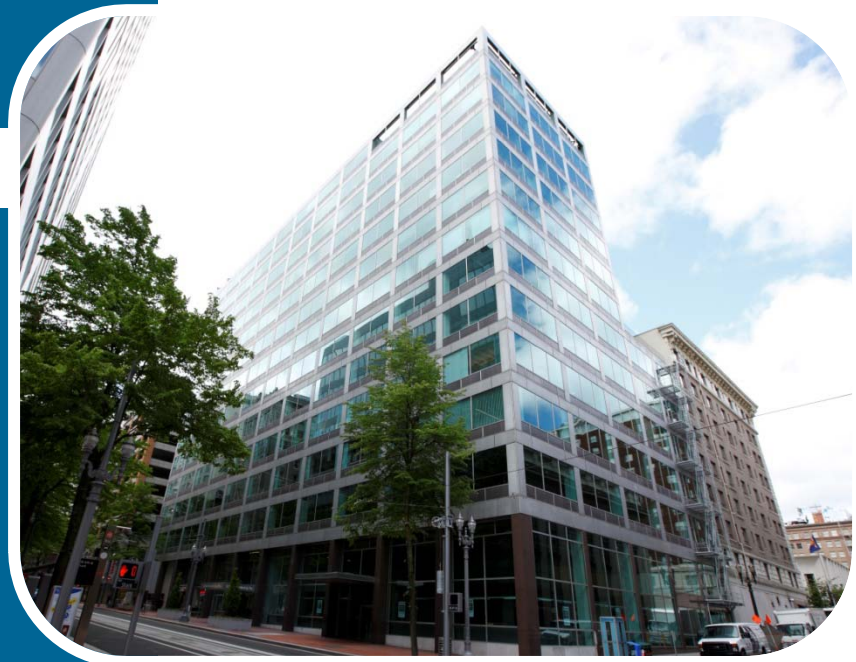

Projected 2011 Tax Credit Changes Impacts and Mitigation

Strategic Utility Roundtable

August 17, 2011

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Meeting Purpose and Agenda Topics

- Summarize state energy tax credit changes
- Focus on projected 2011 impacts
- Highlight analysis and underlying assumptions
- Present and discuss mitigation scenarios
- Next steps

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Summary

- If we do nothing to counteract BETC changes **<u>in 2011</u>**
  - Expected impact is not more than 20% of goal for any utility over a range of possible outcomes
- Have recommended actions that can re-capture as much as 60% of the lost savings
- Have the funds to support the recommended actions
  - Within 2011 sources of funds
- 2012 impacts will be larger and more uncertain
  - To be addressed in the Fall budgeting process

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New State Energy Tax Program under HB 3672

- Extends the RETC until 2012
- Sunsets existing BETC
  - Curtails existing BETC program
    - only projects with pre-certification from ODOE by 4/15/11
- Establishes a new energy conservation tax credit
  - Starts in the Fall, 2011
    - new standards for projects
    - funding capped at $28M/biennium
- Creates a new renewable energy tax credit
  - Starts in the Fall, 2011
    - new standards for generation projects
    - new approach to funding
    - funding capped at $3M/biennium

Note: 2012 impacts will be far greater than 2011

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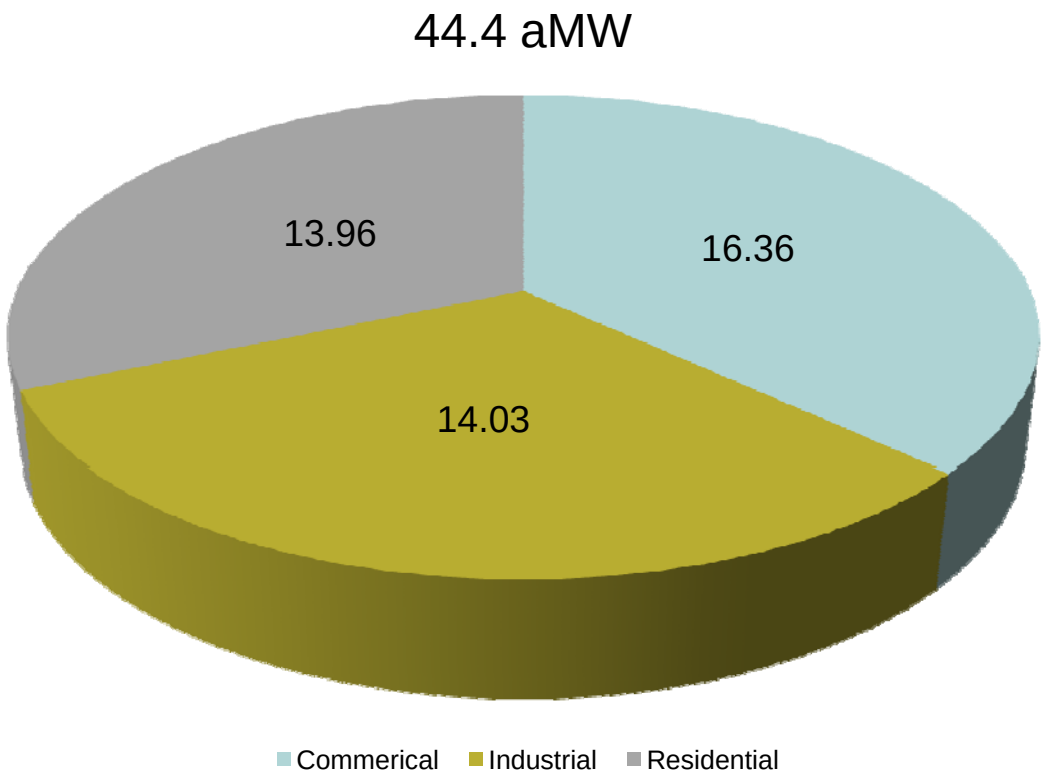
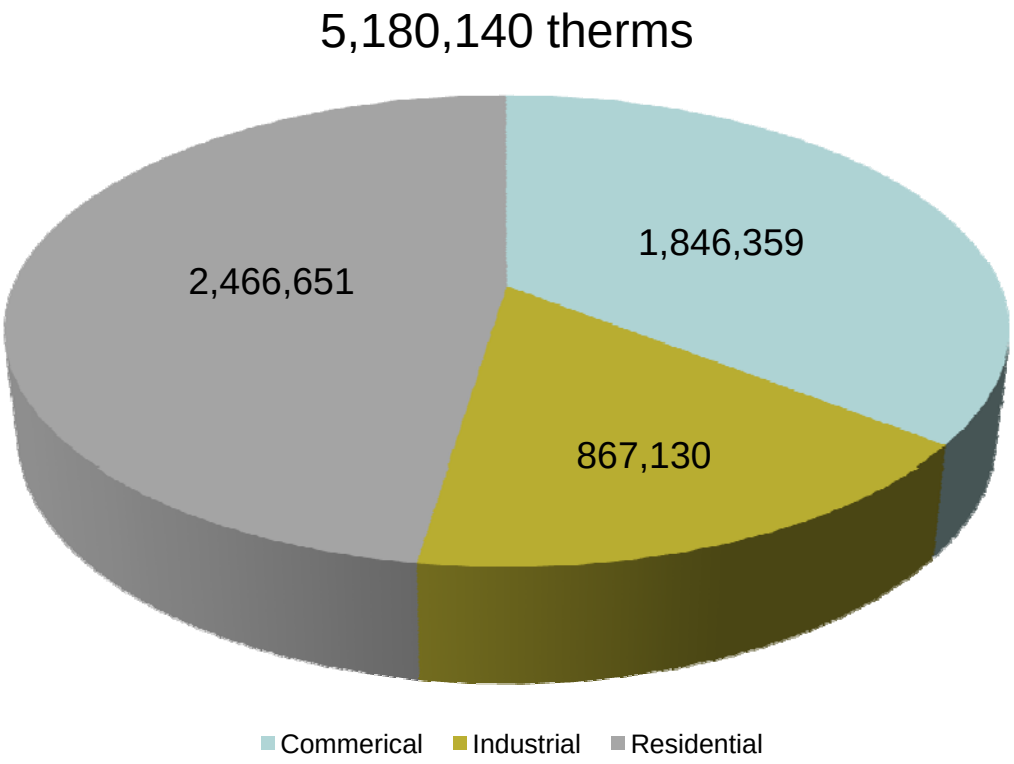
2011 Energy Trust Electric Goals



2011 Energy Trust Gas Goals



2011 Savings Largely Preserved For

- Residential programs
- Market transformation activities
- Operations and Maintenance
- Strategic Energy Management
- Building Operation Certification
- Manufacturer rebates
- Insulation and window replacement projects
  - Unless done in combination
- New buildings <10% above code
- Projects with approved BETC precertification
- Most prescriptive, non-custom measures
  - Lighting is the exception
- Multifamily projects
  - Given the offerings this year

2011 Savings Facing Largest Impact

- Existing Buildings
  - Lighting and Custom Capital Projects
    - up to 80% of expected savings for 2011
  - Up to 49% of program potentially impacted
    - excludes competed & unaffected projects
- Production Efficiency
  - Lighting and Custom Capital Projects
    - more than 50% of expected savings for 2011
  - Up to 25% of program potentially impacted
    - excludes competed & unaffected projects
- Focus of analysis and mitigation strategies

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Analytical Approach and Assumptions

- Quantified savings projections & impacts by utility
  - savings unaffected by BETC
    - not reliant on BETC
    - projects completed or nearly completed in first half of 2011
  - projects in the pipeline impacted
    - without BETC pre-certification
  - forecasted projects
    - determine share BETC dependent or not
  - developed ranges of high and low impact
- Analyzed revenue, budget and expenditures
- Developed potential mitigation strategies
  - close BETC gap for project types most impacted
    - treat similar projects similarly
    - partially, not a complete make-up
  - remain cost-effective within OPUC guidelines
  - stay within existing sources of 2011 funds
  - changes that could extend to 2012, if had to
  - considered a range of responses to bonuses

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2011 Savings Impacts of BETC

Drop in Savings Due to Loss of BETC

	High Impact		Low Impact	
	Savings (aMW or therm)	Share of Goal	Savings (aMW or therm)	Share of Goal
PGE	-5.67	-19%	-3.74	-13%
PAC	-2.57	-17%	-1.73	-11%
NWN	-471,380	-10%	-279,734	-6%
CNG	-81,292	-17%	-42,899	-9%

2011 Financial Impacts of BETC

Reduced Incentive Spending From Projects Dropping out (no BETC available)		
	High Impact ($M)	Low Impact ($M)
PGE	$9.40	$5.70
PAC	$3.85	$2.14
NWN	$1.45	$1.12
CNG	$0.22	$0.13

Mitigation Actions to Recapture Loss

- Actions
  - Temporary Incentive Bonus
    - Projects not yet completed
    - Will be completed in 2011
    - Lighting
      - ✓ 20% increase for prescriptive
      - ✓ 50% increase for custom
  - Custom Capital
    - 20% increase
- Can not get all of it back
  - The range of success
    - 60% re-capture at high end
    - 30% re-capture at low end

Projected Savings With Mitigation Actions

		High Impact		Low Impact	
		Low Success	High Success	Low Success	High Success
Mitigation Savings (aMW)	PGE	1.70	3.40	1.12	2.25
	PAC	0.77	1.54	0.52	1.04
Goal Achieved After Mitigation (% of stretch)	PGE	86%	92%	91%	95%
	PAC	88%	93%	92%	95%
Mitigation Savings (therms)	NWN	141,414	282,828	83,920	167,840
	CNG	24,387	48,775	12,870	25,739
Goal Achieved After Mitigation (% of stretch)	NWN	93%	96%	96%	98%
	CNG	88%	93%	94%	96%

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Projected Electric Savings Goals With BETC Mitigation

PGE	High Impact		Low Impact	
	Savings (aMW)	Share of Goal	Savings (aMW)	Share of Goal
Annual 2011 Goal	29.18		29.18	
Estimated Savings Range Absent BETC	23.51	81%	25.43	87%
Savings Range with Low Success Mitigation	25.21	86%	26.56	91%
Savings Range with High Success Mitigation	26.91	92%	27.68	95%

PAC	High Impact		Low Impact	
	Savings (aMW)	Share of Goal	Savings (aMW)	Share of Goal
Annual 2011 Goal	15.17		15.17	
Estimated Savings Range Absent BETC	12.60	83%	13.44	89%
Savings Range with Low Success Mitigation	13.37	88%	13.96	92%
Savings Range with High Success Mitigation	14.14	93%	14.48	95%

Total Electric	High Impact		Low Impact	
	Savings (aMW)	Share of Goal	Savings (aMW)	Share of Goal
Total Annual 2011 Electric Goal	44.35		44.35	
Estimated Savings Range Absent BETC	36.11	81%	38.87	88%
Savings Range with Low Success Mitigation	38.58	87%	40.52	91%
Savings Range with High Success Mitigation	41.05	93%	42.16	95%

Projected Gas Savings Goals With BETC Mitigation

NWN	High Impact		Low Impact	
	Savings (therm)	Share of Goal	Savings (therm)	Share of Goal
Annual 2011 Goal	4,702,349		4,702,349	
Estimated Savings Range Absent BETC	4,230,969	90%	4,422,615	94%
Savings Range with Low Success Mitigation	4,372,383	93%	4,506,535	96%
Savings Range with High Success Mitigation	4,513,797	96%	4,590,455	98%

CNG	High Impact		Low Impact	
	Savings (therm)	Share of Goal	Savings (therm)	Share of Goal
Annual 2011 Goal	477,791		477,791	
Estimated Savings Range Absent BETC	396,499	83%	434,892	91%
Savings Range with Low Success Mitigation	420,887	88%	447,761	94%
Savings Range with High Success Mitigation	445,274	93%	460,631	96%

Total Gas	High Impact		Low Impact	
	Savings (therm)	Share of Goal	Savings (therm)	Share of Goal
Total Annual 2011 Gas Goal	5,180,140		5,180,140	
Estimated Savings Range Absent BETC	4,627,468	89%	4,857,507	94%
Savings Range with Low Success Mitigation	4,793,270	93%	4,954,297	96%
Savings Range with High Success Mitigation	4,959,071	96%	5,051,086	98%

Projected Financial Impacts of Mitigation Actions

Financial Summary		High Impact		Low Impact	
		Low Success ($M)	High Success ($M)	Low Success ($M)	High Success ($M)
Mitigation Costs	PGE	$ (5.25)	$ (8.42)	$ (5.09)	$ (7.09)
	PAC	$ (2.52)	$ (3.96)	$ (2.33)	$ (3.22)
	NWN	$ (0.55)	$ (0.89)	$ (0.47)	$ (0.67)
	CNG	$ (0.09)	$ (0.16)	$ (0.07)	$ (0.10)
Remaining Funds	PGE	$ 4.15	$ 0.98	$ 0.61	$ (1.39)
	PAC	$ 1.33	$ (0.11)	$ (0.18)	$ (1.07)
	NWN	$ 0.91	$ 0.57	$ 0.64	$ 0.44
	CNG	$ 0.12	$ 0.05	$ 0.06	$ 0.02

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Energy Trust Commitments To

- Focus on communication, customer service and achievement of goals
- Provide factual information to help stabilize the market
- Coordinate with utilities, other stakeholders, ODOE, OPUC and ETO board
- Seek ongoing feedback from staff, contractors, trade allies and customers
- Capture anecdotal comments
- Monitor progress toward project completion
- Use targeted marketing and outreach to close deals
- Maintain flexibility and ability to adjust

Communications

- Little media coverage of tax credit changes thus far (HB 3672 not yet signed); contractors and customers need information
- ODOE is authority on tax credit programs and changes
  - ODOE has a FAQ on its web site
  - letters to applicants pending governor's signature of HB 3672
- Energy Trust coordinating with ODOE
  - created web page for tax credit info with links to ODOE FAQ
  - ODOE to clarify in communications that legislation does not affect availability of Energy Trust incentives
- Energy Trust distributed customer talking points to program staff, call center and outreach representatives, and utility outreach teams
- Energy Trust called down lighting contractors and provided basic information in Insider newsletter for all trade allies
- ODOE and Energy Trust participated in a NEEC webinar on July 19
- Ongoing communications and program marketing planned

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2012 Budget Discussion

For 2012 budget preparation:

1. Choices between goal and rate impact?
   a) Achievement of IRP goal will come with some costs
   b) There may some rate impact regardless of tax credit changes
2. Is there tolerance for not delivering IRP targets?

Potential budgeting plan:

1. Design programs to meet IRP goals with remedial delivery and incentive strategies
2. Determine incremental cost for rate impact analysis
3. Present scenarios to utilities and OPUC for agreement

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Questions and Discussion

Additional feedback and clarification?

Balance between recovery, risk and goal?

Changes to marketing/promotional activities?

Other comments and ideas?

Next Steps

- Complete individual utility meetings by August 5
- CAC meeting August 10
- Utility Roundtable/Board Meeting August 17
- Launch mitigation actions, if accepted
- Engage with OPUC, as needed
- Initiate 2012 utility IRP and funding discussions mid-to-late August
- Complete ongoing activity and financial projections
- Participate in ODOE rulemaking this fall
- Prepare 2012 Budget and Action Plan in anticipation of further tax credit changes and impacts September-December

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