CONSERVATION ADVISORY COUNCIL
Notes from meeting on November 17, 2010

Attending from the Council:
Jim Abrahamson, Cascade Natural Gas
Paul Case, Oregon Remodelers Association
Kari Greer, Pacific Power
Charlie Grist, NW Power Planning Council
Lauren Shapton, Portland General Electric
Moshrek Sobhy, Oregon Public Utility Commission

Attending from Energy Trust:
Tom Beverly
Matt Braman
Pete Catching
Amber Cole
Kim Crossman
Phil Degens
Fred Gordon
Oliver Kesting
Peter West

Others attending:
Jeremy Anderson, WISE
Dan Enloe, Energy Trust board of directors
Tim Davis, CSG
Theresa Gibney, Energize Corvallis
Abbie Robbins, PECI

NOTE: All materials references are available on the Energy Trust website in the link November meeting packet.

1. New Buildings process evaluation

Phil Degens presented. Please see packets (online) for the breakdown of program goals and budgets. We have presented the data at utility meetings, but this presentation has a little more detail.

New Buildings process evaluation for 2010 was conducted by PWP Inc. Last one was finished in 2009 and covered program years 2006 and 2007. This is the first evaluation since PECI was selected as the PMC. The program's market share is 65 to 89 percent of new floor space; a large market share of new commercial buildings.

Survey respondents typically filled out the forms, which means we captured the right people who had actually been involved in the project. Respondents felt there was a lot of work for the amount of the incentive. Energy Trust could respond by increasing incentives or decreasing the work involved.

The key findings are shown in the survey, including high satisfaction rates. This was completed before new codes came into effect. There were no specific worries about the new energy code.

We didn't adjust for free riders because it's about market transformation, but we did ask some free rider questions. We saw a 35 percent free rider number, which is unchanged from previous years.

Most respondents were small firms, 30 were design professionals. Two-thirds had heard of us, and one-half knew their project would qualify.

A main suggestion was to simplify the path to participate.

Question: How many non-participants were interviewed?
Answer: 30.

Q: Does it look like a badge of honor among participants to do the projects, or can you tell?
A: It seems to be an abstract aspiration to go beyond code. Meeting code was the minimum.

Our recommendations were to continue small firm outreach, offer help with forms and look at what can be streamlined or moved online (online applications and tracking). We should help frame measure costs and benefits, and maybe provide visual recognition.

Next steps include program redesign, fast feedback results and growing the program ally group. We have a new forms strategy for 2011. We will look at new code challenges and opportunities. The transition to PECI from SAIC went well, and there is room to grow, but we're doing well. We have a large portion of the market.

Q: How are other programs doing in similar types of markets?
A: We haven't seen larger numbers than ours.

Q: If you touch the big A&E firms, you get 80 percent of the market. We're in a big recession. Will our penetration rate hold up if we come out of the hole?
A: When there has been a large up-swell in the past, we didn't have as high a percentage. We can only work with so many projects, so if the possibilities triple, for example, we can't meet them with budgeted resources. One take is that code change and future changes will make it easier to do the work in the marketplace with the big players. Most seem to believe they have little problem meeting code changes. A&E and NEEA have helped.

Q: Some are rebuilds, but what is brand new?
A: It has been around 15-20 percent in the past, but right now major renovations are higher.

Q: What are we targeting for 2011?
A: 70 percent. Hopefully we can keep that percentage high even if the market rebounds. A&E will help.

It's unclear what effect new codes will have on the program. Issues with meeting the new code may force the program to help people meet code first, then help projects exceed code. Right now we don't know how people will meet code.

2. Trade ally survey

Tom Beverly presented. Participation in the trade ally survey was much higher than previous years. We had an 18 percent response rate, up from less than 10 percent in previous years. Respondents showed higher satisfaction with interactions with Energy Trust staff, and with programs overall. They are interested in training in their own fields, and monthly email updates from program staff. A large number of trade allies intend to increase the proportion of their projects that involve Energy Trust incentives in 2011.

Recommendations include making forms easier to use, or putting them online, continuing work with GreenStreet Lending, continuing the roundtable meetings with clearer agendas and added training, continuing Insider as an online newsletter and providing more training or webinar opportunities.

3. 2010 savings update

Peter showed last month's dashboard, which showed kilowatt hours booked through the end of the third week in October. The next two rows are percent of conservative and stretch goals (see presentation).

We are typically getting greater than 50 percent of savings the last two months. We were behind the historical trend a few weeks ago, but now we're on track or ahead of the trend. We are behind on Cascade Natural Gas territory savings for reasons we have discussed. The final line is the amount of incentives already out.

Forecasted savings are what we showed earlier for the electric utilities: 42 average megawatts, up 29 percent from last year, and 93 percent of stretch case. These include changes in NEEA, which dropped 42 percent for 2010. Gas is 83 percent of stretch goal, up 57 percent from 2009. It includes two corrections, including market transformation savings, and the reductions due to a reporting error. Peter noted that economic impacts for Cascade (which is affected by a 16 percent unemployment rate in its territory) are having a continued impact. Forecasted savings were adjusted due to a detected error; 27 percent reduction in industrial savings is due to the error.

All in all, we are growing nearly 30 percent in electric and better than 50 percent in gas, in a difficult year.

Comment: Fred Gordon and Jim Abrahamson had a discussion about inclusion of market transformation and whether Cascade had already included market transformation in IRP numbers. Regardless, there is a 42 percent reduction in market transformation in Cascade territory. We want to guard against double counting of savings. We need to get aligned between what is counted in overall vs. separated by utility. Whatever counts and doesn't count will be different between NW Natural and Cascade. The next IRP will be the time to make any changes in how we report. This is the big picture.

4. Funding of large customers

Matt Braman presented. We had to come up with a way to see how we were spending on our customers. The definition of large customer is whether they had usage greater than 1 aMW last year on a certain collection of meters.

It's a complex analysis because it's not a cut and dry group of customers. Utilities provided lists to help with the analysis. We had to go back to 2004 to match up customers between our data and the utility data: name, address, account numbers and variations. We may not have gotten everything, but we got almost everything. Our data entry isn't perfect, and there are some we can't identify.

Keep "cumulative" in mind as we go through the presentation. We showed the two electrics separately. We show revenue per year, incentives per year to these customers, then an overall percent. There is a large amount of variation from year to year. Forest products/pulp and paper were very active in the early years, with a large percentage to large customers in Pacific Power territory.

After SB 838 came into effect, the percentages were lower than pre-SB 838. The 2010 forecast includes a large jump in Pacific Power territory due to the Oregon State University combined heat and power project.

We are in compliance with what we were supposed to do, according to this analysis. The question comes up about when this may become more of a problem. We would have to spend about $6 million on large customers in PGE and Pacific Power territory each in 2011 to exceed the pre-SB 838 benchmark. Since 2008, we have been averaging about $3 million each in Pacific Power and PGE territory. This analysis includes both commercial and industrial customers: 80 percent industrial and 20 percent commercial. It was 70/30 in recent years. There is an increasing trend to large customers in new buildings.

We are consistent with SB 838 intent. It may be a long-term difficulty acquiring savings within SB 1149 constraints, but we are doing okay. We don't have to pre-manage the issue in 2011, but there are a few things we can do. We need to watch megaprojects carefully, especially multiple projects. It is likely to affect IRP and five-year planning goals. Without spending more money, or another funding source, our long-term goals would have to be decreased.

C: We want to spend up to our caps for that group.

A: The principle the OPUC established is that we shouldn't manage to avoid a problem, but if we start going above that line, we should bring the cumulative back in. Don't fix an imaginary problem/trend. Pay attention to a rolling average, and we have a longer time to correct the average. We want to formalize that with the OPUC before we end up out of compliance. The working budget assumption is to go get as much savings as possible.

C: A good savings standpoint is to find more money and go get the savings. From the lumpy factor, formalizing is a good thing, but there will be some big bubbles here and there. We need to recognize the ups and downs. It will never be perfect.

A: Our proposal is to look at the post-SB 838 spending on large customers on a cumulative basis starting in 2008. This will avoid significant annual fluctuations

C: The longer the better.

A: The technique in the discussion was the framework for an agreement, but it kind of stabilizes over the longer period. The megaprojects make it bump up and down, but it may be self-correcting over time.

We need to identify and track these participants. We are trying to get the data sharing agreements to help track these things, but we can probably track in real time with the list of customers from the utilities.

There are less than 200 possible.

C: Pacific Power is under 67, for example.

The trick is comparing against the whole program, which is thousands of participants.

We have looked at pre-tuning these things. We are looking at better ways to get low-cost savings at large customer sites. We can get lots of savings without coming up against these caps. There are a lot of tools to get the savings. If we manage to the caps, we underachieve by aiming low. Matt's number is very helpful. A single big project in any sector can get us to our goals. It would be a shame to miss these low-cost savings. There are current opportunities that we haven't had in a while.

The current five-year goals for Energy Trust and the IRPs don't recognize constraint on funding these customers. It's noted in our plan as an issue, but it doesn't change the goal. The industrial goal can't be achieved if we don't change the targets. If you look at just the other sectors, we can't reach our goals without megaprojects without levelized costs going up. We aren't going to worry in 2011. We have to plan how to react, since it's compliance with the law.

Q: The aMW cutoff is found where?

A: It's in SB 1149. We could change the law, but it's not easy or popular.

Q: What percentage of self directed customers do it?

A: Self direction is about whether they pay into the public purpose charge or not. Everyone but a few pay in. A tiny fraction self direct. There are less than 10 industrial customers in each territory. There may be a few commercial. There haven't been any new ones for industrial in the last three years. There are very few commercial and renewable. Some have been in and out of that category. It happened early on, but not currently. Assume we are looking at ones who are paying.

5. Budget

Peter presented. This is meant to highlight the changes in incentives and any way we have been asked to cut the budget. The first part overall is no different than last time, but what we expect to change between now and the next draft is on NW Natural, since there was some cost for Clean Energy Works that didn't make it in. About $300,000 for advocates that didn't make it in originally for 2011.

Another change for NW Natural included supplemental filing that identified additional projects. Some were embedded and some weren't. We're going to provide more visibility around those; about $1 million that would sit in reserve and we would identify it later. We are now being asked to earmark them as a budget line item.

There is significant growth overall in the budget, 31 percent from 2009. Existing Buildings is growing, New Buildings is going down and recognizes codes and transformational changes. New Homes and Products are growing 19 percent. The Products portion is really growing, not New Homes. Flat Most growth is on the gas side for new homes. We're going to push hard on appliances. NEEA is scheduled to increase, 2012 budget should flatten as does savings growth. Existing Homes will have emphasis on low-cost energy savings kits.

There was 40 percent growth on the industrial side from 2009 to 2010. .

The renewable energy programs reflect life with a constrained Business Energy Tax Credit. It will help some projects and harm others.

Levelized costs are going up overall. We no longer have low hanging fruit. From 2.7 cents per kWh and 38 cents per therm in 2010 to 3.3 cents per kWh and 46 cents per therm in 2011. 42% of the electric change is due to the NEEA change. It's still fairly cheap compared to other areas. Even on the low end of the cycle, NEEA is a good buy. 20-30 percent is due to evaluation factors. We net on free riders and other things factor in. Some states use gross, others use net, but we are fairly rigorous about using net.

We also had to up the cost of delivery and raise incentives and these account for the remaining par of the growth in levelized costs. What we need to do is more than before due to address market conditions and such things like code changes.

A discussion about the EPS and where it was in the budget ensued. EPS is in the residential programs. We will have a presentation on it at the next CAC. We want to make it voluntary and see how the market takes it up, and we want a product that tells the consumer with a fair amount of accuracy: You'll get this amount of savings. The U.S. Department of Energy model is 1 to 10, but is it a good predictive model, also? The customer probably wants to know the savings.

C: Affordable housing predictors will be good. Low-income customers may be assisted by halving the operating costs and by qualifying for certain assistance.

Q: For the levelized cost estimates, what's in there? Evaluations, direct incentives, staff?

A: It's the fully rolled up all costs of incenting and delivering the therm or kWh including administration and staffing.

There is a new suite of gas incentives. We will increase the custom capital incentive from $1 to $1.50 per therm. Not new, but an increase. There is a new custom capital incentive for measures with less than one year payback. We don't traditionally incent something that pays back in less than one year. People have been leaving it on the table. We started this in February when we saw the dismal pipeline, and we moved to low-cost and no-cost offerings and have gotten a 40 percent increase.

We are mimicking the suite of custom incentives from the gas side on the electric side. For us, its seamless, since we work with sites that can get both. It passes all the benefit cost tests and is a great levelized value.

Q: Look at windows – it's one where you might need a jump like with framing around them. It might be a place to look.

A: We'll look at windows. We'll be analyzing it.

There is a big push for tiers in the Products program to drive people to the higher end of the new generation of appliances. It sets up market transformation. We can be more proactive as with New Buildings and New Homes, and lead the market. We need to set up a differential between first and second tier. We already had the correct level for fridges and freezers.

With Existing Homes we will be offering a referral spiff. CAP agencies don't presently refer people to us if they don't qualify. They may have an all or nothing mindset. It takes some effort to refer people, and they are overworked. Some solar trade allies are moving into weatherization. We are up to 1,000 solar per year, and we want them to do a more ready referral. We are trying to move windows to higher than the standard.

Items in the "under consideration" section of the presentation will be figured out as we go along consideration, with wiggle room in the budget for the ranges shown.

Q: Trade ally direct payments. We took them away and brought them back. Why? Would you have some level of experience with them before they do it? As with the duct thing we went through a year or so ago, it could be an issue.

A: If you could eliminate sticker shock by removing some of the cost upfront, it may help the contractor sell. It works in solar, but we may not want to do it the same way. You can do this and be responsive on a small volume, high cost project like solar electric, but it's harder on the efficiency side. Inspecting everybody and holding them back may be an issue. Trade allies say we should think about it again.

It turned into an administrative struggle when trade allies took payment and the customer thought they should get it. Top tier trade allies would qualify, to limit the administrative burden.

We are looking at bringing back the "act now" bonuses to target things during the year—they have proven effective.

Q: Why do away with the second measure for windows?

A: It was along with the higher threshold for windows, and it may bring some savings in.

C: Promote an air sealing package to qualify the windows—you are paying the incentive and may not need to change the window requirements.

Q: The small multifamily bundle is what?

A: A duplex through triplex is small multifamily. Anything larger is in the commercial sector.

C: Eighty percent of housing stock is owned by 20 percent of management companies. Those houses don't get much in the way of efficiency. A lot of landlords don't know about the bundle of things; tax credits and the like.

A: If the bundle will work on the landlords that are smaller, will it also work on the larger ones? It may be good to consider.

C: A lot of landlords are just renting out their first home that they never sold. They may be really good targets.

C: As an observation, looking at the 2011 budget, it's at $2.3 million for Cascade Natural Gas. That compares in the same arena as the 2010 budget. Year to date, Energy Trust is coming in 40 percent below Cascade's budget. One problem is the gruesome economic situation. The unique territory is a challenge. It's tough to get our arms around it. 2011 is scheduled to be $1 million over this year. We need to figure out how to ramp up between 2010 and 2011 for more dollars. We were skeptical if we could do it, and are coming in below it. We need to talk about it on the budget discussion. Cascade will cast a skeptical eye on it.

A: Given where we are, we have to show cause. Cascade Natural Gas was more right than we were.

C: Energy Trust has been very good at working with us (Cascade) on it, but we're not seeing a lot of heroic expansion in 2011. We'll have to work hard to get close to the numbers.

A: We are rolling out some things in 2011, but it's a rural, sparsely populated, area and we have to look at our engagement with trade allies and customers differently. There is cause to use a different set of requirements than we use in a more urban area.

C: One thing with that spread-out customer base is really focusing on quick payback measures. What is the Pareto for your customers? It's different than other customers. What are the really good top two items?

C: Cascade has an aversion to reliance on low-cost kits. Another element to uniqueness of Cascade is the proportion of territory that doesn't overlay with another utility Energy Trust serves. There are a lot of cooperatives, plus Idaho Power.

A: It hurts us on the cost side. It's not easy, since you're marketing in an area where you don't hit two service territories at once. It impacts the cost structure and we have to visit it with the commission.

C: Bill inserts used to market programs to customers; they typically read those things and save coupons.

C: In Cascade's bill insert situation where there was a free showerhead, you applied online with arrangements through Home Depot and Fred Meyer to get a showerhead. In the Baker City, Ontario and Pendleton area, most people didn't have access to the retailers. They are in Washington or Idaho.

A: Prescriptive duct sealing will help, but we are just getting started. One contractor got 30 calls right out of the gate for duct sealing.

A: We actually have had better than expected results on the commercial side in Cascade territory, so some of it will include building on those successes for the residential side. We are confident that we can be within shouting distance of the goal.

C: There have been successes in a very bad economy, to be fair.

A: Coming back to Kim's revision of the gas incentives, it's a 50 percent increase. That should get attention, but the rest is on the homes side. There is a wild card—a wild swing because one project can be 50-80,000 therms. It didn't happen this year, but it can hit. What's the tolerance to have the money in the budget in case they hit? Are we better served having that flexibility? We'll discuss. How do you hedge this—is there a deferral mechanism for Cascade?

A: Our bill inserts are effective and can be surprising. They are best when we use them for awareness and brand building. They are not as effective for deal of the week things. We use them for awareness—long-term thinking.

6. Meeting adjournment

Peter thanked all council members for their participation and adjourned the meeting. The next meeting is January 12, 2011.