CONSERVATION ADVISORY COUNCIL
Notes from meeting May 16, 2007

Attending from the Council:
Steve Bicker, NW Natural
Suzanne Dillard, ODOE
Michael Early, ICNU
Dave Tooze, City of Portland Office of Sustainable Development
Mathew Northway, EWEB
Paul Olson, Oregon Remodeler's Association
Lauren Shapton, PGE
Steve Weiss, NW Energy Coalition

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

Attending from the Energy Trust of Oregon:
Phil Degens
Diane Ferington
Margie Harris
Steve Lacey
Jessica Rose
Sue Meyer Sample
Jan Schaeffer
Elaine Prause

Others attending;
Jeremy Anderson, WISE
Dana Cofer, PECI
Sara Eddie, CSG
Brian Hedman, Quantec
Lori Koho, Oregon Public Utility Commission
Walter Money, CSG
Doug Oppedal, Evergreen
Nick Parsons, Lockheed Martin
Rob Morton, Cascade Engineering

1. Introductions
Steve Lacey reviewed the agenda and asked for self introductions.

2. Recompete schedules
Home Energy Solutions. Diane Ferington reviewed the schedule for the Home Energy Solutions—Existing Homes recompete RFP. It will hit the streets May 25 or earlier; proposals would be due June 25 Selection of a finalist is expected July 20. The contract would go to the board Oct. 3.

Debbie Kitchin asked who will be on the selection committee. Diane is looking for 2 outside Energy Trust and 3 inside. She is looking for suggestions and recommendations for outside reviewers. Mat

Northway agreed look into staff serving on the review committee. (Diane asked later if he might have a conflict of interest, inasmuch as EWEB has a contract with CSG. Bonneville was suggested. Dave Tooze suggested a trade ally. Paul Olson thought trade allies might have a strong point of view, although he recalled serving on successful SHOW program manager selection panels.

John Reynolds asked if Diane expects more than one bidder. Diane said she hopes for more than one bidder, because competition brings value. Jeremy Anderson asked if there were only one bidder, would it be possible to reissue the RFP? Steve said if there is one bidder, we go through the review and evaluation process; if the proposer scores low, we reserve the right to reopen the procurement.

Diane asked for reactions from the CAC about bringing someone from out of state on the selection committee. John Reynolds thought there could be advantages and disadvantages. Debbie Kitchin thought this might work if the individual in question worked for an organization with goals similar to ours.

Existing buildings. Greg releases this RFP July 6. Proposals are due Aug. 3. Decision on finalist is expected by August 20. Contract would go to the board Oct. 3. Greg expects more than one bidder. He has not determined the makeup of the selection committee.

3. Program Delivery Model Enhancement Discussion

Elaine Prause, senior industrial sector manager, outlined her intent to review the findings and recommendations of the study, followed by discussion of Production Efficiency and options for enhancements.

She noted the program delivery model evaluation said different current delivery models are working well. Competitive bidding is key to cost effective delivery. Major issues identified were alignment of goals, development of long-term customer and vendor relationships, and communications. Because markets differ by sector, Energy Trust would be more able to respond to market changes if delivery model was determined by market needs.

The study suggested reviewing the program delivery model before rebidding to determine if structural modifications that would benefit the program, and whether the current structure meets participant and Energy Trust needs.

The study suggested reviewing the Production Efficiency model, noting other similar organizations administer industrial programs in house. Study authors felt communication throughout the PE structure is inefficient, and noted participants in this program request direct contact with Energy Trust. PE has the lowest project volume of all efficiency programs, making it the least burdensome administratively and requiring low labor resources. The study noted relationships with customers and project support is important to program success but takes time to develop.

She explained the roles in the current PE model. The PMC's technical manager is the hub of the program. PDCs (program delivery contractors) and ATACs (allied technical assistance contractors) are managed by the PMC manager.

Noting advantages provided by the current model, she noted that technical skill and experience is key to program success; the approach allowed for a quick ramp up; administration at Energy Trust is efficient (one manager); efficiencies are associated with the overlap of Production Efficiency and Existing Buildings PMCs. She noted also it is an established structure that we know how to run.

Debbie Kitchin asked if the contractor achieved cost efficiencies from running two programs. Steve said this was represented in the proposal but has been hard to track in practice. Debbie noted by the logic of achieving efficiencies through operating two programs compared to one, a contractor might make the case that if we contracted with just one PMC for all programs, cost savings would be significant. We aren't driven exclusively toward lowest cost but seek to balance cost value with value of stimulating businesses to develop.

Michael Early asked how many bids we received last time. Steve said he recalls we received three. Michael Early asked what the value of the contract was when last let, and how much was for management versus incentives. Steve said the program management component of the PE contract was about $120,000. (Note: research finds that there were 2 proposals for Production Efficiency

Paul Olson asked how we evaluate the efficacy of the proposal, including ability to control costs and achieve results. Steve said proposals are scored based on proposal strength (40%), team experience (30%) and cost and savings (30%). Each area has individual items weighted accordingly.

Elaine reviewed disadvantages of the current PE model. Energy Trust is removed from the customer by an additional layer compared to other industrial programs. This can lead to indirect, slow or insufficient communication both ways. There are some duplicative roles between Energy Trust and the PMC in the areas of contract and program management and reporting. Energy Trust has direct responsibility for data quality and response to the market but relies on PMC resources to input and manage data. Actual or perceived conflicts of interest can exist between PMC/PMC/ATAC. She notes that renewables interaction with industrial customers is limited.

She stated the fundamental question: whether an enhanced model would address the disadvantages and strengthen the program. The evaluation findings suggest some changes would be advantageous. She noted change would have impacts on Energy Trust staff resources.

She said staff had created three options: 1) no change; 2) Energy Trust works directly with PDCs and ATACs; 3) PMC role would be shifted to technical review, assignment of studies and incentive offer review, while Energy Trust would be accountable for achieving savings goals and contract as in option 2.

She noted Option 2 would necessitate adding two FTEs to Energy Trust staff (technical manager and industrial coordinator). This staff increase is equivalent to the current PMC staffing. Nevertheless, there would be a slight cost savings of $250,000. This arrangement would make coordination with renewables easier and would foster more efficient communication in all directions. Debbie wondered where the savings comes from. Steve said primarily the savings comes from performance compensation.

Alan Meyer said he is a little surprised. He intuitively believes we need to seriously look at a change, with more direct involvement of Energy Trust. He thought we were going to do the process evaluation and SWOT before jumping to a conclusion. He thought this would take a year or so. Elaine said she thinks this is the beginning of the process. Steve said market assessment is the feedback we're getting from our process evaluations, stakeholders and customers. Alan said he would not want as a board member to move forward in a new direction without all those steps having been completed, only to have to recycle back to complete them. Steve said the board will have the opportunity to give us direction if not at the strategic planning workshop then later in the year.

Steve Weiss, regarding option 3, asked whether there would be a clean line of separation between the PMC and Energy Trust. Steve Lacey thinks the potential for miscommunication would remain. Energy Trust would hold the contract with the PDC, while a PMC individual would direct their work. Steve

Weiss thinks it would be better for one entity (i.e. Energy Trust) to do contract managing. If necessary, ET could contract for technical assistance. Dave Tooze noted that option 3, by transferring savings goals to PDCs, probably would require shifting performance payments to PDCs.

Elaine outlined next steps, including feedback from CAC and other stakeholders. We will share feedback with the board at their June strategic plan workshop. We will pose the three options to the board at that meeting.

Alan asked whether we had talked to PDCs about option 2. He said he would like to make a decision if he thinks it's well thought out, and all questions answered.

Steve Bicker asked what had been done to address some of the issues in option 1. Elaine thinks it helps to have one person (she) focused exclusively on the program. Steve Lacey said we are trying to be more proactive in getting out to customer sites.

Rob Morton, a PDC, said in this world, continuity is important. Whether this structure is best or not, we all know our way around one another, and we work together effectively. Change comes with some risk. As technical manager, Ken Self would be hard to replace. Steve Lacey said regardless of where we go, we need a structure that achieves less reliance on one individual and in fact, through the competitive bidding process, there is no guarantee a particular staff resource will remain.

Alan Meyer asked what the clients think. Michael Early said the biggest issue he hears repeatedly is inability to get directly to Energy Trust. He thinks the model has pushed down the responsibility for managing savings. He suggests the diagrams of optional program models should show customers. With customers there are four layers – too many.

Lori Koho thinks packaging efficiency and renewables for delivery to a single customer would be an improvement.

Michael Early thinks a direct line of communication would make us more sensitive to customer needs.

Steve Bicker noted if there were a gas industrial program added, the utilities would have a bigger role.

Mat said his staff of three engineers have ongoing relationships with industrial firms. Having heard Steve say ET will continue to use PDCs, Alan asked if Mat uses PDCs. Alan said his engineers serve the technical role, and account managers, like PDCs, are responsible for relationships.

Lauren Shapton said PGE is a PDC, and that PDCs help connect customers to the program.

Steve asked for final comments:

Michael Early. He thinks ET has a structural problem that has to be addressed. He thinks option 3 makes no sense.

Lori Koho. She thinks the "con" for option 2 regarding difficulty securing technical expertise should be removed.

Mat Northway. He suggests fleshing out more details about how option 2 would be implemented in hopes that this would help PDCs better understand and possibly support this option.

Dave Tooze. Reducing layers is an advantageous.

*Suzan*ne *Dillard*. She doesn't think any of the three options are perfect. Clearly given the size and complexity of PE projects, you need to achieve continuity.

Steve Weiss. He tends to like option 2, but recognizes the Energy Trust budget would have more costs. Sometimes that becomes a problem. He thinks there needs somewhere to be competitive bidding. Steve Lacey said we will continue to procure PDC services competitively.

Lauren Shapton. She thinks option 2 is preferable. She suggests diagrams showing how this flows to the customer.

Paul Olsen. He noted having PMCs insulates us from customers. He thinks have more direct relationships is important.

Steve Lacey said we will report any reaction from the board will be presented to the CAC at its June 20 meeting.

4. Exclusive Residential Trade Ally Network

Diane described the direction staff would like to go. In 2006, 754 contractors installed measures. Of these, 550 installed 5 or fewer measures. Approximately 170 have Energy Trust trade ally status. Most of the work is completed by 20-25 trade allies. She said that 50% of incentive applications are missing information. This is administratively burdensome to the program. She noted a non-trade ally could submit an initial incentive form. Energy Trust would pay the incentive and invite the contractor to become a trade ally. If the contractor chooses not to become a trade ally, incentives would not be provided to his/her subsequent projects. The contractor could decide subsequently to join.

To become a trade ally, contractors would need to meet current requirements, including insurance, CCB license number and good business license status. They would receive a mandatory orientation.

Debbie Kitchin is concerned that a customer may apply and be unaware that their contractor is not a trade ally. What if a contractor who previously participated as a non-trade ally had 8-10 jobs going at once. Nine out of 10 would be out of luck.

She reviewed benefits of shifting to exclusivity for participants, including improved quality of installation; better savings; prompt payment. Trade allies would have access to more resources for application and incentive processing, technical and program training and coop ad incentives. The approach creates competitive differentiation in the marketplace.

She reviewed transition elements – including ample notification to non-trade ally contractors to enroll before enforcement, language on website and collateral about requirement to use trade allies, changes to forms, and extensive consumer and contractor communication. We tentatively plan a rollout in January 2008.

Steve said some trade allies are doing substandard work. We need some way to manage this on customers behalf. We can remove the contractor from our website, but in current practice there is no way to keep that contractor from continuing to do projects that are submitted to Energy Trust.

Steve Weiss suggested differential incentives – higher incentives for trade allies, lower for non-trade allies.

Paul Olsen said on balance he thinks this is institutional ill will.

Lauren Shapton said she thinks there's benefit in having mandatory participation, in terms of higher quality work and better completion of forms. Mat Northway said this is the way EWEB is working and is pretty straightforward. Customers must be pre-approved.

Lori Koho thinks it makes sense so long as there is adequate notice. She asked what kind of coordination would be done with ODOE. Diane said we align with their requirements for heat pump Check Me and duct sealing.

Paul disagrees with limiting access in the marketplace. He likes PGE's solution, which is to inspect every non-trade ally job. He thinks people would be upset if they were served by a contractor who didn't inform them about the opportunity to get an incentive, and then later find you could have received one.

Debbie said we should seek an approach that provides carrots, not sticks.

Mat said EWEB has gotten more sales by having a list of approved contractors.

Debbie thinks we can modify the current approach, do more delisting and more training.

Lori thought it would be useful to determine the amount of time we spend on non trade allies vs trade allies.

Suzanne said ODOE requires contractors installing complicated measures, like duct sealing and heat pumps, to be trained. They don't require this for weatherization contractors. Perhaps ET could create a tiered model. Diane said we already have two tiers, one for Home Performance with Energy Star contractors and one for all the rest.

Walter Money said homeowner installed measures are for wall and ceiling insulation only. All of these are inspected, and a lot fail. He would greatly appreciate having every homeowner doing self install to be pre-approved. Then Walter could communicate requirements to them before they do the installs.

Paul suggested stating that approved trade ally contractors can be counted on to fix any jobs that don't pass inspection.

Sara Eddie said it's also about getting better savings from having more control over trade allies.

Debbie asked how many hours of training we would require for new trade allies. Diane said this would depend on the competency of the trade ally. Debbie said we'd need to provide this information up front.

Steve Bicker is concerned about the amount of consternation this would cause in the marketplace. He would be better able to make a recommendation if he understood customer reaction.

Steve Lacey said this topic will be discussed again at the June 20 meeting.

Steve Bicker would like minutes to be emailed to members with the meeting notice. Steve Lacey said he would do this.

The meeting adjourned at 4:15 pm