

**Progress Report to the Oregon Public Utility Commission
Quarter 4 October - December 2002
March 24, 2003**

Introduction

This Energy Trust progress report corresponds to the Final Two-year Action Plan for 2003-2004 and the period October 1-December 31, 2002. Information presented follows the Action Plan format and summarizes the status of activities which occurred during this timeframe. Updates are reported only for those items slated to have activity during the quarter ending December 31, 2002.

Information regarding programs for Northwest Natural gas customers has been added to reflect the OPUC decoupling settlement resulting in public purpose funds being collected by Northwest Natural for program delivery through the Energy Trust. In addition, the strategic plan and corresponding action plan will be updated to incorporate new goals, programs and activities related to gas customers of Northwest Natural.

Effective January 1, 2003, the Energy Trust changed from what had been an October 1-September 30 fiscal year to a calendar budget year. Action plan references to quarters will be adjusted in future reports to correspond to the new calendar budget year as opposed to what previously were fiscal year quarters.

Action Plan Category

I. Energy Efficiency Programs

A. Utility Transition Programs

I. Fulfill commitments to current program participants

a) Amendments to existing PGE and PacifiCorp Transition Agreements supported through public purpose funds were jointly agreed upon and approved in October 2002. The amendments provided \$2.33 million to PacifiCorp and \$1.0215 million to PGE to fulfill commitments to current program participants without a gap in service and to ensure a smooth transition to the

start of permanent Energy Trust programs beginning February 1, 2003.

2. Complete program installations

- a)** Projects completed October-December 2002 will result in annual energy savings of nearly 42.3 million kWh.
- b)** 3,497 residential and 454 commercial projects were completed this quarter, with 12,582 energy conservation measures installed.

B. 2002 Quick Saving Pilot Programs

I. Energy Trust's four quick saving pilot programs completed projects in October-December 2002 that will result in annual energy savings of 1,761,745 kWh.

a) Manufactured Home Duct Sealing

- 229 homes sealed, saving 274,800 kWh. This brings the total number of homes sealed by the program for March-December 02 to 967 or 96.7% of the goal of treating 1,000 homes.

b) Green LED Traffic Light

- 2,731 green LEDs installed, saving 1.45 million kWh. For March-December 2002 the program installed 2,781 LEDs, achieving 92.7% of the goal of installing 3,000 green LEDs. Cities and counties from throughout the state participated.

c) Restaurant Energy Efficiency

- One restaurant energy management system installed in a McDonald's in Portland, saving 30,000 kWh. Additional activity is anticipated in early 2003.

d) Small Scale Energy Loan Program Buy-Down.

- The Oregon Office of Energy secured one commitment in the amount of \$251,000 to fund a chiller project at Oregon State University. Two other projects are anticipated, one from Portland

State University and the other from Oregon
Institute of Technology.

2. The American Council for Energy Efficient Economy (ACEEE) honored the Energy Trust Green LED Traffic Light and Manufactured Home Duct Sealing pilot programs as "noteworthy achievements in exemplary practices." Each program was given a "certificate of honorable mention" and will be recognized through an awards ceremony and included in a report on exemplary practices.

C. Long-term Programs

I. Commercial & Industrial - existing buildings

a) With input from the Conservation Advisory Council, board committees and the full board, a competitive selection process for an existing building efficiency program was initiated. Five proposals were received and two finalists interviewed. Aspen Systems was selected as the contractor in November 2002. The board approved the \$7.6 million commitment over two years secured to achieve savings of 8.9 megawatts.

b) With input from the potential customers, vendors, policy makers, the Conservation Advisory Council, board committees and the full board, the industrial process program design began.

2. Residential - existing homes

a) With input from the Conservation Advisory Council, board committees and the full board, developed the existing homes program. An RFP was issued, two finalists out of six respondents interviewed. ECOS Consulting was selected and program negotiations initiated. The program will serve manufactured, single family and multi-family housing and allocates \$4.072 million per year for a 2-year contract, with an option to renew in year three. Expected savings are 2.8 average megawatts/program year.

D. Northwest Energy Efficiency Alliance

I. The Alliance prepared its first annual report to the Energy Trust For the period March 1-September 30, 2002, the original fiscal year end. During this time, a total of 19.5 average megawatts (aMW) were saved through Alliance-supported projects

throughout the region. A total of 3.16 aMW or 16.6% of the savings are attributed to activities in Energy Trust service territory.

2. As reported in the Alliance report, the majority of activity and corresponding savings is in the residential sector, where 2.57 aMW of Energy Trust savings resulted. Over half of the total savings are attributed to the ENERGYSTAR residential lighting program. Another 25% is split between ENERGYSTAR residential windows and Building Operating Certification Programs.

Commercial savings, which includes agriculture program activities, were reported at .40 aMW; industrial at .19 aMW.

3. Future reports will correspond to a full year of joint Energy Trust/Alliance programs and will capture more significant savings, including those for multi-year market transformation activities.

E. Self-directed large businesses

1. With input from members of the Industrial Customers of NW utilities and other large energy users, and with involvement of the Conservation Advisory Council, the Energy Trust developed and adopted policy and eligibility guidelines for self directing energy users to participate in all Energy Trust programs.

2. Continued coordination with the Oregon Office of Energy to monitor the number of businesses electing to self-direct.

F. Other programs

I. Partnerships with other energy providers

a) Northwest Natural Gas - In anticipation of delivering energy efficiency programs for residential and commercial gas customers, the Energy Trust has participated in a number of transition meetings with Northwest Natural and the OPUC staff. Results will include an updated resource assessment to include gas, a memorandum of understanding between the Energy Trust and Northwest Natural and specific contracts to ensure the smooth transition of gas company programs to the Energy Trust. Program delivery is anticipated beginning in quarter 2, 2003.

b) To better serve program participants and effectively deliver results, Energy Trust staff has developed joint protocols and approaches with the Bonneville Power

Administration for 18 different program initiatives. These include commercial lighting retrofit rebates, mobile home duct sealing, restaurant energy management systems, BACGEN for small sewage treatment controls, and residential solar water heat.

2. Energy efficiency and renewable resource coordination

a) In coordination with the Office of Energy, the existing Energy Trust small-scale energy loan buy-down program was modified to allow funds to be used for cash incentives to firms that, in exchange for a BETC pass-through, make capital available to participants with eligible energy efficiency and/or renewable energy projects.

II. Renewable Resource Programs

A. Open Solicitation program

1. As of year end 2002, a total of 19 requests for funding have been received through the open solicitation program for renewable energy projects. Of these, 17 were judged sufficiently complete for consideration.
2. \$15,000 in funding was provided for the Bend Habitat for Humanity program to install eight solar hot water heaters (funded through energy efficiency programs) to save 16,800 kWh/year.
3. \$20,664 in funding was approved through the Umpqua Community Development Corporation for a 3.9 KW solar photovoltaic system to produce 4,700 kWh/year to power laundry facilities in an affordable housing project in Sutherlin, Oregon.
4. Completed a review recommending approval of a small hydro project with the City of Albany to revive 511 KW of generation to produce 2,561,000 kWh/year at their municipal water facilities.
5. Completed a review recommending approval of a 60 KW micro-turbine demonstration project with Clean Water Services of Washington County using waste biogas from the Durham Water Treatment facility in Tigard, Oregon to produce 442,000 kWh/year.
6. Completed a review recommending approval of a 25 KW, small-scale wind turbine to produce over 40,000 kWh/year to

power the irrigation system on an orchard in Hood River, Oregon.

7. Through review by the Renewable Advisory Council, determined that a proposed project for solar monitoring and assessment was better incorporated as an element of the Energy Trust's Solar Program.

B. Wind program

1. With extensive input from the Renewable Advisory Council, board committees and the full board, developed a request for proposal and issued a competitive RFP for large scale wind. Two finalists were selected in October and negotiations continued with Euros as the developer. Negotiations continued with PacifiCorp to purchase up to 41 aMW of power to be generated west of Milton-Freewater in Umatilla County through the Combine Hills Turbine Ranch project. Turbines are likely to be 1 average megawatt each. To qualify for the federal wind tax credit, the project must be operational by year-end 2003. Energy Trust support will be \$3.8 million.

C. Photovoltaic program

1. Retained services of Christopher Dymond, Oregon Office of Energy, to help conduct seven statewide work sessions with interested parties and summarize findings. From this effort, program goals, design principles, key program elements and requirements for vendors and installers were drafted for advisory council and board consideration.

2. Developed draft equipment and installation standards for photovoltaic systems to be funded through solar programs supported by the Energy Trust.

3. Defined a resource monitoring and assessment to support equipment and program evaluations.

D. Other programs

1. In cooperation with Oregon State University, secured anemometers and prepared loan agreements for those who wish to measure wind resources. Web page and other publicity through OSU Agriculture Extension service was undertaken.

2. Coordination with energy efficiency

- a) Updated direct application renewable energy policy to include gas efficiency programs that reduce power needs, and foster coordination with domestic hot water and pool heating solar applications.

III. Strategic Alliances and Market Transformation

A. Northwest Energy Efficiency Alliance

1. The Energy Trust is represented on the Alliance board of directors and its portfolio committee and remains an active participant in program development, implementation and evaluation.

B. Other partnerships

1. A policy was adopted to guide energy efficient demonstration projects for combined heat and power (CHP) to capture otherwise wasted heat.
2. Worked with BPA to offer a state-wide online residential energy assessment (audit) service to all eligible Energy Trust residential electric users and contributing BPA utility customers.

IV. Planning and Evaluation

A. Efficiency and Renewable Resource Assessments

1. A market assessment of the photovoltaic industry in Oregon was initiated and will serve as a baseline for future evaluations in this area.
2. An analysis of the economic and multiplier effects of Energy Trust expenditures in 2002 and budgeted expenditures in 2003 was initiated, designed to document job creation and quantify specific non-energy benefits attributable to Energy Trust activities.
3. Selected an evaluator for commercial/industrial utility transition programs.
4. Selected an evaluator for the first year of the Energy Trust existing buildings efficiency program.

B. Cost-effectiveness analysis

1. Agreed to apply the cost effectiveness policy to natural gas efficiency measures separately from electric efficiency measures.

C. Best practices

1. A team led by Research Into Action studied 62 like-organizations and completed a comprehensive study of best energy efficiency practices. Over 40 different programs and administrative practices resulted in valuable lessons learned and transferable to the Energy Trust.

D. Evaluation

1. Launched a baseline analysis of the solar industry and market in Oregon in preparation for the final drafting of an integrated Solar Program for PacifiCorp and PGE ratepayers.
2. A final market assessment/program evaluation report on the green traffic light-emitting diode project was initiated.

V. Marketing and Communication

A. Maintain interactive communications on website and by email

1. Regularly posted agendas and packet materials for advisory council and board meetings on the web.
2. Updated information on conservation and renewable energy programs and projects.
3. Provided timely responses to email inquiries.

B. Create strategic plan public summary and general Energy Trust brochure

1. Redesign of overall Energy Trust “identity” will be completed prior to producing collateral materials, such as planning documents.

C. Maintain active presence in news media

1. News releases on Energy Trust progress:
 - a) Availability of RFP for Building Efficiency program (Oct. 2, 2002)

b) Availability of approved strategic plan and action plan (Oct. 3, 2002)

c) Wind RFP finalists (Oct. 16, 2002)

d) Availability of RFP for Home Energy Savings program (Nov. 25, 2002)

2. Cooperatively produced press releases:

a) Announcing event celebrating Energy Star appliance and lighting installation at Pittock Mansion (November 13, 2002)

b) Draft announcement of Energy Trust, PacifiCorp and Eurus Oregon agreement on Combine Hills Turbine Ranch wind farm (December 20; press release held pending signing of power purchase agreement)

3. Support for Oregon Insider feature on Energy Trust (Nov. 2002)

D. *Exchange information and maintain direct contact with stakeholders and key constituencies*

1. Staffed monthly meetings of Renewable Energy and Conservation advisory councils.

2. Completed a series of individual meetings with elected officials, trade organization representatives and other partners and stakeholders from throughout state, providing them with informational briefings on the Energy Trust (October-December).

3. Initiated dialogue with utility representatives and regional experts regarding potential strategy to secure power purchase agreements for renewable energy developed through Energy Trust efforts.

4. Made presentations to Northwest Energy Coalition regional conference (November 15); Oregon Economic & Community Development regional economic representatives (November 18); and the Oregon Housing Coalition (November 20).

5. Coordination underway with the League of Oregon Cities to increase awareness and participation in Energy Trust programs serving municipalities.

6. Remained informed of external operating environment conditions impacting Energy Trust activities, including changes proposed by the Federal Energy Regulatory Commission affecting the Pacific Northwest and discussions of "perma-slice" and BPA as well as federal farm legislation and corresponding biomass project funding.

E. *Conduct identity audit, develop branding statement and key messages*

1. Contractor selected; workshops held; new materials reviewed with board (December 19)

F. *Establish baseline awareness and opinion measures for Energy Trust*

1. Scheduled two focus groups for January 2003

G. *Build awareness of Energy Trust program opportunities and accomplishments through selective advertising, participation in community programs and events, and other activities*

1. Participated in Pittock Mansion Energy Star event (November 13).

2. Energy Trust co-sponsored Energy Star movie theater slides in Portland, Corvallis and Medford (December)

VI. Internal Operations and Administration

A. *Financial Management and Budget*

1. The first full-scope financial audit, conducted by Gary McGee & Company, Certified Public Accountants, was completed for the period March - September, 2002. The desirable "unqualified opinion" was subsequently issued.

2. The board approved a three-month shift in the Energy Trust's accounting year from a fiscal year end of September 30, to a calendar year end of December 31.

B. *Contract Preparation and Management*

1. All contracts are reviewed for compliance with the OPUC grant agreement. To ensure that all requirements have been met, a PUC "checklist" accompanies major contracts when transmitted for board review and approval.

2. Independent contractor templates were developed and established.

3. An energy efficiency program agreement template was developed and established. Confidentiality/Records requirements associated with the OPUC grant agreement are detailed in the template.
4. Development of typical contract terms for renewable energy projects is underway.
5. A major effort was put forth with Aspen Systems to develop and negotiate the existing buildings contract, the Energy Trust's first major program.

C. *Reporting and Information Systems*

1. Selected a contract management software program.
2. Began the process to specify requirements and evaluate a project tracking system.

D. *Board of Directors*

1. Recruited two new board members to fill two vacancies. Rick Kroon, Oregon Site Corporate Services Manager for Intel Corporation contributes his broad utility management and energy conservation experience, adding valuable business perspectives to the board. Rick has an MBA in addition to an engineering degree from the University of Wisconsin. He also represents Intel on the International SEMATECH facilities council whose membership represents global semiconductor manufactures and scope includes worldwide utility/energy management.
2. New board member Rick Applegate is the Superfund Coordinator at the City of Portland Bureau of Environmental Services. He has worked for more than 18 years on energy and environmental issues and was the Fish and Wildlife Director for the Northwest Power Planning Council from 1987 to 1995. Rick brings extensive knowledge about NW power acquisition, energy policy and conservation strategies.