

Strategic Utility Roundtable

July 30, 2014

Board members present: Rick Applegate, Susan Brodahl, Ken Canon, Melissa Cribbins, Roger Hamilton, Mark Kendall (by phone), Debbie Kitchin, Alan Meyer, John Reynolds, Dave Slavensky

Board members absent: Dan Enloe, Anne Root, Warren Cook (ODOE *ex officio*), John Savage (OPUC *ex officio*)

Utility roundtable participants: Jim Abrahamson (Cascade Natural Gas), Scott Bolton (Pacific Power), Bill Edmonds (NW Natural), Carol Dillin (Portland General Electric), Bob Jenks (Citizens' Utility Board), Melinda Davison (Industrial Customers of Northwest Utilities), Megan Decker (Renewable Northwest)

Energy Trust staff attending: Margie Harris, Ana Morel, Hannah Hacker, Debbie Menashe, Amber Cole, Steve Lacey, Peter West, Courtney Wilton, Fred Gordon, Elaine Prause, John Volkman, Katie Wallace, Shelly Carlton, Brian DiGiorgio, Scott Swearingen

Others attending: Juliet Johnson (OPUC), Kari Greer (Pacific Power), Don Jones, Jr. (Pacific Power), Garret Harris (PGE), Tyler Pepple (ICNU), John Charles (Cascade Policy Institute)

Welcome

President Debbie Kitchin called the meeting to order at 10:06 a.m.

Energy Trust Draft 2015-2019 Strategic Plan

Debbie Kitchin welcomed the members of the strategic utility roundtable, and noted this is the first roundtable meeting for Scott Bolton of Pacific Power. The roundtable provides a forum for direct communication between the Energy Trust board of directors and utility representatives from each utility and with other stakeholders, including the Citizens' Utility Board of Oregon, Renewable Northwest and Industrial Customers of Northwest Utilities. This year is particularly important given the recent release of the Energy Trust draft 2015-2019 Strategic Plan.

Rick Applegate, board Strategic Planning Committee chair, outlined the development process for the draft plan. A five-year strategic plan is required through the Energy Trust grant agreement with the Oregon Public Utility Commission (OPUC). It guides future activities and is directly related to annual budget and two-year action plan development.

Elaine Prause presented draft plan details. She mentioned Energy Trust has received considerable feedback already and staff is pleased to be at this milestone. The process started informally last summer at the annual June 2013 board strategic workshop. Development of the draft plan included input from Conservation Advisory Council and Renewable Energy Advisory Council members, staff, industry leaders, utility staff and Energy Trust staff. Feedback received was incorporated into a draft plan originally presented to the board during its June 2014 strategic workshop. Consultations with utilities, advisory councils and others earlier this year further informed the decision to strategies to leverage complementary utility and Energy Trust work, and to follow the lead of the utilities on peak load management and demand response activities they may undertake. At the June board workshop, the board discussed proposed energy goals and strategies in detail. Comments from the workshop directed the proposed wording of energy goals and strategies currently included in the draft plan,

leaving decision making on how to balance among and between strategies up to staff during annual budgeting and two-year action plan development.

Elaine further described the purpose of five-year goals, designed to push the organization to excel over the longer horizon. The renewable energy five-year goals are focused first on supporting market and project development, an area of strength for Energy Trust. This is followed by a quantifiable renewable energy goal to acquire generation of 10 average megawatts (aMW). This is in line with Energy Trust's funding abilities.

The energy-efficiency five-year goals are to acquire electric savings of 240 aMW and natural gas savings of 24 million annual therms (MMTh). Both goals were constructed in a similar way, grounded in utility resource plans. First, staff used a 20-year resource assessment that identifies all cost-effective, commercially available efficiency. Then staff considered various layers, including the role and history of emerging technology. Those resources not included in current resource plans such as large combined heat and power or data center projects, and additional resources currently not cost effective that may be allowed through an exception process with the OPUC, were also added. The June board workshop discussion presented and evaluated each of these layers and the board then set the goals listed to be beyond the known amount of cost-effective energy efficiency, thus pushing the organization further to account for and consider emerging technology and other opportunities that historically have arisen.

Elaine described the three main renewable energy strategies: to support the five eligible technologies, emphasize market and project development and to use competitive approaches to allocate funding. Though staff will continue to emphasize project development to bring better projects to market, this represents a small portion of the overall budget. The majority of available renewable energy funds remain for incentives.

Carol Dillon asked if there is a reallocation of funds from incentives to a greater role of market support?

Elaine responded that the annual budget will tilt more toward project development assistance than in the past and comparatively, those funds still will not be as significant as incentive dollars allocated for project completion. Each year's annual budget process will include a clear distribution of the proposed allocation.

Carol followed up by asking whether there is any indication of how it affects cost to customers?

Elaine responded that there is a significant cost impact to project developers themselves. The Energy Trust role takes down a barrier to project completion by providing project development assistance, designed to motivate developers to advance projects toward the next step of development.

Margie Harris added that this is also similar to the impact of reducing soft costs on the solar side. To the extent we can reduce those costs, it benefits everyone.

Elaine reviewed the four main energy-efficiency strategies and the four strategies that cut across all energy programs. New to Energy Trust strategic plans is an operations goal and strategies, which helps Energy Trust focus internally on process improvements and efficiency gains in support of the organization meeting its goals. Inclusion of this as a specific goal also dovetails well with the Management Review completed every five years.

Public comments on the draft plan are due August 26, and then an update will be provided to the Conservation Advisory Council and Renewable Energy Advisory Council before the final plan is presented to the board for review and potential action at its October 1 meeting.

Open discussion on energy efficiency goals and strategies

Bob Jenks asked about PGE's statement in their IRP rate case, regarding not being able to achieve all the energy efficiency in their IRP because of constraints on funding for industrial efficiency. Does this draft plan reflect that or assume the problem will be solved?

Elaine replied that with PGE, we have assumed limited funding for greater than one aMW customers, resulting in some potential being removed from what is otherwise available.

Bob further inquired that if the long-term goal is to acquire all cost-effective energy efficiency, does this plan not do that because of that funding constraint, which is not a cost-effectiveness constraint?

Elaine assured this is correct, limited funding for greater than one aMW customers is a funding constraint and is reflected in the draft strategic plan. For years 2015-2019, the estimated potential for large sites that exceeds the existing funding constraints is shifted to higher cost efficiency acquisition at smaller sites. The impact of this shift is net reduction of 3aMW to the base case than if there was not a funding a constraint.

Carol added that PGE's IRP folks looked at this and they see a falling off in the next five years. Despite constraints on large customers PGE thought the goal was beyond ambitious and would like to meet with Energy Trust staff to talk through the assumptions used. This is significantly higher than what PGE calculated in IRP and they would like to discuss what has changed.

Elaine ensured that we will meet with Brian at PGE next week to gain that feedback.

Regarding energy efficiency, the board pointed out some very interesting trends. Are we incorporating the IRP process into our strategic plan or are we behind? For example, one challenge for us to meet these targets is a flattening of loads due to saturation of the appliance market; that opportunity may be closing. Also, does the strategic plan reflect the increase in multifamily residential housing construction, which is 40 percent more energy efficient than single-family homes? How are these integrated into the plan? Elaine stated that to an extent, we have reflected such examples in our resource assessment. Multifamily is considered in the assessment and part of the potential.

The board mentioned that with multifamily, they also have a higher load of electricity, which affects the fuel split. This filters through what is available in terms of matching the forecast with resource potential. In addition, data centers are not living up to expectation in terms of consumption as they are constructed more energy efficiently than originally thought.

Margie added that we work with each utility to update their IRPs approximately every other year. These are the source documents for how these goals were set. And then we revisit annually during the budgeting process. To answer the board's question, we are linked to IRP and their resource assessments.

The board described the assumptions behind the electric goal. On page 5 of the draft plan, the initial calculation of 218 aMW is what Energy Trust would acquire with current technology. However, the board is intentionally being more aggressive and reaching higher than that. The board understands IRPs are based on current technologies. The difference between 218 aMW and 240 aMW results from the board workshop discussion and the board wanting to push the envelope.

Carol added that PGE's IRP folks want to reconcile that and understand what is behind the push.

The board mentioned there were two reasons to go to 240 aMW as the electric savings goal: emerging technologies and greater participation. In efforts to expand participation, staff will look at whether there are any underserved groups of customers we can reach more effectively in the future, including customers with English as a second language or more rural customers. These are areas where Energy Trust has the potential to expand and capture more savings. This would open up potential new sources of savings.

In picking a number like 240 aMW, the board recognized there is no magic formula in arriving at the number. It is a good number to test and discuss further. Is it the right one? Should we anticipate emerging technology or is the aggressive push counterproductive?

Elaine added that prior to the draft strategic plan, we updated the resource assessment study to add emerging technology as a piece we had not included before and which is not included in the IRP for PGE. Another example is the larger projects we had not foreseen that did come through. She agreed it would be good to walk through the differences with the PGE team.

Carol contributed that with examples of where Energy Trust and PGE were successful with some technologies, like ductless heat pumps and heat pump water heaters, maybe we could have a conversation on emerging technology and bring in a third party like Lawrence Berkeley Labs and see what is out there. It could be a workshop on what emerging technology really looks like. Maybe in quarter four and others would be welcome.

Bob added that this could be done under the auspices of IRP and Carol concurred.

Bill Edmonds mentioned that he was at the board workshop and understands the goal is aspirational. He brought the gas goal to NW Natural's IRP team, and the strategic plan is close but more than their IRP, which takes out measures that are "in question" given cost effectiveness. Those were stripped out and here you have a sense of optimism and may have included them (for the electric goal). It makes sense NW Natural's IRP is being careful around OPUC Docket 1622 and it is up to Energy Trust on how to account for that.

Elaine responded that for the gas goal, we checked our emerging technology and cost-effectiveness assumptions to make sure the gas goal was equivalent in terms of the level of risk that is incorporated into the electric goal. After further review, we realized some emerging tech we identified should be pushed out a few years before such technologies become commercially available. The gas goal was then adjusted accordingly. Also, given gas cost effectiveness challenges, the total savings goals was reduced. Even if we do receive cost-effectiveness exceptions, we may have to reassess a program or set of offerings and that could affect the overall volume of projects and savings to be acquired. So instead of 25 MMTh, the goal came down to 24 MMTh.

Jim Abrahamson contributed that Cascade Natural Gas has been involved in this process and understands where the 24 MMTh goal comes from. Cascade supports it, recognizing it is more on the aggressive side, which we will see over time. Cascade also recognizes we have UM 1622 out there and it may play out in a way that helps provide some exceptions to continue gas measures. Washington State is becoming more aggressive to reduce carbon emissions, utilizing energy efficiency as a method to assist with that when energy efficiency is hard, measurable, consistent and long term. On the natural gas side, there are very few end uses we can deal with especially on the residential side. And in a home, it is hard, detailed work to tighten up the structure. So energy efficiency is harder and more expensive on the natural gas side. Cascade agrees with the 24 MMTh goal but is a little on the skeptical side that it can be achievable.

Open discussion on renewable energy goals and strategies

Scott Bolton explained that Pacific Power thinks the shift to a project development goal first does make sense; the incentive world is uncertain and will be for some time. Helping project developers or customers, especially with the interconnection process, does help, makes sense and provides a better experience for those accessing the programs. A caveat, which Pacific has brought to the board before and to staff, is to ensure where incentives are used or where programs are engaged that those projects are within the service territories of the utilities, directly benefit the customers of those utilities and contribute to the renewable energy goals of the utility. The more geographically aligned with utility territory the better. We understand Pacific's territory is spread out and there are some opportunities along the border of territories. Pacific hopes to see this in the strategic plan or utilized on the operations side.

Megan Decker added that with the shift in emphasis to project development first and then generation, I feel this has been going on for a few years. She wondered, in Energy Trust's experience of making that shift, if the organization has discovered any best practices for measuring impact on market development. Renewable Northwest sees solar soft costs as an example and are there others? As we move dollars away from the generation goal, how are we describing the impact and benefit? Megan mentioned that she can tell from staff conversations this is a positive shift and would like to know more about it.

The board acknowledged Megan's concern, as well as Carol's on serving market development as Energy Trust's mission is above-market costs. This also involves finding operational efficiencies, finding synergies where one can combine two different goals and help a project move forward. There are two ways to cover above-market costs, one is to provide an incentive and one way is to reduce the above-market costs. The board is comfortable with the approach.

Elaine elaborated that last year was the first year of restructuring OPUC performance metrics to identify project development assistance first and generation second. The report on that was just submitted to the OPUC in April. Once this draft strategic plan is complete, we will go through each technology and map out the longer-term vision, milestones and concrete actions. We will report in budget and action plans.

The board requested having this information in the draft strategic plan would be helpful, that further steps are to evaluate by technology, without getting too deep into action plan details.

Peter West contributed that we can document what we have done before and presented at the Renewable Energy Advisory Council. We have been revealing what we are learning as it occurs and we can summarize it all in one spot. Scott Bolton mentioned one thing that got us motivated down this path is interconnection support and narrowing the range of the cost estimate, which could be \$75,000 to \$1 million. This is a very difficult range for a project to plan around. Another area is the permitting process. A little bit of money on our end and more on theirs gets them to move forward. Project development assistance also serves as an informal screening process and if a project falls off, it is less money and time on our side if that happens in the earlier stages than after full support has been provided by staff and it falls off at the end. It saves us and developers money if we get better at screening, and helping the projects get to a better place when they come to the Trust.

Megan agreed that qualitative descriptions are helpful in understanding what the shift means.

Peter added that he agreed it makes sense to pull it all in one document.

Carol requested Energy Trust share what other entities are doing in this space and how our approach is different.

Peter elaborated that other entities deal with this through their energy offices as opposed to the utility or the Trust's role; this is a unique role for Energy Trust. Other states also pick a technology to support, whether it is solar in Arizona or landfill gas in New Jersey. Rhode Island and Maryland are starting to do similar work as Oregon but it is through their energy offices. Peter assured we will look into this.

The board recalled something that came up at the June workshop was looking at storage in relation to renewable energy to match peak load. Can we take a better look at that? Is it in the plan? The board asked that we think about putting it in the plan.

Megan raised a similar question as storage; that is demand response. Does the plan include technologies that may blur the line on demand response and utility peak capacity?

Scott suggested that at some point that's judgment. It is a good question as to how it shows up in the plan. He was unsure how we can articulate that line in the strategic plan. Regarding the storage point, to the extent that technology is commercially available and directly benefitting customers it can make sense. But when it ranges to research and development, Scott was not sure that is the appropriate place for Energy Trust and customer dollars to be employed.

The board asked for clarification on whether Scott was saying we should stay closer to dollars and aMW.

Scott explained that certainly on the energy efficiency side it is cleaving to IRP and beyond. For renewable energy, it is not the primary focus but does add to the mission. Customer dollars need to be spent transparently and visibly to the community, and be directly beneficial to the customer or their community. He recommended Energy Trust have some caveats around that to ensure we are staying within tried and true and not going into research and development.

Megan suggested that when we are looking at emerging technology and find a renewable energy technology combination is improving performance of energy efficiency, and it is not just delivering aMW but aligning with peak, that is something that should be a goal of Energy Trust to be involved with or track. Energy Trust needs to be using incentives and staying in balance between diversity and community benefits with delivering the best project performance for the dollar.

Scott added that when he said judgment, he meant that is the step where Energy Trust needs to partner and work with the utility to ensure there is a common vision and that it adds mutual benefit for customers.

The board concurred this point addresses how we should collaborate on new and emerging technology.

Carol had a similar comment on energy-efficiency technology and her suggestion to have an annual session on what is really emerging technology and what is still not ready for commercial application.

Open discussion on overall strategies

Regarding how to reach more customers, Carol stated that it is a message Margie has shared before. PGE feels it does a good job reaching hard-to-reach customers and they encourage Energy Trust to

work with them. PGE just completed an appliance saturation survey and knows where gaps are. They have up-to-date research they can share.

Scott seconded Carol's point. This is a point where utilities are eager to partner and engage and have a lot to offer. As the Trust looks at this, micro-targeting customer segments, they have experience, a lot of interest and need. This is a place we can uniquely work with the Trust.

Bill agreed. Savings Within Reach is getting to near low-income customers. We need to make sure offerings for low income, near low-income and standard income customers have breadth; that all customers are covered and that customers are handed off efficiently. Bill mentioned that NW Natural also has its eye on renters. They are willing to partner where they know something that Energy Trust could use.

Bill added that cost streamlining is particularly critical on the gas side as we struggle through cost effectiveness. Where there are places where partnering may reduce costs, streamlining should be sought. Like the thick report we get quarterly full of detailed budget information. It is all for budget transparency but that much is not what they need quarterly, though maybe Jason Eisdorfer at the OPUC needs. The Conservation Advisory Council gets a higher-level look and that is what Bill stated he needs.

Jim concurred, adding that Cascade Natural Gas is interested in partnering and working with Energy Trust ongoing, and a lot of issues Bill brought up apply to Cascade, too.

The board asked about the utility perspective on increasing collaboration in existing markets and the strategy to expand into other complementary programs and services being offered whether through economic opportunity or water resources. Any insights into issues emerging that may be complementary to energy efficiency or renewable energy strategies?

Jim responded that as he looks at strategies and goals, and given his previous statement of hard, measureable, long-term savings, he wonders if the tasks before Energy Trust are hard enough already to get super ambitious and roll out into other areas.

In the operations goal, the board mentioned it might collaborate with utilities to use market research.

The board added that Energy Trust is in the middle of a Management Review and the first draft is out today. Energy Trust asked the consultant to link up to the draft strategic plan and there are some connections. One reason there is an operations goal is to be reflective of how Energy Trust might change the approach to the work, improve the overall experience and be more efficient.

Regarding the operations goal, Jim observed that he thought it was just jargon and more operations aspiration. However, the strategies brought concreteness to the goal. Energy Trust may want to collaborate with others to really get at establishing operations goals and metrics.

The board asked if the operations goals language should be adjusted.

Jim recommended adding a few more action words to connect with the strategies.

Wrap up

Carol expressed appreciation for the opportunity to comment and participate. She particularly appreciates the partnership with Energy Trust over the last 12 years. Carol also encouraged staff to

provide clear, transparent and detailed information, especially for utilities, making it easy to identify areas of emphasis.

Debbie thanked attendees for their participation, adding that it is useful for board members to have this type of discussion and hear the various perspectives. There will be more work from staff and this gave the board an opportunity to hear firsthand from utilities and stakeholders.

Adjourn

The meeting adjourned at 11:24 a.m.

/s/ Alan Meyer
Alan Meyer, Secretary