

Quarter Three 2006 Report to the Oregon Public Utility Commission

July 1, 2006 through September 30, 2006

This Energy Trust quarterly report covers the period July 1, 2006, through September 30, 2006, the third quarter of the year (Q3). The report addresses progress toward 2006 and 2012 energy saving and generation goals and includes corresponding costs. Also included is the number of completed projects this quarter, the amount of incentives paid during the quarter, year-to-date cost-benefit ratios for the six largest Energy Trust programs and quarterly activity highlights.

I. QUARTERLY HIGHLIGHTS

1. General

- Energy Trust is on track to meet or exceed its best case 2006 electric energy savings goal of 22.9 aMW and its conservative gas savings goal of 2.65 million annual therms by year-end.
- Electric efficiency expenditures for the quarter were within 6% of budget. Projects completed during the quarter are expected to save 3.91 average megawatts at an estimated cost of \$2.0 million per average megawatt. Total savings year-to-date is 12.92 average megawatts. Historically, Energy Trust logs half or more of its efficiency savings in the fourth quarter. Should this pattern continue this year, the “best case” electric goal is likely to be exceeded.
- Gas expenditures continued to be below budget. This is the result of setting ambitious goals to expend carryover gas revenues from prior years. Projects completed during the quarter are expected to save 448,723 annual therms at a cost of \$4.74 per annual therm. Therm savings to date equal 1.3 million annual therms. Assuming major commercial projects come on line by year-end as planned, and assuming residential installations track with previous years, the “conservative case” gas goal will be achieved.
- Energy Trust signed contracts for two wind projects totaling \$4.5 million in above-market funding for utility-scale projects in Pacific Power service territory. The projects are the GoodNoe Hills East and West developments, totaling 112 MW and due on line before the end of 2007.
- Revenues were above budget by \$580,000 for the quarter, with 70% of that excess coming from PGE. Total expenditures were \$10.6 million, with overall spending rates for the quarter below budget with the single largest variance being in renewable energy projects.
- \$5.3 million was paid in incentives and another \$6.2 million was escrowed under contracts for specific projects.
- In August, the board increased budget authorizations for the Building Efficiency and Production Efficiency programs by \$400,000 and \$350,000, respectively. Funds were reallocated from unanticipated revenues and unspent budgets in other Energy Trust programs and departments. The redirected dollars allowed commercial lighting and industrial process projects to move more quickly through the reservation system and be funded.

- A review of efficiency program reservation systems for the Production Efficiency, Building Efficiency and Multifamily Initiative within the Home Energy Savings program concluded that overall the approach is working well. Several modest enhancements were identified and subsequently implemented in August.

2. Residential programs

- Energy Trust rebates helped fund the purchase of 6,731 energy efficient clothes washers, installed in 3,026 homes with electric hot water and 3,705 homes with gas hot water.
- Energy efficient measures such as sealed ducts, insulation, high efficiency space heating equipment and energy efficient windows were installed in 1,538 single-family homes, 851 multifamily units, and 106 manufactured homes. Of these, 1,066 homes received electric efficiency measures and 1,370 received gas efficiency measures, with 56 sites saving both gas and electricity.
- Energy Trust incentives helped fund the construction of 552 efficient new homes, 230 with electricity-saving measures, 35 with gas-saving measures, and 287 with both electricity- and gas-saving measures. Incentives helped purchase 322 electrically heated and 3 gas-heated new efficient manufactured homes.
- Solar water heating systems were installed in 20 homes with electric hot water and 20 homes with gas hot water.
- Third quarter was the strongest quarter to date for both the new homes and manufactured homes programs.
- The Home Energy Savings program call center efficiently served program participants by answering 86% of 4,526 calls in less than 20 seconds. Steps were taken to gear up for peak-demand season in fourth quarter.
- Outreach activities to Cascade Natural Gas customers included trade ally meetings in Baker City and Bend, Oregon.
- Through a cooperative agreement with the City of Portland Bureau of Water Works, Rockwood Water People's Utility District, and Tualatin Valley Water District, Home Energy Savings Energy Advisors will begin conducting home reviews in conjunction with home water assessments on a pilot basis to more than 900 homes.

3. Commercial programs

- High efficiency measures including energy efficient lights and HVAC equipment were installed in 309 commercial buildings, resulting in average incentive payments per site of \$3,015.52. Of this total, 75 buildings received electric efficiency measures, 16 buildings received gas efficiency measures, and 218 buildings saved both gas and electricity. Solar water heating systems were installed at two commercial sites.
- A total of 51 highly efficient new commercial buildings were completed this quarter, with an average incentive payment per site of \$6,063.22.
- The New Building Efficiency program prepared to release an ENERGY STAR® track to provide incentives to buildings that achieve a score of 75 or better using ENERGY STAR's Target Finder tool.
- ENERGY STAR selected two Building Efficiency projects to feature in its first two case studies on commercial food service equipment. The case studies will be nationally promoted.
- Outreach efforts in Cascade Natural Gas service territory increased, with special focus on existing foodservice establishments.

4. Industrial programs

- Electric energy-saving projects were completed at 36 manufacturing firms, with an average incentive payment per site of \$22,284.29.
- \$100,000 of additional funding was re-allocated to program delivery contractors to stimulate 2007 and 2008 projects.
- There was a significant focus on Production Efficiency program “housekeeping” and quality assurance, resulting in revisions to forms and project file processes as well as amendment of the contract with Lockheed Martin, Program Management Contractor, specifying budget and savings goals for the July-December 2006 period.

5. Renewable energy programs

- Staff provided a draft term sheet to PGE for the above-market funding of the proposed Biglow Canyon wind project for 2007-2008. We expect to finalize the contract in the fourth quarter.
- Solar electric systems were installed in 25 homes and 26 commercial buildings.
- Energy Trust helped sponsor the first annual Northwest Solar Expo at the Oregon Convention Center, which drew 2,500 people to visit 30 exhibitors and included over 90 educational workshops.
- Biopower program staff met with Clean Water Services, the Oak Lodge Sanitary District and the City of Woodburn to discuss potential projects at four wastewater treatment plants.
- Biopower program contracts were signed to share the cost of a fuel study with the Greater Applegate Community Development Corporation, and to conduct feasibility studies at the Inland Pacific Energy Center and West Linn Paper.
- Final negotiations and contract drafting for two of the four Community Wind RFP short-list projects took place. The two projects are the Mar-Lu 4.5 MW project in Arlington and the 10 MW Gordon Ridge project in Sherman County.
- With support from Energy Trust, two additional community wind projects received federal USDA grants for feasibility studies. Energy Trust’s \$15,000 in support will leverage \$86,000 in federal assistance.
- Two Energy Trust-supported projects received USDA Value-Added Production Grants totaling \$86,000 for community wind feasibility studies. Energy Trust provided \$5,000 toward the writing of the grant applications and will provide \$10,200 in wind resource data analysis as matching funds.
- As part of an Open Solicitation program outreach effort, staff met with five communities, initiating six scoping studies for potential solar and small hydropower projects.
- Staff helped with the development of the State of Oregon’s new Renewable Energy Feasibility Fund. Under a memorandum of understanding with the Oregon Economic and Community Development Department, Energy Trust staff will help review applications and collaborate in funding studies, as appropriate.

6. Revenues and expenditures

- \$12.6 million in public purpose funds were received during the quarter, with expenditures at \$10.6 million.
- A total of \$5.3 million in incentives was paid.

7. OPUC performance measures

- Performance against the following 2006 Performance Measures will be reported in the Energy Trust 2006 annual report.

Category	Measures
Energy Efficiency	At least 20 aMW computed on 3-year rolling average Levelized cost of not more than two cents per kWh
Natural Gas	700,000 therms computed on 3-year rolling average Levelized cost of not more than 30 cents per therm
Renewable Resources	At least 15aMW At least 9 aMW from projects in utility Integrated Resource Plans At least 3 aMW from a variety of small-scale projects Both computed on 3-year rolling average
Financial Integrity	Unqualified financial audit
Administrative & Program Support Costs	Keep below 11% of revenues
Customer Satisfaction	Demonstrate reasonable customer satisfaction rates through program evaluation customer surveys; report complaint statistics
Benefit/Cost Ratios	Compare to ratios from 2005 reported in #8 below

8. Benefit-cost ratios for 2005 (year-end data)

Program	Utility system benefit-cost ratio	Societal benefit-cost ratio
1. Efficient Home Products	2.4	3.8
2. Home Energy Savings	2.9	1.3
3. Building Efficiency	3.5	1.5
4. New Building Efficiency	2.5	1.4
5. Production Efficiency	4.1	2.8
6. NW Energy Efficiency Alliance	10.3	5.5

II. TABLES

1. Revenues

Source	Actual revenues received Q3	Budgeted revenues Q3
Portland General Electric	\$7,073,646	\$6,668,153
Pacific Power	4,454,215	4,289,715
NW Natural	929,378	956,163
Cascade Natural Gas	106,159	68,963
Avista	43,928	43,928
Total	\$12,607,326	\$12,026,922

2. Expenditures

Type	Actual Expenditures Q3	Budgeted Expenditures Q3
Energy Efficiency programs	\$9,422,573	\$11,108,583
Renewable Resources programs	641,681	7,326,206
Administration	567,422	671,530
Total	\$10,631,676	\$19,106,319

3. Incentives Paid

	Energy Efficiency					Renewable Energy		Total
	PGE	Pacific Power	NW Natural	Cascade Natural Gas	Avista	PGE	Pacific Power	
Q1	\$2,364,680	\$1,682,363	\$1,077,337	-	-	\$79,167	\$112,425	\$5,315,972
Q2	2,211,896	2,244,505	942,537	-	-	87,321	210,745	5,697,004
Q3	1,761,118	2,383,748	903,501	7,374	461	112,181	150,010	5,318,393
Q4								
Total	\$6,337,694	\$6,310,616	\$2,923,375	\$7,374	\$461	\$278,669	\$473,180	\$16,331,369

4. Savings and Generation

Electric efficiency savings. In the third quarter of 2006, energy efficiency programs saved 3.91 average megawatts, representing 23% of the 2006 conservative goal of 17.25 average megawatts. Since March 1, 2002, these programs have cumulatively saved 109.3 average megawatts, representing 36.44 % of Energy Trust's 2012 goal.

Electric Efficiency Savings Q3 2006	PGE aMW	Pacific Power aMW	Total Savings* aMW	Expenses	mil \$ / aMW	Levelized Cost/kWh
Residential	0.74	0.43	1.17	\$2,472,138	2.11	1.5¢
Commercial	0.90	0.68	1.58	2,418,693	1.53	1.5¢
Industrial	0.54	0.62	1.16	2,917,553	2.52	2.8¢
Total Energy Efficiency Programs	2.18	1.73	3.91	\$7,808,384	2.00	1.8¢

Gas efficiency savings. In the third quarter of 2006, efficiency programs saved 448,723 annual therms of natural gas, representing 17% of the conservative 2006 goal of 2.65 million annual therms. Since gas programs began in 2003, cumulative savings of 3.6 million annual therms have been realized, accounting for 19.2% of the 2012 goal.

Gas Efficiency Savings Q3 2006	NWN Therms	Cascade Natural Gas	Avista	Expenses	\$ / Therm	Levelized Cost/ Therm
Residential	224,633	3,096	567	\$1,530,459	6.70	37.3¢
Commercial	182,290	38,137	0	595,650	2.70	23.3¢
Industrial						
Total Energy Efficiency Programs	406,923	41,233	567	\$2,126,109	4.74	31.3¢

Renewable energy generation. In the third quarter of 2006, renewable energy generation projects completed account for 0.12% of the 2006 goal of 32.98 average megawatts.

Actual	PGE aMW	Pacific Power aMW	Total Generation aMW	Q3 2006 Expenses	mil \$ / aMW	Levelized Cost/kWh
Utility Scale				\$67,415		
Solar Photovoltaic	0.01	0.02	0.03	390,758	13.03	11.7¢
Wind				102,984		
Open Solicitation	0.01	0.00	0.01	48,363	4.84	7.3¢
Biopower				87,663		
Total Renewable Programs	0.02	0.02	0.04	\$697,183	17.43	20.4¢

5. Projects completed this quarter

Energy Efficiency Installed Projects	Total Sites	Sites by Measures Installed		
		Electric-only	Gas-only	Both
Residential				
Efficient Home Products appliance rebates	6,731	3,026	0	3,705
Efficient New Home enhancements	123	16	73	34
Efficient New Homes constructed	230	35	287	230
Efficient New Manufactured Homes purchases	325	322	0	3
Home Energy Reviews conducted	1,341	632	86	623
Manufactured Homes refitted	106	102	4	0
Multifamily units retrofitted	851	733	69	49
Promotional CFLs provided	331	331	0	0
Residential Solar Hot Water installations	40	20	20	0
State Home Oil Weatherization program CFL packages mailed	387	387	0	0
Single family homes retrofitted	1,538	234	1,297	7
Commercial sites treated				
Building Efficiency sites treated	309	75	16	218
New Building Efficiency sites treated	51	34	2	15
Solar Hot Water Commercial installations	0	0	0	0
Industrial sites treated	36	36	0	0
TOTAL EFFICIENCY	12,399	5,983	1,854	4,884
Renewable Energy Installed Projects				
Utility-scale projects installed	0	0	0	0
Solar Electric residential installations	25	25	0	0
Solar Electric commercial installations	26	26	0	0
Community wind projects installed	0	0	0	0
Biopower projects installed	0	0	0	0
Open Solicitation projects installed	1	1	0	0
TOTAL RENEWABLES	52	52	0	0

Table 5 and corresponding information in the narrative refer to numbers of efficiency and renewable energy projects.

We define "projects" to be completed installations or services at one location ("site"), with certain exceptions:

- A Home Energy Review, with CFL installation, counts as one project. If that home subsequently installs one or more measures, this installation counts as a separate project.
- Each apartment unit treated counts as one project.
- Each manufactured home counts as one project.
- Measures installed in separate facilities within a large industrial complex count as separate project.