

Conservation Advisory Council Meeting Notes

April 23, 2014

Attending from the council:

Andria Jacob, City of Portland
Don MacOdrum, Home Performance Guild of Oregon
Garret Harris, Portland General Electric
Holly Meyer, NW Natural
Warren Cook, Oregon Department of Energy
Jeff Bissonnette, Fair and Clean Energy Coalition
Jim Abrahamson, Cascade Natural Gas
Juliet Johnson, Oregon Public Utility Commission
Kari Greer, Pacific Power
Stan Price, Northwest Energy Efficiency Council
Scott Inman, Oregon Remodelers Association
Wendy Gerlitz, Northwest Energy Coalition

Attending from Energy Trust:

Amber Cole
Brian DiGiorgio
Courtney Wilson
Debbie Goldberg-Menashe
Diane Ferington
Elaine Prause
Fred Gordon
Jackie Goss
Jessica Rose
JP Batmale
Julianne Thacher
Kyle Morrill

Margie Harris
Marshall Johnson
Matt Braman
Oliver Kesting
Peter West
Sue Fletcher
Scott Swearingen
Spencer Moersfelder
Ted Light

Others attending:

Alan Meyer, Energy Trust Board of Directors
Becky Walker, PEI
Bob Stull, PEI
Cameron Gallagher, Nexant
Kendall Hansen, CSG
Lonny Peet, Nexant
Mark Kendall, Energy Trust Board of Directors
Ron Lynch, ASC Engineers
Sara Frederickson, CLEARResult
Scott Davidson, Clean Energy Works
Scott Jasinski, PEI
Sheryl Bunn, CLEARResult
Tim Burrows, Northmore Gordon
Tracy Scott, Lockheed Martin
William Newell, Cascade Policy Institute

1. Welcome and introductions

Diane Ferington 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.

2. Old business

Diane started by reviewing minutes from the March Conservation Advisory Council and asked for corrections.

Holly Meyer: On page two, the notes reference that I said that Energy Trust may want to avoid reviewing principles annually. I meant that you may want to avoid updating them annually, not avoid reviewing them annually. By keeping the specific year listed in the principles, you'll have to update them annually. Taking out the year reference would remove the need to update annually if no other changes are needed. The notes were very helpful.

Scott Inman: I was in attendance at the March meeting. Please correct in the minutes.

Diane introduced Elaine Prause, senior manager of planning, to present on Energy Trust's draft 2015-2019 Strategic Plan.

Elaine Prause: In March, Conservation Advisory Council members provided feedback on potential focus areas for the Energy Trust 2015-2019 Strategic Plan. Last time, council members affirmed that energy efficiency and renewable energy are Energy Trust's core goals. Conservation Advisory Council, Renewable Energy Advisory Council and other stakeholders advised us to focus on our core energy efficiency and renewable energy strengths and goals. Energy Trust should support other opportunities only if they are directly linked to efficiency and renewable energy acquisition.

Right now, we are working on the draft plan. This discussion set our future focus, which will include working in new ways to continue to meet customer needs. We'll continue to apply fundamentals of utility Integrated Resource Plan least-cost planning for efficiency, and support renewable project and market development. Leveraging and collaborating with others to pursue mutually complementary benefits will be important, as will using the strategic planning process to help us prioritize where we put our resources.

To meet our goals, we developed four strategies regarding energy efficiency, including improving program designs, broadening participation, adopting new technologies and approaches, and driving down costs. We plan to optimize our mix of strategies to meet short- and long-term goals.

Mark Kendall: So an example of driving down costs would be expanding very cost-effective strategies like Strategic Energy Management?

Elaine: Yes. Strategies will be different for each sector.

We will evaluate how we determine renewable energy goals. We will also continue focus on early project and market development and supporting a range of technologies. Like the efficiency portion, the renewable energy portion of the plan will also have an element of needing to optimize our resources between technology types.

Energy Trust also began development of an operations plan, featuring internal plans to achieve goals and strategies, such as staffing, collaborating with other organizations and engaging resources.

Mark: How does the operations plan interact with the strategic plan?

Elaine: These two plans will guide us in addition to annual budget and two-year action plans.

Holly: Your presentation did a good job of documenting and including Conservation Advisory Council feedback from last meeting.

Mark: When can people provide input on the plan?

Elaine: Input is welcome at any time, but comments to influence the draft plan should be submitted prior to the board retreat on June 13. After that presentation, staff will update the draft plan with any board feedback and distribute for wider public comment in July and August.

Jim Abrahamson: I thought the draft plan would be released in June. I would like to provide input by reacting to something.

Mark: The strategic plan will be a product of the retreat.

Elaine: Materials will be provided to board members prior to retreat.

Mark: A draft will be available for public comment July and August.

Scott: How many resources will Energy Trust put toward achieving the aspirational goals mentioned?

Elaine: To clarify, we heard feedback to focus on core Energy Trust goals, not aspirational goals.

Holly: Availability of potential energy is contingent on results of the cost-effectiveness docket. How can Energy Trust plan accurately without the outcome of the cost-effectiveness docket?

Elaine: The draft plan will include a set of efficiency goals, including options for the board to consider given different scenarios.

Holly: What is driving the timeline of the plan?

Fred Gordon: Cost-effectiveness outcomes are important for gas residential weatherization measures, but not as much for other programs.

Jim: What is the process for the gas efficiency cost-effectiveness docket, UM 1622?

Juliet Johnson: OPUC staff will create a docket and bring in comments in July, and then make recommendations to the commissioners. The commission will decide in October.

Diane: The next topic is high priority measure development. Elaine will walk you through the document in the April Conservation Advisory Council packet developed by Energy Trust Planning and Evaluation.

Elaine: This document presents a standard approach for the Conservation Advisory Council to discuss and provide feedback on measures. This document incorporates prior Conservation Advisory Council member feedback. Additional feedback is welcome.

We will address measures that are high priority, which we mainly define as high volume or high impact. Additional characteristics are listed in bullets on page one. Examples of high priority measure that may be discussed in 2014 include residential window replacements, direct-vent gas fireplaces and ductless heat pumps. For each one of these measures we plan to reevaluate baselines based on new information and report back to the Conservation Advisory Council.

The rest of the document explains the process for discussing high-priority measures. We propose a two-step process. First, we will provide information ahead of an initial Conservation Advisory Council meeting. Then we will discuss and collect feedback in a

second meeting. This could potentially be accomplished in one meeting or be expanded to three meetings.

The next section of the document indicates how we will present information about measures to you, including key measure characteristics organized by categories. An example is provided for showerheads.

We may discuss implementation of new measures or reworking of existing measures. We may also consider removal of a measure, such as was the case with air sealing.

Mark: I recommend adding an indication in the template of whether a measure is new or existing.

Don MacOdrum: How are cost-effectiveness exceptions presented in the measure discussion document?

Elaine: We will provide benefit/cost ratio results and indicate if a measure is cost-effective and if an exception justification is warranted.

Warren: For electric measures, can we see Regional Technical Forum assumptions for measure development? If you are not using RTF assumptions, please indicate and explain why in the template.

Holly: This document captures all of the key elements needed to discuss measures. "May contain controversy" is very subjective. Please add equipment measures. Also, utilities need advance notice because we develop marketing campaigns well in advance. Please build this into timelines and add a timeline to the template.

Juliet: There's a balance between meeting council needs and developing a cumbersome process for Energy Trust staff. I like this technique for gathering council feedback, but be aware if this process is creating more work and let us know.

Diane: We will only address high-priority measures with this group, not all measures.

Mark: All of this information needs to be articulated anyway, this is just a way to document it in an organized way.

Elaine: Email other thoughts to elaine.prause@energytrust.org.

3. 2013 sector trends highlights

Diane: Now we will hear about sector trends and highlights. Each sector will present highlights of trends, and complete information is available in the April Conservation Advisory Council packet.

Commercial sector trends

Oliver: We will cover the highlights of commercial sector trends today, so that we have time for questions. I want to first acknowledge Chris Hiatt, operations analyst, and all program managers who worked on this analysis.

The sector saw a steady increase in overall numbers of projects completed. New Buildings maintained an upward trend even in economic recession. Multifamily volume increased steeply starting in 2011, following multifamily buildings transitioning from residential to the commercial sector in 2010. This large increase is attributed largely to

mid-stream buy-downs, providing incentives to distributors to reduce costs of energy-efficient appliances like refrigerators and clothes washers, and direct installations of light bulbs, showerheads and faucet aerators. The volume of Existing Buildings projects shows a steady ramp with a drop off in 2013, due to the discontinuation of the rooftop HVAC unit tune-up measure and a slight dip in lighting.

The next slide shows incentive cost trends for New Buildings, Existing Buildings and multifamily by fuel source. Overall incentive costs decreased on the electric side and decreased slightly on the gas side. Existing Buildings shows a slight increase in 2011 and 2012 due to bonuses and incentive changes. New Buildings electric incentive costs have dropped in recent years due to several large projects reaching the cap allowed for incentive payments. Changes in multifamily are primarily due to shifting from weatherization measures to a broader mix of measures.

Regarding savings from Existing Buildings measures, we saw an increase in savings in lighting. There was a slight drop in electric savings from custom projects, due to large projects shifting from 2013 to 2014. There was a drop in gas savings from operations and maintenance projects, which is due to discontinuation of rooftop tune-ups.

Regarding electric savings from multifamily measures, we saw growth in savings from common-area lighting and prescriptive measures and a decrease in savings from direct-installation of energy-saving products. The decrease in direct installations is due to emphasis on other measures. This is a strategic shift to go deeper and focus on more capital projects where possible. Multifamily saw an increase in gas savings from direct-installation of energy-saving products. This increase is largely due to an increase in serving smaller properties, which tend to use more gas heat for dwelling units. A drop in gas savings from custom projects is due to delays of larger projects from 2013 to 2014.

Andria Jacob: Why did electric savings from instant-savings measures decrease but the volume of completed projects increased? Savings from direct installations of energy-saving products are down for electric and up for gas.

Scott Swearingen: We're serving more properties that bring smaller projects. For instance, the graph showing an increase in projects includes many small properties. As we serve more yet smaller properties, the proportion of gas savings increases.

Scott Inman: When did multifamily start including duplexes? Those account for gas heat.

Scott Swearingen: 2013.

Oliver: New Buildings is seeing more savings from code, and the market solutions offering. The program saw high electric savings in 2013 through data centers, and this trend is expected to continue in 2014. On the gas side, the high savings achieved in 2010 is due to large hospital projects that brought high gas savings. New Buildings is seeing less gas savings with small projects. In 2014, we expect more large New Buildings multifamily projects and a corresponding uptick in gas.

Residential sector trends

Matt Braman: I'll present an overview of the residential sector and market. We have observed a steady increase in electric savings from 2009 to 2012. Though savings leveled off in 2013, the mix of measures that achieved savings changed. Northwest Energy Efficiency Alliance savings increased due to energy-efficient TVs. Savings from products increased due to lighting, including new LEDs and reintroduction of general purpose compact fluorescent light bulbs.

Existing Homes savings declined due to decrease in Energy Saver Kits and impacts of low avoided costs for gas. New Homes and Products gas savings increased due to growth in new home construction. The residential sector has a portfolio of programs, and each year some exceed goals and some fall short of goals. These programs balance each other out, and each year brings a different mix of savings.

Holly: You said there was a drop in avoided cost. Did we lose measures?

Marshall: We lost savings from gas weatherization measure adjustments related to UM 1622. We observed a fall off of about 40 percent of our ceiling insulation and 10-15 percent of our floor insulation volumes, as well as impacts due to the elimination of the duct ceiling measure and a modified air sealing measure.

Matt: Regarding the New Homes and Products program, we saw a big increase in new homes in 2013 with 1,540 new EPS™ homes. The market share of EPS has increased steadily in recent years, which declined in 2010 and 2013 by about 5 percent corresponding with state energy code changes. Note there is a delay of about a year when code changes impact Energy Trust results.

Scott Inman: Is that because code gets more stringent?

Matt: Yes.

Garret: How much savings per unit per home do you see after a code change?

Matt: After each code change, energy usage decreases by about 10 to 15 percent, which carries over to program savings. In 2013, homes are achieving deeper savings and building further above code than in past years.

Jim Abrahamson: Can we break out EPS market share by electric and gas?

Matt: This would be very difficult given overlapping territories. We can look at our data and try to help answer that question with the caveat there would be some assumptions necessary.

Jim: Cascade Natural Gas has information on new connections to gas, but we don't know if those are new homes

Matt: I will follow up with you.

Matt: Lighting has shown strong growth in savings in recent years. In 2009, Energy Trust phased out of the general CFL market, assuming it was transformed. From 2010 to 2012, we focused on specialty CFLs, such as candelabras, globes and reflectors. In 2013, due to impacts of the federal Energy Independence and Security Act that increased efficiency of CFLs, we saw increases in halogen bulbs and began incenting general purpose CFLs again. Also in 2013 and 2014, we expanded LED products incented at retail. LED prices have come down and demand has increased.

Regarding trends in appliance measures, baselines for appliances have increased over time and therefore savings have declined. For clothes washers, we saw a sizable decrease in volume in the last few years, but not as significant as refrigerators. Since 2011, we saw a 75 percent decrease in volume of refrigerators. We used to have two incentive tiers and dropped the lower one. Also, state energy tax credits expired for appliances in 2011, impacting consumer demand. Some major retailers stopped stocking the low-end qualifying refrigerator models with top freezers, which tend to be lower cost. This means that many of the available energy-efficient refrigerators are high-end, expensive models.

Holly: So cheap, efficient fridges have gone away?

Matt: Yes.

Holly: So would you talk to retailers to bring them back or would NEEA?

Matt: We are talking to Sears.

Marshall Johnson: Regarding trends for Existing Homes, the Existing Homes savings displayed are from the single-family homes. We saw a notable increase in gas and electric savings from Energy Saver Kits in 2012 and a notable reduction in gas savings in 2013, plus three times fewer kits distributed in 2013 than in 2012. In addition, fewer projects were eligible for Energy Trust incentives due to cost-effectiveness challenges, such as duct ceiling and insulation measures that were mentioned earlier. In 2013, small multifamily sites moved from the residential sector to the commercial sector.

In 2013, Existing Homes transitioned to a new Program Management Contractor, which meant we were building a pipeline and setting up operations for the new PMC. There was also less marketing activity in quarters three and four of 2012 due to the previous PMC's focus on that year's savings goal and winding down operations. That impacted the program's ability to create demand.

With the new Program Management Contractor, the program design in 2013 had less emphasis on Energy Saver Kits. Kits play an important part of the Existing Homes portfolio due to their low cost, and they also offer a valuable customer engagement tool. We had anticipated that kits will begin to decline as a source of savings in 2015 due to the federal Energy Independence and Security Act, but now we recognize baselines are not shifting as quickly as anticipated and kits will not fall off in the near future. We want to continue to use kits as customer engagement opportunities and we plan to distribute a larger volume of kits in 2014, aiming to double our 2013 kit volumes but provide significantly fewer than 2010-2012 yearly numbers.

Since 2010, savings per kit have declined rapidly for gas and electric. Starting in 2012, we modified kits to improve realization rates and triple the savings per site.

Juliet: I like the kits. I installed one and it's great. Why reduce the program's savings from kits?

Marshall: When we rebid the Existing Homes program in 2012, a major theme was to solicit ideas and strategies to move away from relying on kits as a primary source of savings. We knew that in 2011 and 2012, we relied on kits for a significant percent of savings. We knew we could not sustain the kit volume levels seen from 2010 through 2012. Our strategy with the new PMC in 2013 included ramping up savings from sources other than kits, primarily from equipment and some areas of weatherization. We learned that a gradual transition away from kits toward other sources of savings is important. We need a balanced approach.

Juliet: Kits are nice strategy to serve renters and people who live in apartments.

Jim: Is Home Performance savings all from Clean Energy Works?

Marshall: It includes all Home Performance with ENERGY STAR® projects, many of which were Clean Energy Works projects.

Jim: Why did therms per kit jump from 2011 to 2012?

Marshall: In 2012, we began customizing kits, so people with two bathrooms can get two showerheads and two faucet aerators. The more products included per kit, the higher the savings. We also get better realization rates because customers have the ability to opt out of getting devices if they don't need them.

Custom kits allow us to serve gas customers at cheaper cost, since only the components related to water heating are charged to the gas utility, as opposed to a historical kit which, in cases of overlap between gas and a public utility district, the lighting savings were not offset by a qualifying electric provider.

Scott Inman: Do customized kits result in better installation rates?

Marshall: Yes.

Jim: What is the potential of homes in Cascade Natural Gas that have not received kits?

Marshall: According to our analysis, we have roughly 20 percent penetration for showerheads in Cascade Natural Gas territory.

Industry and agriculture sector trends

JP Batmale: I will present on some forward-looking trends in the industry and agriculture sector. In recent years, we have seen an increase in volumes of small, simple projects and an increase in savings from large, complex projects. Streamlined track projects remain a major source of gas savings. Our diversity of measures drives growth and mitigates risk. We have also noticed that savings are shifting across industry sectors.

Custom track projects have been a consistent source of electric savings since 2004. Despite being a mature offering, custom track projects consistently deliver 50 million to 60 million kWh per year. Large projects generated more than 20 percent of savings, which has helped us exceed our goals. Lighting savings decreased in 2013, but were balanced by increased savings from industrial SEM and a very large project.

Gas savings are very lumpy. We're seeing a high volume of streamlined industrial projects bringing gas savings, including greenhouses. Streamlined projects have consistently delivered savings since 2008.

Holly: Is measure life roughly the same for electric and gas projects in each track?

JP: SEM has a shorter measure life and smaller savings cost. There is a three-year measure life for gas SEM savings. Custom track measure life ranges from eight to 20 years. Lighting measure life varies.

The volume of gas projects has increased and is expected to continue growth in 2014 due to increased outreach efforts. We are also focusing on reaching out broadly to different sizes and types of customers, and this will result in more small projects.

In terms of system types that generated electric savings, SEM was the biggest source of electric savings and is expected to continue to be a strong source of savings going forward. Lighting and compressed air have been bedrock sources of savings over time.

In terms of systems that generated gas savings, greenhouses are our biggest source of gas savings. A small number of greenhouses generate a lot of savings.

Holly: What kind of greenhouse measures are there?

Adam Bartini: We offer a variety of measures for greenhouses, both prescriptive and calculated. Measures include upgrades to greenhouse envelopes, thermal curtains, boilers and heating systems and venting.

Holly: Are we running out of greenhouses?

JP: No.

Alan Meyer: How does pneumatic conveyance save gas?

JP: Largely from more energy-efficient pasteurizers, which use a pneumatic conveyance system.

JP: We are seeing savings shift across sectors. We have seen more electric savings from computers and electronics industries, comprising almost 30 percent of total electric savings in 2013. We made inroads with the high tech sector, and this trend is expected to continue. Projects with wood products companies have consistently declined as a source of savings over the past few years. Greenhouse projects provide the majority of gas savings.

4. Electric avoided costs and electric efficiency cost-effectiveness

Elaine: About a year ago, the OPUC asked Energy Trust to update gas and electric avoided costs on a regular basis. In the past year to six months, we updated electric avoided costs, which are more complicated than gas avoided costs because there are multiple quantifiable values efficiency provides to the electric system beyond energy market value that are specific to each utility and need to be added. All of the information used in Energy Trust analysis came from utilities and align with their most recent IRPs.

Components of electric avoided costs include base forward prices, avoided transmission and distribution, generation resource capacity deferral, risk avoidance regarding fuel prices and a 10 percent Northwest Conservation Credit. We will update electric avoided costs every other year going forward.

Overall, we're seeing a 5-20 percent reduction in electric avoided costs.

Mark: Is there a benefit to going to a time-of-day load shape for our measures? That would change the avoided cost.

Juliet: That's taken into account.

Elaine: Yes, load shapes are taken into account for each measure.

Impacts of updating electric avoided costs are minimal to Energy Trust's portfolio. In a comparative analysis of 2013 results, only 5.5 percent of 2013 electric portfolio savings were not cost-effective using the updated avoided electric costs. This is evenly split between custom and prescriptive measures.

We're working with OPUC staff to determine prescriptive exceptions for electric measures, similar to the gas exceptions. Energy Trust will propose which measures meet exception criteria. Energy Trust identified three measure categories: measures that are not cost-effective yet meet UM 551 criteria, exceptions that are not cost-effective but Energy Trust plans to rework for 2015 so will continue to offer in 2014, and measures that Energy Trust will continue to offer under current exceptions.

Energy Trust will propose several measures that have exception based on meeting UM 551 criteria, including duct insulation, freezer recycling, zonal electric advanced builder option packages, LED A-lamps, ozone laundry in motels and multifamily insulation. LED A-Lamps are just barely not cost-effective now, but costs are coming down. We believe there should be a market transformation exception and LED A-Lamps will be cost-effective in a few years.

Energy Trust will propose measures with exceptions for 2014 to be reworked in 2015, including ductless heat pumps, rim joist insulation, CEE Tier III refrigerators, server

virtualization, convection ovens and market solutions offerings. Market solutions packages will be adapted in 2015 based on code changes.

We will continue current exceptions for market solutions, recently excepted measures, pilot measures, commercial and residential solar water heating, 1 HP motors and limited irrigation measures. We are documenting our recommendations and working with Juliet.

Alan: How closely are we working with utilities?

Elaine: We worked closely with utilities through the fall in developing the new avoided cost assumptions, and we have shared impacts with utilities.

Scott: Did avoided costs decline because electricity is cheaper from gas-fired electricity plants?

Elaine: Yes.

Juliet: When we looked at gas exceptions, we thought we might fold electrics into UM 1622. However commissioners want us to look at electric measures from square one and take a fresh approach. OPUC staff will review the recommendation, open up a new docket, open the docket for comment and then a final recommendation will go to the commission. You will have an opportunity to comment. The process will mirror UM 1622.

Mark: Criteria will be the same as UM 551?

Juliet: Yes.

Don MacOdrum: UM 1622 provided a two-year grace period for some gas measures.

Juliet: I anticipate the commission will give some grace period for electric measures.

5. SB 1149, SB 838 funding limitations for large commercial and industrial customers

Diane: This presentation is to explain the context for funding limitations for large commercial customers. We will plan a deeper discussion at the June Conservation Advisory Council meeting.

Ted Light: For background, SB 838 allowed electric utilities to collect funding above the original 3 percent public purpose charge for identified cost-effective energy efficiency to meet Integrated Resource Plan efficiency targets. As a result of this increase funding, Energy Trust was able to double annual savings. But there were limits to how Energy Trust can apply these funds.

A consumer with electric load greater than 1 aMW in a year is not required to contribute more than 3 percent for the public purpose charge. Subsequently, they should not receive additional benefit from supplemental funding expenditures.

Large users are industrial and agricultural sites and large commercial sites such as college campuses and hospitals. These sites can be commercial and industrial.

Funding began in 2008, and savings for more than 1 aMW sites increased greatly in Pacific Power and PGE territories.

Now we are approaching funding limits for these very large customers. Potential impacts of limiting funding may result in lost opportunity for customers. Timing is important regarding very large projects, and we may miss opportunities to influence decisions at very large sites when we limit funding. These savings are included in utility IRP targets.

Funding limits for very large sites impact Energy Trust's ability to achieve energy-efficiency savings.

Mark: Some very large sites are the most cost-effective projects?

Ted: Yes.

The methodology to determine funding limitations is based on an informal stakeholder agreement. We use incentives as a proxy for total program costs. Serving large sites may be more cost-effective, but the total cost of serving these sites is difficult to track.

The question guiding the informal stakeholder agreement is what percent of our past spending went to these large sites before SB 838. That percent would be used to set the funding limitation going forward. Staff looked at total incentive spending before SB 838 as a percentage of total revenue, which was just SB 1149 revenue. We determined that 27 percent of revenue was used for Pacific Power large customers and 18 percent of revenue was used for PGE large customers.

Fred: When board members determined Energy Trust's equity policy, they decided to make opportunities available for all types of customers. There are broader benefits than direct participation. When you get a lot of savings for little money, that's good for everyone.

Mark: And the potential for very large projects varies as well.

Alan: I suspect the program served a greater number of industrial customers in Pacific Power than in PGE territory prior to SB 838. I think these numbers should be re-evaluated, because there will be pushback if we try to get more dollars from customers.

Ted: The Production Efficiency program was more active in Pacific Power territory in the early years, but program activity and industrial load is shifting.

Jeff Bissonnette: What are the savings? We're paying more for very large customers but it's the cheapest power available. What other power can you buy that's cheaper? We're going to have to save the power, buy the power or build the power.

Alan: Industrial SEM has shown you can do an effective job of using limited dollars to achieve large savings.

Wendy Gerlitz: The bottom line is that residential and commercial customers are paying more for the energy-efficiency resource. The problem is that industrial customers are not contributing more than 3 percent toward the energy-efficiency resource. At some point, utilities will need to acquire more resources. Do we want them to acquire very low-cost industrial conservation or build more expensive energy generating plants?

Alan: What if 18 percent is wrong and it should be 27 percent? I'm not convinced there's missed opportunity yet.

Ted: We look at current spending to see if it is in line with past spending. If we do exceed the funding cap, we have time to correct that. Programs commit to projects well in advance and we don't want to disrupt markets.

Results of our calculations show we have been holding fairly steady below our funding limit for Pacific Power territory. For PGE, incentives paid to large projects have increased each year. Our single-year spending has exceeded the funding limit for the past few years, but in 2012 the cumulative average was still below the limit. Analysis is

still underway, but the 2013 cumulative average is expected to be very close to the funding limit.

It's challenging to estimate resource potential. There is a high level of demand and activity from very large sites. We are facing reaching the funding cap for PGE at some point in the future. This is less likely for Pacific Power. If we are constrained by that funding cap, it limits Energy Trust's incentive spending to about \$5 million to \$5.5 million per year for very large sites, compared to about \$6.5 million in 2013.

Garret: When will program changes take place?

Ted: We have until we cross the line and then several years to adjust programs. If not in 2013, we will likely exceed the limit in 2014. Programs would begin to adjust in the years after that. Existing program commitments would be honored.

Ted: This topic has been discussed in 2012 and 2013 board retreats. In January 2014, a meeting with stakeholders was held to gather input. A clear solution has not yet been identified. In June, we'll have final results from 2013 and can review program options or timing for steps that may need to be taking.

Alan: Do stakeholders include people contributing or receiving money?

Ted: Both.

Jeff: People contributing and people receiving are the same people.

Alan: I think 18 percent is too low. If we increased it, that would solve our problem.

Fred: We convened stakeholder group in January, including OPUC staff, and did not reach consensus that the limit should be adjusted.

6. Public comment

There were no additional public comments.

7. Meeting adjournment

Diane thanked all council members for their participation and adjourned the meeting. The next full council meeting is on June 18, 2014.