Meeting notes
Evaluation Committee Meeting

October 29, 2010 10am-1pm

Attendees:

Debbie Kitchin, Board Member – Committee Chair
Alan Meyer, Board Member
Dan Enloe, Board Member (by phone)
Ken Keating, Expert Outside Reviewer
Rob Russell, Evaluation & Market Research Manager, NEEA
Phil Degens, Evaluation Manager
Jason Christensen, Evaluation Intern
Sarah Castor, Evaluation Project Manager
Amber Cole, Director of Communications and Customer Service
Fred Gordon, Director of Planning and Evaluation
Hayli Hay, Lockheed Martin
Jessica Rose, New Buildings Program Manager
Murali Varahasamy, Existing Buildings Program Manager, Lockheed Martin
Oliver Kesting, Business Sector Lead
Ryan Bliss, Research Into Action (by phone)
Scott Swearingen, Business Sector Project Manager
Spencer Moersfelder, Existing Buildings Program Manager
Steve Lacey, Director of Operations
Sue Fletcher, Communications and Customer Services Sr. Manager

The meeting began at 10am with a review of the agenda.

Agenda

1. 2009-2010 Existing Buildings Program Process Evaluation
2. Multifamily Non-Energy Benefits Study
3. 2009-2010 New Buildings Program Process Evaluation
4. Fast Feedback 2010 Q2 results

1. 2009-2010 Existing Buildings (EB) Program Process Evaluation

Contractor: Research Into Action

Phil presented highlights from the Existing Buildings process evaluation. The program identified 10 high priority segments out of 22 in the market. These segments were:

- Office buildings
- Retail facilities
- K-12 schools
- Hospitals
- Lodging establishments (hospitality industry)

- Restaurants and food service
- Grocery stores
- Churches
- Colleges/Universities
- Datacenters

Several members asked why churches were a priority segment, given they don't typically have large energy loads. The priority is a result of churches wanting to work with us, being located in all parts of our territory, and having the ability to influence their parishioners to get involved at the residential level.

This year we separated the process and impact evaluation, so that we could select different contractors for each and focus on different program years – the impact evaluation (which will be finished at the end of this year) reviews the 2008 and 2009 program years.

The evaluation focused on seven of the 10 priority segments – offices, grocery, hospital, lodging, restaurants, K-12 schools, and retail. Program penetration rates for the 2009 program year for these markets range from more than 20% for offices and grocery, to 2% for retail. Overall, the program worked with 14% of establishments in 2009.

Rob asked if we could describe the relationship between these segments and the program and whether it has evolved over time. Phil did not feel we could generalize about most participants. Fred said that most businesses aren't that interested in having a relationship with us, but want us to be there when they have projects.

The evaluation consisted of interviews with staff (7), trade allies (26), distributors (4), trade organizations (4) and program participants (42 in-depth interviews, 53 brief interviews).

Staff interviews determined that the transition to new program managers this year, at Energy Trust and Lockheed Martin, went smoothly and communication is good. Alan noted that in the draft he received (which contained Evaluations' comments and edits) it appeared that there were communication problems, but that they had been fixed and so the note on the problem had been removed from the draft, rather than stating that there was a problem and it had been fixed. He is concerned about how much editing the drafts receive before they are presented to the Evaluation Committee; Debbie agrees. Phil said that if it is a major issue we leave it in the draft, but the communication issue was small.

From staff interviews, it was also found that the market is just starting to think about energy management, and not much has been done on it so far. Debbie felt the criteria here (having a full-time employee dedicated to energy management) was unrealistic and minimized the actual energy management happening – in a down economy, it's not reasonable to expect a business to devote a whole FTE. Fred noted that asset management as a whole is not well adopted throughout the business industry; energy is a symptom of a larger problem. Debbie felt this is what the program should be built around. Alan felt having an employee with energy management in their goals was enough to indicate active energy management. Murali noted that the program plans to target high energy users and have energy managers in place in those businesses, where it would pay off.

Trade allies report that they often recommend efficient equipment and customers often follow their advice, yet more than half of trade allies do 20% or less of their business with Energy Trust projects. Debbie would like to know how much of their business is maintenance versus

equipment replacement. Ken said that this is a small sample of trade allies and may not be representative; also, from another study he's seen, lighting customers may be more willing to follow trade ally recommendations. Fred said that contractors may frame all available choices as efficient – especially compared to old equipment, Debbie noted. Fred also noted that on some things, like unitary rooftop HVAC, the standard is already so high that we don't offer an efficient option. Alan said that customers ultimately make decisions based on the bottom line. Spencer noted that the program doesn't really know whether a life cycle cost argument works with customers, and will train trade allies more on this approach next year.

Participants indicated saving energy was their primary motivation and that they think about energy efficiency from the beginning of the project; if this is true, we should be able to use this to encourage even more participation. Most participants also say the extra efficiency was worth the investment. Ken is not surprised they would say the decision they made was the right one; the real question is whether they are thinking of the total cost of the efficiency or the cost after our incentives, and possibly tax credits. Spencer and Hayli noted that tax credits are awarded differently than our incentives, require pre-approval, and it is hard for customers to plan on a tax credit at this point.

The participant decision making process is complex and hard to characterize – there are often multiple actors and influencers. Cash flow was the most commonly mentioned barrier. Fred asked if financing was the exception or the rule among customers. Debbie felt that it was the overall cost that mattered to the decision, not the availability of financing. The evaluation reported that a contractor recommendation was sufficient for the participant to make the energy efficient choice. Debbie and Alan argued that it may be necessary, but is not sufficient. Debbie noted that a contractor will offer an efficient and a non-efficient choice, rather than lose out on the business because the customer wants to get more options from another contractor.

Ryan noted that participants are a select sample and that it is likely the nonparticipants that do not take the contractor's recommendation for efficiency, which would account for the discrepancy in some of the findings.

Fred asked how we can get customers to think about efficiency in all possible projects before they come up (through equipment failure or other need). Phil mentioned PECI's retro-commissioning pilot that included a "road map" for each participant, and the technical studies done for program participants to identify opportunities.

On practices around energy management, Alan pointed out a possible contradiction in that 88% of participants report "informally" managing energy costs, but 16% also have a written plan, which indicates formal management. Spencer asked if we know how much influence Energy Trust has had in participants' energy management practices. Phil said that we don't, and the program has not had any goals around influencing energy management. Fred mentioned that NEEA may track energy management practices in the course of its work.

Recommendations included helping customers identify cost-effective financial assistance (including the state energy loan program, which has money for projects over $20K) and promoting low- and no-cost measures. Alan asked how we would measure uptake of low- or no-cost measures. Murali said we would follow the process used by the industrial program – the participant would have the register, we would identify a baseline and then track the reduction in energy use. Phil added that savings have to be associated with an energy management plan, would receive a small incentive and have a life of three years. Alan liked this approach. Ken noted that this wouldn't preclude them from receiving incentives for capital projects as well.

For tenant-occupied spaces, the evaluator recommended that we try to leverage funds already earmarked for improvements. Debbie noted that earmarked funds are never enough for the project – customers always want more than the budget can buy. Murali said this is why we want to be more involved in decision making processes. Phil noted that there are several studies that find increases in rental rates and resale value for efficient buildings.

Alan asked if we have a program for each building type. While there isn't a program for each type, there is a type-specific outreach strategy and program contact. Hayli said they do targeted outreach to building and customer types. Fred added that the website is set up this way. Hayli said that for retail, it is hard to find the ultimate decision maker, and they may not be located in Oregon, so it is harder for the program to make them aware of Energy Trust and incentives. Murali said the program has begun targeting national chains and will continue this strategy next year.

For schools, Phil suggested that we may have to find another way to work with them if ODOE continues to move slowly. Fred asked if Education Service Districts (ESDs) were the real problem. Phil said ODOE was the primary barrier right now, but ESDs might be as well. The SB1149 money was spent on studies and schools are required to have a management plan before accessing money for improvements. Spencer explained that ODOE money can be more attractive because it will pay 100% of the project cost; but the plan has to layout implementation through 2025. Murali noted that a lot of the studies were done between three and five years ago and may now be obsolete. The program has scaled back on this sector, and Phil suggests exploring different approaches.

Debbie suggested developing more marketing materials for contractors to distribute. Leave-behinds can be effective with customers, as can our third-party perspective. Spencer said the program is trying to balance expanding its breadth (more customers) and depth (fewer customer, more comprehensive projects), and that increasing breadth required more marketing.

2. Multifamily Non-Energy Benefits Study

Contractor: Research Into Action

The recent impact evaluation of the multifamily program found some measures are no longer cost effective. The program was interested in using the non-energy benefits (NEBs) proxy in the cost-effectiveness calculation, based on the fact that some participants said they did the measures for non-energy saving reasons. The program consists mostly of window, insulation and lighting measures.

For the study, 43 participants from 2009 were contacted. After the first wave of questions, we realized we needed an answer to one more question, so 32 of the respondents were re-contacted. Respondents represented for-profit and some non-profit complexes, a mix of owners, managers and complex sizes. Most reported tenants were responsible for paying utility bills. Respondents were split on whether they felt there was excess demand or supply in the market, though all non-profits saw excess demand. Debbie noted that the survey question asked about utilities generically, and in the future we should ask about electricity and gas, to distinguish from water and garbage utility costs.

Respondents do little long-term planning of improvements, and focus funds on maintenance and turnover expenses, exterior improvements and roofing. Forty percent did not pursue the

Business Energy Tax Credit (BETC). More than two thirds felt it was important to control energy costs, even in areas where tenants pay the bills.

Most respondents reported that current tenants do not ask about energy efficiency, but prospective tenants were more likely to ask. About half advertized the energy efficient features of their rentals. Benefits they perceived were the ability to attract tenants (65%), retain tenants (40%), increased rental income (37%), and increased resale value (71%). We are skeptical of their ability to assign dollar values to these benefits. Phil estimated that increased rental income was the greatest monetary benefits, followed by resale value.

For insulation measures, all respondents were motivated only by energy savings or “tenant comfort”. For windows, 24% were motivated only by energy savings factors, while 59% were motivated by energy savings, plus NEBs like appearance, moisture control, noise reduction and others. Seventeen percent were motivated by NEBs alone.

The study supports the use of the NEB proxy for windows, but not insulation. Fred believes we may be able to continue with window incentives, but possibly not insulation.

3. 2009-2010 New Buildings (NB) Program Process Evaluation

Contractor: PWP Inc.

This is the first process evaluation to reflect the program under the new implementer, PECI, which took over in 2009. The evaluation involved a review of documents, estimation of market share, interviews with staff (7), participants (49), and nonparticipants (30).

The evaluation found that program forms are comprehensive and clear, but they are still a lot of work for participants, and customers don’t know the reason for all the data needed. Customers felt there wasn’t a lot of information on the website; the program has recently added more complex information and most participants download their forms from the website.

An analysis of Dodge new construction data was conducted to estimate program penetration for 2009. There are some limitations of the data that make it hard to estimate – for instance, the lack of major renovation data in Dodge – but the figure is somewhere between 65% and 89%. Phil noted that this is a very large presence in the market, especially given the smaller number of buildings begun and completed in 2009.

Participant satisfaction with the program was very high (96%), especially with communication and site inspections. Many who had participated before noted that the program has improved in the last few years. The transition to PECI was smooth. Eighty-five percent of respondents strive to exceed code on every project, and there were few specific concerns about the new code. The unweighted (by savings) free ridership rate was 35%. Alan asked how relevant free ridership is in a market transformation environment. Phil said it isn’t that important; the program works to get code increased and free ridership goes down. Ken noted that he isn’t that concerned about free ridership, especially since the program penetration is so high.

Of nonparticipants surveyed, all but one was a design professional (architect or engineer). We had a hard time finding nonparticipants, given market penetration. Most of their projects were small, as were the firms where they worked. Two thirds had heard of us, and almost half knew the nonparticipating project might qualify for incentives. Reasons given for not participating were various. The main suggestion given for increasing participation was to have a simpler process for

smaller projects to participate. More than half of nonparticipants strive to exceed code on all projects, only slightly fewer than participants.

Jessica described the program design planned for the beginning of 2011. There will be two tracks for participants – a fast track for small or in-progress projects, and a comprehensive program for large, modeled projects or those seeking a holistic approach from early design phases. Program enrollment will take place over the phone and they are seeking to reduce the number of forms needed over the life cycle of the project. Tired incentives and early design/technical assistance incentives encourage going as far above code as possible. The program expects to see a few projects subject to new code close in 2011. Fred said that the program will claim some savings from just helping projects meet code in the first year. Jessica noted that once participants build the first project to the new code, they use the learnings on their next projects.

Alan asked how we identify new projects – is it through permits? Jessica said the program uses several methods, including permits, relationships with design professionals and the program ally network. Dan said we want design professionals to be our ambassadors and emphasize cost savings from energy efficiency, but also the benefits to reputation of an efficient and sustainable building. He suggested that Energy Trust could offer help from our communications team to maximize participants' PR on projects.

Ken asked what kind of lighting incentives will be offered under the new code. The program is moving to only lighting power density-based incentives for lighting. Phil mentioned the Path to Net Zero pilot as a way to explore getting projects beyond the ambitious new code.

Debbie wondered how we can get small projects more engaged, and whether recognition would work. Jessica mentioned the Small Commercial Efficiency pilot (SCEP), which carries an Earth Advantage certification, but also wants to leverage our PR for small customers and nominate participants for energy champion awards. Fred noted that SCEP will have to be redesigned after the new code, and will be even harder to meet. Debbie said that small firms also have trouble sending employees to trainings. Jessica said that NEEA will be doing some brownbag lunches on the new code, and Energy Trust is interested in putting some webinars online so that professionals can watch at their convenience.

Overall, the program is working well. There will be another evaluation in 2011 to evaluate the effects of the new code and resulting challenges and opportunities.

4. Fast Feedback 2010 Q2 results

Contractor: Research Into Action

The pilot of this survey was conducted in 2009 with the Existing Buildings and Production Efficiency (PE) programs, and subsequently rolled out to all programs. This is the first report for most programs.

The survey is short and administered by phone with a representative sample of participants. Questions are about satisfaction, investment decisions, suggested changes for the program and a few other issues of interest. Research Into Action conducted the commercial program and some residential program calls, while Energy Trust's call center staff conducted most of the residential calls. Debbie asked if the call center used downtime for the calls or added time. Sarah

said that it was mostly downtime, but since fall hit they have had to add time. Sue said they have added a half-time outbound call rep to do surveys and they are looking at adding another person.

Satisfaction was fairly high among most commercial participants, with the exception of multifamily, where satisfaction was 72%. Multifamily participants had trouble with incentive applications and tax credits. Almost 50% of EB and PE projects would have been cancelled without the program, and incentives had high influence on the projects. Debbie asked if the survey covered the influence of tax credits. It did not; Fred noted that in the past most people found them either equally influential or slightly less influential compared to our incentives. Free ridership (unweighted) ranged from 11% for PE to 44% for NB. Someone asked why satisfaction with the technical study was so low for NB participants. Sarah responded that many people answered “Don’t know”; all those who provided a numerical rating gave it a 3, 4, or 5 out of 5.

Sarah asked whether we should treat the influence of contractors as Energy Trust influence in free ridership calculations. In most cases, we train contractors extensively on our programs and provide them with materials to sell efficient projects. They are usually the primary face of Energy Trust. Debbie and Alan felt it would be acceptable to count contractor influence toward Energy Trust’s influence in the market. Debbie feels that in a vendor driven program, when we are not counting spillover, counting vendor influence is the right thing to do. Alan noted that even nonparticipating contractors may be influenced by Energy Trust, based on his experience. Their opinions extended to the residential programs as well. The Q2 free ridership estimates in the draft already have contractor influence counted toward Energy Trust, so numbers presented here are accurate.

For Home Energy Solutions (HES) participants, satisfaction varied by the measures installed, from 72% for duct insulation to 92% for water heaters, averaging 84% overall. Free ridership ranged from 23% for air and duct sealing to 49% for water heating and 46% for heat pumps. Fred noted that we don’t have many offerings for water heaters, but that will change in the next year or so. For heat pumps, our spec is already fairly high and the market transformation showed that we didn’t have much influence in this market. There were virtually no air and duct sealing jobs before we came into existence.

Satisfaction with Home Performance is high, with 90% satisfied overall and 96% satisfied with the installation of measures and comfort of their home. The incentive was very influential, and free ridership was only 18%. Debbie noted that for a segment of the population Home Performance is great, though it’s not for everyone. She was concerned, though, that only 71% were satisfied with their custom energy report. Steve and Sarah clarified that not every participant gets a report from the software Energy Trust recommends – it is up to the contractor. Some do not want to use the software Energy Trust recommends. Sarah noted that though Home Performance may be less cost-effective than the general HES program, it has fewer free riders in its favor. Steve wanted to know if we know if people were satisfied with the assessment given the cost. We have not asked that question. Debbie noted that different contractors charge different amounts and some waive the fee. Several people agreed that participants would not have gone forward with the project or been as satisfied overall if they were unhappy with the fee.

Home Energy Review (HER) participants appear to be satisfied with the service (90% overall), but less so with the information left behind (80%) and information on how to apply for incentives (only 64%). The leave-behind has been reworked, so this finding is troubling. Steve wondered if the advisors had enough incentive to recommended measures and actions. Sarah said that the program has been reluctant to have the advisors try to “sell” participants on measures, especially

since contractors object to this. There has been talk of making the service more sales oriented in order to get people to do more after the review. This might also increase satisfaction.

On appliances and fridge recycling, participants are very satisfied overall (~90%), but less satisfied with turnaround time on incentive payments and paperwork. Phil said that he has talked with accounting and the residential programs may try “instant” payments via a discount on the purchase or a prepaid Visa card. Contractors or retailers would provide the discount to customers and then apply in bulk to Energy Trust for the incentives. It would be rolled out on a trial basis to preferred trade allies. Debbie asked what the drawbacks would be for that method. The contractor might have to carry some of the cost until payment, but the program might be able to expedite payment or use a wire transfer.

For appliances, free ridership was high (56% to 61%) since most participants would have purchased the same unit without the incentive. The program has been expecting this and is revising the appliance specs upward next year. For fridge recycling, the free pick-up had the highest influence on the decision, closely followed by the incentive. About 43% of units would have been recycled or destroyed without the program, but free ridership was only 28%.

Only a few solar participants were contacted for Q2 – they were all satisfied with their experience and highly influenced but the program. For Q3, more residential solar participants will be contacted.

In residential surveys, the question about satisfaction with Energy Trust information were confusing to respondents, so we have changed it to ask specifically about information on the website and brochures. We have also added surveys for commercial PV and small wind participants, and residential NW Natural Washington participants. Several tasks still remain, including savings-weighting the free ridership estimates, and analyzing the additional questions on tax credits, etc. Next quarter, the report will be produced in house and much shorter – just summary tables; Q3 should be ready in January.

The meeting adjourned at 1:05pm.

The next meeting is scheduled for Friday, December 10th, 10am to 1pm.