EnergyTrust of Oregon, Inc.

Summary of Findings
Cascade Washington Feasibility Study

August 1, 2007

Synopsis

At this point in time, staff advises that Energy Trust focus on Oregon opportunities stemming from new legislation and not expand to deliver programs for Cascade Natural Gas customers in Washington state. The planning feasibility study, now completed, indicates a strong stakeholder preference for Cascade to strengthen its commitment to energy efficiency and to develop capacity to delivery programs in Washington. It does not support Energy Trust expansion to Washington at this time.

The feasibility study provides valuable and detailed analyses of the market opportunities and characteristics, code requirements, infrastructure, and other factors related to program design and delivery in Cascade's Washington service territory. Energy Trust has offered to provide Cascade with interim consulting assistance as they explore and pursue other options for future program implementation.

Were timing and stakeholder support not identified as concerns, staff believes Energy Trust program delivery for Cascade in Washington could be very successful. Energy Trust remains open to providing broader assistance at another, later time when fewer conflicts with our own expansion and capacity are present.

Additional information contributing to this staff conclusion and describing the types of assistance the Energy Trust could provide in support of Cascade are discussed, below.

Energy Trust Resource Availability

- It is paramount to the Energy Trust that existing programs are delivered successfully within its current service area
- Core to successful delivery is maintenance of and continuous quality improvement of program delivery
- The Oregon legislature recently passed the Renewable Energy Act (SB838) that will result in wide expansion of residential and commercial programs; a 50% increase in activity in the residential sector and doubling of commercial program activity is anticipated beginning as soon as January 2008
- The Act also significantly revises the role of the Energy Trust in the renewables market, requiring internal changes in program emphasis and roles
- Preparation for launch of expanded programs requires the attention of key program management and functional staff
- Energy Trust has also identified necessary improvements and changes for infrastructure systems in accounting and IT over the next 12-18 months
- Experience has shown that major infrastructure upgrades require significant planning and management to ensure success

Stakeholder Input

- Only modest stakeholder support has been expressed for Energy Trust delivery of program in Washington in either Washington or Oregon, and there have been statements describing some significant stakeholder concerns.
- In Oregon, concerns revolve around the diversion of resources at a time of significant growth
- In Washington, concerns focus on (1) the effect of outsourcing on the development of program delivery capability within Cascade's organization and in the State of Washington and the (2) allegiance of the Energy Trust to its Oregon constituents
- While many of these concerns could be addressed given our program model that relies heavily on local market actors, the Energy Trust feels it is not currently positioned with the support necessary for smooth successful full-scale program delivery

Consulting Support

The report developed by the Energy Trust provides Cascade with many of the elements of a framework for contracting for efficiency programs, including a resource analysis and elements of program targeting and design. Should Cascade desire, the Energy Trust can provide consulting support to Cascade to assist with the launch of programs in Washington.

- At Cascade's request, the Energy Trust could provide limited ongoing support for development of Cascade's Washington programs, including:
    - Work with Cascade to outline recommended program support activities and internal staffing requirements
    - Provide assistance in developing requests for proposals for program management contractors (PMCs) and internal program support
    - Identify qualified potential service providers
    - Assist in developing proposal evaluation criteria
    - Provide advice based on our experience in establishing contractual arrangements with PMCs that provide appropriate incentives to support achievement of Cascade program goals
    - Assist in the development of specifications for systems to track program participation, spending and impacts
    - Share information on processes for planning and budgeting to ensure adequate program resources
    - Provide input on core functionality of systems to track program spending and impacts
    - Develop draft templates for regulatory reporting
    - Provide ongoing assistance regarding PMC management and program performance and enhancement, e.g. incentive levels and marketing strategies
- This approach minimizes major stakeholders concerns for both Cascade and the Energy Trust, while providing Cascade access to the significant expertise built by the ET since its inception