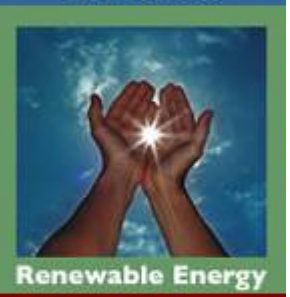


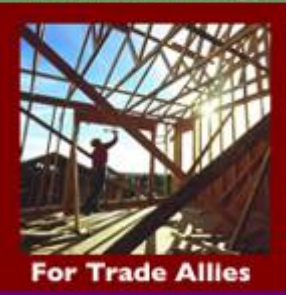

Energy Trust of Oregon

# Proposed Changes to Production Efficiency Program

**CAC Meeting**
**January 17, 2007**

Energy Trust of Oregon, Inc.

# Why consider design changes now?

## Several factors causing the need for change

- Market downturn for many industries
  - Harder to achieve program participation with current offer
  - Tighter internal capital project decision metrics
  - More efficient processes would help business but initial capital investment is a significant market barrier
  - Increasing incentives shows our support of OR industry
- Recovery from 2006 funding limitations
  - 2008 pipeline is empty, projects typically take 1-2 years from incentive commitment to payout
  - Program changes give us something new to market – added excitement
- Many good projects have not been pursued

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# Recommendations

1. Increase non-lighting custom project incentives from $0.12/kWh to $0.15/kWh
2. Remove 3 project/year project limit
3. Reduce minimum simple payback from 2 yrs back to 18mo
4. Maintain all other constraints
   - Maximum incentive at 50% project cost
   - Municipal projects $0.20/kWh
   - Prescriptive motors
   - Lighting incentives in line with BE
   - Measure life assumptions
   - Maintain $500,000 per site per year incentive cap

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# Custom Incentive Increase

$0.12/kWh to $0.15/kWh

Impacts:

- Generate more interest in program participation
- Start to fill the 2008 and 2009 pipeline
- Increase to program levelized cost – but small, less than 15% overall still well below 2 cents/kWh levelized
- More projects will hit the 50% project cost cap

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# # Projects per year Limit

Remove 3 projects/yr limit

Impacts:

- Very minimal if any
- Helps to simplify program design
- When funding is more constrained, add per year limit to reservation system
- More projects will hit the 50% project cost cap

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# Simple Payback Minimum

2 years back to 18 months

Impacts:

- Shows our understanding of current market conditions and tighter internal capital project decision criteria
- Minimal - Less than 5% of typical projects end up between 1.5 and 2 year payback, won't change cost effectiveness criteria

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