CONSERVATION ADVISORY COUNCIL
Notes from meeting October 17, 2007

Attending from the Council:
Suzanne Dillard, ODOE
Joe Esmonde, IBEW #48
Andria Jacobs, City of Portland Office of Sustainable Development
Lori Koho, OPUC
Karen Meadows, BPA (replacing Ken Keating)
Mathew Northway, EWEB
Lauren Shapton, PGE

Attending from the Energy Trust of Oregon:
Fred Gordon
Diane Ferington
Danielle Gidding
Margie Harris
Steve Lacey
John Reynolds, Board of Directors
Jan Schaeffer
Spencer Moersfelder

Others attending;
Jeremy Anderson, WISE
Paul Berkowitz, CSG
David Lee, SAIC

1. Introductions

Steve Lacey reviewed the agenda and asked for self introductions.

2. 2007 year-end projections and 2008 draft budget

Margie Harris reported national trends in the industry and among regulatory and government officials, among them:

- Climate change is real; carbon regulation is coming
- Need to get 80% reduction of 1990 carbon dioxide levels by 2050
- Energy efficiency and renewable energy are centerpiece solutions; movement to capture all cost-effective energy efficiency by doubling efforts
- California is committed to achieving zero net energy new homes by 2020 and commercial buildings by 2030
- Need for workforce training
- 800% increase in past 4 years in venture capital for renewable energy and energy efficiency
- World manufacturers of wind turbines doubling output between now and 2010; shortfall will continue until then
- National solar conference in ’05 drew 2,000 attendees; 5,000 in ’06 and 11,000 in ’07

She noted Energy Trust growth:

- Projects completed, from 21,000 in ’04 to 112,000 in ‘08
- Number of participants from 140,000 in 2004 to 1.5M projected in ‘08.

New audiences are coming forward to be "sustainable" and "green." Energy Trust must define our focus and role in this more "crowded" operating environment. What do we need to learn about new markets and participants? Beyond technical assistance and incentives, what activities can/should we leverage? When should we lead, let others lead, partner or not participate?

By end 2007, she said we expect to exceed the electric best case goal. Gas savings are expected to exceed the conservative case goal. Renewable energy programs are anticipated to exceed their conservative goals. Carryover balances are going down, as they should. By the end of '08, we will have spent down our gas carryover by $2 million. We are predicting very little electric funding left over by the end of next year.

Themes for the efficiency action plan and budget for '08:

- Increase efforts to penetrate deeper into existing markets
- Further reduce gas carryover
- Implement community energy pilot(s) – Corvallis
- Continued emphasis on integrating renewables into efficiency delivery channels
- Continued NEEA funding
- More direct management for program delivery
  - Direct contracts with PDCs and ATACs;
  - Adding trade ally coordinator to register and support trade allies centrally rather than through each program
- Contemplates higher levelized costs (3-3.5 cents/kWh)

She reviewed program areas of emphasis:

- Existing homes: continue growth in Home Performance with ENERGY STAR;
- New homes: increase ENERGY STAR new home market share; promote high performance home construction and specialty CFL uptake

Lori asked how Energy Trust is collaborating with ODOE on educating builders on the changed residential code expected mid year '08. Margie said we are coordinating on this.

- Existing commercial: concentrate on food services, lodging, office, and health care
- New buildings: bolster '09 pipeline and concentrate on developing small to medium construction design-build market
- Industrial: expand pipeline through greater PDC outreach; expand small-medium customer offerings, including horticulture/nurseries

Margie presented a budget table. She explained the projected savings of 25.1 aMW is lower than in '07, which included the benefit of a megaproject. She reviewed expenditures by sector, which reflect generally the same apportionment as in '07.

She reviewed new initiatives being planned with utilities in anticipation of incremental efficiency funding as allowed by the Renewable Energy Act (SB 838). These include near-low-income (60-80% of federal median income); increased activity in multifamily lighting, targeting commercial laundries and grocery stores; and increased support for small to medium new construction, and integrating renewables. Core program initiatives would scale up commensurate with available revenues. About $15.6 million could be coming our way through SB 838 incremental funding, of which we would expect to spend $9 million.

Steve said we expect to ramp up steadily over the next three years when programs reach steady state and revenues will match expenditures.

She summarized areas of emphasis for efficiency spending in 2008:

- Leverage marketplace interest and momentum carbon reduction and sustainability
- Emphasize innovation by simplifying forms and application processes and offering more prescriptive measures
- Invest in new technologies through field testing of new equipment, participating in national forums
- Conduct market research and enhance activities to promote awareness, education and training
- Seek new partnerships through community based programs and collaboration with key regional and national allies

She noted focus on improving internal processes, implementing findings from the IT Enterprise Architecture Study. The communications and outreach themes will focus on cross-program integration, customer focus, deeper program collaboration in marketing plans and communications, greater outreach, centralized trade ally administration and support, website improvements and community energy launch.

She said we expect to increase the portion of spending on program support and administration from 6.5% this year to 6.6%-8.1% (with and without SB 838). She noted 4 new position requests driven by increased volume and SB 838. Suzanne asked if these positions resulted from bringing Production Efficiency in house; Margie said the two positions associated with that change have already been approved and hired.

Karen Meadows noted the reference to "pilot" community energy project and asked, if it's successful, whether we intend to apply the model to other communities. Margie replied that we do.

Andria Jacobs wonders why average megawatts from 2007 to 2008 are flat, while Energy Trust has seen such increases in volume. Margie said factors include no megaproject, downturn in the housing market, and the need to do more hand-holding to support the next tier of would-be participants. Karen noted a strategic decision to focus on niche markets rather than simply raise incentives.

John Reynolds asked if the avoided utility cost is rising as we increase our levelized costs. Margie said avoided cost is about 6 cents/kWh. John noted even with a higher avoided cost, we are projecting an average cost of efficiency well below the avoided cost level.

Joe Esmonde asked how we propose to reach the near-low-income group. Margie said we would work through existing organizations such as Community Action Program agencies.

Mat Northway noted the bulk of the efficiency savings falls at 4 cents/kWh. The low volume of more expensive potential savings suggests cost of acquisition would be higher. He concludes it makes sense to go for all cost-effective efficiency.

Answering a question from Karen, Margie explained Energy Trust is limited to cost-effective efficiency acquisition but can pay up to 100% of the above market costs of renewable energy projects.

3. Electric utility incremental funding rate filing update

Lauren Shapton said PGE expects to file to receive incremental efficiency funding next week. She said $13 million will be directed to Energy Trust.

Steve said Pacific Power expects to file at the end of October, pending upper management approval. He thinks the amount will be in the neighborhood of $4 million. He thinks they will show this charge on a line item on the bill rather than include it in a blended rate. PacifiCorp anticipates keeping a small percentage of the revenues for coordination and marketing support of ET programs.

4. New Buildings program 2008 incentive changes

Spencer Moersfelder explained proposed changes. Incentive custom track cap would be increased from $200,000 to $300,000. On a unit basis incentives will remain at 10 cents/kWh and 80 cents/therm. Although not many projects are large enough to earn the maximum amount, Spencer said offering a high amount creates a buzz in the marketplace.

Joe Esmonde asked what measures the incentives would be spent on. Spencer said typical choices are lighting, motors, HVAC and controls.

Spencer said he proposes to increase the cap on standard track incentives from $50,000 to $100,000. Standard/prescriptive incentives remain the same. Markets are responding well to current incentives.

He said we propose to offer design incentives *in addition to* equipment incentives. In custom track, the design incentive could amount to 50% of the total incentive, capped at $25,000. For standard track projects, a $500 design incentive would be available to projects that receive $3,000 or more in equipment incentives.

John Reynolds asked if the design incentive would support designers using the UO Daylighting Lab. Spencer replied that the offer of separate design incentives provides more support for such activities.

Spencer said the LEED track would incorporate a new savings calculation methodology. We will accept the energy modeling required by LEED, based on ASHRAE 90.1. and recalculate the savings based on current Oregon code. An analysis has been performed to estimate the typical loads for buildings under the Oregon code compared to the code used by LEED. Energy Trust will pay for the share of savings above Oregon code. Incentive is paid after LEED certification.

Fred noted LEED now requires two energy points and asked if we will support getting these points or only the third point. Spencer said we are continuing to support all LEED points until we have determined whether owners can acquire the first two LEED points without Energy Trust support. By shifting to the different model, we can serve buildings of any size and occupancy type.

Spencer proposes to incorporate a commissioning track. Commissioning incentives have been offered on a pilot basis. We have exhausted the pilot budget. Incentives will remain 3 cents/kWh and 2 cents/therm and are capped at $40,000.

John Reynolds noted many critics of LEED believe it doesn't require enough energy points. He favors Energy Trust supporting acquisition of the third point. Fred suggested that we wait to be informed by an evaluation study we have underway. Until we have those results, we will not know whether owners would go after any LEED without our funding.

Steve asked if the CAC wanted this item brought back for a second review next month as council members all supported the proposed changes without a second review.

Joe said he's talked with plumbing, sheetmetal and electrical contractors, offering to get them together with Energy Trust. As soon as he's able to "get the cats together," he's going to host the meeting. He told them that Energy Trust is working to simplify forms.

The next meeting will be Nov. 28, 2007. This will provide a second opportunity to comment on the budget before it is finalized by the board in mid December. .