EnergyTrust of Oregon

CONSERVATION ADVISORY COUNCIL
Notes from meeting on July 17, 2013

Attending from the Council:
Jim Abrahamson, Cascade Natural Gas
Brent Barclay, Bonneville Power Administration
Warren Cook, Oregon Department of Energy
Joe Esmonde, International Brotherhood of Electrical Workers
Wendy Gerlitz, Northwest Energy Coalition
Scott Inman, Oregon Remodelers Association
Juliet Johnson, Oregon Public Utility Commission
Don MacOdrum, Home Performance Guild
Holly Meyer, NW Natural
Anne Snyder-Grassman, Portland General Electric

Attending from Energy Trust:
Matt Braman
Amber Cole
Kim Crossman
Diane Ferington
Fred Gordon
Kevin Havice
Andrew Hudson
Susan Jamison
Marshall Johnson
Oliver Kesting
Steve Lacey
Spencer Moersfelder
Jessica Rose
Scott Swearingen
Julianne Thacher

Others attending:
Jeremy Anderson, Wise Energy
Monica Blakeslee-Kish, PECI
John Charles, Cascade Policy Institute
Christina Cobrales, CSG
Tim Davis, CSG
Carolyn Farrar, NW Natural
Jeff King, Energy Trust board
Marilyn Morfitt, NW Natural
Liz Sanders, Northwest Energy Efficiency Alliance
Tracy Scott, Lockheed Martin
Jeffrey Swartz, ICF
Sarah Traux, PECI

1. Welcome and introductions
Kim Crossman convened the meeting at 1:35 p.m. and reviewed the agenda. The agenda, notes and presentation materials are available on Energy Trust's website at www.energytrust.org/About/public-meetings/CACMeetings.aspx.

Kim: Our mission today is to discuss the budget process, including the development of budget concepts. These are conceptual design ideas. Today, we'll have presentations on preliminary budget concepts and have time for discussion of these concepts.

2. Annual goals, funding nomenclature and relationships to utility IRPs
Kim: We'll start by inviting Steve Lacey, Energy Trust director of operations, to present on a change to how Energy Trust sets goals. This has relevance for the 2014 goals and budget we will be developing over the next few months.

Steve: I'm going to present on our annual goals discussions with the Oregon Public Utility Commission, stakeholders and utilities. This discussion came out of an observation from our last budget process that there was confusion with nomenclature regarding Energy Trust savings goals and Integrated Resources Planning, IRP, targets. We wanted to clear up that confusion and thought the topic would be a good fit for strategic utility roundtable discussions. Typically, we do strategic utility roundtables a few times a year.

On May 22, we held a strategic utility roundtable to explore options regarding how we link our savings goals to utility IRP targets and how that translates to Oregon Public Utility Commission, OPUC, performance measures. We also wanted to tackle a related issue, which is how to characterize and administer reserve accounts going forward. We presented these topics and options for consideration at the roundtable. Three primary issues emerged. First, how should we describe our annual savings goals and their relationship to IRP targets? Second, how should the OPUC measure the acquisition of our savings to meet utility targets? Third, how are funding levels determined?

We came out of the strategic utility roundtable with consensus on the following issues. We want to preserve existing utility IRP processes. That is, we do not want to change the IRP processes and how they get administered between the OPUC and the utilities. We want to use current adjusted IRP targets that we provide to utilities on a regular basis, which is every two years. Energy Trust efficiency goals will be set to the IRP targets. What that means to you is that, previously, the resource potential and the IRP targets have not been lined up. We right-sized to give a degree of confidence for IRP targets that had come out of alignment with historical definitions of IRP. That is, we realigned the resource potential and the IRP targets.

We also agreed that utilities would file tariffs with the OPUC to fund Energy Trust at individual IRP target levels on an annual basis. The OPUC will hold Energy Trust accountable to 85 percent of IRP targets as minimum requirements.

Energy Trust is aware that we can't achieve higher targets consistently on an annual basis. Some years our accomplishments may be lower or higher. Targets will be met on average over a longer period, which would translate to a utility's multi-year action plan. We will also link our results to the utilities' multi-year action plans.

We'll summarize the individual and combined utility goal achievement in our annual reports. Typically we have an aggregated portfolio savings report. Now we will report by individual utility for those IRP performance measures.

There were two outstanding issues after the strategic utility roundtable. First, how do we come up with a definitive annual performance measure for multi-year action plans? We weren't able to agree on what that would be at the roundtable, so we decided to convene a working group to work on that issue. Second, how do we identify and characterize our reserve accounts? Currently we have two reserve accounts, an interest reserve account that is not attributed to utilities and a 5 percent program reserve account.

On June 12, a working group convened consisting of Margie Harris and me from Energy Trust, Juliet Johnson and Jason Eisdorfer from the OPUC and representatives from the four utilities. The working group reconfirmed the agreed upon outcomes from the strategic utility roundtable and made recommendations for the two outstanding items.

Regarding IRP goals and performance measures, the working group recommended using the most current resource assessment to provide individual utilities with the full range of energy-efficiency resources by cost and over the planning period. Previous to this, Energy Trust would provide recommended numbers and decrement them by 15 percent to emulate conservative goals. Individual utilities would then select and generate an IRP target. This single number will be the basis for establishing annual savings goals for the budgeting process. We will no longer use conservative and stretch labels to characterize savings. There will be just one Energy Trust goal, which translates to individual utility IRP targets.

Then the working group addressed the question of how to come up with a specific and quantifiable performance measure that spans utilities' multi-year action plans. We were not able to come up with a measure that's easily and transparently administered. The problem is utilities have action plans that are filed every two to five years with two-year update cycles. So the baselines can change every two years. It would be difficult to align two-year updates with four-year action plans and compare them to historical values as baselines change.

The recommendation from the working group was to stick with an 85 percent performance measure based on IRP annual targets to determine Energy Trust annual performance. In any given year, if Energy Trust performs below the minimum standard, Energy Trust will provide explanation to the OPUC. OPUC staff and commissioners will determine next steps to address the shortfall. This could range from an informal working group roundtable to opening a docket to conduct a formal investigation.

The working group also recommended that Energy Trust track over a number of years how we are doing and provide narrative in annual reports regarding trends. If over a period of time we are fairly low—say below 90 percent of our target—we will provide narrative explanation. Then it is up to the OPUC to determine necessary action.

If we are consistently low, Energy Trust will come to the Conservation Advisory Council for discussion and to identify what's going on and why.

Don MacOdrum: From a layperson view, conservative and stretch goals were nice because they provided a window. If Energy Trust is more than 15 percent below the goal, it seems like there's some explaining to do.
Steve: We would provide narrative even if results are less than 15 percent below goal.

Don: So you'll provide narrative anyway?
Steve: Yes.

Don: Where is this new goal in relation to the current conservative and stretch goals?
Steve: It emulates the stretch goal. Prior to this, the stretch goal was basically the IRP. We and the utilities wanted certainty on delivering IRP. So the current convention is set at 85 percent of IRP. We are now resetting back to the past.
Juliet Johnson: There's still a range. The range is now the IRP target, which we're glad is at the full resource potential—and 15 percent below, which represents minimum OPUC performance measure. Fifteen percent below IRP is not a target, it's a floor, you should not fall below it.

Holly Meyer: Is it assumed that you could be between 85 and 100 percent of IRP for multiple years?
Steve: Because we have five-year action plans and two-year IRP goal resets, we can't come up with a quantifiable number that will hold longer term across multiple different IRP periods. So we'll update the OPUC with narrative on annual reports. For example, if we were coming in below 100 percent in Portland General Electric territory, we would note that and explain the reason. If we were overachieving in a certain utility territory, it could be that we were looking at a conservative IRP profile. There would be continuity and reflection of multi-year performance.

Jim Abrahamson: Cascade Natural Gas is the first utility coming out of the gate with our IRP update due in August. We're approaching this by making sure that our historical data set of demand-side management achievements are the Energy Trust trued up numbers by customer class from 2006 to 2011. The 2012 number has not been trued up yet but we will update it after true up on August 1. Then we will add therm savings from the low-income program.
Kim: That's a good example of the type of work that must go on over the next few months with Energy Trust's planning staff and the utilities because old IRP goals were not the same as stretch goals.

Steve: Then the working group addressed the second unresolved issue of the two Energy Trust reserve accounts, the interest reserve and the program reserve. The interest reserve will now be called the contingency reserve or contingency interest reserve. There is approximately $7.5 million in the contingency reserve. The working group recommends that $5 million be held for emergency purposes to keep the organization operational. The additional $2.5 million can be used to address shortfalls in revenue due to warm winters and other shortfalls, or to go after great cost-effective projects that come up unexpectedly. The working group recommends that the contingency reserve is capped at $8 million, so it won't grow bigger than that. With this recommendation, we will always have $5 million to $8 million in bandwidth to address emergencies and opportunities.

> Energy Trust also has a 5 percent program reserve. The working group suggests that this reserve no longer be 5 percent. Rather it should be negotiated individually with each utility to be based on the individual needs of each utility. The amount could be the outcome of utility carry over, market conditions or future energy savings that weren't anticipated in IRP. We felt that we were over-collecting with a blanket 5 percent and wanted to tailor to individual utilities.
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> Next steps are to send a briefing paper out to utility roundtable participants and have a briefing discussion with the Energy Trust board of directors at the July 31 board meeting. Utility roundtable attendees are invited to the July 31 board meeting. If there are any action items for the board, we will bring them to the September 25 Energy Trust board meeting.

Kim: Peter has been calling this the "unified goal theory." That helps me remember and understand this.

Brent Barclay: Is there any difference between the Northwest Power and Conservation Council's power plan for the electric utilities and the resource potential found in the utilities' IRPs?
Steve: We provide utilities with resource potential. Utilities select cost-effective resources and select the plan that becomes our target. The driver is that Energy Trust provides IRP targets through resource potential studies conducted for utilities.
Peter West: We have come to the same conclusions. IRPs are ahead of pace.
Juliet: Often utilities will refer to the power plan and the IRPs. It's kind of incidental. The power plan is not really directly used.
Steve: The power plan is not a driver for the decision-making process but people can use it as a gauge to see if their IRPs are way off.

Juliet: Energy Trust gives utilities potential and utilities determine cost-effectiveness and IRP. This concerns me because what Energy Trust provides them shouldn't be too far off from what utilities come back with.
Steve: Each utility has its own model. They use Energy Trust as the initiator for that information.

Kim: Is it accurate to say Energy Trust is developing the deployment scenarios?
Steve: Yes.

Jim: We take 20-year deployment numbers that are based on potential assessment of what is possible. We take that as an input into our IRP process. To my understanding, Energy Trust demand-side management numbers are hardwired into this process. We won't change Energy Trust numbers 10 years out because of a supply situation.

Juliet: I want to go on record saying we would want to understand if there were discrepancies between Energy Trust inputs and utility IRPs.

Jim: Cascade Natural Gas won't deviate. We rely on Energy Trust to come up with targets and see Energy Trust as our delivery agent.

Warren Cook: What is the likelihood of a tariff filing because resource potential exceeds the public purpose charge?
Steve: The public purpose charge is SB 1149 and the tariff-based charge is SB 838. Add them together and that's IRP. It's a combination of those two funding streams. Public purpose funds do not float.

3. Quarter 2 dashboards
Peter West: Now back to this year. We have two goals, conservative and stretch. Dashboards are preliminary numbers at the close of Q2. Refer to the Conservation Advisory Council packet for detail. A better edited version will be available on the Energy Trust website tomorrow morning.

> What we have here is the 2013 chart. The three bars show proposed, committed and short-cycle. Short-cycle are things that come in unannounced. What we do with that data is adjust it and put confidence factors around it, then it becomes adjusted. Adjusted is the forecast.
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> We are forecasting to meet or exceed conservative goal for all utilities. Multifamily and New Buildings are particularly strong across all utilities. Production Efficiency is particularly strong in certain utilities. The New Homes and Products program is more robust than forecast and EPS™, our energy performance score, is penetrating the market deeper. The New Buildings Market Solutions offering is strong, especially for low-rise, multifamily and assisted living. Data centers are clicking along. Multifamily direct installations for all utilities are strong. All of these efforts are overachieving and providing significant savings.
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> There are some issues that don't apply to all programs. With increased standards to higher tiers and products, market recovery is not coming at the same pace as in years past. We may have gone too hard on products. There are not enough choices for high-end products and we are not getting enough penetration.
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> The market, especially in big box retail, has driven hard on LEDs. We lost a lot of shelf space for specialty compact fluorescent light bulbs, CFLs. We are relooking at what we can do for LEDs. No matter what we do at this point, we will still take a hit in 2013. We won't be able to change until Q3.

Overall, particularly on Existing Buildings and Industry and Agriculture, we're having fewer large projects, especially in lighting. We saw the loss of Business Energy Tax Credits and the end of the Energy Trust temporary bonus in 2012. Economics are now poorer for many lighting projects and the length of payback is too long.

Especially in residential, we wanted to move past Energy Saver Kits and reduce savings from kits from 60 percent of savings to 35 percent. This proves to be an over-aggressive switch. Other sources of savings have not increased fast enough. The Clean Energy Works Oregon forecast dropped from 1,500 projects for 2013 down to 1,000 projects. Of those projects, we're getting fewer savings per project. As we go through the year, we update our benchmarks. What we're getting out of those Clean Energy Works Oregon projects are insulating projects that have already met our baseline so we're not getting the savings back that we should expect. Those savings we depended on are not there to replace what we wanted to reduce in kits. We may get 40 or 45 percent savings from kits. Kits have already achieved market penetration and we wanted a slower ramp down to zero. We may see a cliff sooner.

Overall, the economic recovery has been more robust in western Oregon. On the western side of the mountains, our savings are bolstered by more small projects, particularly in commercial and industrial sectors. We're not getting this in eastern Oregon, where we're still dependent on a few large projects to carry savings. This will be particularly true for Cascade Natural Gas.

For Pacific Power, this is a conservative forecast. The forecast is down but is trending up dramatically and will likely continue to go up. Also this forecast did not count any Opower savings. The pilot has been delayed and we are holding back to make sure Opower is fully launched this year. If it is not fully launched, we can't count Opower savings. Also there is a large data center in Pacific Power territory, we estimated conservatively at 50 percent of potential savings.

The NW Natural forecast is at 93 percent of stretch goal. Production Efficiency, New Homes, New Buildings and multifamily are all doing very well. Rooftop HVAC unit tune ups are having a lag effect in the market.

Cascade Natural Gas is at 80 percent of stretch goal. The industrial sector has only seven large projects in play. We're at 50 percent of goal now and we could be at 105 percent of goal next month. We had two projects fall out and it made a big impact. Residential is at 95 percent of stretch goal. A few choices from large industrial plant managers can make a big impact on our savings.

Juliet: Why is Opower delayed?
Peter: Opower provides a standard product and Energy Trust rejected some of its recommendations. It takes time for them to rewrite them. Their recommendations are good if you are in the Midwest or on the east coast.

Juliet: The recommendations are tips included in mailers to customers?
Peter: Yes, and we want some of the tips to be taken out. For example, in other states they want to encourage fuel switching and we don't. We don't want to go out until they make changes and they've been resistant to changes until recently.

Brent: Have you done any analysis to see your year ahead pipeline as a ratio to your completed pipeline?

Kim: We don't get into 2014 yet. Our contractors are optimistic about finishing projects in the current year. We start pushing on them now to get real about completion dates and put projects into next year if there is a chance or likelihood they'll push. By the time we get a Q3 dashboard, we begin to see better numbers. Each program behaves differently in terms of how much pipeline they have and how far ahead they can look. New Buildings can look far ahead, but Production Efficiency can't. When we build our goals for 2014 we will be looking at our pipeline, but the best indication is really historical performance. How much didn't we know at this time last year?
Peter: The pipeline is sloppy data and it's only a little less sloppy at the end of Q3. Pipeline is not that meaningful to us until December.
Kim: In February of next year we have more information from projects that pushed from the prior year. At that point in Q1 2014, we would raise concerns and change strategies to adjust pipeline.

Joe Esmonde: Did you factor in the $5 million to $6 million that the Clean Energy Works Oregon picked up?
Peter: That would be for 2014 and beyond, and no, that's not our funding. Our funding is not changed by that.
Joe: But will that affect or drive the market?
Peter: Not in 2013. Folks should know there was a legislative push and money was set aside with the Oregon Department of Energy. We're hearing very different things about whether that money goes to Clean Energy Works Oregon or not.

Kim: So Jim, do you want us to come back to you on your question about Clean Energy Works Oregon?
Jim: We'll get to it when we talk about budget. I notice that our agenda is so loaded that we don't have time to thoroughly address the issues at hand.
Kim: The first two agenda items were supposed to be informational. We're trying to leave substantive time on the agenda for the discussion of budget concepts.
Jim: If we're an advisory group, you need to give us time to give advice.
Kim: Can we also have purely informational items on a Conservation Advisory Council agenda? That was my understanding coming out of our work on operating principles earlier this year, but we can continue to explore to try to dial in agendas for these meetings. Thanks for your input.

Peter: If you have questions about the dashboards, call me or one of the sector leads.

4. Draft 2014/2015 action plan and budget themes
Peter: We iterate back and forth between the program plans and concepts you're about to see and the Energy Trust strategic plan. What emerged are the themes of easy access, targeting, innovation, improved systems and processes and looking ahead at longer-term strategic issues. These five themes relate to each other.

> Easy access: We're talking about how to be more accessible for both contractors and customers. For example, by providing electronic forms that facilitate participation.
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> Targeting: There are pockets of markets and territory, territory being both locations and customer types, that we'd like to get deeper with. We'd like to do more specific outreach to more specific customer types and stakeholder groups. This is where we're going to get savings in the future.
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> Innovation: This is always a theme for Energy Trust, pilots, new initiatives. Because of how supply curves work, available savings will plummet in the next five years if we don't

innovate. Some of these innovations won't be hardware; they'll be like the New Buildings Market Solutions packages. We need to innovate in delivery as well as products.

Improved systems and processes: We're stepping up our own information systems and technology in order to do more electronic forms, provide portals for trade allies and make communications through the website easier. We need a different system in order to do this. You won't see this theme so much in program plans.

Looking ahead: If we're going to target folks, we need to engage stakeholder groups differently. We need to have different cohorts and different sets of actors out there in the community. This includes being more diverse about our trade ally set and certain customer sets, for example, people for whom English is a second language, and look at whether or not we're making it easy for these customers to interact with us.

5. 2014 budget concepts: residential sector

Kim: These budget concept reports are comprehensive and we're not going to dive into everything in detail, since we've just spent the last three council meetings going through deep dives on each sector and our historic trends. We'll focus today on what's changing and what has budgetary relevance. We won't have enough time to talk at length and in depth about these reports. We'll walk you through what's most important at the moment and leave time for some discussion. If you have feedback, thoughts or concerns, please provide them by the end of the month to Kim, Diane, Oliver or Peter. We need feedback by the end of July because we'll develop budgets in August.

Diane Ferington: In 2014, we are re-competing the New Homes and Products contract to start in 2015.

New Homes and Products: We will leverage the Northwest Energy Efficiency Alliance's NW ENERGY STAR® New Homes and Next Step programs. NEEA is developing a software platform for verifiers and we are integrating with that platform to automatically generate EPS ratings, which will result in a large administrative cost reduction. We are also working with subcontractors to drive additional savings. We are working on a joint proposal for the building codes division for the 2015 energy code. We will continue to increase homebuyer awareness and understanding of EPS, collaboratively with Existing Homes.

Products: We will expand the market lift concepts piloted in 2013, expand online and instant retail incentives, increase point-of-sale field services, this means targeting sales staff that has a big influence on consumer purchases, and we will expand LED lighting options through regional utility network efforts, including the Pacific Northwest and California utilities.

Existing Homes: We will equip trade allies with tools, offer more electronic forms, create an online portal for contractors and create referral codes for contractors to connect them with customers. We will continue to transition away from kits while maintaining cost-effectiveness, increase key product penetrations for ductless heat pumps and water heating and reach underserved populations with the Savings Within Reach track. Savings Within Reach and the demographic served is growing. This includes the Savings Within Reach loan product that will launch in fall 2013 and expanding contractor-installed instant-savings measures.

> Other areas for 2014: We will leverage NEEA for the promotion of ductless heat pumps and heat pump water heaters. The Existing Homes program will coordinate with the Oregon Department of Energy on HB 2801. The consumer-facing savings tool will launch in 2013 with a vision for contractor features to be made in 2014. In 2013, a Savings Within Reach loan product with Craft3 will launch. We will continue to evaluate EPS for existing homes in 2014. The lending and real estate ally networks will expand. In 2014 the Existing Homes program will continue to test air and duct sealing strategies to find the most cost-effective approaches and conduct a NEST pilot with heat pumps that may lead to a gas effort in the fall of 2014, depending on the results of this pilot.
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> 2014 anticipated challenges include gas weatherization avoided costs, heat pump water heater selection and availability, ductless heat pump average installation costs, uncertainty about CFLs amid Energy Independence and Security Act, EISA, legislation, moving away from consumer retail buy-downs, Clean Energy Works Oregon transition from federal grant funding and balancing new savings levers with migration away from Energy Saver Kits.

Scott Inman: Prescriptive installations are projected to be down significantly in 2014 over 2013. Why?
Marshall Johnson: Because of changes in R-Value requirements for attic and floor insulation. There will be 40 percent fewer attic insulation projects recognized this year. That number is forecasted based on the fact that certain measures were removed from the portfolio this year.

Scott I.: Does 20 percent fewer installations mean 20 percent less energy savings?
Marshall: We have other ways of making up for those savings. We want other things to fill this void.

Don: That’s confusing to me. We’re losing savings with kits and we’re also losing savings because of the measures. They’re both reductions, so what balances it out?
Marshall: Historically we’ve relied on kits to fill the gap when falling short of goal. Savings from products in kits are being reduced because of EISA. So we need to do more kits and come up with replacements for savings from those kits.

Don: Seems like there are a lot of hits to Existing Homes? I assume there are some other levers to pull.
Diane: We’re looking for more ideas. We’ve talked with NW Natural and Cascade Natural Gas about options in the gas arena. NEST may be promising. There are new technologies coming, including gas heat pumps. We may potentially look at a targeted early furnace retirement program. Current cost-effectiveness of gas weatherization measures are not looking good.

Holly: Will Savings Within Reach incentives change?
Marshall: Wall and floor insulation are not cost-effective for Savings Within Reach. There will be more information for the Conservation Advisory Council in October.
Holly: We’re on a cost-effectiveness hiatus.
Marshall: Savings Within Reach incentives must pass a utility test and these two measures do not pass. This must be addressed immediately in 2013.

Jim: I wanted to raise my Clean Energy Works Oregon questions. Probably these questions are more for Clean Energy Works Oregon than Energy Trust. First, why do we have a drop from 1,500 to 1,000 homes? Second, I just heard that Clean Energy Works Oregon is changing its name to Clean Energy Works. Now they are expanding activities to the Seattle area. Third, I have some funding questions. Clean Energy Works Oregon received $9.8 million total from the

State of Oregon in this legislative session, including $5 million from lottery funds and $4.8 million from existing low-income weatherization programs. What will the funds be used for? How will Clean Energy Works Oregon protect Oregon ratepayer money from work in Washington state?
Peter: These are all questions for Derek Smith. We can invite Clean Energy Works Oregon here but they're not here today. I don't know. We're trying to find the answer about the drop from 1,500 to 1,000 projects. We set aside money for Clean Energy Works Oregon to complete work depending on their forecast, but we don't have control. We roll that forecast into our goals and budget. We've talked about hedging those more but then we don't have the money in case they actually do perform. Derek needs to answer these questions.

Jim: It doesn't look like there's an opportunity for stakeholders to ask these questions of Clean Energy Works Oregon. We need to have some kind of a forum to be looking at Clean Energy Works Oregon.

Don: They haven't dropped the "o". It's Clean Energy Works and Clean Energy Works operates Clean Energy Works Oregon.

Scott I.: But Clean Energy Works Oregon has to report to someone about Oregon public money. Who?
Kim: Let's hold off this conversation until Clean Energy Works Oregon is present.

Holly: Can you ask Clean Energy Works Oregon to give a presentation?
Kim: We need to discuss it internally.

Juliet: Last year there were a lot of savings in residential gas from Opower. I know we transitioned into a persistence study of Opower savings. Is that something to consider increasing? If we're looking for savings, behavioral savings are a potential source.
Diane: Yes. Both Portland General Electric and NW Natural are capable of making reports similar to Opower.
Holly: Yes, we're launching this fall. They will be available to all people. It may be a cheaper way of getting to the savings.

Juliet: Is this an Energy Trust thing or a NW Natural thing?
Holly: We'll collaborate but NW Natural will take a lead role.
Susan Jamison: We're collaborating from a marketing standpoint.

Peter: We need to further collaborate on how one would measure baseline if we're going to count savings.
Holly: Yes, we will definitely have control groups.

Brent: Regarding ductless heat pumps, do program eligibility requirements constrain participation to zonal heating only? Bonneville Power Administration, BPA, has a forced-air furnace offering. We leave the forced-air furnace and add a ductless heat pump, this offers twice the savings.
Diane: Putting ductless heat pumps in the mobile home market is something we want to pursue. We're definitely interested in that area. There's a plan to figure out how to get ductless heat pumps into mobile homes.

Brent: Utilities are excited about broadening the ductless market.

Diane: What kind of installation costs does BPA experience?

Brent: It's the same, so your incremental cost is identical.

6. 2014 budget concepts: commercial sector

Oliver Kesting: In 2012, overall lighting savings declined, partly because of a fall bonus that accelerated lighting in 2011. Lighting baseline changes due to the federal standards are less dramatic than anticipated due to exceptions in the lighting specifications. However, the new ballast standards will go into effect in 2014 and we are working with NEEA on a comprehensive lighting design pilot to prepare the market for the new standards. We are introducing prescriptive incentives for LED lamps. In 2013 we have had lots of success with LED streetlights in PGE territory and will be introducing prescriptive incentives.

Existing Buildings has had a big push for operations and maintenance through Strategic Energy Management and building controls pilots. We are supporting the states' Cool Schools efforts. Non-PMC activity includes working with midstream buy-downs for computer equipment. Innovative efforts include running pilots on building controls and working with distributors on buy-down incentives for lighting. We are also engaging non-lighting trade allies such as roofing companies to push insulation incentives.

For New Buildings, the number of large new building construction projects has been slowing. Industrial and multifamily new construction projects have been picking up. Small commercial has historically had difficulty working with new construction because of the high cost of energy modeling, but we have had great success with Market Solutions packages geared toward the smaller projects. We have been providing design assistance to help people to get beyond new state building codes. Data centers have been a huge opportunity. Regarding lighting, we introduced comprehensive lighting design assistance. Regarding innovation, we are rolling our Path to Net Zero learnings into a program in the form of goal setting, design strategies, increased technical support and tiered incentives. We also introduced a solar-ready offering to help make buildings ready to install solar at a later date if they can't justify the cost now. And we've been supporting the development and adoption of energy-efficient modular classrooms.

We are working to provide more comprehensive design for multifamily customers and increasing our support for midstream incentives. We launched clothes washer and refrigerator incentives through distributors, and in July we will launch a water heater initiative. We will continue to support energy-efficient memory care facilities and Mpower pilots.

In 2014, we will work on streamlining processes, enhancing tools and providing simple prescriptive incentives where appropriate. We will expand SEM for larger customers and we will develop offerings to provide a streamlined SEM initiative to smaller customers. We will develop ways to better serve individual unit owners through the multifamily program, rather than through homeowners associations. We are developing a pay-per-performance pilot to assess feasibility of longer-term incentives that pay out after savings have accrued. We are developing a Request for Proposals, RFP, now. We are working with lending allies to develop partnerships. We will be developing prescriptive incentives for new measures as they become cost-effective.

To address outreach and targeting, we will develop a business case for energy efficiency to help customers sell energy-efficiency projects to decision makers within their company. We will expand relationships with the public sector to ensure we address retrofit, new construction and renewable energy opportunities. We're working on a targeted direct install strategy, which we call the "six pack" approach. We will go to outlying small commercial customers and target direct installations for specific measures that are not generally implemented through our trade allies. We will continue collaborative relations with the Oregon Department of Energy, NEEA, cities and counties.

To improve program administrative efficiencies, we plan to improve forms and leverage Customer Relationship Management tools.

Anticipated risks for next year include serving the needs of larger customers. For customers greater than 1 average megawatt, we have a legislative cap on total incentives we can pay. Other risks include cost-effectiveness issues for innovative approaches while federal American Recovery and Reinvestment Act funds are drying up. We are in the process of rebidding the New Buildings contract, so there is potential we could select a different vendor than the incumbent and we would work through a transition. CFL baseline changes hit in 2014, which will impact savings in multifamily. Rooftop tune-up savings may be limited. We hit the market so aggressively in 2012 there's not a lot left for 2013 and 2014.

Joe: How many customers in Oregon are over 1 aMW?
Kim: We don't have an exact number. Somewhere along the lines of under 200.

Joe: How many have worked with Energy Trust?
Kim: Almost all of them. There's only one we've found that has not. Keep in mind that the vast majority of them pay the public purpose charge. There are fewer than 15 self directors for energy efficiency in the state.

Scott I.: On multifamily, individual condominium owners got switched to multifamily. Prior to that they were in the Existing Homes program.
Oliver: This has been a series of transitions. Multifamily used to be in the residential sector but that wasn't ideal because for the most part the program works with building owners and managers. So multifamily transitioned to the commercial sector.
Scott Swearingen: At the beginning of the year, small multifamily units of two or more moved to the multifamily initiative. We transitioned relationships with homeowners associations and property owners. We found that individual unit owners weren't represented by homeowners associations, so we went through process mapping to figure out who was best to serve these customers. A lot of these owners saw themselves as single-family homes and applied for Home Energy Reviews through Existing Homes. The ultimate decision needs final approval but we do plan to serve them in multifamily and treat their whole unit as a whole building. We are designing a walk-through survey complete with direct installations of instant-savings measures that will give them in-unit service but that is not available through multifamily currently. We are also trying to reach out to unit owners in a way that generates projects with their neighbors.

Scott I.: In condos, you're responsible for everything from the walls in, including windows. So it sounds like you have that figured out. For that individual condo owner, you're having them fill out the multifamily form.

Scott I.: Do you treat these customers as a business rather than a homeowner? Do they get a 1099 form? I've been told by customers that they're made to fill out the multifamily form and send in a 1099.
Tracy Scott: This has not been an issue.

Holly: You talked about figuring out Path to Net Zero buildings. How does that work with gas?

Oliver: Path to Net Zero is a pilot that's concluding and lessons are being rolled into the program. There will still be customers that want to exceed code, but we don't have that specific program. As far as gas savings, there's a lot you can do to save gas in a building.
Holly: Great. We'll want to weigh in on this to make sure it's messaged in a way that includes gas customers.

Wendy Gerlitz: Can you explain the Pay for Performance pilot?
Oliver: There's a pilot that's being run in Seattle and we're exploring something similar. The plan is to put out an RFP. It will be for large projects to get operational savings as well as capital savings. They will be incented after the fact of achieving savings, over multiple years.

Wendy: So staff will develop the methodology for measuring building performance?
Oliver: Yes. We're working on that with Energy Trust's Planning staff and getting input from other organizations.

Juliet: We've been involved with these discussions and looked at Energy Efficiency Power Purchase Agreements, EEPPA, which is a specific type of pay for performance. What's interesting about the Seattle pilot is they let the proposers determine how to do the measurement and verification. I like the idea of letting the proposer bring a plan and letting the market bring ideas. I like the idea of leaving it a little open.

Wendy: What is the financial scope and budget?
Oliver: We don't have that yet. Someone is working on it.

Kim: Maybe we should bring the pilot's business brief back to the council to share details and get feedback.

7. 2014 budget concepts: industry and agriculture sector
Kim: I don't have slides. I'll just speak to the big bullets on pages one and two of the budget concepts document. Before I do that, I'll say that we've been over the core program a lot recently. If you need an overview, please review the trends presentation.

> We are in the middle of a Program Deliver Contractor, PDC, competition for our custom delivery contractors, which represent the bulk of how Production Efficiency goes to market. We will have a board resolution on July 31 about the selection of contractors. The news is not public yet. A memo for the board will probably be published a few days before July 31 and it will be public. After that, we will go into a period of transition.
>
> Regardless of the selected contractors, we will look at our territories. We have decided to go with geographic territories. This is the best way to get the best outcomes and is a simpler communication to the customers. We are re-cutting territories to be more balanced in terms of resource potential and to get better, more balanced outcomes from each territory, such as by reducing drive time. Ideally, we'd like all customers to be within a two-hour drive of their assigned PDC. We have a detailed communications plan for this change in assigned PDCs. This is 2013 activity. Next year in 2014, we'll be in these new contracts. So a theme for 2014 is to make sure the new PDCs and new territories are working. Of course with any transition there can be glitches, so we're preparing to minimize impacts on the customers or our stakeholders.
>
> A few other changes we have planned in 2014. First, we'd like to have our custom PDCs begin to serve all sizes of industrial customers. Up until this time, they served medium to large customers. In order to bring in the most cost-effective savings, they targeted bigger

energy users with custom services. But at this point we're acting on market research that says smaller customers actually need handholding just as much as large customers and we want to give it to them. So we're essentially expanding the territory we serve by including all customers in custom services. We don't necessarily have deep relationships with small industries so this is new territory for us. This is expected to increase delivery costs a small amount because we get bigger savings out of larger customers. Our development path over the next two years is to figure out what the right level of custom support is for all different sizes to get us the outcomes we need. Currently our delivery costs are very low relative to overall program costs so there's room. Additional savings from these efforts will show up at first in the streamlined tracks, in projects delivered by trade allies.

Another area that's shifting has to do with SEM, which represents a quarter of our electric savings and a smaller but growing portion of gas savings. We're beginning the second cohort of Core, our small industrial SEM pilot. The good news is we've filled the cohort very quickly in only three weeks. This was helped by good word of mouth from the first cohort. There's great potential for the next cohort. Early indications from the first cohort are that we're getting about 4 percent savings for both electric and gas across the group. Large SEM customers have averaged between 7 and 8 percent.

Brent: That's net of capital projects?
Kim: Yes.

Kim: The other thing we'll be doing is continuing to bring SEM to scale and continuing to build it out in the next few years. In the last four years, we have brought 80 companies into SEM. Now there's a big design question: What does it look like to work with companies that are practicing SEM on an ongoing basis? Do they get bored after a few years? How do you sustain the systems? What does that mean for program design? That's our two- to five-year development path. The industrial sector is a long, slow machine so we constantly need to plan for two to three years from now.

Kim: We're having the same challenges as the commercial sector about lighting. We are considering a small change to the custom lighting incentive, an increase, that we will explore in the next month, to bring it in line with incentives in the rest of the region and get market uptick in industrial lighting.

Holly: It's exciting. I love the SEM.
Kim: I think it's the most exciting thing I've encountered in the efficiency field in the last five years. We've been coordinating very closely with NEEA and BPA regarding SEM.

Holly: For future meetings, could we see a presentation from an SEM customer participant?
Kim: Yes, they would love that and so would we. It's very inspiring.

Holly: It seems like it would make this work come more alive if we could connect with customers.
Brent: If time allows, you might have two customers, a single site and one that's part of a multi-site corporation.
Kim: Anecdotally, the multi-sites have many more challenges than the single sites.

Kim: I'm taking notes for potential future agenda items.

Joe: Does anybody talk to data centers about why they don't put part of the building underground to cut down on heating and cooling load? I've asked before and was told that it's because of time constraints for building.
Kim: New Buildings has done tremendous work on this. We could do a presentation on this in the future.
Oliver: We help them with comprehensive design.

Km: Would it be interesting to get an update on what's happening with data centers in Energy Trust territory?
Everyone: Yes.

Joe: We saw numbers about the budget and we had questions about serving data centers that have already pledged nationally to save energy. Are we really getting value for what we pay? Would they do the efficiency stuff anyway?
Warren: The data center problem isn't its relationship to the outside, it's the energy consumption of the heating and cooling.
Joe: But it's hot in Bend.
Warren: The challenge is not the temperature of the outside of the building but the temperature of the actual equipment itself.
Joe: They're taking ratepayer dollars that could be used more efficiently.
Kim: We do get very cost-effective savings from large data centers.
Fred: You're raising an engineering question.
Brent: Because they're not located in urban centers, heat pump technology might help.

Brent: Can I ask about agriculture? What is SI? Is that a name of a vendor?
Kim: SI is the small industrial initiative, and it includes the agricultural initiative. It's one of our trade ally driven tracks. The agriculture initiative is essentially all of our irrigation projects. Agriculture hasn't come up in this concepts presentation because there's not much changing. We'll continue to work the agriculture channel the way we have been. Agriculture really is its own thing, with different market actors and different ways it behaves. We've been serving it effectively through the small industrial initiative for the last four years and we will keep doing that. We'll also keep asking ourselves if there is something more we should do with and for them. We're very engaged with agricultural industry players.

Brent: We had agreements in place with agriculture research and development councils. The Department of Agriculture had been funding these local community-based entities that did soil and water conservation, and we were trying to layer in energy conservation. We will transition to a different model where BPA will support utilities to support agricultural customers.
Kim: We were watching this effort and waited to see how it went.
Brent: We thought we were going to be making an incremental investment on top of the U.S. Department of Agriculture's and ended up carrying almost the whole burden. A localized approach is good because farmers are a community. We've been serving them through existing irrigation vendors. And it's a small number of irrigation vendors that bring us a lot of irrigation savings.

Kim: Any other questions? Any future agenda items? Any public input?
Don: Is the Conservation Advisory Council the ideal forum for inviting people in to speak? We have so many other items to discuss. I'd be open to an additional workshop, like the cost-effectiveness workshop. We could have two types of meetings?
Holly: Business meetings and inspirational meetings. I liked that the cost-effectiveness workshop was only open to Conservation Advisory Council members.
Don: I think there's an opportunity there. Is there interest?

Warren: I think there are a lot of opportunities for deep dive meetings about topics we can't cover here. What about the non-transparency issue?
Kim: We could report back during council meetings. I could see shifting to two extra meetings a year, but more than two would be a lot of work. Stuff like the Pay for Performance pilot would be an interesting topic.

Kim: Maybe these meetings need to be longer? The three-hour meeting we currently have seems long and provides room to have lunch before the meeting. But I'm open if we want to add half an hour.

[People shake heads no.]

Holly: Unless we're thoughtful about adding topics that use a different part of your brain, I don't think it would make sense to extend the meetings unless the extra time was for an exciting presentation.

Kim: Next steps: Please read through the budget concept reports. Direct comments to Peter or the sector leads. I'll be happy to send out Word versions of the budget concept reports to everyone if that helps you.
Warren and Scott: Yes, please.

Kim: We really appreciate your feedback and it's not too late for us to include your feedback.
Holly: By when?
Kim: By July 31.

8. Meeting adjournment

Kim thanked all council members for their participation and adjourned the meeting at 4:20 p.m. The next full council meeting is September 11, 2013.