Conservation Advisory Council Meeting Notes

November 16, 2016

Attending from the council:
Brent Barclay, Bonneville Power Administration
JP Batmale, Oregon Public Utility Commission
Holly Braun, NW Natural
Warren Cook, Oregon Department of Energy
Tony Galluzzo, Building Owners and Manager Association
Wendy Gerlitz, NW Energy Coalition
Charlie Grist, Northwest Power and Conservation Council
Julia Harper, Northwest Energy Efficiency Alliance
Andria Jacob, City of Portland
Don Jones, Pacific Power
Don MacOdrum, Home Performance Guild of Oregon
Brendon McCarthy, Portland General Electric
Lisa McGarity, Avista
Jeff Mitchell, Northwest Energy Efficiency Alliance
Tyler Pepple, Industrial Customers of Northwest Utilities
Allison Spector, Cascade Natural Gas

Attending from Energy Trust:
Mike Bailey
Tom Beverly
Amber Cole
Kim Crossman
Juliett Eck
Sue Fletcher
Fred Gordon
Mia Hart
Susan Jamison
Marshall Johnson
Corey Kehoe
Steve Lacey
Scott Leonard
Spencer Moersfelder
Thad Roth
Julianne Thacher
Peter West

Others attending:
Alan Meyer, Energy Trust board
Amanda Potter, CLEAResult
Bob Stull, CLEAResult

1. Welcome and introductions

Kim Crossman convened the meeting at 1:30 p.m. The agenda, notes and presentation materials are available on Energy Trust's website at: www.energytrust.org/About/public-meetings/CACMeetings.aspx.

2. Old business and announcements

Members approved previous meeting minutes. The draft schedule for 2017 was made available.

3. Update on 2017 budget and 2017-2018 action plan

Peter West presented Energy Trust's round 2 changes to the 2017 budget and 2017-2018 action plan.

Wendy Gerlitz: Did you receive comments directed at sectors about more savings than identified in the budget? I'm wondering if that can be highlighted.
Amber Cole: We are still summarizing the comments, but I don't recall seeing that theme.
Wendy: I'm thinking of indoor agriculture and lost opportunities.

Peter West: We have completed 24 indoor agriculture projects, and its part of our action plan to accelerate in that area.

> As we look at the budget, keep in mind that our current economic recovery is different from other recoveries. Portland is a cheap and convenient location compared to Seattle and San Francisco. This draws more people and businesses to move to the area, including the high-tech software sector.
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> Energy Trust's reserves exist to cover changes. Reserves ensure we can still get savings when savings exceed expectations, such as in an economic boom. We try to set reserves between 3 and 10 percent depending on the utility. The more variable the service area for savings, the more reserves are needed.

Brendon McCarthy: of the total $95 or $98 million request for PGE, how much is for reserves?
Peter: We are targeting a reserve of 2 percent for PGE.
Steve Lacey: We will be at about $4 million at the end of 2017, and we are working it down.

Wendy: Is there a board policy about the reserve level we should have at any given time? What are the guiding principles behind that decision?
Peter: We do have a written policy on using reserves.
Steve: It's a negotiation between Energy Trust and the utilities. Some utilities need more and some less. The spread was 2 to 10 percent.

Brendon: Does rebuilding the reserves have a big influence on the budget request?
Peter: We made a decision to bring down the reserves, and we asked the utilities for less money and used excess reserves to cover the full amount needed to get the savings we have achieved in the past few years. Now, with the reserves depleted, we need the revenue budgeted to meet the savings goals for 2017. We don't have reserves to cover part of the budget, so the budget this year is larger than in the past.

Brendon: So you don't intend to rebuild the reserves. Is the request more about the economy changing and that you've already spent the reserve?
Peter: That's correct. If we don't ask for the full amount, we would have to cut savings forecasts.

Don MacOdrum: In 2013, were the reserves 38 percent of expenses?
Kim Crossman: Here's an example of how that happens: 2013 was an anomalous year for Production Efficiency. We had big projects and cheap savings relative to the historical costs we used to budget. Strategic Energy Management (SEM) was far more successful than we expected. So, we saved more energy at a lower cost than expected, which led to carryover.
Peter: Production Efficiency and SEM were contributors, but there were multiple sources.

Wendy: We felt this information was missing in earlier materials, and it is important context. This should be shared with a broader audience than this committee. The reason the reserves were built up to begin with was that Energy Trust obtained a lot of savings at lower costs than planned. It's important for people to understand that this is a positive story. You saved people a lot of money, but now it's spent out. In the end, it's a great thing for everyone.
Peter: As much as we want our programs steadily acquiring savings, we also want steady revenue collection.

Charlie Grist: This looks like a management cash flow projection. You are always going to have lumpiness from multiple sources. If you can learn how wrong your forecasts can be, you can

perhaps temper that reserve. If you can get a scale, like how fast the economy rebounded, you can do better.
Peter: Agreed. You have to look at your process. This is an extreme event perhaps, and we don't want to replicate it.

JP Batmale: So it sounds like the lesson isn't about trying to improve revenue forecasting. Is it more about savings?
Peter: Our forecast seems pretty accurate within the current year and first year of the budget, but the second year of the budget isn't as accurate. When we forecasted 2017 in 2015, it wasn't what you see now. The variances in the second year and how we communicate these variabilities and uncertainties need attention.

Alan: Reducing reserves was intentional, but happened faster than expected.
Peter: Yes. Substantial shifts can happen. The action plan lays out that we will monitor savings and spending in multiple ways. For example, lighting savings in 2018 will be dependent on what we learn in 2017.

Don Jones: Have you gone back and compared your revenue to our revenue forecasts sis?
Peter: Once we set the revenue asks, we will.
Don Jones: The revenue is within 1 percent of your projections. It's a challenge to set forward-looking revenue.

Peter: Revenue over the last two years was close to predictions. Prior to 2015, there were years when revenue varied more.

Brendon: Did you spend more on what you acquired than you planned? Reserves seemed to all disappear suddenly.
Peter: When we decided to spend down reserves between 2014 and 2017, the economic recovery was not expected to be as strong as it has been. The 2016 budget was larger, and we saved more energy than expected. The utilities were surprised, and we learned that we could have communicated with them more effectively.
Don Jones: Pacific Power increased collections, and had hoped to get through 2017 without another ask. It doesn't look like that will happen.
Charlie: It's like managing things based on hydroelectric production. You have a minimum impound behind a dam, and the snow is variable. You have a negotiated settlement here, but having some known boundaries on it would limit surprises.

Don MacOdrum: How do you define transport customers for natural gas?
Lisa McGarity: A transport customer purchases their own gas but uses our pipelines to move it.

Charlie: These budgets look at measures and programs. Do they look at reserves?
Peter: These are the savings and expenditure side. The budget doesn't include reserves and is what we need to reach these savings numbers.

Spencer Moersfelder: We have historically reported net savings. Beginning in 2017, we will also report gross savings. Gross savings are important to the utilities because they reflect the savings they see at the generator. The OPUC requested that Energy Trust report on gross savings in 2017. It aligns with regional and national reporting, along with meeting utility needs. It shows all savings we see regardless of if we deem them to be free riders later. Free riders are program participants who would have done the measures regardless of us or our incentives. They still receive an incentive, but they would have done the work anyway.
JP: There are other factors involved.

Kim: Technical realizations are in the first number.
JP: Gross shows what was achieved beyond free ridership.
Spencer: Engineering realization rates are factored into gross.

Alan: As an example, if you save 100 units, and after adjustments it decreases to 90, would this new way of reporting mean that you report 90 either way? If free riders brought it to 80, you used to report that. Now you won't?

Allison Spector: You also have people who don't file for incentives but did the work. Do you factor that in?
Spencer: We call that spillover, but it is not included in gross savings. It's a matter of definition. We are using a nationally accepted standard, which doesn't include spillover.

Kim: Both spillover and free ridership are part of market effects, which are all in net. Neither of those categories are in gross. Is that right?
Spencer: Free riders and spillover aren't in gross. Realization rates are in gross.

Peter: The impact evaluation and technical realization rate both take into account baselines and changes in how equipment is used over time.

Tyler Pepple: How do you identify the amount of spillover?
Spencer: We look at impact evaluations. We get information from customers, non-participants and national studies.

Tyler: Is spillover defined as people who took an action but didn't claim an incentive?
Spencer: Spillover describes are customers who were influenced to take action because we are in the market. These customers didn't receive an incentive.

Alan Meyer: This is a topic at the evaluation committee. We can determine free ridership because they used our program. Spillover is harder to judge because they didn't use our program. We don't know who they are.

Allison: I wonder if there are similar strategies in how market transformation is quantified.

Charlie: This is a good move to reporting gross. A lot of money can be spent trying to quantify these things that are very hard to quantify. It's important to look at overall market uptake outside of programs. Lighting is the poster child. We should look at what's going on in the marketplace.
Spencer: We are taking note of retail lighting, and helping our utility partners make adjustments based on baselines.

Allison: It's great you are going in this direction.

Holly: Are you moving to gross only, or showing both?
JP: Showing both.

Holly: I've wondered if maybe the notion of free riders is narrow or misguided. Because you are here, contractors do advertising and install measures. They wouldn't have advertised without the incentive, so the customer might not have understood that we made them act. But the contractor acted because of you. This is more of a full market picture.
Don MacOdrum: We know a little of that is going on in terms of wall and floor insulation right now. Incentives are low, but the signal from Energy Trust is that it's something good to do. Going back to the idea of spillover in the introduction to reporting gross savings, the number is

related to what utilities are generating. Spillover also means the generators are generating less, so savings are higher. We should have that number just as much as gross. The delta is important in terms of forecasting.
Peter: On one level it makes sense to include spillover. What Spencer presented conforms to some regional definitions of gross savings. Spillover doesn't change the needle much.
Fred Gordon: Where we can forecast a baseline and we can show a market shift or cause, we call it market transformation. Our estimates tend to be conservative when people didn't participate but they tell us they installed efficiency measures. It's difficult to know what they installed, what it saved and if it's in our territory.

Holly: In the presentation, is Washington marked N/A because we only report gross up there?
Peter: Yes.

Don Jones: We appreciate you reporting both.

Warren Cook: Where along the savings realization adjustment factor (SRAF) continuum is levelized cost calculated?
Spencer: Levelized cost is typically calculated using net savings.

Wendy: I also wanted to announce that the NW Energy Coalition Fall Conference is tomorrow at the Doubletree Hotel in Portland.

4. Residential sector assessment project
Thad provided a brief overview of the residential assessment project, and asked for input from Conservation Advisory Council members.

Don MacOdrum: Are there time limits for OPUC exceptions like wall and floor insulation?
JP: It varies by measure, but the baseline is about two years.

Brent Barclay: With Bonneville Power Administration, there are some similarities in consolidation of services. There could be potential gains from consolidating duplicative activities. However, relying on a single program management contract increases risk if something goes wrong.

Warren Cook: What kind of benchmarking did you do? Using a really wide net in benchmarking other programs will be helpful because other programs could teach us something.
Marshall Johnson: As part of an Existing Homes evaluation, we are asking evaluators to look at the top 10 American Council for an Energy-Efficient Economy (ACEEE) states for energy efficiency. Who are the leaders and how did we rank compared to them? The policy environment may be different, so it's not a perfect comparison. We've looked at utilities thinking of consolidating their residential programs. We've found that there is a trend toward consolidation.

Allison: It would be helpful to see scenarios mapped out with options, costs, pros and cons.

Lisa: With the explosion of Home Performance contractors, Avista has seen costs skyrocketing. Invoices are lumped together so it's hard to break costs out. American Recovery and Reinvestment Act funding is also part of it.

JP: I appreciate the professionalism of your team to bring this issue forward for discussion. It would be nice to have some scenarios. Warren brought up a good point about ACEEE at the

last meeting, and why we would be number five in rankings instead of seven. What does it mean to increase flexibility to target new opportunities?
Thad: We have been developing measures across multiple programs for about two years, including Nest thermostats and midstream water heating. It adds complexity to try and advance things across multiple PMCs or programs.

Marshall: We currently manage annual contracts, expenditures and benefits for three programs. Between 2014 and 2015, we developed an incentive for smart thermostats through Existing Homes and Products programs. We have a program manager for each program. There might be a better way to streamline oversight of contracting and measure development.

Julia Harper: Could you break the program into products versus services? For a product, the supply chain channel would be pretty similar whether purchased or put in a new home. Services cross boundaries between new and existing homes.
Thad: Would that be New Homes and another program that accommodates retail and Existing Homes approaches?
Julia: You need New Homes to deal with builders, but everything else splits into products or services. A product isn't unique to a builder.
Thad: Is there a necessity to have a unique contract and is that the best way to capture those savings, or could it work with a single PMC?
Julia: I don't know enough about your work with PMCs to have a strong opinion. I think of supply channels, but your contractors may work with both of them seamlessly.

Marshall: Each program portfolios rolls up into a single sector portfolio. We encourage cross-program referrals. You can sort customers by serving a builder or resident, shopper, multifamily resident, load profiles, technologies and other ways. We are trying to deliver in the most efficient way possible.

JP: Do you see the possibility of following the renewable energy and industrial sectors by making program management internal? Maybe you have a Program Delivery Contractor (PDC) contract to allow more ability to move things around. PMCs work well, but PDCs would allow more direct control. A PDC implements but you design. A PMC implements and designs.
Thad: We have looked at that and how we could use a PDC for targeted expertise. It does help spread the risk. We are still trying to define what role they would play. In the mapping described earlier, it was compelling that there was a lot of work we do with each PMC that is consistent. We want their capacity to deliver services, like field services. That's part of our consideration with this model. With a single PMC, we would expect a need for additional technical resources.

Brendon: There are people meeting about energy efficiency initiatives for the 2017 legislative session. One idea is to bolster codes and standards. We are going into an environment where we mandate and adopt a reach code. That may shrink acquisition even more. The Residential Energy Tax Credit is set to expire and it's not in the governor's budget to be extended. Given the failure of Measure 97, it may not be renewed.

Don MacOdrum: As structures get considered, we don't have any strong feelings about consolidating under one PMC. That's up to you to manage. If you want trade allies to continue helping deliver savings and be true allies, you need to maintain that they are special compared to other contractors in terms of what they can sell homeowners. Maybe you still have a business development fund and logo, but the trade allies don't necessarily have as many excuses to discuss Energy Trust with customers. If all incentives get buried upstream, it undermines the relationship with trade allies.

Thad: There are some opportunities related to the challenges we are facing. Relationships with customers remain our top priority and will be top of mind as we make program delivery decisions. We have to demonstrate our ability to drive customers to make efficient decisions.

Brent: Another thought is stepping back asking the service providers to tell us what they can do. A performance contract would be a possibility. Think of the sector as a meter.
Marshall: A request for proposals does encourage that, but you have to know that what's on paper can be done to our standards. Pay-for-performance may be good, but you have to think about free riders and spillover.

Brent: Bonneville Power Administration is thinking about how we define commercial versus residential. The program delivery mechanism may be one and the same. Maybe don't constrain this to what's in the residential sector now.

Holly: If the goal is to get all homes up to a certain level of performance, and the City of Portland's proposed home energy scoring requirement passes, it's for listing purposes. If you use that same mechanism and tie the incentive to a score, it may move the market up. You can measure how many homes are at a certain level each year and make that the goal. I applaud you for taking on this exercise.

Thad: We do need to go for bid, but do we take advantage of going to bid to make the changes? That's the feedback we're looking for. There are risks because of issues beyond our control. We've tried to identify the risks. We are taking a five-year look instead of a one- or two-year budget look. We have to be conscious of anticipating and managing opportunities. How do we use our PMCs to that end? Please email me directly with additional feedback. The next update on this will be at the February 2017 Conservation Advisory Council meeting.

5. Public comment
Don MacOdrum: Portland is exploring a home energy score ordinance using a scoring tool. It is going to city council on November 23. The policy is modeled from pilots that have been done in Berkeley, Austin and with Energy Trust. This is built from all of them and well designed.
Warren Cook: Home energy scoring could be a shot in the arm for the residential sector. New Homes and Existing Homes contractors aren't talking to each other, but this could cross programs. A combined management contractor could see both sides.

JP: A report came out this summer regarding mandatory scoring driving more energy efficiency to improve scores.
Thad: Would that forecast more work for us?
Holly: What we've done is push people to voluntarily do projects. You might not need as many incentives if it's being pulled instead of pushed.
Marshall: It could drive more awareness for higher-cost measures like insulation.

Tyler: How do you get a home energy score? Who pays for it?
Don MacOdrum: It's similar to a home inspection or radon test. The cost is estimated to be about $200.
Warren: Home inspections are performed by a licensed assessor through the state.

Holly: Attendees need to be ready to testify, but letters are welcome.

6. Meeting adjournment
The next scheduled meeting of the Conservation Advisory Council will be on February 8, 2017 at 1:30 p.m.