

2009-2010 Action Plan

December 19, 2008 (as presented November 12, 2008)

I. INTRODUCTION

The world is reeling from financial crises and economic market woes, the likes of which has not been experienced since the 1930's. Like Wall Street stocks, energy costs soar upward one day and down the next, remaining both volatile and unpredictable and sending mixed signals to consumers. The new federal administration is expected to address climate change through some sort of carbon regulation, be it cap and trade or a carbon tax. In the midst of these changes and concerns, energy efficiency and renewable energy emerge as centerpiece solutions. Both provide sound investment, translate into more stable energy costs and dramatically reduce carbon emissions.

In over six years running, Energy Trust has built an organization that every year serves more Oregonians who are increasingly motivated to manage their energy costs. All told, our cumulative efforts to generate clean electricity have added almost 100 aMW using wind, solar and other renewables, enough to supply the needs of 76,437 Northwest homes. Cumulatively since 2002, the electricity and gas saved from our programs is enough to provide electricity to 149,749 homes and heat 18,279 gas homes.

As of mid-year 2008, over 125,000 projects have been completed in Energy Trust programs to reduce energy consumption, use energy more efficiently, and tap into renewable energy. Demand for services is at an all-time high, with the volume of activity for residential, commercial and industrial customers surpassing our predictions and our best hopes. We predict adding new renewable energy generation of nearly 35 aMW by the end of this year and anticipate saving nearly 34 aMW of electricity and 2.5 million annual therms.

These annual results mark our best results, ever. And, we are after more. Looking forward, our full attention is focused on further growing markets to acquire all the cost-effective energy efficiency available and all the renewable projects our resources can buy. This two-year action plan builds upon the momentum we have already established and keeps our foot firmly on the accelerator. We are moving aggressively forward to further penetrate markets and best serve customers, aiming to acquire more results per participant.

In 2009 and into 2010, our renewable energy investments perpetuate the full range of successful programs across diverse technologies. Residential and commercial solar installations are at the heart of renewable programs, with nearly half of the budget dedicated for this purpose over the next two years. 2009 marks the first full year of supplemental electric energy efficiency funding from PGE and Pacific Power, spurring investment capability for residential and commercial consumers. Consistent with our market assessments, existing commercial buildings are the main source of savings in 2009 and 2010. The plan goes deeper into spending down gas revenue reserves, leveraging natural gas investments and electric efficiency to gain more savings across both fuels.

If all goes as we predict and hope, we will be well on our way to exhausting available efficiency and renewable program resources by the end of 2009. We will then face a time when new

funding may be necessary if we are to fully deliver what is expected of us and realize our full potential. The necessary mechanisms are already in place with the utilities and the Oregon Public Utility Commission to revisit funding levels and determine if additional investment is warranted. We have chosen this path because we are optimistic about the continued role and benefit energy efficiency and renewable energy will play in Oregon and the nation.

There is one major unknown: the economy. What impacts will the current credit crisis have on the decision-making of Energy Trust program participants? Will the uncertainty of energy costs be seen as an opportunity and additional rationale for more people to invest in energy improvements that help manage their costs? Will businesses and industry representatives have the motivation and sufficient capital to pay their portion of a project's cost? Will our newly launched Green Street lending program with Umpqua Bank attract small businesses and homeowners to a new way of financing their energy efficiency and solar project improvements? Or will we see an economic downturn so severe that would-be participants wait out these uncertain times while declining opportunities to invest in energy savings and renewables? Given the level of uncertainty on so many fronts, our action plan simply calls for us to be flexible and responsive as the next two years unfold.

The following sections describe our 2009-2010 action plan, starting with a description of our emphasis and strategies (section II), with detailed program/department descriptions and corresponding budgets provided afterward (section III). The draft 2009 budget allocates resources to achieve these strategies and results. Anticipated 2010 actions are described at the end (section IV).

II. 2009-2010 DRAFT ACTION PLAN HIGHLIGHTS

The 2009-2010 action plan anticipates continued high demand and growth for Energy Trust products and services. It is marked by new tools and strategies that better serve customers and a deeper understanding of *how* to best serve them. The following items represent the specific themes we plan to emphasize over the next two years:

1. *Acquire more results per customer* - There is a shared understanding that Energy Trust efforts have resulted in successfully "picking the low-hanging fruit." It is generally agreed that to capture more results, we have to "go further up the tree" and that the next increment of savings and generation will likely cost more. The most efficient approach is to acquire as much savings and generation per customer or per project as we can, all at once. To do so means we have to combine our experience and our market potential studies with a greater understanding of different customer needs. It also means we have to package and offer up tools to best serve those needs. Toward these ends, Energy Trust will continue our market research efforts - including segmentation, attitude and awareness and focus group message testing - to better understand what customers need to move forward and take action. These outcomes will drive how we design our marketing efforts, improve our website design, deliver our products and provide customer assistance and service, helping us achieve greater results for every participant we serve.
2. *Remove a barrier by providing financing* - Energy Trust has a partner in Umpqua Bank and the new Green Street Lending program being unveiled in November 2008. Designed for both residential homeowners and small businesses, the loans are intended to attract those interested in comprehensive energy efficiency and solar energy project investments. This attractive financing offer is expected to serve the market of

- committed homeowners and businesses motivated to take action who up until now, have needed to produce up-front capital. This simple program is intended to remove a major barrier to making significant energy investments, allowing deeper savings and generation to be acquired sooner than would otherwise be possible.
3. *New emphases for energy efficiency programs* - The coming year builds upon the investment made in 2008 to ramp up activity using supplemental electric energy funds and maintains the successful momentum established to acquire more gas savings. The emphasis remains within the commercial sector, with additional marketing and outreach for existing small business and new commercial construction. New efficient gas and electric technologies will be introduced, including high efficiency gas fireplaces and tankless water heaters; new ductless mini-split heat pumps for both commercial and residential customers, and field testing of select LED niche applications. To better serve customer interests in being "green" and reducing their carbon footprint, delivery of efficiency and renewable programs will be further integrated. Additional activities are listed below:
- Expand Home Performance with Energy Star for existing homes
 - Implement near-low income outreach strategy
 - Integrate solar hot water efforts into home assessments
 - Pursue behavior change strategies such as Living Wise boxes, Energy Performance Score (EPS) and more Blueline energy monitors
 - Increase Energy Star new homes market share
 - Promote high performance home construction and specialty CFLs
 - Increase refrigerator recycling initiative penetration
 - Concentrate on food services, lodging, office and healthcare within commercial buildings
 - Add commercial scale laundries, datacenters, and integrate solar
 - Develop small to medium construction design-build market for new commercial construction
 - Expand Energy Star track for new commercial buildings
 - Initiate net-zero commercial buildings pilot
 - Expand outreach and small/medium customer offerings through Program Delivery Contractors and trade allies for industrial customers
 - Develop semi-prescriptive analysis tools for small industrial customers
 - Remain flexible and responsive to market conditions
4. *New emphases for renewable energy programs* - The beginning of 2009 completes the transition to serving only projects of 20 MW and less. In 2009 and 2010, we will continue the range of successful renewable energy programs for solar, biomass, small wind, hydro and services to municipal governments. The additional technical assistance required to increase the volume and completion rates for smaller projects is also included. The extensions of the federal tax credits were positive and uneven: solar and small wind received the largest benefit with eight-year extensions, hydro was given three, biomass received two years and large wind was given a one-year extension. Aside from large wind, the extensions are helpful to the programs yet may be offset by the continuing financial and economic uncertainties we all face. The remaining carryover-funds stemming from cancelled projects and the transition away from utility-scale projects will be used to maintain most programs largely at their current levels. Specific opportunities to be pursued are listed below:

- Meeting solar demand for both residential and commercial projects remains at the heart of the renewable program. We expect only modest, incremental adjustments.
 - Within biopower, services to dairies and wastewater treatment plants will be expanded to accelerate new projects while continuing to support biomass combined heat and power. The results of the revised biomass market review may suggest new approaches for 2010.
 - The community wind program will be adjusted downward due to the lack of availability and increased cost of large turbines. The one-year extension of the Production Tax Credit for large wind is not sufficient to solve these issues. We propose to continue to support small wind projects, co-fund feasibility studies to characterize new projects and remain opportunistic if a community wind project emerges.
 - The Open Solicitation Program will be restructured to focus on small hydro and geothermal markets rather than new technologies. Tighter budgets can more readily translate into more projects in these niche markets, where we are having success.
 - The concept of revising incentives to address market needs remains a possibility. Additionally staff proposes to explore more innovative ways to restructure our project incentives potentially using such methods as equity stakes, equipment purchases, support for construction loans or other different payment structures.
5. *Collaborate with utilities and other partners* - Joint marketing plans and outreach activities will continue with all utilities, leveraging resources to best reach customers. Activities identified in cooperation with utility staff will lead to a full year of co-branded materials, bill stuffers, articles, web links and co-sponsored events. Efforts to offer new financial options will continue, including the option of utility bill and other financing opportunities. In addition, coordinated market assessments and Integrated Resource Planning will be ongoing, with potential interest in smart grid and demand response opportunities identified.

While perpetuating our working relationships with existing organizations such as the Oregon Department of Energy, the NW Energy Efficiency Alliance, trade organizations, and others, we will initiate expanded partnerships with other like-minded groups. These potentially include transportation, land use, solid waste and recycling, and other community organizations broadly interested in sustainability. These organizations share a common interest with Energy Trust and serve populations who may also be interested in what Energy Trust offers and vice versa.

6. *Launch more community energy projects* - This different and exciting approach to going deeper into communities to achieve greater results has resulted in robust activity in Corvallis. By concentrating investment over a sustained period of time, there is greater visibility and more focus and momentum evident in the city. We believe the principles used should be further tested in other locations. In 2009, Energy Trust will identify another community to participate in this approach, likely east of the mountains. In addition, a second community energy strategy will be undertaken on an urban neighborhood scale. All community energy activities will be formally evaluated in the future.
7. *Enhance our website* - As the most common entry point to our programs, the look and feel of our website will be enhanced and navigation simplified. More on-line automated

- forms will be created for easy use. Customers will see and hear a variety of video case studies featuring real customers describing their first steps, program experiences and beneficial results. Building upon interest in and concerns about global warming and climate change, a stronger linkage will be made between energy improvements as a way to lower one's carbon footprint.
8. *Explore service to NW Natural in Washington State* - In cooperation with NW Natural, Energy Trust will complete Phase II of our plan to analyze the market opportunity of delivering residential and commercial programs to Washington customers. Phase II will examine the particulars of the market and building stock to assess the opportunity in more detail and identify potential savings and effective strategies. A new Advisory Group will be convened by NW Natural in Washington state and Energy Trust will be represented. By spring 2009, at the completion of Phase II, staff will present findings for review and consideration by the Energy Trust board. Assuming a viable opportunity exists and the Board supports it, Energy Trust would design programs for early roll-out in summer 2009 and full implementation in time for the heating season next year.
 9. *Participate in regional activities* - Energy Trust will remain an active participant in the NW Energy Efficiency Alliance as a member of its Board of Directors, participating in their strategic and business planning and in their expert committees. In addition, the NW Energy Efficiency Task Force, convened by the Bonneville Power Administration will be completing its efforts in early 2009. It is expected that there will be new opportunities for regional collaboration and investment either through the Alliance or other organizations. These efforts are expected to relate to and support Energy Trust interests and activities for market research, data collection and workforce development. Lastly, there is strong interest in creating a 3-state regional collaborative effort around zero net energy commercial buildings. Energy Trust expects to continue work with California and Washington states to perpetuate this momentum through coordinated activities across state lines.
 10. *Evaluate Enterprise Resource Plan Options* – Work will begin in 2009 around consideration of an Enterprise Resource Planning (ERP) system to provide Energy Trust with a way to fully integrate its data and processes potentially into one single system. This project is in full alignment with the results of both the Enterprise Architecture study and the internal controls evaluation projects previously conducted. Both projects identified the current integration points as locations where significant improvement could be made through unification of the data and processes for easy access and work flow efficiencies. An RFP will be issued early in 2009 for assistance in defining the specific requirements, as the first step in the planning process.
 11. *Prepare Management Audit* – The grant agreement with the Oregon Public Utility Commission requires Energy Trust to “contract for an independent management review and evaluation not less frequently than every five years.” This examination is to be designed to review the efficiency and effectiveness of Energy Trust and to make specific suggestions for improvement. The next Management Audit is due in 2010. Work will begin on the selection of the topics for review and of the auditor early in 2009. The audit will likely be conducted later that year.
 12. *Update 5-year Strategic Plan* - Energy Trust 2007-2012 strategic plan was adopted before the passage of Senate Bill 838, which authorized energy efficiency funding above the three-percent public purpose charge, restricted public purpose renewable energy funds

to projects of 20 megawatts or less in size, and extended the life of the public purpose fund. All three developments will affect Energy Trust programs going forward. The Energy Trust board began discussing potential changes in 2008 and will be asked to review and consider a revised strategic plan during the first half of 2009. The new strategic plan will span the five year period from 2009-2013.

III. 2009-2010 PROGRAM/DEPARTMENT SUMMARIES AND CORRESPONDING BUDGET DETAIL

The following section includes 1-page, 2-sided descriptions for every program and major department including 2009 draft budget details. This information includes brief descriptions of the statement of purpose, a list of top strategies and actions anticipated, the proposed 2009 budget, and where applicable, projected savings/generation. Projections and planned activities for 2010 are also incorporated.

IV. 2010 PROJECTED HIGHLIGHTS

Energy Efficiency

- Develop new initiatives to fully utilize any additional revenues made available by utilities through the Renewable Energy Act
- Increase gas marketing, investments and savings acquisition
- Promote viable new residential technologies such as non-condensing gas water heaters as equipment becomes available
- Begin promotion of the most advantageous niche applications of LED lighting and next generation CFL technologies, assuming new products are tested and proven reliable
- Continue to develop the capacity of architects, engineers and developers to integrate energy efficient practices into new commercial construction
- In collaboration with NEEA, develop a new ENERGY STAR home specification to 15% above the 2008 Oregon residential code
- Explore strategies to achieve low- to zero net energy homes and green communities
- Collaborate with Avista to expand Home Performance with ENERGY STAR in southern Oregon
- Continue to seek opportunities with electric utilities to develop transmission and distribution deferral projects
- By supporting NEEA programs, attract more companies to permanently incorporate energy management practices and actions
- Continue to work with the Consortium for Energy Efficiency and manufacturers to encourage the development of new gas appliances to fill market gaps, as needed (e.g., condensing heat for rooftop commercial space air conditioning systems)
- Accelerate efforts to identify and quantify when we are transforming markets and how much we are consequently saving

Renewable Energy

- Institute changes in incentives, as appropriate to address market conditions
- Assess progress in dairy sector and re-frame or re-direct the initiative
- Utilize funds from 2009 to bolster budgets for 2010 and retain steady budget levels and the same program offerings

- Continue to be flexible to markets, shifting funds among programs to take advantage of opportunities as they arise
- Cap the solar program to near 2009 levels, resulting in a limitation for large-scale PV
- Assess the low-level support for community wind and its future viability
- Absent new revenues for 2011, propose program cuts, identifying the key programs to be retained

Other

- Further address any remaining outcomes from the 2009 Oregon legislative activity
- Submit the completed Management Audit and address findings, recommendations and action plans
- Continue Enterprise Resource plan implementation
- Evaluate results of market acceleration and more hard-to-reach markets
- Manage growth in demand without diminishing available resources

Appendix I

**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 21 million annual therms of natural gas from long-lasting energy efficiency measures (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 Pacific Power 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).¹
- 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.

¹ Goal 2 was adopted before passage of the Oregon Renewable Energy Act, which took effect in January 2008. In the course of updating the strategic plan during 2009, Energy Trust will revise this goal to reflect our new and exclusive focus on renewable energy projects of 20MW or less.

Appendix 2

2009 Anticipated OPUC Energy Trust of Oregon Performance Measures

| <u>Category</u> | <u>Measures</u> | <u>2009 Draft Budget</u> |
|--|--|--|
| Energy Efficiency | Obtain at least 31 aMW computed on three year rolling average Levelized cost not to exceed \$0.035/KWh | 31.5 - 42.0 aMW \$0.024 - \$.032/kwh |
| Natural Gas | Obtain at least 1,800,000 therms computed on three year rolling average Levelized cost not to exceed \$0.60/therm | 1.9-2.6 million annual therms \$0.53 - \$0.70/therm |
| Renewable Resources Energy | Secure at least 3 aMW computed on a three year rolling average from small scale projects | 7.6 – 16.1 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 | 8.1% |
| 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 | |
| Incremental Funding | Report annually energy savings achieved as result of Senate Bill 838 | |

