CONSERVATION ADVISORY COUNCIL
Notes from meeting April 18, 2007

Attending from the Council:
Steve Bicker, NW Natural
Suzanne Dillard, ODOE
Andria Jacob, City of Portland Office of Sustainable Development
Ken Keating, BPA
Mat Northway, EWEB
Paul Olson, Oregon Remodeler's Association
Stan Price, NEEC
Lauren Shapton, PGE

Attending from Energy Trust board:
Debbie Kitchin
Alan Meyer
John Reynolds

Attending from the Energy Trust of Oregon:
Tara Crookshank
Phil Degens
Diane Ferington
Fred Gordon
Steve Lacey
Spencer Moersfelder
Sue Meyer Sample
Brooke Nelson
Jan Schaeffer
John Volkman
Kendall Youngblood

Others attending;
Dana Cofer, PECI
Tom Giffin, SAIC
Christine Kautzman, Cascade Natural Gas
Will Miller, Lockheed Martin
Greg Nelson, PGE
Nick Parsons, Lockheed Martin
Lisa Rehbach, PECI
Ken Self, Lockheed Martin

1. Introductions

Steve Lacey reviewed the agenda and asked for self introductions.

2. Energy Trust Contracting and Delivery Models Evaluation

Phil Degens gave background. We started the evaluation in November. As we've been in business for five years, we wanted to see how well our program delivery model is working. Research Into Action was contracted to conduct the study. Today we will review preliminary findings and get direction for finalizing the report. We've presented to Energy Trust management, the board evaluation committee

and, this morning, the Renewable Energy Advisory Council. We will use the report to frame the discussion and direction on program delivery design enhancements.

The evaluation relied on interviews. Forty-seven interviews were conducted with Energy Trust staff, Program Management Contractors (PMC), Program Delivery Contractors (PDC), trade allies, Allied Technical Assistance Contractors (ATAC), Energy Trust stakeholders, utility stakeholders and other organizations.

The evaluation noted Energy Trust uses a variety of models – PMC, mixed and internal, with similar versions of the PMC model used for all large efficiency programs. All of the models use third party contractors to some extent, selected through competitive procurements. Energy Trust programs are perceived by almost all the parties interviewed to be working well to achieve savings goals. The competitive procurement process is viewed as a key element that ensures cost efficiency.

Looking at similar organizations, researchers found the PMC model was often used for residential programs, less often for commercial and fairly rare for industrial programs. Similar organizations to the Energy Trust select delivery models based on market conditions, the degree of control they wish to have and policy considerations (e.g., cap on FTE). Program delivery costs do not appear significantly different across model types. Energy Trust compares favorably when analyzing costs of electricity savings. Communications with contractors is an issue that requires attention with any delivery system (not just the PMC model).

Regarding the Energy Trust PMC model, researchers noted the PMC process brings outside expertise that could not necessarily be acquired internally. The competitive process keeps program delivery cost efficient. Energy Trust PMC relationships are collaborative. The PMC model has been very good at quickly rolling out programs, achieving savings goals and engaging trade allies.

Main issues found to exist with the Energy Trust PMC model included communications (not limited to PMC contractors), coordination with other programs, PMC focus on contract goals, aligning PMC and Energy Trust goals, complying with Energy Trust requests, cumbersome contracting process, difficulty in engaging customers and developing long term relationships, potential for conflict. Conflict may occur because PMC needs to maximize profit, grow their own business.

Researchers found that Energy Trust staff is aware that being a lean organization is important to the way it is perceived, and that low staff levels is how many parties describe "lean". Staff also agrees that there are other more complex but more relevant ways to judge efficiency and effectiveness, but staffing is easy to measure. No staff consensus exists regarding the efficiency of specific delivery models. Internal program delivery was perceived as an avenue to address some issues associated with aligning goals, communications and marketing, data management and developing long-term relationships with trade allies and customers.

With respect to program experience, researchers found customers and trade allies reveal a moderate to high level of satisfaction in most of the programs. Energy Trust is viewed as becoming more bureaucratic over time by some. Miscommunications about funding availability and project forecasts in 2005 and early 2006 are still coloring many stakeholders' perceptions. While Energy Trust staff would like PMCs to engage more with customers, PMCs and other trade allies encourage Energy Trust staff to "get out more."

Conclusions include the sense that anticipated changes in the Oregon energy efficiency environment (e.g., new legislation, integration of efficiency with integrated resource planning) do not require a major

change in the way Energy Trust delivers its programs. The main weakness of the PMC model is that it is applied the same way across all current programs and sectors. The major benefit is that Energy Trust is perceived as administering public funds in an efficient and effective manner with minimum overhead. Energy Trust would be more able to respond to market changes if it allowed the delivery model to be determined by market needs and not be driven by the need to meet expectations of external stakeholders. Any changes to delivery models should be based on in-depth market analysis.

Recommendations included the need for Energy Trust to communicate that competitive procurement is the key to cost effective program delivery and not a particular model. Energy Trust needs to communicate that the most effective delivery model is determined by market conditions and not a single approach to program delivery. The researchers suggested using the Production Efficiency (PE) program as a case study, to explore options to modify the current delivery model and assess whether any are, for that program, preferable to the existing model. Before rebidding any program, Energy Trust should perform a detailed market assessment to determine if and how program delivery and design should change.

Will Miller is concerned about using PE as a case study for developing a different delivery model. He has heard rumors about bringing PE internal. If you do that, Will believes that what you may end up having is not a Production Efficiency program but more like a typical utility industrial efficiency program focused on lighting, compressed air and motors. One reason the PE program was successful is having a guy in the industry for 35 years. He had personal relationships and the ability to establish them quickly. He questions whether the program would be as successful if there weren't such an individual holding the controls.

Fred clarified the report recommends not necessarily changing the PE delivery model but studying pros and cons and deciding *whether to modify* the management and delivery structure. Will asked if there would be time to do this before the BE/PE RFP is on the street? Steve said probably not, so we may extend the PE contract in order to do the recommended study.

Stan Price said he thinks there is a "missing domino" in the study. If the findings show the existing programs are working and customers are satisfied – an A- grade, they don't support the conclusions and recommendations. He is puzzled with the conclusion that Energy Trust would be more able to respond to market needs if it weren't driven by the need to meet the perceptions of external stakeholders. Where is the finding that leads to the conclusion that different delivery models need to be studied. Phil said the findings don't support making a major change; the recommendation to study bringing PE in-house, that being program management, represents a minor change and that using PDC's and ATAC for outreach and technical work would not change. Fred said the review failed to produce a ringing endorsement of any of the models, based on differences in costs. He thinks the researchers found the Northwest to look favorably on contracting out, while other parts of the country take a more nuanced approach to the question. Alan Meyer said he thinks elements of the "missing domino" can be found on slide 13, which lists some areas in which Energy Trust program delivery could improve.

Margie asked what is meant by the bullet on slide 14 about not being driven to meet the needs of external stakeholders. Phil said this relates to expectations the organization would have limited FTEs. Steve said the researchers suggest we not be rigid about models but be flexible to respond to market conditions. Fred thinks Jane (author) was suggesting a dialogue with stakeholders about the drivers of program efficiency and effectiveness, rather than ignoring their perspectives. John Reynolds suggested rephrasing the slide.

Paul Olsen asked how the report is going to be used. Phil said it will be used to frame the discussion on program delivery enhancements. Steve said it will inform staff about how the program model is perceived to be working. We are looking for comment and response. Paul said the report has precious little detail. He asked who the researchers define to be stakeholders. Phil said trade allies are separate; stakeholders include industry groups, OPUC and others. He asked if the study looked at the split between overhead and incentives within any given program. Phil said the distinction was drawn between central Energy Trust management/administration and program costs, which include incentives, marketing and everything necessary to deliver the programs. Steve said there will be a more detailed report, this is a first look, and that the CAC will have an opportunity to review that detailed report before it is used to make decisions.

Debbie asked when the report will be available -- before or after the next CAC? Phil said he hopes to receive a revised, draft final report in the next 2-3 weeks to be put on the web. Steve said this presentation is intended to frame the topic so members can bring issues and comments back to the next meeting.

Andria asked if any programs up for rebid in '08 would be affected by the report. Steve said probably not. We may delay one or more rebid processes. Fred said we are looking for the contractor to clarify some of the points in the draft report.

Lori Koho asked if the other organizations similar to Energy Trust are such political targets. Ken Keating recounted challenges and heavy oversight faced by Wisconsin, Vermont and New York's organizations. Steve offered similar observations. Steve further explained the differences in structures of Vermont (all in-house) and NYSERDA (almost all outsourced). Margie said the two organizations most similar to ours, Vermont and Wisconsin (WECC), all have staffs double ours or more.

Stan Price asked for the final version of the report to address why to make a change in something that's working well, and that there is some potential cost and risk in tinkering with a proven delivery model. Steve said staff is not interested in breaking anything. We would weigh the benefits and risks of making a change, and would not proceed if we felt change would bring too much pain.

Lori said she understood the report suggests there is a lot of flexibility about considering different or hybrid delivery models without much risk.

Margie said she hopes the final report will provide a better definition of "mixed model." This is not the same PMC model we use, which is largely fixed no matter the market conditions. Instead, the mixed model offers flexibility under the PMC model to approach different components differently depending on the market.

3. New Gas Efficiency Measures

Steve said the presentation previews with CAC is material we are scheduled to present next week to OPUC staff. Our purpose is to accelerate savings for gas programs and reduce carryover funds. We think we are building the foundation to really move some dollars in 2008. He noted we have incorporated gas in all non-industrial programs and have realized significant savings from new/existing commercial and residential sectors, including appliances. Results have included significant savings volume increase over pre-Energy Trust programs. We have built national and regional relationships to develop and share ideas and strategies. We organized a national roundtable on gas market transformation priorities, including gas rooftop units and an emerging gas water heater market. We now serve two gas utilities in Oregon, Cascade and NW Natural; we also provide incentives for new home construction in Avista's territory.

Our residential accomplishments include new incentives for efficient gas fireplaces, tankless water heaters, ENERGY STAR "Plus" new homes, new multifamily homes, new spiff for furnaces in new homes and simplified/consistent incentives for gas and electric weatherization. On the commercial side, we have new incentives for commercial washers. We increased our boiler incentives. We are moving forward with new or increased incentives for several food service measures.

Over the next six months, we will promote new incentives through new targeted initiatives to the lodging industry, hospitals and restaurants. On the residential side, we are planning to possibly transition the new homes program in light of a new, higher ENERGY STAR homes/code expected to take effect in April '08. We will capture market transformation savings from this new code. We are conducting market research on how to accelerate weatherization, doing cost effectiveness screening for dishwashers and expanding our outreach for solar thermal applications.

We are building the lodging and foodservice initiative to take the restaurant initiative its next logical step, by looking at high efficiency cooking equipment, water heaters, water-loop heat pumps and thru-wall gas heaters. We are doing research to validate savings from radiant heat and screening the cost effectiveness of dry cleaner steam trap replacement. We are targeting nursery heating and efficient glazing systems, including cost effectiveness screening of greenhouse window film. We are exploring biofuels to supplant gas boiler loads. We are targeting smaller industrial operations that contribute to the public purpose charge through the Production Efficiency small industrial initiative, involving boiler upgrades, steam trap replacement and radiant heating opportunities.

Paul asked where schools fit in. Steve said they are eligible for all gas incentives, and we have made money available for electric incentives on top of the money from the Educational Service Districts, and we should have mentioned them.

Steve said we will provide training outreach to contractors and users about gas efficiency technologies and strategies. We expect to establish closer ties with public electric utilities for referrals and comprehensive services to customers, much as we do with EWEB. We will expand our outreach for solar thermal applications.

In late '07 and '08, we hope to have high efficiency water heaters available. Fred said they likely won't be available until '08. We are working with manufacturers with the message if you build it, we will sell it. Steve said we will do research to validate savings from tankless water heaters and will work on developing a more advanced ENERGY STAR new home program.

On the commercial side, in late '07-'08, we are developing an enhanced small new building incentive offering, reviewing our pre-rinse spray valves, looking at heat recovery from refrigeration for heating hot water and space heat (groceries), moving toward more large new buildings, continuing facilitating the introduction of high efficiency packaged roof-top HVAC equipment and continuing to market solar thermal applications.

Long term, for the residential market, we are figuring out the niche and cost effectiveness of space/water heating combo units, exploring residential home energy feedback devices (if they become available for gas), completing the furnace market transformation (70% of replacement gas furnaces are 90% or more efficient; 25% in new homes), and exploring advanced home duct control technologies. Paul Olson noted new technologies like this need to be reliable before we push them; he recommends evaluation research.

Ken Keating asked if our HES program is installing shower heads. Fred said yes. Ken noted a recent finding that new shower heads are achieving 2.0 gallons per minute. This is lower than the 2.4 gpm that had been thought to have transformed the market some years ago.

Long term, for the commercial market, we are hoping to identify more eligible equipment, such as possibly tankless water heat for restaurants.

Ken Keating, who is about to retire from BPA, said he will be replaced on CAC by Karen Meadows. Ken was applauded for his outstanding service to the Energy Trust on behalf of BPA, both in the CAC and as an advisor to the Board's evaluation committee.

The meeting adjourned at 3:15 pm.