We are ranked in the top 10 in the nation in both solar hot water and solar PV installations. The ETO solar program continues to be an important factor to the industries growth – but a diminishing one. Becoming a diminishing factor is exactly what you want to see as the industry takes off. The growing RE industry needs early long term commitment to plan for and to take the risks to develop their businesses. That commitment must to be stable enough to plan for.

A major benefit to Oregonians is the focus on quality installations that will produce clean energy for over 25 years. The need to create a well qualified and trained workforce was highlighted at a recent national RE workforce development conference in NY. Oregon stood out as a leader with having an installation program that also provides market and workforce development support. The ETO solar program is a primary reason for that success.

ETO programs are playing a central role in developing a strong foundation for Oregon's RE marketplace but it is not a given that these markets will develop without long term commitment. The ETO has programs that are fully developed, such as the solar program, and others that are in

development, such as the community wind program. These programs encourage market development and investment in RE companies in Oregon. These companies are growing stronger based on RE demand and initial support from the ETO. These RE companies need long term signals to create a robust market in Oregon. Pulling funding out from underneath these new companies early on will severely impact Oregon's ability to meet the growing demand for high quality RE installations. This early stage of development is the exact wrong time to cut back on funding.

Developing a robust energy portfolio that serves the energy needs of Oregonians is another important product of the ETO's efforts. Community renewables belong in that energy portfolio. In weighing the funding considerations for projects and programs, developing a portfolio of energy options that complement each other is critical.

Oregon has abundant RE resources that can be optimized only through developing an array of renewables that include utility scale wind and community scale wind, solar, and biomass. Community based distributed RE provides benefits of offsetting peak load energy, smoothing out energy supply, fortifying a more robust grid, and offers the added benefit of contributing to local markets and economic development.

We urge you to continue to support community renewables that form an essential part of Oregon's clean energy future by continuing to fully fund them.

Sincerely,

Jon Miller
Executive Director
Oregon Solar Energy Industries Association
503-236-0367

PacifCorp
825 NE Multnomah
Portland, OR 97232

November 14, 2006

Mr. Peter West
Director of Renewable Energy Programs
Energy Trust of Oregon
851 SW Sixth Avenue, #1200
Portland, OR 97204

RE: 2007-2008 Pacific Power Utility-Scale Renewable Projects Funding

Dear Mr. West:

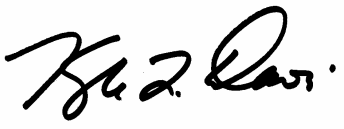
I wanted to follow up our recent conversation on the proposed ETO draft 2007-2008 budgets, especially the budget for utility-scale renewable projects. We have identified multiple utility-scale wind projects that could possibly be completed in 2007. Depending on the final project designs, each is expected to have a minimum nameplate capability of between 50 and 100 megawatts. Unfortunately, our initial analysis shows above market costs in the range of at least $4.5 million to $5.0 million for one project.[1]

We understand the most recent ETO draft budget assumes the Pacific Power 2007 budget for utility-scale projects ends with a slight surplus of $200,000, and grows to $1.5 million by the end of 2008. PacifiCorp would like to request an increase in these budgets. The additional dollars would be used toward the above-market costs associated with one or more 2007 utility-scale wind projects.

PacifiCorp expects to make a final decision on each of the current opportunities sometime before the end of the second quarter 2007. We would keep ETO staff apprised of our negotiations and are willing to amend the current Master Agreement with the ETO that sets out specific milestones. Unfortunately, due to the nature of our negotiations, we are not able to identify the developers or projects at this time.

If you have any questions, please feel to give me a call, (503) 813-6601 and I'll do my best to answer them.

Sincerely,



Kyle. L. Davis
Manager of Environmental Policy & Strategy

[1] Consistent with the "Amendment to the 2003-B RFP" methodology, which was used for analyzing the Leaning Juniper 1, Marengo, and both Goodnoe Hills utility-scale wind projects.

Solar Oregon (formerly Solar Energy Association of Oregon) submission to ETO plan 2007'

Summary: Budget line/Contract to Solar Oregon in the amount of $18,820 to conduct outreach via Basic Solar Seminar workshops as well as tabling at events and festivals.

Project description:

1. Basic Solar Seminar (1hr) - Contracted and trained by ETO to conduct ETO's Basic Solar Seminar series, Solar Oregon will be responsible for all logistics, publicity and presentation responsibilities. ETO may wish to support with additional publicity as resources and circumstances allow. OSD has verbally committed to financially supporting Portland area workshops as well and will lend support with publicity. At times I am sure we will be called on to simply provide services at a festival to do a community presentation (ie. NW Solar Expo, Muddy Boot Organic Festival, redirect guide events etc.) in which case the logistical cost is very low; these are reflected in the 'no logistic' costs below. Numbers of people engaged are based on a very conservative estimate of 30 per organized workshop and 20 per festival (no logistic) community presentation.

Direct costs for logistics, publicity, staffing, enrollment, presentation materials, performance tracking etc.

Item	Number of workshops	Cost	**ETO Share**	OSD share	*People engaged*
PDX Basic Solar Seminar	12	12,000	**6000**	6000	*360*
Non PDX Basic(no logistics)	5	2500	**2500**	2500	*100*
PDX Basic (No logistics)	5	750	**375**	375	*100*
Totals		15250	**8875**	8875	*560*

Development cost and end of year debrief and evaluation for this program for 07 = $1345 (ETO share)

2. Outreach and tabling at Portland Area Events – Contracted and trained by ETO, Solar Oregon will represent ETO's Solar Program's interests at events and festivals through a tabling presence. A co-branded image will be achieved under the Solar Oregon brand umbrella as a representation of Solar interests in Oregon. Within Portland, the Portland Office of Sustainable Development has offered to co-brand as well and share

50% of the contracted expense of this project thereby extending the outreach of these efforts 100%. OSD is dedicated to ETO's values within the solar program thereby making this a very natural, co-funding partnership. We have also discussed with OSD the possibility of their support in designing and constructing a professional display for tabling that reflects ETO, OSD and Solar Oregon's interests and branding. They have all worked hand in hand in the past in Solar Oregon materials and will continue to with this contract.

Direct costs includes event tabling fees, logistics, staffing (qualified and trained), tabling materials, performance tracking etc.

Item	Approx. Number of tabling days	Cost	**ETO Share**	OSD share	**People engaged*
PDX tabling	30	7800	**3900**	3900	*600*
Non PDX tabling	10	4700	**4700**	0	*200*
Totals		$12500	**$8600**	$3900	*800ppl**

*'People engaged' in the table reflects the number of people we expect to 'sign in' to become part of the Solar Oregon community. These names will be track able as we measure the success of the program to gain more solar projects in Oregon. In actuality, we will be talking to and engaging far more people than this conservative estimate of 'sign ins'. The intended outcome is to be able to track the success of this program in attracting people to the solar workshops and putting up more solar projects in Oregon.

Other projects that ETO may consider fitting in to their budget. Solar Oregon offers a 3 different 3 hr detailed Solar Workshops (1 PV, 2. Solar Hot Water 3. Solar Design and Energy Efficiency). Each workshop is 3hrs in length geared towards taking people to the next step after the Basic Solar Seminar. Each workshop and its associated logistics, materials, presentation and coordination costs = approx $1400 to put on.

Contact:

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Michael VanDerwater
Executive Director
Solar Oregon
michael@solaror.org
Office 503-231-5662
Cell 503-916-9639

COMMENTS ON THE 2007 ETO DRAFT BUDGET AND DRAFT ACTION PLAN
SUBMITTED BY WEATHERIZATION INDUSTRIES SAVE ENERGY
TO THE OREGON PULIC UTILITY COMMISSION ON DECEMBER 1, 2006

Introduction

Weatherization Industries Save Energy (WISE) is a trade association of weatherization and HVAC contractors and manufacturers. It is dedicated to improving cooperation and coordination between the ETO, ODOE, BPA and the contractors and manufactures who promote, produce, and install energy efficiency measures.

We applaud the efforts of the Energy Trust in increasing energy efficiency in the state. This is a vital mission and we are proud that our state has created such a significant mechanism for promoting energy conservation. We further recognize that having such an important organization as the ETO demands great responsibility and diligence to assure that it operates in the most effective, efficient, and sagacious manner possible. Accepting some of this responsibility, we offer the following comments on the 2007 Draft Budget and 2007 Draft Action Plan as well-intentioned, positive critiques coming from weatherization and HVAC contractors who have vast experience and through whom most of the residential energy savings are accomplished.

WISE advocates that more of the public purpose funding be returned to residential rate-payers in the form of incentives. Incentives are the most effective way to encourage energy savings, and residential customers deserve a portion of these incentives commensurate with their contributions. These incentives should focus on those areas of a home that most affect energy use, namely HVAC and weatherization.

Budget

It is common sense and a maxim of economics that as the cost of buying a good or service decreases, the demand for that good or service will increase. The goal of the ETO is to increase the demand for energy efficiency, so it logically follows that the best method to achieve this goal is to lower the cost of measures that increase energy efficiency. Recognizing this as their principal purpose, the ETO has put in place rebates to incentivize weatherization, HVAC, lighting, appliance, and similar measures that will decrease the energy demand of a home.

Unfortunately, a significant portion of the Energy Efficiency budget is not making it into these incentives. In 2006 the total Energy Efficiency budget was $47 million and only $28.7 million went to incentives. The projected 2008 budget totals $50.8 million of which only $25.3 million will go to incentives. This means that incentives will drop from only 61% of the budget in 2006 to less than 50% in 2008[1]. These numbers beg the question of where the other half of the budget is going. What could be as important as incentives? Could it possibly cost 50% of the budget to distribute incentives?

[1] These figures are taken from pages 37 and 91 of the PDF version of the 2007 Draft Budget and Draft Action Plan.

Another overarching budget matter that is of concern is theme number one of the 2007 action plan. This theme states "balance electric efficiency savings and equity goals across sectors[2]." Residential rate-payers contribute between 43 and 46%[3] of the public purpose funding which supports the ETO. Equity and fairness demand that these customers see their money return to them as incentives. The ETO is committed to spend its monies proportionally to its income in regards to the different utility companies, why should this not be true of types of rate payers as well? Additionally, residential energy efficiency is at least competitive as, if not more cost effective than, commercial or industrial efficiency measures. The ETO's 2005 Annual Report states that the levelized cost/kilowatt hour for its residential measures was 0.8¢. The corresponding cost of commercial measures was reported as 1.8¢, and the cost of industrial measures was 1.4¢[4]. Clearly, residential rate-payers have the right to expect that their dollars will be returned to them to lower their energy costs rather than be given to commercial and industrial customers.

Incentives

A rebate is not necessarily an incentive. An incentive must tip the scales in an individual's mind in favor of a measure that they would not have otherwise chosen. If the rebate is not sufficient to make an individual do something that they otherwise would not, it is not saving a single watt or therm. This means that the rebates given by the ETO must be more than token amounts; they must lower the cost of a measure enough to increase demand for that measure. Currently, many of the residential incentives fall short of truly making a difference in the energy efficiency marketplace. The solution to the problem is to not leave any question about how attractive a rebate is and make it so attractive that it cannot be ignored: this will be a true incentive. The beauty of the situation is that the public purpose funding will not need to be increased in order to give real incentives; all that needs to happen is for more of the ETO's budget to make it into incentives.

Since rebates must be significant in order to be incentives, and funds will always be limited, not all energy efficiency measures can be incentivized. It follows that there must be a focus on the most significant use of energy in the home. Without doubt, the greatest demand for energy in the home comes from heating and cooling[5]. Therefore, incentives should be aimed first at HVAC and weatherization[6]. The impact of upgrading these two areas will not only decrease the total energy demand in the state, but will have a significant impact on the individual household. Seeing the noticeable drop in monthly energy bills will, no doubt, only increase the homeowner's desire to increase energy efficiency into other areas.

Advertising

The best advertising has always been word-of-mouth. There is no better way to promote a product than by a personal testimonial from a trusted friend or family member. Without

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[2] As seen on page 49 of the PDF version of the 2007 Draft Budget and Draft Action Plan.
[3] See page 23 of the PDF version of the 2007 Draft Budget and Draft Action Plan and corresponding historical data.
[4] See the ETO's 2005 Annual Report under "Energy Savings and Generation."
[5] Oak Ridge National Laboratory attributes 70% of a utility bill to heating in its modeling for the Willamette valley area.
[6] HVAC and weatherization are of varying relative importance depending on the specific situation.

question, the best way to get word-of-mouth advertising is by having an excellent product. The best product that the ETO can offer is a significant, easy to obtain, incentive. Other forms of advertising should be kept to a minimum and dollars should be focused on incentives. This will allow for more savings per dollars spent.

Although high incentives will always advertise themselves, cooperative marketing can be an effective ancillary tool. Since 80% of the ETO's residential customers come through trade allies[7], it makes sense that any advertising done should be in cooperation with these trade allies. In doing so, the cost of the advertising will be shared as the benefits already are. Cooperative marketing also allows for better focus on specific measures to be taken by specific audiences. But, as with other rebates and incentives, any cooperative advertising offers made by the ETO must be attractive to the customer: in this case the trade ally. To attract cooperative advertising from trade allies, monies must be both significant[8] and easy to use.

Gas Savings

On more than one occasion the ETO has said that it does not sufficiently understand how to acquire gas savings[9]. It has scheduled studies to research the matter and budgeted for cooperative advertising with gas utilities. But, the answer to their question is contained in the information above. The key to gas savings is the same as electrical: focus funds on incentives, give high level incentives, focus on HVAC and weatherization, and cooperate with trade allies. There is no need to do studies or search out new technologies that might have a high payoff or might never catch on. The answer is to do the simple, proven things that will payoff every time.

Conclusion

Residential rate-payers deserve to see more than 33 cents returned to them for every dollar they contribute.[10] They need a program that gives them significant incentives to save energy in the most important places, HVAC and weatherization. They need a program that is simple to use, clear to understand, and inexpensive to administer. They need a program that learns from the past. They deserve to see their money spent in the most effective, efficient, and sagacious way possible.

For more information please contact Jeremy Anderson at (503) 569-1381.

[7] Taken from the ETO's website at: <http://www.energytrust.org/TA/index.html>

[8] 2006 cooperative advertising offers were for 33% of the total cost. Previous years' offers were for 50% or more. Contractors generally feel that 60-75% of the cost should be borne by the ETO.

[9] Such comments were made at the November board meeting of the ETO.

[10] This number was reached by dividing 46% the 2007 total PPC funding ($28,037,764) by the sum of the 2007 incentives given through the HES Retrofit and New Construction programs ($9,501,240).

COMMENTS ON HES-NEW HOMES AND PRODUCTS

*These comments reference the one-page double-sided program draft action plans and budgets.

Program Strategy

1. Training programs need to be coordinated with ODOE and BPA so that requirements are equal between the organizations and one training credential can be accepted by all three organizations. Coop marketing funds need to be a larger percentage of the total cost and easier to use. Comments have been made by contractors that the ETO is difficult to please regarding what advertisements are acceptable.
2. There are opportunity costs in trade ally participation in the program. Ironically, these are in no small part driven by program non-incentive investments in administration. These opportunity costs are a disincentive to trade ally participation. Instead of financing trade allies in overcoming these barriers, barriers should be reduced. This will be accomplished by creating a simple, clear, easy to use program that is seamless and responsive to all participants. Doing so will also lower the administrative and delivery costs of the program and thereby raise the level of funds available for incentives and the cost effectiveness of the entire program.
3. Incentives should be the first and most important strategy. Everything else should revolve around incentives.
4. Attractive incentives will be the best marketing. Currently, the ETO struggles to meet the demand for incentives. Why should it need to advertise?
5. The simplification of administration should be coordinated with ODOE and BPA to encourage uniformity throughout the state and simplicity for customers and contractors.

2007 Actions

2. Rebates should be focused first on HVAC and weatherization and must be significant enough to incentivize change.
5. How can customers in the new home market complete the online home energy analyzer if their house is not yet built?

COMMENTS ON HES- EXISTING HOMES

Program Strategy

1. How wide of a variety of rebates can be given before they are diluted into insignificance?
2. How many measures are completed due to this software? What is the cost of operating the software?

4. Is solar hot water heating as cost effective as giving better rebates for tankless hot water heating?
7. What is the current usage and cost of the financing option? Most contractors do not use it because its difficulty of use is greater than the benefit.

2007 Actions

1. Will this be in addition to the current heat pump rebate?
8. Coop advertising must cover at least 50% of the advertising cost (60-75% would be better) and be easy to obtain. Some contractors have had difficulty developing "acceptable" advertising due to ETO requests for minute changes.
11. Multifamily dwellings, just like single family dwellings use the vast majority of their energy on heating and cooling. Therefore the multifamily program should focus on HVAC and weatherization.

Budget

In the 2006 to 2008 period, almost all areas of spending grow faster than incentives. Incentives should be the central focus of the program and economies of scale should be evident in their administration and delivery.

Other

What is the ETO's goal with its Home Check software program? Contractors originally viewed it as a sales tool, but it has failed to be implemented as such. How many measures are completed due to it? What is its cost of operation? How does it compare with free, public domain software such as Oak Ridge National Laboratory's National Energy Audit Tool?

COMMENTS ON HES- MARKET TRANSFORMATION NEEA

If NEEA is a regional enterprise, how do ETO contributions to the program compare with benefits to ETO rate payers? Were, and in what form, are the reported savings realized?

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

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.

CONSERVATION ADVISORY COUNCIL
Notes from meeting October 18, 2006

Attending from the Council:
Steve Bicker, NW Natural
Suzanne Dillard, ODOE
Stan Price, Northwest Energy Efficiency Council
Lauren Shapton, PGE
Attending from Energy Trust board:
Debbie Kitchin
Alan Meyer
John Reynolds

Attending from the Energy Trust of Oregon:
Diane Ferington
Fred Gordon
Margie Harris
Steve Lacey
Lee Litchy
Spencer Moersfelder
Sue Meyer Sample
Elaine Prause
Jan Schaeffer
Greg Stiles
John Volkman

Others attending;
Judith Hoekstra, Evergreen Consulting
Lori Koho, OPUC
Will Miller, Lockheed Martin
Nick Parsons, Lockheed Martin
Jill Steiner, Quantec

2. Preliminary 2007 Energy Efficiency Budget and Action Plan
Steve reported projected 2007 revenues of $37.5 million electric and $9.7 million gas. Including carryover from 2005, total revenues are expected to be $39 million electric and $16.5 million gas. We anticipate spending $39-$41 million electric and $10-$11 million gas. We expect this spending to produce 24 aMW (best case electric goal) and 2.7 million therms (a bit over the conservative case gas goal).

Revenue assumptions include 2% growth in NW Natural revenues in 2007, 3% in 2008. Electric assumptions include 3% PGE and 2.5% Pacific Power growth in 2007, 3% for both in 2008. He projected being $100,000 overspent in 2007 and 0 carryover at the end of 2008.

He reviewed program total budgets per detailed table in the presentation handout. Total preliminary budget is $50.4 million. He noted program support/administration costs will grow from 6.5% to 8% in 2007. The increase is principally associated with upgrading data systems. Steve Bicker asked what costs are included in administration and program support, and the share each represents of the total. Steve Lacey described costs included in these categories. The share each represents of the total program support costs was not available.

Alan Meyer commented on recognized challenges in meeting Energy Trust's 300 aMW goal, and suggested the proposed spending plan, with less funding in 2007 for industrial, will make it harder to meet the goals. Fred said the numbers reflect completion of projects in the pipeline. Fred noted the 2007 electric goal, 22.7 aMW, is basically unchanged from the 2006 goal, 23.1 aMW. He reviewed preliminary budgets by program.

Alan Meyer asked how allocation of NEEA funds to programs/sectors is determined. Fred explained the Alliance board approves the portion of their budget for each program and then members are billed their percentage share. Fred represents Energy Trust on NEEA's board and has a vote on how funds are apportioned. Since NEEA programs are designed to produce market change over the long run, not all programs save energy every year. The residential lighting program, for example, is savings a lot of energy in 2006 because NEEA has been working on it since 1998. Commercial and industrial programs are more recent.

Fred reviewed the gas budget, where expenditures remain below revenues. New home sales tend to have gas equipment, so the new home budget is increasing. We may invest more in market research to determine how to increase participation. Other programs have run into market issues. For example, the Business Energy Tax Credit for digital controls has been terminated, making it more difficult for the Energy Trust to promote this technology. The Energy Trust is considering raising the incentive level.

Debbie noted the budget was built up from PMC numbers. She asked if we've gone back to the PMCs to explore what more could be done. Fred and Steve said these conversations have begun.

Margie noted we are rolling out an incentive for gas tankless water heater for new homes. Debbie said she thinks that many in the commercial sector think Energy Trust doesn't have money, while we do have funds, particularly for gas. She asked how we can reverse this impression without going too far and creating too much demand. Fred said we are working with Lockheed Martin on plans to both communicate the message and in some respects enhance the program.

John Reynolds asked if we are still experiencing low interest in high efficiency gas furnaces the new homes market. Fred said we are getting some data on percentage of new homes with high efficiency gas furnaces. There are some signs of improvement but there's a long way to go. He said we are considering creating a spiff for high efficiency gas furnaces, and emphasize opportunity to get stand-alone gas furnace incentives. We are going to convene a meeting of all three gas utilities this fall to explore cooperative marketing strategies.

Steve reviewed potential issues for 2007:
- Live within conservative revenue projection
- Correct continued underspending in PGE territory
- Create reserve margin fund
- Sell more gas projects
- Possibility of receiving Conservation Rate Credit funds (approximately $2 million)

Fred recalled the expected impact of the residential program evaluation that will reduce projected existing home savings.

Steve reviewed "potential solutions" to the issues, including the opportunity to spend more in some programs. The reservation system will remain in place but evolve in response to budget and market concerns. Some other potential new gas measures, in addition to tankless water heaters, are high efficiency roof-top gas units, gas fireplaces and high efficiency residential tank water heaters.

Steve noted the board reviews this draft budget Nov. 8. We will bring their comments back to the next CAC Nov. 15. The budget will be adopted in December. We expect to revise the budget in February to carry over funds reserved for specific projects that are expected to complete in 2006 but in fact do not.

John Reynolds asked how worried the gas company is about a significant shift to tankless heaters and the possible impact on peak demand, as compared to big tank heaters; and whether they are concerned about that possible impact. Steve Bicker said NW Natural is not concerned about the relatively little impact tankless water heaters will create on peak because of the low number of units that will be replacing tank heaters and that water heating load is of a flat, and year-round nature.

The meeting adjourned at 3:25 pm.

RENEWABLE RESOURCE ADVISORY COUNCIL
Notes from meeting on November 15, 2006.

Attending from the Council:
Frank Vignola, UOSRML
Jeff King, NW Power & Conservation Council
Troy Gagliano, RNP
Justin Klure, ODOE
Doug Boleyn, Cascade Solar Consulting

Attending from the Trust:
Elizabeth Giles
Adam Serchuk
Alan Cowan
Kacia Brockman
Betsy Kauffman
Peter West
Phil Degens
Sue Meyer Sample
Margie Harris
Jill Steiner

Attending from the Board:
John Reynolds, University of Oregon

Others attending:
Lori Koho, OPUC
Laura Beane, PacifiCorp
Alan Hickenbottom, Energy Outfitters
Carel DeWinkel, ODOE
Jon Miller, OSEIA

2. Proposed Budget 2006-2007

Peter highlighted the changes to the budget since October's meeting. Table 1(page 2) shows where we expect to be by the end of 2006 and includes projects under construction, such as Goodnoe Hills.

Table 2 (page 2) combines 2007 and 2008, which gives a better picture of actual activity since projects frequently have 18 month or greater lead times. Looking forward, we expect 38% of the budget to be in Utility-scale. Biopower and Community Wind at 19% and 23%, respectively, represent new, emerging opportunities. The RFPs in these programs identified significant potential in both PGE and Pacific Power. OSP is seeing success in its revised marketing approach and has identified numerous opportunities, especially in small-scale hydro in irrigation district.

Table 3 (page 4) shows the two utilities and their associated budgets. The $17 million in PGE is for the Master Agreement. Several of the community wind projects can connect to PGE through transmission with BPA. Pacific Power has a very tight budget over the next two year with little carryover due to high demand and success in the territory. As a result, there is the potential under-funding in utility-scale.

Table 4 (page 4) shows the cumulative budget and how it plays out over time. Energy Trust policy indicates should target at least 10% in any key program (wind solar and biopower) and not more than 50% in any one program. OSP is on the lower edge with PGE, but it is anticipated that this will not be the case as we approach 2008.

Table 1: RE Budgets and Generation 2003-2006

Programs	Total Costs*		Range in aMW*	
	$ million*	% Total	Capacity (MW)*	Energy (aMW)*
Utility Scale	9.4	42%	153	52
Solar Electric	7.2	32%	2	0.2
Community Wind	1.0	5%	N/A	N/A
Open Solicitation	1.9	8%	0.9	0.3
Biopower	2.9	13%	5.4	4.8
Total Renewable Energy	**22.4**	**100%**	**161.3**	**57.4**

* Includes dedicated funds in 2006 and generation for contracted projects and Douglas County Lumber

Table 2: 2007-2008 RE Activity Budgets and Forecast Generation

Programs	Total Costs*		Range in aMW*	
	$ million	% Total	Conservative (aMW)	Best Case (aMW)
Utility Scale	19.56	38%	59.00	139.00
Solar Electric	5.63	11%	0.22	0.37
Community Wind	11.67	23%	15.80	22.80
Open Solicitation	4.53	9%	1.05	1.50
Biopower	9.71	19%	6.65	39.87
Total Renewable Energy	**51.1**	**100%**	**82.72**	**203.54**

* Includes expected commitments

The following comments on the budget were submitted to Energy Trust prior to this meeting:

Oregon Department of Energy (ODOE)
ODOE supports the current program budgets and opposes reducing budgets for biopower, community-wind, open solicitation and solar. They cite the Governor's Renewable Energy Action Plan supporting a diversity of generation and add that the Governor's current Renewable Energy Working Group (REWG) has been working on legislative language to focus the public purpose charge on a mix of projects of 20 MW and less.

Community Renewable Energy Association
The Community Renewable Energy Association states that the current program budget for community-based projects is inadequate for the demand. They have identified a number of community-based projects beyond what the current budgets can support and make the same point as ODOE with regards to legislative language to focus Energy Trust funds on smaller scale projects.

Jeff King, NW Power & Conservation Council and RAC member
Jeff supports the proposed budget allocations.

Pacific Power
After the last RAC meeting, Kyle Davis identified additional opportunity for new wind projects in 2007. They estimate a need of $4.5-5 million in above-market costs for at least one project of ~100 MW (the project under discussion was confirmed by Laura Beane during the meeting to be at least 100 MW).

Oregon Public Utility Commission
Commissioner Savage urges the Energy Trust to find creative ways to help meet Pacific Power's request for additional funds.

Staff brought Pacific Power's request to the Board at their last meeting. Staff's opinion is that this is a good opportunity for renewables. However, there are some challenges associated with the request. The Utility-scale program has $1.9 million in the budget over two years for a PacifiCorp project. To meet this request, staff would have to increase this by at least an additional $2.7 million. The 2007-2008 budget for all other programs would have to be cut 27% to minimally fill the gap. After cutting 27%, staff concluded that this would cause all the programs to operate at minimal levels. It would be more efficient and effective (for the remaining markets) to cut an entire program for two years.

Alternatively, Energy Trust has a reserve account that could be employed to help meet this request and avoid canceling programs. The reserve is supported by interest income, and it is expected to grow to $7.3 million by the end of 2008. Energy Trust's CFO has identified $2.6-2.8 million as the minimum needed in reserves for 2007-2008. Conservatively, this leaves $4.5 million available to EE and RE programs.

Table 3: 2007-2008 RE Activity Budgets Pacific Power and PGE

Programs	Pacific Power		PGE	
	$ million	% Total	$ million	% Total
Utility Scale	1.94	16%	17.62	45%
Solar Electric	2.26	19%	3.34	8%
Community Wind	3.44	29%	8.21	21%
Open Solicitation	1.98	17%	2.56	7%
Biopower	2.30	19%	7.45	19%
Total Renewable Energy	**11.92**	**100%**	**30.85**	**100%**

Table 4: Cumulative RE Budgets 2003-2008 Pacific Power and PGE

Programs	Pacific Power		PGE	
	$ million	% Total	$ million	% Total
Utility Scale	10.86	38%	18.13	41%
Solar Electric	7.21	24%	5.59	13%
Community Wind	3.95	13%	8.72	20%
Open Solicitation	3.06	10%	3.37	7%
Biopower	4.56	15%	8.43	19%
Total Renewable Energy	**29.64**	**100%**	**44.25**	**100%**

The Energy Trust Board expressed interest in Pacific Power's request and is willing to consider using excess reserves, provided they know the implications. They are very reluctant to completely cut programs and requested options, including re-examining program budgets. To this end, Staff identified three options for consideration:

1. Cut each program 27%
   - Result: $2.7 million extra, but leaves four programs that do not meet market needs
     - Most of the program budgets are incentives, reducing these drops activity too low to support market development
     - Better to re-focus on fewer programs and walk away from entire segments
2. Review proposed budgets based on the following guidelines
     - Meet specific commitments
     - Maintain market momentum
     - Protect past investments in market transformation
     - Identify what can be delayed without inordinate market disruption
     - Meet lost opportunities
     - Reexamine new initiatives
     - Consider geographic and sector (customer) balance
   - Result: $781,500 in candidate cuts for PacifiCorp in 2007-2008
     - Drop the new initiatives proposed
     - Delay projects that can be delayed to 2009
     - Reduce general industry support
3. Utilize reserve funding
   - Result: $2.2 million extra (at least)
     - Selling tags from Combine Hills would provide an estimated $500,000 to $1,000,000 in additional funds

Program cuts based on the guidelines above would result in $781,500, 7.8% of the total budget for non-utility programs. More than 80% of the budget in these programs is in incentives. More funds could be freed up by cutting even more new projects, trading small-scale for large-scale generation and further reducing market impact. The individual program cuts would be as follows:

- Biopower: $100,000
  - Cut outreach initiatives for dairies and wastewater treatment plants
- Community Wind: $290,000
  - Cut new initiative for small-scale wind
  - Reduce market support of small-scale resource confirmation
- Open Solicitation: $206,500
  - Delay two, small hydro projects to 2009
  - Reduce market support for resource confirmation
- Solar: $185,000
  - Cut new initiative for non-profits (this budget proposed increasing the incentives to capture non-profits unable to take advantage of tax credits available)
  - Cut additional incentive builders for new housing
  - Reduce general industry support

Staff does not support cutting program budgets. New initiatives and the ability to respond to changing opportunities are critical to the success of the programs, and industry support is already thin. Staff recommends responsibly using reserves to meet opportunity without interrupting momentum. The lower end of Pacific Power's request could be met by selling tags from Combine Hills for two years to provide additional revenue (which is estimated to be >$500,000), and using about half of the excess reserves. Utilizing at least $2.2 million of the

2007/8 reserves still leaves $1.5 million for a large EE project (EE's suggested level) while still leaving additional funds for the unanticipated.

This scenario is contingent on Pacific Power agreeing to build a project by the end of 2007 or early 2008. They would also need to achieve a project support agreement with Energy Trust by April of 2007 and wrap up all contracts for the new project by July 2007. This would allow the money to come back and be dispersed for other uses should things not progress as anticipated.

Staff will hear RAC comments at today's meeting and continue to accept written comments through November 28. The Policy Committee will review the public comments and staff recommendation on November 29, and the CFO will present them to the Finance Committee on November 30. The final recommendation will be given to the Board for decision on December 13.

John asked for a break down of the interest contributions to the reserves by department on behalf of the Board. Peter replied that Energy Trust is unique in that the RE and EE programs work collaboratively to meet the best opportunities. Trying to see where each dollar in the reserves came from would be laborious; it makes more sense to treat things equitably. Last year, EE used $1.4 million of reserve funding to meet an excellent opportunity. John replied that regardless of the justification for not considering the source of the reserve funding, he would like to see the numbers. Margie said that she had concerns about the precedent that would be set by tracking the source of the reserve income. Energy Trust wants to avoid establishing 'ownership' of the funds, since they are intended to meet unanticipated needs and opportunities throughout the organization.

Troy said that the $781,000 comes only at the expense of numerous cuts that appear to weaken the programs. It seems more logical to dip into reserves. EE utilized the reserves last year, which sets a precedent for RE to do so. He asked if there would be any other impacts to programs by utilizing the reserves. Peter replied that there would be none to his knowledge. The amounts under discussion leave a safe cushion of reserves for unanticipated weather-related needs.

Troy asked whether using the reserves would take the tag-selling option off the table. Peter said that in order to meet PacifiCorp's request of at least $2.7 million, $2.2 million would come from the reserves, and the remaining $500,000 would come from the green tags.

Laura Been said that there have been two projects identified by Pacific Power which need up to $7.5 million. Troy asked how many megawatts are being considered. Peter said this project would result in a minimum of 100 MW, which was confirmed by Laura during the meeting. Troy replied that this seemed fairly minor compared to other opportunities available by expanding existing facilities. He further asked when they would be online. Laura said PacifiCorp plans to have them in by the end of 2007.

Jon Miller said that Energy Trust's support of the solar workforce ensures that renewable energy systems are being installed by qualified professionals and will be last for a long time. Some of the cuts put forward in budget option two are directed at reducing industry support, a direction that will hurt the industry and the market. He does not support cutting the budget.

Lori said that being fair and equitable with the reserve funding should not be as high a priority as meeting a good opportunity. She asked what the MW result of the cuts to these programs would be. Peter said he would provide those numbers. She added that Lisa Schwartz, who

could not be at the meeting today, commented that there appears to be too much funding in Community Wind.

Alan Hickenbottom said that using the reserves would meet the request from PacifiCorp, fulfill a great cost-effective opportunity and continue to serve the solar industry. Industry experts all anticipate a large boom in solar, particularly in large commercial and new home construction. Cutting now would be very poor timing and could kill momentum in Oregon..

Frank said he has a conflict of interest because some of his funding comes from the industry support budget under consideration in solar. He asked what would happen if PacifiCorp ultimately needed more to make the project happen. Would $2.7 million be the ceiling, or could Energy Trust be called upon to give more in the future? Peter replied that there could be more than $500,000 available from the sale of the tags, which would provide additional funding if needed. Pacific Power has done its best to outline the cost of the project. If the project goes past $5 million, it would be too much for Energy Trust. Laura added that it could be too much for Pacific Power as well. They too are disinclined to spend too much in above-market costs.

Carel said that ODOE strongly supports recommendations not to cut program budgets. Trends in large wind indicate that the market will significantly exceed the RPS goal of 10% by 2015. Now there is a need to develop the infrastructure for community wind. Cues from the mid-west point toward a large potential for community energy, and the last thing Oregon should do is curtail the program, including new initiatives.

Lori said that the idea of a line of credit was raised at the Board meeting and asked if there are any other ways to free up more funding. Peter replied that a line of credit is still an option. However, borrowing from your line of credit amounts to cutting from projects in the future, which can kill momentum in the future.

John asked what the impact will be on the green tag market if we flood it with the Combine Hills tags. Peter replied that his conversations with market participants lead him to understand there is currently a shortage of tags. The current price is $4 per tags for 10 year contracts. Shorter terms are available.

Jon said that since Washington's 937 initiative passed to establish a renewable portfolio standard (RPS) there will be more requests for project funding, and asked if Energy Trust has a policy in place that gives Oregon preference. Peter said that the green tags from any project funded by the organization need to benefit Oregon ratepayers. Jon replied that 937 will likely increase the pressure on the Utility-scale budget as the demand in Washington increases. Peter clarified that any projects funded will always have to be to the benefit of the Oregon ratepayer.

Frank said that there will always be large-scale wind projects with above-market costs as we use up the prime wind sites. Getting to market with wind is a moving target, since there will be diminishing returns with each successive project.

Troy said that he agreed with Carel's comments on not cutting programs or program budgets, and Alan on supporting diversity. He asked what the risk would be for Energy Trust and PacifiCorp by selling tags for Combine. Laura replied that if an RPS was passed, the green tags would become very important. For at least the next two years, it is unlikely there will be RPS compliance. Peter added that Pacific Power must use the green tags from Energy Trust projects in Oregon, or they are in violation of their contract and would have to compensate the Oregon ratepayer. This is why staff recommends selling the tags only 2 or 3 years out.

Carel said that ODOE has concerns about how above-market costs are calculated. Without concrete knowledge of future fuel costs, it is very uncertain. On the other hand, a cut of $700,000 has immediate, measurable and negative impact on the programs.

Lori asked what the decision-making methodology is for Energy Trust. It is unclear to her how input from the RAC meeting is assimilated into the ultimate decision. Peter responded that three meetings on the budget are held every year for just this purpose. The first meeting focuses on the goals and direction of the programs for the coming years, and the conversation is about economy and diversity. The second version adds numbers based on the feedback from the first meeting. And the third meeting identifies several choices and addresses any final concerns. After the second budget meeting, there was very little comment. And today, we are providing options to meet Pacific Power's request.

Lori responded that it isn't the choices that she finds ambiguous, rather the process that leads up to the final decision. Peter said he would work with Lori to make the process clear so that the information is provided in a way that is understandable and justifiable.

Jeff asked if the community wind budget for 2007-2008 included room for additional projects. Alan said that there is room for one more project in Pacific Power territory and two or three in PGE. Jeff replied that there isn't any pain in the scenario being recommended. He would recommend that the programs take some cuts, and he would opt for cutting community wind because it has national and international momentum to carry it forward, even if Energy Trust cannot.

Troy said that he was astonished to hear Jeff's comment, given agreement that staff not cut any programs, let alone an entire program. Carel added that ODOE is vehemently against this recommendation. Industry would fall away and jobs would be lost. An RPS would do nothing for distributed generation because it supports large, cheap opportunities. Jeff replied that if Community Wind is at all cost effective, it will be pulled into this momentum.

Peter said that he asked CESA to examine the existing RPSs to see what resources benefit and, unless there is a small-size carve out, distributed generation is not assisted. Additionally, small-scale only benefits at an extraordinary cost to the ratepayer. If Energy Trust cuts off opportunity to the market, the industry will begin ratcheting down because they have nowhere to go to for funding.

Alan Hickenbottom said that he agreed that the market would eventually become cost-effective with an RPS in place, but the question is what will happen in the interim. If we miss out in the coming years to support the market, we will regret it.

Justin said that cost-effectiveness is an important factor, but not the only one. Timing, with regards to developing the market, is critical for these projects. Cost-effectiveness needs framed within the life of the Energy Trust. ODOE supports the budget as is and believes the smaller programs are critical to addressing issues of price risk. Staff is interested in creative ways to assist these large projects but not at the expense of smaller programs.

Laura said that if you cut community wind, you would squeeze a maximum of $800,000. That seems like a small result for a lot of pain. Jeff clarified that he views the reserves as a valuable resource for future opportunities. He recommends reducing the number of future projects funded by community wind. Peter said that in Pacific Power territory, the program is contemplating one project in the next two years. Cutting would eliminate any activity in PacifiCorp territory

John said it is time to dip into the reserves. The closer Energy Trust gets to the end of its legislative life, the less it makes sense to hold onto it.

Jon said OSEIA opposes the cuts. Now is when Oregon should be spending capital so that there are high quality installs and a qualified workforce. Ryan Wiser, a scientist in the Electricity Markets and Policy Group at Lawrence Berkeley National Laboratory, stated that distributed generation will not benefit from an RPS, which is why the REWG has made the recommendations for 20 MW and less that it has. Carel agreed with Jon's comments.

Peter asked for additional comments by November 28. He thanked the group for a great year and adjourned at 11:10 am.

RENEWABLE RESOURCE ADVISORY COUNCIL
Notes from meeting on October 18, 2006.

Attending from the Council:
Frank Vignola, UOSRML
Kyle Davis, PacifiCorp
Jeff King, NW Power & Conservation Council
Justin Klure, ODOE
Troy Gagliano, RNP

Attending from the Board:
Alan Meyer, Weyerhaeuser
John Reynolds, University of Oregon

Attending from the Trust:
Elizabeth Giles
Adam Serchuk
Betsy Kauffman
Peter West
Pati Presnail
Sue Meyer Sample
Margie Harris
Dave McClelland

Others attending:
Lori Koho, OPUC

4. Program Budgets

Peter walked through the 2006 renewables accomplishments and goals for 2007 and beyond. In 2006, a number of projects came online, including Gresham WWTP, Douglas County Forest Products, and Dry Creek Landfill began construction. Renewables continue to struggle with the year or more delay from when a funding commitment is made to when a project becomes operational. Energy Trust contracted for a number of projects that won't come online until 2007, including Rough & Ready and the City of Portland's Columbia Blvd project. Additionally, a large number of feasibility studies are under way or completed.

The Open Solicitation Program completed three projects and fourteen scoping and feasibility studies. The program is shifting from a reactive to a proactive stance to generate interest and attract more projects. The primary activity focus is reaching out to PGE territory projects.

Utility Scale completed the master funding agreement with PacifiCorp and progressed into the two Goodnoe Hills projects that should begin generating in November of 2007. There is a master funding agreement with PGE under which Energy Trust has agreed, in principle, to fund the Biglow Canyon project of 126 MW. Energy Trust and PGE are close to agreeing on the above-market costs.

Troy asked what the above-market costs of these Utility Scale projects are. Peter responded that Energy Trust is funding 30% of the above-market cost of Goodnoe Hills at $4.5 million. PacifiCorp has done projects that did not request Energy Trust funding. Kyle said that some projects have been slightly above-market, but did not utilize Energy Trust funding. Goodnoe Hills definitely has above-market costs.

Solar had another successful year with 155 projects, representing almost 700 kW. Approximately half of the kilowatts were in commercial installations, which has been a focus for the program. Solar held 17 solar seminars with more than 1,000 attendees, and 7 trainings for

more than 180 industry members. Energy Trust has added 15 new solar contractors to the program.

Alan Meyer asked if Energy Trust contacts companies directly, such as Nike, about the potential for renewables. Betsy replied that OSP has done some targeted outreach of this nature and will do more in 2007.

Kyle asked if there has been any ripple effect throughout the Pacific Northwest from Washington's solar tariff. Peter replied that there hasn't, but Washington's program is just getting off the ground and the tariff has not been fully implemented.

The wind program completed the first community wind RFP and identified four finalists. Alan is actively negotiating with three finalists and is close to contract with Mar-Lu, a 4.5 MW project in Arlington. The Gordon Ridge 10 MW Sherman County project is iterating with staff on final terms for a contract, and China Hollow, a 1.5 MW project near Wasco, is just getting started in the process.

The wind program acquired six USDA grants to leverage funding for feasibility studies. In 2007, looking to ratchet back the anemometer loan program and switch to some sophisticated mapping software that would obviate the need for ALP. This will also translate into time savings for installing at good sites.

Jeff asked if there were any major disappointments in 2006. Peter said there were four. The community wind top candidate was eliminated because the site turned out to be sited within the exclusion zone for a military bombing range in Eastern Oregon. The inflexibility of the green tag policy led to two biomass projects choosing not to work with Energy Trust, and neither are going forward at this time. Finally, the Warm Springs 17.5 MW biomass project was delayed because the project was pushing up against the expiration of the PTC and their equipment supplier could no longer guarantee to be online before 2008.

The primary 2007 goal is to bring online the commitments made in 2006. Staff hopes to commit to more than 51 aMW of new projects and complete contracting with the finalists for the 2006 community wind RFP. Energy Trust will continue to balance the programs by recognizing differences for opportunity in each utility and continuing to support a range of technologies and resources.

The programs want to meet new opportunities, particularly in hydro, community wind and dairy biomass, where there has been a great deal of interest. Staff will expand market making activities by continuing to provide technical support. In solar, staff hopes to significantly increase the demand for solar in PGE and work to manage the budget in Pacific Power for the long-term at a sustainable level.

Energy Trust needs to define a more flexible green tag policy, particularly in relation to biopower and community wind which are closer to market. Troy asked why the green tag policy is an issue. Peter explained that in cases such as biopower, where projects are closer to market, projects are looking for more funding for the value of their tags than we can currently offer with the above-market and green tag policy. This can place Energy Trust counter in a position that is counter to its charge to foster renewable markets and generation.

One of the challenges for 2007 includes the on/off nature of the PTC. Alan said that the IRS is looking at disallowing projects that simultaneously by/sell with the utility. It hasn't been totally resolved, but would significantly change the economics of QFs. Peter said we would have to monitor this and agreed it would have a dramatic impact.

Another challenge will be to push the utility scale projects forward through the acquisition process and to navigate the capital constraints of the companies. For example, Biglow Canyon may tap out PGE's capital appetite for a year or more, making it difficult to complete the follow-on project.

Balancing the budget for large and small-scale projects while managing demand is a challenge. Relatively lower revenues from Pacific Power will heighten this problem. Staff will also work to shorten the lead time on projects however possible. Illuminating the utility interconnection process and requirements will help with shortening those lead times. The unknown outcome of the 2007 legislative proposals and also contributes challenges.

RE Budgets and Generation 2003-2006

Programs	$ million	% Total	Capacity (MW)	Energy (aMW)
Utility Scale	9.4	42%	153	34-52
Solar Electric	7.2	32%	2	0.2
Community Wind	1.0	5%	NA	NA
Open Solicitation	1.9	8%	0.9	0.6
Biopower	2.9	13%	5.4	4.6
Total Renewable Energy	**22.4**	**100%**	**161.3**	**39.4 - 57.4**

Twenty-one percent of the 2007 budget will go toward Community Wind to take advantage of existing opportunities and wrap up the RFP from 2006. Staff is also attempting to capitalize on the opportunities drummed up in OSP by restoring some of the funding that has been siphoned away from the program in the past. Propose to spend $37.4 million in 2007, which includes committed funding from 2006, escrowed amounts and actual expenses. There is a broad range of generation driven by the PTC, created mainly by utility scale, but also biopower and community wind. The best case Utility Scale scenario assumes no capital constraints and that PGE can accelerate their activities.

Frank asked where the $37.4 million total 2007 budget is coming from, since only $22.4 million has been spent to date. Peter explained that only $11 million of that $37.4 million is new money, the rest is carryover from previous years that has been banked for the large-scale projects under the master agreement.

2007 RE Draft Budget and Generation

Programs	$ million	% Total	Conservative (aMW)	Best Case (aMW)
Utility Scale	17.8	48%	43.00	126.00
Solar Electric	2.8	7%	0.12	0.17

Community Wind	7.9	21%	4.80	10.80
Open Solicitation	3.2	9%	0.40	0.80
Biopower	5.7	15%	3.35	21.87
Total Renewable Energy	**37.4**	**100%**	**51.67**	**159.64**

The table below shows the break out by utility. In PGE, $12.5 million of the budget is from the master agreements.

2007 RE Draft Budget and Generation2007 RE Draft Budget Pacific and PGE

Programs	**Pacific Power**		**PGE**	
	$ million	% Total	$ million	% Total
Utility Scale	0.95	15%	16.86	55%
Solar Electric	1.26	19%	1.50	5%
Community Wind	1.88	29%	5.99	19%
Open Solicitation	1.08	16%	2.17	7%
Biopower	1.36	21%	4.33	14%
Total Renewable Energy	**6.53**	**100%**	**30.85**	**100%**

The table below shows how 2007 impacts the overall picture. The Energy Trust's long-term strategic goals is to provide a broad range of key program and opportunities to support emerging markets in renewable energy. To help manage this the strategic plan limits spending to no more than 50% over time in any one program in order to provide at least 10% funding in the key programs of biomass, solar and wind. . PGE for utility scale is pushing up against 50%. For Pacific Power, solar electric appears high due to the front loading program, but this is being managed down over time to bring spending in other program up.

Cumulative RE Budgets 2003-2007 Budget Pacific and PGE

Programs	**Pacific Power**		**PGE**	
	$ million	% Total	$ million	% Total
Utility Scale	9.87	41%	17.37	49%
Solar Electric	6.20	26%	3.75	11%

Community Wind	2.39	10%	6.50	18%
Open Solicitation	2.17	9%	2.98	8%
Biopower	3.62	15%	4.94	14%
Total Renewable Energy	**24.25**	**100%**	**35.54**	**100%**

The final table looks at acquisition and when the generation was claimed. Alan asked why this chart has different numbers than the previous charts. Peter explained that the first table includes completed projects and commitments in the year the commitment was made, while this last table is a look over time at when the projects will come on line.

Cumulative Generation & Timing

Programs	**Pacific Power**		**PGE**	
	$ million	% Total	$ million	% Total
Utility Scale	9.87	41%	17.37	49%
Solar Electric	6.20	26%	3.75	11%
Community Wind	2.39	10%	6.50	18%
Open Solicitation	2.17	9%	2.98	8%
Biopower	3.62	15%	4.94	14%
Total Renewable Energy	**24.25**	**100%**	**35.54**	**100%**

John asked how many more years are remaining after 2008 to meet the 2012 goal. Peter said that there a full four years, which puts the programs on track for the conservative goals.

Peter requested comments on this version of the budget via e-mail by November 7th, a week prior to the next RAC. This draft form, with 2008 added, will be presented to the Board in mid-November.

Peter adjourned the meeting at 11:50 am.

December 2006

2007 ACTION PLAN/BUDGET, APPROVED

DEPARTMENT: **PLANNING AND EVALUATION** **ALL PROGRAMS**

PURPOSE: To provide strategic and quantitative planning, reporting, and evaluation for Energy Efficiency and Renewable Resources. Contributes to all Energy Trust Strategy Goals.

STRATEGY:

1. Provide program design staff with expert feedback to enhance programs from evaluations and market studies.
2. Expand the list of qualifying prescriptive measures, with a particular focus on gas measures.
3. Work with utilities to integrate efficiency and renewable energy as options considered through the integrated resource planning process, as a means of possibly determining future Energy Trust funding levels.
4. Explore, with utilities, demand-side options to defer transmission and distribution investments and the value of efficiency and renewables as a hedge against fuel prices.
5. Develop the capability to respond quickly to changes in the scope of Energy Trust mission and funding levels should they occur.
6. Streamline cost-effectiveness and above-market cost procedures to improve consistency, simplify documentation, and improve record-keeping.

2007 ACTIONS:

1. Help utilities served by Energy Trust integrate efficiency and (for the electric companies) renewable energy into their current resource planning processes. This will include dealing with the inconsistencies in avoided cost and discount rate between the utilities and each other and the Energy Trust.
2. Work locally, regionally, and nationally to bring promising new technologies to market and into widespread use over the next several years. These include efficient gas water heaters, fireplaces, and commercial heating, as well as promising electric efficiency measures such as rooftop cooling tune-ups for commercial buildings.
3. Provide process evaluations for programs that are beginning, rapidly changing, or have undergone management changes, to provide quick independent feedback regarding progress and of opportunities to improve program management and marketing.
4. Work with PacifiCorp to develop and consider demand-side options and proceed toward program activity as appropriate. Respond if similar opportunities occur with PGE.
5. Publish a set of final impact evaluations for all major programs and complete the second and third-year impact evaluations where possible. Summarize actual program savings for 2006 in the Annual Report and for prior years through the accompanying true-up report.
6. Work with PUC for approval of the use of the Energy Trust analysis of the value of energy efficiency as a fuel price hedge in cost/benefit modeling and valuation of renewable resources. Explore how a similar analysis might be done for gas.
7. Complete market transformation analyses for additional markets to assess the relationship between Energy Trust goals and market transformation.
8. Finalize estimates of savings overlap between Energy Trust and Oregon Department of Energy programs, for use in reporting combined emission reductions.
9. Develop, for selected programs, a second estimate of savings that is comparable to the 2005 power plan (frozen efficiency baseline).

TARGETS:

2007 Budget		**2006 Full-Year Forecast**	
Budget	$2.6 million	Forecast	$2.3 million

2008 PLANNED ACTIVITIES:

- Several impact and process evaluations
- Market studies and market transformation forecasts.
- Support to utility integrated resource planning and utility transmission and distribution planning.
- Updated tools for cost-effectiveness and above-market cost analysis

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2008 PROJECTION:	$2.8