Conservation Advisory Council Meeting Notes

October 22, 2014

Attending from the council:
Garret Harris, Portland General Electric
Holly Meyer, NW Natural
Warren Cook, Oregon Department of Energy
Britney Andrus (for Juliet Johnson), Oregon Public Utility Commission
Stan Price, Northwest Energy Efficiency Council
Wendy Gerlitz, Northwest Energy Coalition
Don MacOdrum, HP Guild
Susan Hermenet (for Karen Horkitz), Northwest Energy Efficiency Alliance
Don Jones, Jr., Pacific Power
Gary Smith (for Brent Barclay), Bonneville Power Administration
Andria Jacob, City of Portland Bureau of Planning and Sustainability

Attending from Energy Trust:
Kim Crossman
Tom Beverly
Amber Cole
Elaine Prause
Fred Gordon
Oliver Kesting
Marshall Johnson
Spencer Moersfelder
Jay Ward
Susan Badger-Jones
Hannah Hacker
Scott Van Swearingen
Julianne Thacher

Others attending:
Scot Davidson, Clean Energy Works
Derek Smith, Clean Energy Works
Alan Meyer, Energy Trust Board of Directors
Lonny Peet, Nexant
Sara Fredrickson, CLEAResult
Becky Walker, CLEAResult
Cameron Gallagher, Nexant
Tim Miller, Clean Energy Works
Josh Weissert, Energy 350
Carolyn Farrar, NW Natural
Monica Blakeslee-Kish, PECI
Kim Page, Nexant
Brien Sipe, CLEAResult
Brian Lynch, AESC
Jeremy Anderson, WISE
Samantha Taylor, CSG
Kari Greer, Pacific Power
Nick O'Neil, Energy 350

1. Welcome and introductions

Kim Crossman convened the meeting at 1:15 p.m. and reviewed the agenda. 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

Kim Crossman asked the council if there were any changes to the September 2014 Conservation Advisory Council notes. There were no changes indicated.

Kim: As we go through information, you can reference the program plans, which are detailed, or the program one-pagers, which are great summaries. There is some information not yet posted on the website, and we will post them shortly after the meeting.

3. Quarter 3 Dashboard (information)

Peter West: These results are program only and do not include results from the Northwest Energy Efficiency Alliance. Note they are not audited or official. Things could settle before the end of the year. We are forecasted at 96 percent of goal in PGE territory by year end. This is led by Products and offsets some market saturation barriers in the multifamily initiative. Our work with PGE to increase multifamily projects didn't work as well as we had hoped.

Alan Meyer: The 96 percent we expect to reach also doesn't include NEEA?
Peter: Correct. By convention we don't provide NEEA figures here, typically because of timing of getting updates and to focus the discussion on Energy Trust-led program activity. From what we have seen so far, we expect NEEA for 2015 to be about 1 average megawatt less than forecasted.

Peter: In Pacific Power, we expect to reach 100 percent of goal. We've been strong in New Buildings and Existing Buildings, and this is true with PGE, as well. LEDs are flying off the shelf. It has proven to be a good move to get in there with a high quality standard for LEDs.

> We are forecasted at 98 percent of goal in NW Natural by year end. Multifamily has been strong. There has also been great success in New Buildings, which nearly made up for some lagging in Existing Homes.
>
> We are forecasted at 113 percent of goal in Cascade Natural Gas by year end. Products and Multifamily have been higher than expected and most other programs are performing as expected.
>
> Again, contents may settle before the end of the year. More than one-half of our savings will happen over the next two months. These forecasts are our best guess. We will now drill into a little more detail on these results by sector.

Kim: When we first saw the industrial Quarter 3 dashboard a few weeks ago, we could see that we were coming up short in most territories, and not forecasting to achieve goal. It was a real change for us compared to the Quarter 2 dashboard. We were far enough off that we needed to act when we saw the progress. The gas side is very straightforward. Cascade Natural Gas territory is essentially two projects, and there is another that could show up. We've run a little slow all year in Pacific Power territory and PGE had a couple of big things push to 2015. The far right on the dashboard chart is the 2015 pipeline, which is very robust. We can't be sure that this dashboard reflects reality, because we've made some changes to how we forecast, and we believe that projects that would have been delayed at the end of the year are being identified earlier. But we still needed to act.

> Last week we launched a targeted bonus. We are sure we can't get additional new projects before the end of the year due to long lead times typical in the industrial sector. Instead, we targeted the existing pipeline to get more savings out of planned projects. We're giving a 20 percent bonus for custom projects, intended to affect the close rates. Either way we'll get some good data on whether we can influence completion dates by intervening.

Oliver Kesting: The pipeline in the commercial sector is a rollup of multifamily, Strategic Energy Management (SEM), Existing Buildings and New Buildings. We are expected to exceed goals in Pacific Power, NW Natural and Cascade Natural Gas territories. We are running a little behind in PGE for all programs. SEM efforts are not showing as completed projects but they are in the pipeline. Existing Buildings is lagging, and we are expecting significant savings from projects in the pipeline. To ensure we close in on the goal we launched bonuses in August: $0.25 per kWh,

and $2.00 per therm. There are prescriptive bonuses for steam traps and package terminal heat pumps. There is also a small direct install initiative for commercial lighting, mostly storefronts. We are also launching a direct install for LEDs in multifamily.

Marshall Johnson: The dashboard for residential shows strong trends. Performance in NW Natural territory is the slowest, impacted mostly by lower savings from Opower persistence efforts. OPower persistence efforts have come in 50 percent lower in NW Natural and 25 percent lower in PGE than predicted. There is also a 50 percent decrease in the forecast for behavior savings in Pacific Power. In the two electric territories there are other activities in place to help close the gap.

> There are also fewer new homes in NW Natural territory, and we saw more new homes heated with electric than we predicted when budgeting last fall. There are fewer Clean Energy Works (CEW) projects than planned. We have two bonuses to support natural gas efforts: a windows bonus and gas hearth bonus. In Cascade Natural Gas territory we are doing quite well. There was a successful direct install offering to put showerheads in newer households with high water heating usage. Bend has seen an upward trend in new home construction and Energy Performance Score™ (EPS) demand is high. LEDs are trending better than we anticipated, and we are looking to make more budget available to support that offering.

Peter: In total, we have a strong overall portfolio with some pieces up and other parts down. Overall, we are in good position to fully deliver for 2014.

Jim Abrahamson: Recognizing the 2015 budget startup, I like the percentage toward goal, but there's a tremendous proportion of savings from Energy Saver Kits and direct installs. About 60 percent of Quarter 3 gas savings are from those offerings. Commercial is great, but it's also similar for multifamily.
Marshall: The direct install initiative in Bend allowed us to install showerheads for known high users of water heating. We know we achieved greater savings on those homes and that they are really installed instead of mailed to customers who don't install them. We are trying to rely more on direct installs than Energy Saver Kits.

Holly Meyer: I was surprised to hear about gas savings from multifamily. What was that?
Oliver: We are reaching out to more allies and owners. It's not too much on the building shell; more direct installs or prescriptive projects.

Don Jones: Is there any sensitivity to training the market to wait for the bonus each year?
Kim: We know we have a hockey stick at the end of each year, and we are not trying to make that worse. We've used the message that it's about Energy Trust and our needs and annual goals. By giving the bonus we're saying that at this time, their savings would be worth a little more to us. It's a one-time offer and we don't plan to make it a regular occurrence. Based on how it turns out, we may learn we can build something into our core incentives later that will help us incent on-time completion of projects, year round. We don't want to train them to behave a different way.
Oliver: We were careful on figuring out where we would implement bonuses. In some cases we were considering long-term increased incentives anyway.
Kim: Another way to minimize negative market effects is that we didn't send the bonus through the trade ally tracks, but through the Program Delivery Contractor tracks for custom projects.
Don Jones: You were getting fast-turn projects anyway, and this may speed them up. As long as you aren't doing a bonus for windows each year, for example, and you are keeping variability.

Alan: You could exacerbate the hockey stick by incentivizing people to wait for the bonuses.
Marshall: We're also doing bonuses for windows and hearths, but we're doing this to prepare the market for a more efficient tier in preparation of removing lower tiers.
Don Jones: It's good to hear it's integrating into messaging and program design. In 2015 the incentive is what it is. It would be a bad message if it looked 10 percent higher at the end of each year.

4. Natural gas cost-effectiveness docket update (information)

Fred Gordon: This is a report on the decisions made by the Oregon Public Utility Commission. There are always next steps after these things but today's presentation is about the ruling. We have decisions from the people we contract with: the OPUC and utilities set investment rules and we provide technical information and carry out the rules. We are reporting on the outcome of their intentional decision-making process. This was a two-year process, involving a great deal of interaction and public meetings held by the OPUC.

Kim Crossman: This is a revisit of a topic we've discussed in many Conservation Advisory Council meetings.

Fred: The OPUC is the policy-making body in regards to cost effectiveness. There are benefits other than energy savings that are hard to quantity and the OPUC feels they have factored those in.

> This is about natural gas cost effectiveness today, and we've previously presented electric cost effectiveness. The measures with cost-effective issues, were, for 2013, about 4 percent of our gas savings overall, but they have a larger impact for residential with the largest impact on Existing Homes insulation measures. The OPUC concluded that ceiling insulation gets a cost-effectiveness exception. The benefit/cost ratio should be at a 1.0 on the Total Resource Cost Test (TRC) and Utility Cost Test but is at a 0.5 or 0.6 for the TRC. What I heard from the commission is they considered the non-energy benefits and other issues raised by participants in the docket and concluded that these issues might bring the TRC to 1.0. Duct, floor and wall insulation were at a 0.2 or 0.3 and it wasn't plausible to the commission that the measures could get to 1.0. The OPUC allowed a pilot of prescriptive air sealing without testing into ceiling insulation. We will run the current measures through April 2015, but a number of measures will be discontinued after that, subject to the discussion of the cap, below.
>
> Manufactured homes are mostly electric and we wanted to stay consistent with duct and air sealing. The OPUC agreed and said yes to exceptions.
>
> We received an exception on gas water heaters but solar water heating will be discontinued. Spa covers were mostly electric and therefore got an exception. We also kept the one New Homes Builder Option Package that needed an exception.
>
> If you look only at the gas side of the Existing Homes program as a whole, and look at all costs, it didn't pass the utility test on the gas-only side, but the OPUC never asked us to report on a single-fuel basis. They agreed that they should look at both fuels together when evaluating the cost-effectiveness of the program as a whole. There's no perfect way to split it up. We use rational and acceptable accounting rules. Even though a single fuel cost-effectiveness test will not be part of our formal performance measures with the OPUC we were told to reduce costs on the gas side. OPUC staff are to report back on the hedge value. NW Natural has offered to help with this.

Regarding the Cap, Commissioner John Savage heard the concerns of many parties to this docket about ending weatherization measures and in response asked the parties for an approach that meets a number of challenging criteria and solves problems. He wants a high-leverage approach involving reduced incentives, low free riders that addresses the needs of limited-income customers and a cap on overall incentives. There will be discussions over the next few months on how to do that. They provided time for us and our trade allies to meet the April 30, 2015, deadline.

Peter: Is there a particular customer class impacted?
Fred: This doesn't impact 84 percent of gas savings. Weatherization is where the impact is largest. The cost-effectiveness ratios were the lowest there.

Don MacOdrum: How many Clean Energy Works customers will be impacted?
Derek Smith: Essentially 99 percent of gas customers.

Scot Davidson: Without asking you to describe the program that would be created, what is the definition of incentive cap?
Fred: We don't have that yet. We will be meeting with Clean Energy Works and others to develop it.

Fred: Continuing to present the OPUC's decisions for business measures, the primary impact is on custom measures, where the cost-effectiveness cutoff is a lower cost per therm. Small vent hoods were dropped. There were some bundles in market solutions that didn't quite pass, but they were given exceptions.

Regarding the process for exceptions. We asked for some changes to streamline pilots. Pilots are used when we need to learn how to deliver a program differently, work with a different technology or the like. The OPUC has given us more leeway to determine when pilots are needed on our own. They understood that we needed more flexibility. They do want us to clarify the bounds on this authority. We need something with clear objectives and plans for validating and moving forward. It's an abstract, disciplined approach. We will discuss it with them.

When we do pilots it's mostly about learning which will benefit future years. Yet, we calculate all our costs, including pilots, on an annual basis and report on cost-effectiveness to the OPUC based on one-year reporting. The objectives are different. These are learning victories, rather than savings in the same year. Savings are about past investments on an annual basis. We are talking about market transformation. We are proposing separate performance measures for pilots based on the learning. We are similarly proposing different performance measures for the part of NEEA, which is about new technology introduction. There is an Energy Trust performance measures docket in January of each year. The OPUC welcomes the discussion there.

We also asked if Energy Trust Planning staff could approve exceptions for custom projects based on OPUC criteria. They said no, there is an accelerated OPUC staff approval process, and they asked us to show them in the future if that's not working. Some parties asked for another docket to change cost-effectiveness rules. Based on their direct comments, the commissioners seemed happy with the current rule. It allows them to consider a number of factors and make a judgment call. They seem to be trying to sell the fact that they are thinking about all of these things and consider how we are factoring things in here.

Don MacOdrum: On the docket we framed, it's your interpretation of their comments to say that another docket wouldn't necessarily give them the authority to change how tests are interpreted.
Fred: No, they wrote the rule and can write another. They have a scope and believe that their scope doesn't include benefits beyond program participants and other ratepayers. Another docket wouldn't change that. The Governor and legislature could change it. But there are other changes they can make.

Warren Cook: I like learning victories and in-house stage gates. Over two years the conversation has gone from rapidly dropping prices to higher costs of measures. Costs are the right place to work and we need a lot of latitude to do that. We need that new approach.

Susan Hermenet: NEEA is very excited to help create metrics that work. They should be used for decision making and we've struggled with the annual view being the right decision. I'm happy you're taking the lead on that.

5. Proposed residential measure changes for 2015 (discussion)

Marshall Johnson: We intend to continue wall, floor and duct insulation at current levels through next April, and the same for whole-house air sealing. After April 2015, we will remove these measures per the chart. We are in midstream of researching a more cost-effective approach to offering air sealing coupled with ceiling insulation. We may have a new air sealing measure we can bring to the market after that.

> Heat pump advanced controls have existed for a while. We are releasing a new measure for controls of code-compliant heat pumps that don't come through our existing incentive pathway. We will offer a $150 incentive in collaboration with PGE and its contractor network. We will also encourage a niche segment of the gas furnace market, with a goal to influence installations in single-family rental homes. We plan to work with NW Natural and distributors to encourage gas furnace upselling.
>
> For windows we will adjust our tiers and levels slightly. For gas fireplaces we will adjust our tiers. We are discontinuing solar water heating and reducing pool pump incentives. These are the measures presented at the last Conservation Advisory Council meeting.
>
> We are dropping the Home Performance with ENERGY STAR® assessment incentive and adding a $75 multi-measure incentive and a $75 EPS incentive. It allows us to leverage EPS, which is gaining traction, and support multiple measures.

Holly Meyer: Why remove the Home Performance assessment incentive?
Marshall: It has historically been used as a sales tool, but there are no direct savings associated with this measure. However, Home Performance has typically brought in four measures per project. Four of those key measures will no longer be available. We think it's important to continue educating the market and remain connected with a value-added offering. EPS has momentum and is a way to continue providing that education and awareness at a lower cost than the Home Performance assessment. The Home Performance assessment currently requires an air leakage test and we are moving away from whole-house air sealing measurements. EPS is a lower-cost alternative.

Holly: It seems that if you lose an incentive, you don't want to stir the waters about something you can't provide. Another way of looking at it would be wanting people to do these things that we don't pay for. We may want to keep that information in front of them. EPS doesn't require as much, but it may pull the legs out from under the benefits the Home Performance can lead to.

Marshall: The EPS can do this at a lower cost while also supporting the market changes in HB 2801. There is still $150 on the table for projects doing two or more measures in total. The OPUC wants us to improve the ratio for the gas portfolio. This provides the same money but encourages actual measure installations. It acknowledges an emerging tool in the market that's simpler. It may allow for some transition to EPS by a Home Performance business.

Don MacOdrum: Part of the justification of going this route is that the overwhelming number of stakeholders didn't want to see this go away. The timing seems off. Air sealing will continue until April 30, 2015. One argument would be to continue the Home Performance incentive until then, also. The two $75 incentives are coming in. Based on contractor business models, there are hundreds out there who will have to change sales models and business models. These changes are significant to them. The EPS doesn't start on January 1, 2015, so their sales staff will have to be trained twice. Once for multi-measure and once for EPS. These are already difficult sales to close. I would want to hear other peoples' comments, also. Energy Trust should consider not ending the Home Performance incentive until the others are starting the next day. This is both advice and a request.

Warren Cook: Do you have to do at least one measure for an EPS?
Marshall: No. The EPS certificate is the output and it's intended to educate the public and raise awareness. We plan to attach kit savings to the EPS and leave it to the market to recommend energy-saving measures.

Warren: It's possible for the homeowner to get an EPS and add measures later, so it's a new entry point into the market.

Marshall: Other professionals could also provide EPS, not just contractors.

Warren: It may be a lower-cost entry point, which is good.
Marshall: We also really want to be sure we don't rush into EPS requirements just to meet a deadline.

Wendy Gerlitz: There is an old, statutory requirement on the books to provide energy audits, which is delegated to Energy Trust. Do you feel Energy Trust is satisfying that? What tools are you using?
Marshall: We currently provide a Home Energy Review and a Home Performance assessment. We believe we will continue to shift away from in-home reviews to online, EPS and phone reviews. That will satisfy the requirement.

Holly: After April 30, 2015, we only have one gas-saving weatherization measure, windows. You can't play out as well on the gas side as the electric.
Marshall: There will be ceiling insulation and windows, hearths, efficient water heaters and appliances but your point is well taken. We think it could be one gas measure and one electric measure to receive the multi-measure bonus; we are looking into this detail now.

Holly: We are saying, "Let's bundle them and give a little kicker." It still is an issue that there's only one measure.
Marshall: If we provide awareness and the customers do things we don't offer incentives for, we should explore whether we had an impact. There may be an opportunity for us to claim savings and give credit.

Alan Meyer: You could track that they did it without incentivizing it.
Marshall: We should look at whether we can claim some credit.

Fred Gordon: We will have to consult with the OPUC on that.
Don Jones: There's a spillover function in your evaluations.
Alan: Technically, you would be providing some of the incentive and they would have to confirm they did it.

Scot Davidson: This follows on Don's comment. We definitely see some challenge in planning with a series of known changes and dates. The incentive cap is an unknown. In trying to help the trades stay intact and adapt, it may be worthwhile to collaborate on a smoother transition with them. The benefit achieved may save less right now than the cost to the trades of having to adapt to two changes in four months. I reinforce what Don MacOdrum proposed. Secondly we should try to create a path forward for these companies.
Peter: We have agreed we will engage with others, and the commission is interested in hearing our ideas and engaging in our efforts to define the cap path for incentives.

Holly: If we move the changes to April 30, does that eliminate the problem?
Scot: Aligning the dates may reduce the costs to businesses.
Fred: Part of what we are trying to do is go to a leaner model of how we manage our program with more results-oriented incentives. EPS may be a lower cost way for contractors to promote incentives. Does it make more sense to encourage the new tools for a few months before the money goes away on the old measures? It provides more of a transition period. I don't have the answer and it's an interesting question.

Jeremy Anderson: For most contractors out there, they view the Home Performance incentive as a sales tool. They would like to have a replacement when it goes away. A three-month lag between them isn't good. The space in-between isn't helpful.

Gary Smith: You have a narrow definition of the timing for EPS in Quarter 1?
Marshall: The goal is early Quarter 1. I've been aware of Don's perspective but don't want to rush it.

Kim: Some things to come back to in November will be implementation, coordination and timelines.

6. Business lighting strategy (discussion)
Spencer Moersfelder: This is a general overview of what's happening with lighting. Commercial and industrial both use Evergreen Consulting to provide the lighting initiative. Another thing we try to do as much as possible is a unified incentive structure. The trade allies aren't always as aware of how we internally define industrial versus commercial facilities. By having a unified incentive, they don't have to figure that out.

> Energy Trust staff and Evergreen staff train trade allies to take things to market. Lighting as a portion of overall savings goals in 2015 will be 21 percent for Production Efficiency, 49 percent for Existing Buildings and 27 percent for multifamily. A small commercial direct install project is rolling out this year and expanding in 2015. Common-area lighting is mostly delivered through trade allies.
>
> Key technologies include linear fluorescents, LEDs and controls for about the last decade. There are a lot of control opportunities in the market. Outdoor lighting also has a lot of untapped potential. Street lighting has been a hot item for PGE and we are looking at how to move into Pacific Power territory.

LEDs are coming down in cost enough to be more widely used. We are exploring more incentives for tube LEDs. They are mostly custom right now, and we are seeing an opportunity to do more because of lower prices.

Kim Crossman: Are you saying that we are increasing LED prescriptive incentives, or are we developing more LED measures?
Spencer: It's really both. LEDs are at the point now where we can go back to customers we already worked with and do another upgrade.

Spencer: New ballast standards go into effect next month. We plan to blend the baseline. We assume that ballasts out there have about seven years of life. The other part of the blend is the new standard. The performance-plus initiative will ramp up. It involves working with the trade allies to go as far as possible with the design element in lighting upgrades. The project installed should be at least 10 percent better than code. We don't want to appear to enforce code.

We are working with distributors to reduce the cost for smaller lighting projects by buying down the cost. ICF will subcontract with another company to perform the audit and identify technologies that would be the right fit for the customers.

Multifamily instant-savings measures will move into LEDs with longer measure life and lower costs.

We are working closely with NEEA on how to work better with the market at large. A top tier trade ally category is only one way. We want to help the trade ally community become more knowledgeable and adept at installing lighting measures. There will also be upstream work with distributors to push more efficient products for trade allies.

Luminaire lighting controls are wirelessly networked and allow individual control of fixtures in an office. It's exciting because if you make it ubiquitous, you can prevent some rewiring and the control would be individualized without major changes. There's a lot of flexibility. Design Lights Consortium coordination will help ensure LEDs live up to good standards and meet customer needs. We already look at this closely on LED projects.

Don Jones: What are your tools to measure overlap between buy-downs and other measures?
Spencer: We actively measure that but leave it to the PMC to handle it.

Don Jones: Is the LED required to be on the DLC list? That's something we do.
Spencer: The LDL list is an interim step, and we also use ENERGY STAR and DLC.

Don Jones: We've had trouble with the lists and encouraging manufacturers to adhere to them.
Spencer: We have that challenge too, and are searching for ways to deal with them.

Kim: There's a delivery impact with all of these lists and it shows up as program hours in our delivery costs. We would like to find a way to streamline it.

Wendy Gerlitz: You mentioned street lighting and activity in PGE territory. In Pacific Power territory are there hurdles that keep us from doing it already?
Oliver Kesting: There are two types of streetlight contracts, customer-owned streetlights and utility-owned streetlights. PGE has been aggressive in marketing to customers with utility-owned lights. There are also tariff differences that make the payback more attractive in PGE territory. For customer-owned and utility-owned lights we have incented projects in both utility territories.

Don Jones: There is a tariff concern on the customer side with ownership.

Warren Cook: There's a huge space to reach code compliance. There's a need to demonstrate more adherence. Any performance-plus project should make reach code. We can prove it out for reach code.

Kim: Adam Bartini manages our industrial lighting and performance-plus uptake has been high. So, the question of reach code relates to industrial sites would come up if this was a requirement.

7. Draft 2015 Annual Budget and 2015-2016 Action Plan (discussion)

Peter West: The intent here is to provide an overview of the budget. You have received the program plans. They are in the Conservation Advisory Council folder on our website. There are also a set of data sheets that take the action plans and break them out by utility, program and cost area. What we refer to as one-pagers are also available, which provide executive summaries of goals, budgets and key activities for each program.

Peter: At the highest level, Energy Trust invests in energy efficiency and renewable energy for the benefit of ratepayers. We are an energy supplier for the utilities and we appreciate that role. Since we began 12 years ago, we have achieved a great deal. We have saved enough energy to power 425,000 electric homes and heat 65,000 gas homes for a year. We've done this with the help of market actors all through the years, like NEEA and the Oregon Department of Energy. Our allied businesses and technical providers have self-reported that about 14,400 jobs are supported by all of these programs.

> We start developing the next year's annual budget in July when we start knowing what's working and what will change in the current year. We develop program concepts for the next year and we appreciate the feedback we get from all of you early on, and giving us time to reflect. With that feedback we develop the program plans and the budgets you will see starting today. From now through the third week of November is review time. Your comments help us re-focus and we take them seriously. The board of directors votes on the budget in December, and the budget is finalized for January 1.
>
> We have four building blocks for the budget: the 2015-2019 Strategic Plan, utility Integrated Resource Plans, market knowledge and expertise, and areas of emphasis that are informed by factors like standards changes, tax credits and OPUC decisions.
>
> The Strategic Plan addresses continuous improvement to meet customer needs, managing the total cost of energy, expanding participation and replenishing the portfolio with new resources. .
>
> We will looking at how we are expanding participation. For example, we are proud of what we do in New Homes, where we expect to get 26 percent of new homes to participate in the program. But we're trying to drive into that other 74 percent. How do we get them on the path? For new commercial buildings, the market solutions track has worked well to pull in the design-build community, which had not previously participated. The initiative started as an experiment and now has reached the 100th customer. We will look to create other such expanded participation in New Homes.
>
> Just a reminder, 2014 was the first year in which we didn't have a range of goals. 2015 will be the same. The ranges are gone. There is a benchmark standard with the OPUC of 85 percent.

We have challenges like the uneven economic recovery, cost-effectiveness decisions and market saturation or maturation. Also, per unit, savings are lower but still cost effective. In being successful so far, we get less net savings because they are harder-to-reach projects and customers. There's greater complexity in reaching and serving customers. The market is finally grasping that the Oregon Business Energy Tax Credit is gone. Carryover in older Business Energy Tax Credit projects that were grandfathered in is ending. The loss of that has us moving upstream to get projects. The rate of return did sink and we have to replace some of that to keep customers walking in the door.

We also have lower avoided costs, about 5 percent of the measure savings will no longer be cost effective. But at the same time the volume has increased on our business side. We are well past 6,000 projects this year. However, each of the projects has about 20 to 23 percent less savings, creating cost pressures on delivery. A higher touch means more cost, but it's what business customers need.

As you examine this budget, you will see lower savings compared to our past exponential growth. You will also see a 4.8 percent reduction in planned expenditures. We've had a bit of an overhang in budget. We may tap reserves, which we traditionally haven't done.

Stan Price: Does that mean a reduction in the public purpose charge?
Don Jones: It's a reduction in the additional tariff rider via SB 838.
Peter: There is Senate Bill 1149, which sets a 3 percent public purpose charge and Senate Bill 838 that allowed the commission to add another charge for identifiable, cost-effective energy efficiency that can be adjusted. The funding allowed under SB 838 would be adjusted down.

Wendy Gerlitz: I understand the distinction. You are trying to dip into the reserves rather than collect the whole amount. How does that reconcile?
Peter: You'll see a budget and revenues that are less than the previous year.

Jim Abrahamson: Cascade Natural Gas is on a single public purpose charge. We will look at the 4.8 percent reduction on the gas side. It may be that way for the overall Energy Trust of Oregon budget on average, but it might be a larger reduction on the gas utility side.
Peter: True. The distinction we just made on tariff adjustments under SB 1149 and SB 838 is for the electric utilities. It is one tariff for the gas utilities, and it is that one number that gets adjusted on the gas side. The actual numbers will be on the budget projections in the tables in the presentation.

Peter: We still have a budget with very low levelized costs and our costs for administration remain down around 4 percent. At a glance, with the 4.8 percent decrease, you'll see that the associated numbers are an $8.4 million reduction from 2014 budget. This is a result of internal tightening, more conservative incentive budgeting, a new PMC on the Products side with ability to leverage a national platform and NEEA's revised approach.

At the utility level, the energy goal for PGE is slightly below the IRP target, and PGE was made aware of this possibility last June. It wasn't enough of a change to refile with the OPUC. No large project is coming in the PGE territory and new commercial building is expected to slip a little. Building will come back in 2016 and 2017 in a big way, putting us over IRP target for those years. There's a huge pipeline in New Buildings but it's a lumpy process. Levelized costs for electric utilities go up minimally from 2.9 cents levelized in 2014 to 3.1 cents levelized in 2015.

For Pacific and NW Natural, we propose a budget with 2015 energy savings goals that are greater than the IRP targets.

Don Jones: Pacific doesn't have a 2015 IRP yet; this is a number from 2013, so this is from the last one. It is in the process of being updated.

Peter: We don't list an IRP number for NW Natural Washington on this chart because setting the savings goals is different in Washington versus Oregon.
Wendy: We may be able to find the IRP number and include it.
Margie Harris: It's a different process in Washington. In Oregon, we link our annual utility energy goals to the utility IRP targets, the process is not the same in Washington.

Don Jones: We would like a note added that these are older numbers, so the board can see that.
Peter: Agreed, good point.

Peter: Moving on to Cascade Natural Gas, we have the same issue with the pipeline of new commercial buildings with a lull in 2015 and a larger set of completions set for 2015.

There's an overall 5.2 percent decrease in electric savings over 2014. Two-thirds of electric savings is from business programs. NEEA provides additional savings in the commercial and industrial sectors. Counting NEEA, business customers are about 70 percent of electric savings.

We have higher evaluation factors from free riders and driving measures deeper into the market, as we see less net savings per unit in business programs. On a gross level we have about the same level of savings, but some of the decline you see is from a larger level of netting. In New Homes and Products we continue to see robust activity.

NEEA is down slightly in 2015. They are bringing to a close some initiatives that have provided larger savings and are starting new ones, which will show the most savings later. It is the standard cycle of development, and while NEEA will cost more per unit of savings in 2015, it is still a valuable part of our savings.

With Existing Homes you are seeing the effects of new avoided costs.

In terms of savings per sector, you can see commercial seems to grow most significantly in 2012 on the table. That's because we moved the multifamily initiative into the commercial sector. It was split into different programs prior to that.

You will also see that residential programs account for about 25 percent of electric savings and 35 percent of gas savings. There is a different mix where we can get savings from one fuel type to the other.

You will see that the demand-side management efforts with NW Natural for industrial and commercial customers has brought significant and relatively inexpensive savings.

One other anomaly to note is that we used to have service incentives for commercial Strategic Energy Management but this cost has shifted to the delivery side. If we didn't have that change in definition, you would see the incentive level the same as in the past.

We will now take a sector-by-sector look at key activities proposed for 2015.

Residential Sector

Marshall Johnson: The 2014 reforecast level and 2015 goal show some reductions in savings for the residential sector. The majority of electric savings come from Products. On the gas side, Products bring fewer savings. Existing Homes dominates gas savings, followed by New Homes. New Homes is delivered by CLEAResult, which was formerly PECI. There is a market-based system of verifiers and EPS is used to measure things. Ecova is the new vendor on the Products side, bringing a very competitive bid, improved pricing, greater remote reach and leverage of national resources to bring costs down. New Homes will be working with low-rise multifamily and incorporating EPS enhancements. We covered Existing Homes previously, but the emphasis will be adjustments to how we think of the program as audit and weatherization and moving into other areas. We are also looking at cost control strategies.

Existing Homes will remove the measures we discussed earlier today and look for ways to move away from in-home reviews, which have a high administrative cost and low savings. The reviews used to be a gateway but there are other, lower-cost ways to do it now. There's a focus on electronic forms to reduce incentive processing costs. We will look for LEDs in Energy Saver Kits and try to influence efficiency purchases on equipment without being a direct exchange between customer and contractor. There will be strategies to select small groups of contractors to deliver fixed-priced promotions to bring low-cost value to customers.

Don MacOdrum: What is the competitive bidding strategy?
Marshall: It's intended to solicit providers who can give a service the way many other programs work. We'll use competition to bring prices down and give customers maximum benefit for the cost. We recently released an RFP for ductless heat pump installations in manufactured homes. We haven't selected the final contractors. We plan to refer leads to those selected contractors and we want ductless heat pumps to come in at a price point that supports those savings.

Don MacOdrum: It's generally concerning when on the commercial and industrial side the RFP holds prevailing wage requirements. It seems like on the residential side they encourage contractors to cut corners. It's a troubling trend on the residential side. The system seems to be set up that way.
Kim: Where were you getting the commercial and industrial idea from?
Don MacOdrum: There are a lot of procurement processes through the government and others.
Kim: I see, I was trying to understand, because I'm not aware of any prevailing wage requirements in Energy Trust's industrial or commercial programs.

Don MacOdrum: It seems there's a greater challenge with respect to Total Resource Cost (TRC) on the residential side. There are replacement programs and measures that help the TRC. There are more downward pressures on costs on the residential side, like getting contractors to charge less, that doesn't happen in other sectors.
Wendy: I echo some of the same concerns Don has. Do you have quality control aspects to the process?
Marshall: We expect contractors to demonstrate their customer service and quality standing, for example by being a three star trade ally in good standing. If you can cut your costs by buying in bulk and delivering that way, it may encourage cost reductions.

Marshall: There is also an RFP for a behavioral pilot, a pilot for in-home energy monitoring and more you can read about in the program one-pagers online.

Kim: These were discussed in the concepts presentation back in July.

Marshall: There are improvement plans like the trade ally portal, automated customer emails, improvements to online reviews, managing delivery costs through online forms and expanding customer participation.

Jim: Market transformation savings are included in the therm savings for New Homes and Products. In 2015 it seems to be the largest source of residential gas savings. To the extent that we can get more definition of the source of savings for residential in 2015 it will help. We might want to say on the top of the column for New Homes and Products that it includes market transformation savings.

Andria Jacob: What does enhanced customer engagement mean?
Marshall: Those are efforts like transactional emails that are automated to save time or improve interactions with the program.

Commercial Sector

Oliver: For the commercial sector the 2015 savings goal is an overall increase for gas by 11 percent and a decrease in electric by about 7 percent. The changes in PGE come from the lower multifamily potential, lower potential in Existing Buildings due to changes in evaluation factors and a smaller New Buildings pipeline. In Cascade Natural Gas there's a leveling off of commercial SEM. This year was particularly strong in commercial SEM. Cascade Natural Gas goals have increased for 2015 in New Buildings to reflect the project pipeline and in multifamily due to our outreach strategy.

> SEM brings in about 19 percent of electric savings. It's a large savings effort for us. SEM savings drops off for gas because 2014 was so strong.
>
> Existing Buildings is delivered through ICF and multifamily through Lockheed Martin with technical subcontractors. The programs provide direct installs, midstream incentives and custom projects. New Buildings is delivered by CLEAResult, formerly PECI. New Buildings offers custom incentives, market solutions, design assistance and training. New Buildings incentives will essentially be the same. We will use cohorts for commercial SEM delivery. A new contract structure shifted some of the dollars from service to delivery, we expect that this contract change will drive contractors to a new level of performance and will make them accountable for recruiting. Incentives will essentially remain the same other than a small bonus for capital projects being discontinued.
>
> New in 2015 will be providing direct installs for small commercial customers; this is offered in conjunction with zero percent financing. We are developing a commercial SEM curriculum to improve and standardize our offering. We will provide tools and recruit new trade allies. We are supporting benchmarking through Wegowise in multifamily and coordinating with the City of Portland to provide input on its benchmarking requirements. Multifamily isn't intended to be part of that.

Don Jones: The sub-metering in multifamily is only for people with central metering, right?
Scott Swearingen: Most have a central water account. This central water meter would serve both cold water and water heating as well.

Don Jones: Will tenants save enough from distributed water heating?

Scott Swearingen: Yes, based on the preliminary estimates for the pilot, and they will be permanent meters in the pilot.

Oliver: We are ramping up our net zero offering in 2015. It will include more case studies, tools and emphasis on design process to get to net zero. There will be a focus on mid-tier data centers and providing training and education. We are looking to support new modeling tools with New Buildings. We are expanding our regional outreach and always exploring financing opportunities. We are looking at TIP Capital Leasing and working with lending allies. We are expanding case studies, Building the Business Case and the video library. We will continue working with NEEA on some of these tools. We will offer new midstream incentives. The Pay-for-Performance pilot is moving forward. The RFP went out a while ago, we have selected two contractors to deliver and are nearly ready sign the first contract.

Andria: On direct installs for lighting is the PMC doing it?
Oliver: The PMC is selecting a subcontractor.

Andria: The City of Portland is one of the partners in SEM. If you are starting to run into problems with management supporting SEM, do you come in and help? I've heard the City of Portland may be having some issues continuing its SEM efforts. Management is asking about the value proposition for the effort.
Oliver: We've had folks stop participating before, and we want to make sure they are engaged. We can work with you to see what more can be done to make the business case to decision makers to keep supporting SEM.

Industrial and Agricultural Sector

Kim: For the industrial and agricultural sector, across the board it was interesting to budget this year with what Peter described; budgeting more closely to what we spend. The industrial sector is lumpy and we had to sharpen our pencils and take a closer look. The majority of our budget is incentives. There is a little bit of a decrease for Cascade Natural Gas in 2015. There are few eligible customers and we didn't want to set high goals we can't reach. There's a lower goal with a decent strategy to find folks and we'll dip into reserves if we need to. We are between megaprojects in 2015. We've had a decreasing trend in Pacific Power. It's not dramatic. Loads have changed in that territory.

> Savings come from tracks within one Production Efficiency program. Custom is most of the electric savings, followed by industrial SEM. We recruited our first-ever central and southern Oregon cohorts. We were able to cross customer sizes. Forty-five sites will be booking savings in 2015. Lighting is still big.
>
> On the gas side, the streamlined track has historically been greenhouses, but it's a lumpy, feast and famine source of savings. Prescriptive measures are difficult to do in this sector. Many of our customers are not eligible as transport customers.
>
> We use PDCs and are fully rolling after last year's re-compete. Custom incentives are working right now. Surgical bonuses are one way we will drive savings. Streamlined industrial has trade ally coordinator PDCs. By and large, it appears the incentives are at the right level. Lighting incentive increases last year seemed to work, and won't change going forward. Where our budget is increasing overall is delivery. We increased the scope of our PDCs. The way to affect change is by intervening and bringing resources to customers. That's where we invest. The investment in additional delivery has been the

main driver in doubling our savings. Our budget overall went down a little in line with what we actually expect to pay in incentives.

We expanded PDC delivery to look for streamlined industrial savings. We have been able to increase our goals in the streamlined tracks in 2015. We will do a heavy push on ensuring good trade ally coverage in every territory. We equip the PDCs to talk about it.

We are expanding SEM for all sizes of industries. The PDC model is already in place, and they can help with SEM delivery. The underserved customers are the small industries. With new approaches and ways to save energy, SEM continues to. Next year continues standardization. We would like to expand from our current 144 SEM customers to between 300 and 500 over the next five years. For our efforts to extend custom services to small industries, we need to use adaptive management: figuring things out as we go. How do we do it cost effectively in concert with PDCs?

Garrett Harris: Measure life for SEM is three years. How long will it be a resource?
Oliver: It varies by program. With commercial SEM we work with a lot of large campuses with multiple buildings. We find that there are only so many opportunities they can handle per year so it makes sense to stay engaged for some time.
Kim: We are not working with them for three years in industrial. It's one year of work with a three-year measure life.
Alan: Evaluations will see how long it persists.

Kim: We are looking in 2016 to launch a continuous SEM offering, which should affect persistence. What do we do after the one-year SEM initiative?

NEEA

Peter: The revised 2015 goal for NEEA is the same goal forecast back in 2013. The important thing to note is the value proposition. You can come down and be part of your cycle and lose track of how cheap the resource is. NW Natural and Cascade Natural Gas are new entries on the NEEA table. Both utilities are interested in great new initiatives. There are very good conversations between groups but no savings yet. Focus areas are shown in the slides.

The industrial sector work will be scaling back in 2015 and 2016 for NEEA. SEM was our savior when the economy tanked. It helped us find cheap savings but took NEEA a little out of the game.

Jim: We are showing 34 percent of therm savings coming for market transformation. The chart shows zero in it. I need a better granular description of the market elements.
Peter: Sure. I don't think it is 34 percent but we can tease that out for you and NW Natural.

Peter: There are staffing changes in the budget: two long-term contractor conversions to full-time employment, a new technical staff in the industrial sector and a planning engineer.

If we fulfill our 2015 goals you would get $525 million in savings on participant bills from activity in 2015. We have a better than 90 to 95 percent customer satisfaction rate. Clean energy will continue to be a valued resource we can provide at a high satisfaction level.

Comments are due by November 19. Materials are on the website, and more will be added. There are specific utility presentations, and a live webinar and OPUC workshop

on November 12. We will come back to the Conservation Advisory Council on November 21. Board approval is on December 12, if all goes well.

Contact us at any time through the email addresses online.

8. Public comment

There was no additional public comment.

9. Meeting adjournment

Kim: I would reiterate what Peter said that the sooner you can get back to us with budget feedback the better. By the next Conservation Advisory Council meeting we will be looking at round one to round two budget changes.

The meeting adjourned at 5:05 p.m. The next scheduled meeting of the Conservation Advisory Council will be on November 21, 2014.