**CONSERVATION ADVISORY COUNCIL**
Notes from meeting January 17, 2007
*Attending from the Council:*
Steve Bicker, NW Natural
Suzanne Dillard, ODOE, by telephone
Don Jones Jr., Pacific Power
Paul Olson, Oregon Remodeler's Association

Lauren Shapton, PGE
Dave Tooze (for Andria Jacob), City of Portland Office of Sustainable Development
Steve Weiss, NW Energy Coalition

*Attending from Energy Trust board:*
John Reynolds

*Attending from the Energy Trust of Oregon:*
Fred Gordon
Margie Harris
Steve Lacey
Elaine Prause
Jan Schaeffer
Diane Ferington

*Others attending;*
Jeremy Anderson, WISE
Paul Berkowitz, CSG
Jeff Branch, Gagle's Heating
Kyle Diesner, City of Portland Office of Sustainable Development
Pamela Elliot, CSG
Mark Gagle, Gagle's Heating
Lori Koho, OPUC, by telephone
Corban Lester, CSG
Mary Mann, Goose Hollow Windows
Nick Parsons, Lockheed Martin
Genevieve Sherrow, PSU student
Rowda Skinner, CSG
Bob Stull, PECI
Aaron Wines, Lockheed Martin

## 1. Introductions and announcements

Steve Lacey convened the meeting at 1:35 pm, reviewed the agenda (deferring the first item, housekeeping, to the February meeting in recognition of the weather conditions) and asked attendees for self introductions.

## 2. Business Energy Solutions – Existing Buildings 2007 incentive changes

Nick Parsons reviewed proposed incentive changes, intended to stimulate the market:

- Additional $4/kBtu/hr for total $6/kBtu/Hour
- Add back $15 per unit for ENERGY STAR compliant exit signs
- Add back delamping incentives at $5/lamp for prescriptive and custom lighting projects
- Raise incentive for high-performance T-8s from $15 to $20
- Lower minimum savings for lighting projects from 30% to 25% and reduce minimum payback from 3 years to 1 year in order to align with BETC
- Raise lighting incentive cap from 20% to 25%; raise not to exceed incentive cost per kWh from $0.10 per kWh to $0.12 per kWh – brings custom lighting incentives in line with noncustom measures
- No change to custom nonlighting incentives

Steve Lacey asked for comments. He said he had a conversation earlier today with Mat Northway, who thinks the changes are reasonable and straightforward, and he supports this attempt to simplify the process. Steve said these increased incentives will be funded in part by new funds from the Conservation Rate Credit.

Steve Weiss asked for more explanation of why we lower and then raise incentives. Steve Lacey said this was necessitated last year when demand exceeded supply of funds. This year we're adjusting to fine-tune our incentive levels and stimulate new interest that was somewhat discouraged last year. Fred Gordon noted we know the supply but not the precise triggers to manage demand under constantly changing market conditions. Steve Lacey said we try to resist changing incentives more frequently than annually.

John Reynolds asked if, when we decommission a double-duct system, is the second duct typically left in the building? Nick said he didn't know; this probably depends on the project.

### 3. Proposed changes to Production Efficiency program

Elaine Prause said our field representatives tell us the market has changed. The market has taken a downturn for many industries. The 2008 pipeline is empty. Program changes give us something new to market and add excitement. Proposed changes are:

- Increase non-lighting custom project incentives from $0.12/kWh to $0.15/kWh
- Remove the three project/year limit
- Reduce minimum simple payback from 2 years to 18 months

She noted lighting incentives would be in line with those newly changed for the Existing Buildings program.

Paul Olson asked why the 2008 pipeline is empty. Steve said in '06, in reaction to a surplus of demand threatening to outstrip available incentive, we deliberately had our outreach contractors (PDC's) dial back on outreach and concentrate on facilitating project completions. Paul asked if the reservation system impacts this. Steve said the reservation system helps us provide better information to direct PDC activities for more or less outreach and gives us better control over demand.

Steve noted the biggest matter is the proposed increase in custom project incentives. The increase to $.15/kWh should result in a program that falls well within the 2 cents/kWh levelized cost performance measure we need to meet for the average of all programs. Lockheed Martin advises this change is needed to re-stimulate the market. He noted we've increased the budget for outreach contractors as well.

Steve asked if there were any issues, explaining we intend to implement the changes right away for any new incentive offers.

## 5. Proposal to eliminate web posting of incentive availability

Steve Lacey explained we implemented reservation systems for Multifamily Home Energy Solutions and the Existing Building and Production Efficiency programs. Since then, we've implemented a new forecasting approach, done quarterly, whereby PMCs forecast incentive spending 12 months forward, all using the same format. This has proven to be an effective method of communication between Energy Trust and PMCs. Increased use of our FastTrack system helps PMCs and Energy Trust access the same information and run identical status reports.

We implemented regular web posting of incentive availability before these systems were fully in place in response to these programs' oversubscription. The purpose was to let participants and trade allies know how much funding remains. This was envisioned as a temporary tool during this period of oversubscription.

Because the incentive amounts posted are but a snapshot in time, relying on them can lead to a distorted understanding of funds available. Feedback from trade allies, ATACs, PMCs, PDCs and participants indicates that the postings are confusing, misinterpretation of numbers may be occasionally turning projects away, and the pages themselves are not heavily used. Given these factors, and the fact that we have no foreseeable short-term funding constraints, we prefer to have would-be participants contact us directly to get information on the program.

Steve said we recommend keeping the reservation system in place but open the doors wide to allow all qualified projects to come in. Keep the process in place if needed in the future. Discontinue posting dollar amounts for incentives committed, proposed and available by year. Instead, maintain a brief message on program pages such as "Incentive funds are available for projects to be completed in 2007, 2008 and 2009. Please contact the XYZ program to learn more about the incentive reservation process.

Paul Olson said he thinks this is a good move. He asks whether we will use the same scoring system. Steve said we wouldn't need to score anyone so long as there are plenty of available funds. Mary Mann asked about multifamily requirements; Steve said the requirements would remain in place.

Nick Parsons clarified the commercial lighting program will continue to keep track of scores. The top-ranking projects will continue to go through for funding. Right now, all applications are being approved, as there are sufficient funds. Fred Gordon noted that program demand for commercial lighting changes especially quickly.

Lauren said she thinks it's appropriate to retain the reservation system, and to remember the importance of managing the message if money starts getting tight. We don't want "sky is falling" messages as happened last year, when the word on the street was that there were no available funds. She advised creating messages now so they are ready if and when funds become tight again.

Paul Olson agrees it is better to let trade allies and PMCs baby-sit the projects and help participants through the system.

Steve Bicker agrees with Lauren. The CAC may be a good venue for testing some of those messages, to make sure they are going to work for our customers. He thinks communications (outreach, marketing) is a better approach to managing demand than routinely changing incentives.

Steve Weiss said there always will be a drive to have income perfectly match outgo. It's almost impossible to do this. He thinks we may need a larger discussion with the board about how to meet demand as it grows. He would rather have additional funding provided to meet the higher demand, rather than throttle back on demand. Margie Harris noted the existing forecasting approach has allowed us to ask the board to reallocate funds among programs.

Don Jones spoke in support of the proposed change. He said that if you have other tools in place that are adequate, posting dollars available is not desirable.

## 6. Home Energy Solutions – Existing Homes 2007 proposed incentive changes summary

Paul Berkowitz said he will explain how we got to our proposed incentives for 2007. He noted we had a meeting with about 100 trade allies a week ago where we previewed incentive changes. We are working with trade allies to find ways to streamline processes and address concerns. Steve said we are going to discuss these proposals today and again in February and seek CAC input before settling on a package to implement starting Mar. 1.

Paul said the HES program includes stick-built single family homes, small multifamily (2-4 units), larger multifamily (5+ units) and mobile homes. We were planning another meeting in Grants Pass with trade allies but have moved it into February due to weather.

Paul handed out an errata sheet noting that the original copy of incentives sent to HES contractors in advance of the CAC meeting had an error on the duct leakage test which stated an incentive of $25. The duct leakage test incentive remains unchanged from the 2006 and is $50 not $25.

Paul said we look at this as a walk-in program. We train trade allies in some measures. We don't know which measures are going to come in. It's hard to forecast individual measures. We did about 8,000 furnaces last year and 1,000 heat pumps last year.

He said we analyze residential program data constantly for market potential and measure requirements. We combine gas and electric incentives into a single category. We want to offer tiered incentives, paying more for larger savings. We align measure requirements by region. We want to encourage more air and duct sealing using contractor spiffs. We're looking at adding heat pump commissioning, for consistency with the RTF. We plan to add new measures – SF/MF tankless water heaters, MF lighting, and MF clothes washers. We seek to combine Energy Trust incentives with Oregon and federal tax credits, and offer help with paperwork.

He noted there was an impact evaluation last year, which debited savings due to free-riders and better estimates of site savings… We change approaches guided by results, such as putting CFLs in high use (3 hours on at a time) fixtures. He offered other examples of this effort to improve engineering estimates of savings from measures.

He provided examples of data analysis defining market potential for insulation and ducts. He itemized weatherization incentive groups (shell insulation – attic, floor, wall; windows, duct and boiler pipe insulation, air sealing and duct sealing. He noted HVAC incentive groups (gas equipment, electric equipment, domestic hot water, heat pump commissioning, bonuses and spiffs).

*Single family weatherization*. Paul reviewed proposed changes in single family weatherization for 2007. He noted we are trying to target the incentives for higher spending to get a little bit better bang for the buck.

Paul Olson said he is struggling with the recommendation to pay different amounts based on the preexisting insulation levels. There's a lot of opportunity for gaming the system for jobs that are near the margin between the two categories: an incentive for trade allies to represent existing levels that are in the best interest of the customer. This seems to be going in the opposite direction from simplification. Steve said the determination of existing levels would be left to the trade ally's judgment and that program staff would not be second-guessing.

Jeremy Anderson from WISE thinks the matter of determining existing insulation levels is complicated, given the different insulating values of different kinds of insulation and installation practices.

Paul Berkowitz said any incentive can be gamed. We do quality assurance on 10% of our jobs to discourage this. We realize the determination of existing insulation levels is complicated. We trust our trade allies to come up with something reasonable to get the best value for their customers.

Paul Olson continued arguing for a no-tier insulation incentive as easier to administer and simpler for the contractors.

Steve Weiss said the system may tend to punish the more honest participant or trade ally. He's not against the tiered concept for furnace models, for instance.

Diane Ferington suggested the alternative of having a single incentive for R1 and up, and a spiff for R0.

Jeremy said contractors don't support spiffs; they would rather the spiffs go to the customer. Mark Gagle said if a contractor wants a spiff, they are not the type of contractor whom the Energy Trust wants in the program. Those contractors are not thinking of the customer or the energy savings.

Mark Gagle said there are a lot of HVAC systems from the 50s, 60s, 70s etc. A lot of older homes would get huge energy savings from an 80% gas furnace (from a 50% efficient oil furnace). Fred Gordon said we looked at an "early retirement" incentive for old furnaces. He said we are within 1-3 years of getting the market transformed at the federal level to 90% efficient furnaces; to support 80% furnaces could potentially undercut this effort.

Paul Olson said the program works for single family and multifamily. We'd like to see people do more, and don't object to raising incentive levels. He would rather see customer get incentives rather than see the Energy Trust pay a spiff to the contractor.

Steve Bicker asked Paul Berkowitz how much of the motivation behind tiers is to be able to pay more for a house with no insulation. Paul Berkowitz said yes, this is important. Paul Olson said customers with 0 insulation in attics don't need an incentive because they're paying a lot for heat. Steve Lacey said he hears objection to offering tiered incentives for ceiling insulation, but possible support for offering them for floor insulation.

*Single family HVAC – gas*. Paul Berkowitz reviewed the proposed 2007 program. Proposed changes included tiered incentives for gas furnaces 90-94% AFUE and 95% AFUE, incenting boilers at same level that gets BETC (88% AFUE), $200 for tankless water heater. Incentives for direct vented unit heaters and gas furnaces would be unchanged.

*Single family HVAC – electric*. Paul proposes more tiers for different heat pump upgrades or replacements with an 8.5 HSPF incentive level to be in alignment with Bonneville's requirements. He proposes an

incentive for commissioning (Check Me or comparable approach) to satisfy PTCS requirements in the region. He feels its worthwhile offering contractor funds to commission the heat pump properly until they have developed experience and skill in doing this.

*Large multifamily weatherization – electric.* Paul noted here we also propose tiered incentives for attic insulation. He noted all the measures are set to meet the $0.15 cents per kWh threshold, so a cost effective screening of each application is no longer necessary. He assumed the group would not support tiered attic incentives; Paul Olson confirmed this. Re windows incentives, Mary Mann suggested reducing the double-glazing incentive and increasing the incentive for single-glazed windows at U-30. She suggested going from $1.60 for double-glazed windows up to $4.00 for .30 U-value single-glazed windows would have a greater effect of moving that market. Jeremy commented that unless the incentive is enough to cover the cost of going to a higher efficiency window, people won't choose the more efficient one. Paul Olson suggests not introducing another change without a lot of thought.

*Large multifamily weatherization – gas.* Paul said the changes are similar. No comments.

*Large multifamily HVAC.* Paul reviewed proposed changes. John Reynolds would like to see an incentive package combining solar water heating and tankless water heating. No other comments.

*Large multifamily lighting and clothes washers.* Paul reviewed proposed incentives for 2007. No comments.

*Small multifamily (2-4 units).* Paul reviewed proposed incentives for 2007. No comments.

*Mobile homes.* Paul said we work with duct sealing specialists to sell duct-sealing and air-sealing. Things are not proposed to change in this program.

*Bonuses and spiffs.* Paul proposes $100 for 3 measures per building, and contractor spiffs to induce more duct sealing and air sealing. Paul Olson asked why it is proposed to eliminate the $50 spiff for two measures. Paul B said the intent is to stimulate more measures. Paul O thinks there are a lot of folks who can barely be pushed to pay for two measures. He would like to see data on how many projects would be lost. He thinks the $50 is a declaration by Energy Trust that this is important. Paul B asked if the $50 really is inducing that second measure, or are contractors doing it anyway. Paul O said it provides an opening.

Paul Olson said he would prefer adding the $50 duct- and air-sealing spiffs back into the incentives. Paul B said the effect on the incentive budget would be very small. Paul O said that's fine. Corban said the contractor can choose to pass that spiff on to their customers. Mark Gagle said that he understands the ideas but he thinks that putting the money in incentives is more effective than spiffs. . Diane suggested making it a customer bonus for air or duct sealing instead of contractor spiff since the contractors were opposed to spiffs. Steve Weiss said spiffs have a sleazy cultural history – payments under the table to used car salesman to get rid of the "lemons" on the lot.

Jeremy Anderson noted there is no attic ventilation incentive now. Attic ventilation may be needed to rid an attic of moisture and avoid breaking down insulation. A relatively low incentive of say $10 per vent, $50 per house, would have an incredible effect. He said he hadn't noted duct sealing on multifamily; Steve Lacey said it's there. He would like to see a higher incentive for duct insulation. Fred said the impact evaluation shows there is much less savings than expected for duct insulation; the study results didn't make intuitive sense and we are investigating this further. Until this is sorted out, he doesn't support increasing the duct insulation incentive. The contractors feel that one of the best

opportunities for energy saving is duct insulation on older homes built prior to codes requiring tape or joint sealing.

Steve Lacey concluded that this is the first vetting of this topic. He would like comments by Feb. 1 so they can be reflected in the revised proposal brought to the CAC in February. Fred noted they haven't finished the cost effectiveness calculations on each of these proposed measures; he thinks most will pass but cannot be certain.

Mary Mann asked if incentives are for multiple units in a four-plex or not. Steve Lacey said the incentive is based on the square footage of the entire building and the cap applies to the building and not individual units. Paul Berkowitz said OSD is working on how condos are treated. Basically, if all owners participate and the homeowners association signs an agreement, condos will be eligible. A condo policy was included in the handout by Paul at the beginning of the meeting.

**7. Savings forecast**

Fred Gordon noted new analysis shows in the best case, Energy Trust is projected to come close to the long-term goal in electric and surpass it in gas, given existing resources. This represents acquiring more than half the available resource in residential and industrial but much less in commercial. This suggests directing a large portion of any added funding to commercial. On the gas side, we might get 23 million therms best case, assuming maximum market transformation on-time performance. Staff is suggesting a 21 million therm goal, and increasing the cap on levelized cost per therm from 30 cents to 40 cents. This would allow raising incentives to capture more savings where warranted without exceeding the new cap. We are discussing these changes with OPUC staff.

Paul Olson said it would be interesting to understand these conclusions more completely. Fred said we will bring the topic back at the next meeting.

*The meeting adjourned at 4:10 pm.*