

Progress Report to the Oregon Public Utility Commission
Quarter I January - March 2003
May 27, 2003

Introduction

This Energy Trust progress report covers the period January - March 2003, the first quarter of our calendar year budget. It reports progress on our Two-year Action Plan for 2003-2004. Information presented follows the Action Plan format and summarizes activities that took place during this period. Updates are reported only for those items having activity during the quarter ending March 2003.

I. Energy Efficiency Programs

A. Utility Transition Programs

1. Commercial and industrial existing facility energy efficiency upgrades were transferred to the Energy Trust Building Efficiency program on January 1, 2003. Residential existing homes and water heater replacement programs ended on February 28. Utility residential and commercial/industrial new construction programs will continue through July 31. Industrial process services are scheduled to transition to the Energy Trust Production Efficiency program on May 1.
2. Projects completed January-March 2003 will result in annual energy savings of nearly 7.3 million kilowatt. 1,307 residential and 57 commercial projects were completed, with 2,380 energy conservation measures installed.

B. 2002 Quick Saving Programs ("Plot Programs" in Action Plan)

1. The Energy Trust's four quick saving programs completed projects in January-December 2003 that will result in annual energy savings of 107,886 kilowatt.
 - *Manufactured home duct sealing.* The remaining 33 homes were treated, achieving the program goal of treating 1,000 homes. Treatment of the 33 homes saved 39,600 kilowatt. The program concluded in February, saving a total of 1.2 million kilowatt. Owners and residents of 1,000 manufactured homes in 23 Oregon communities will save an average of 6% of their home electric bills through the free duct sealing service. Duct sealing services are now offered through the Energy Trust Home Energy Savings program.

- *Green light-emitting diode (LED) traffic lights.* 128 green LEDs were installed this quarter, saving 68,286 kilowatt. The program concluded in February, saving a total of 1.5 million kilowatt and installing 2,909 green LEDs in 13 Oregon communities. The bulbs use 90.6% less electricity and last 3.5 times as long as conventional incandescent green traffic lights. The LED retrofits will lower the energy costs of the program participants by nearly \$108,000 per year. Incentives for LED traffic signals are now offered through the Energy Trust Building Efficiency program.
- *Restaurant energy efficiency.* We staffed a booth at the three-day Northwest Foodservice Show. An article on the program's cash incentive discount on restaurant energy management systems appeared in the March issue of the Oregon Restaurant Association's *Main Ingredient* magazine. Activity is expected to increase as program awareness increases.
- *Small-scale energy loan program buy-down.* This program has commitments of \$284,697 for 6 projects that will save nearly 2.5 million kilowatt. Projects range from lighting efficiency projects at Portland State University to automated monitoring equipment and adjustable speed drives for the aerators at the City of Stayton's wastewater treatment plant. The program concluded in March and projects will be completed throughout the next six months.

C. Long-term Programs

The Energy Trust launched two long-term programs this quarter – the Building Efficiency program for existing commercial and industrial facilities and buildings, and the Home Energy Savings program for existing homes.

I. Commercial & Industrial – existing

- *Production Efficiency program.* With input from the Conservation Advisory Council, the Production Efficiency program was designed and approved by the board. The program provides energy efficiency services and incentives for new and existing industrial manufacturing processes and process support systems, as well as agricultural pumping and processes. The program also will provide services and incentives for direct application renewable resources, such as solar water heat and grid-integrated renewable energy. The two-year budget is \$13.9 million, and the program will save 166.4 million kilowatt. Program management services for the Production Efficiency program will be delivered by Aspen Systems in collaboration with a competitively selected industrial program management subcontractor. This industrial program management subcontractor will be competitively selected in the next quarter and the program will launch shortly thereafter.
- *Building Efficiency program.* The Building Efficiency program launched in February and targets office, industrial, retail, commercial, agricultural, hospitals, universities, government buildings, water and wastewater facilities. The program offers efficiency services and incentives for energy efficient lighting, heating, air conditioning, and refrigeration systems. Technical analysis

studies to identify and quantify energy savings potential are also available. Engineering inspection and commissioning services will be provided for complex systems. Assistance will be provided for applying for the State of Oregon Business Energy Tax Credits. Incentives for green traffic LEDs are also available through this program.

At the end of March the program had completed 11 projects and saved 347,862 kilowatt. The program has 10 Technical Analysis Contractors under contract, and 78 businesses have signed up for the program's Trade Ally Network.

2. Commercial & Industrial – new

- *New Building Efficiency Program.* The New Building Efficiency program design was developed with input from the Conservation Advisory Council. The program will target commercial and industrial new construction projects. Program design will be presented for approval to the Energy Trust Board of Directors in April. Program management solicitation will be issued in May, and the program is estimated to start up in July.

3. Residential – existing

- *Home Energy Savings program.* The Home Energy Savings program launched in March offering energy efficiency services and incentives for existing manufactured, single family and multi-family homes. Both renters and owners are eligible for services. Energy efficiency services are provided for lighting, heating, air conditioning and associated duct systems, insulation, weatherization, windows and hot water heaters. The program also offers online home energy analysis, weatherization loans and incentives for solar thermal and photovoltaic installations. The program includes a 200-unit pilot for site-built home air and duct sealing, using the new Performance-Tested Comfort Systems (“PTCS”) protocol. Ecos Consulting was competitively selected as program management contractor among five respondents to a request for proposals. By the end of March the program had treated 130 manufactured homes and 12 single family homes. Each were given 10 compact fluorescent lamps, saving 172,060 kilowatt. The program has trained five Lighting + Home Energy Reviewers to provide services to program participants.

4. Residential – new

- *New Home Energy Savings program.* Program design for the residential new construction program will commence in second quarter. Staff plans to integrate efficient home products (appliances and lighting) into the program delivery.

D. Northwest Energy Efficiency Alliance

Energy savings for Alliance activities attributed to the Energy Trust during January-March 2003 are estimated at 7.5 million kilowatt.

The Northwest Alliance, with Energy Trust participation, has authorized the following new initiatives: (1) Targeted technical services and marketing for efficiency in hospitals, small groceries, and new schools, and (2) energy efficiency in management of voltage and related issues in the utility power distribution system. The distribution system initiative works both on the utility and energy user side of the meter and will provide energy users with energy use reductions and bill savings. Additionally, the Alliance authorized the second phase of an initiative to build enhanced technical tools by tuning up small commercial rooftop units.

E. Self-directed Large Businesses

The policy for participation by self-directed businesses in Energy Trust programs, as reported in the last quarterly update, is being implemented across all programs.

F. Other programs

1. The Energy Trust has worked extensively with NW Natural to develop a Memorandum of Understanding to guide the collaborative business relationship between the two entities to promote energy efficiency. A draft design has also been developed for a coordinated gas furnace component for the Energy Trust's Home Energy Savings program. These documents will be formalized in the second quarter.
2. The Energy Trust is in the process of hiring a coordinator to integrate programs for solar electric power and solar hot water into the Energy Trust efficiency programs for residential, commercial and industrial energy users.

II. Renewable Resource Programs

A. Open Solicitation Program

1. Two early projects funded through the open solicitation process are fully operational: the downtown Portland Brewery Blocks solar photovoltaic project and the solar thermal installation on eight Habitat for Humanity homes in Bend.
2. The Threemile Canyon Farms biogas demonstration project is on hold.
3. New unsolicited projects / process modification
 - Three unsolicited projects were approved during the quarter. These include a hydroelectric project in Albany; microturbine biogas for Clean Water Services in Tigard; and a wind powered irrigation project for Apeasay Orchards.
 - Two small-scale wind projects are under consideration. One supports the City of Portland's leaf recycling center at Sunderland Yard, and the second is

a water conservation project for Applegate Irrigation Corp. in southern Oregon.

- The review and approval process for open solicitation projects was revisited with the goal of clarifying the roles of the board and the Renewable Energy Advisory Council. Options were presented for discussion. Action on an approved process was expected in April 2003.

B. Wind Program

1. The Energy Trust participated in extensive negotiations with Eurus Oregon Wind Development and PacifiCorp toward completion of contract documents. The Combine Hills Turbine Ranch project in Umatilla County will produce up to 41 megawatts of wind energy. PacificCorp and Eurus were near completion on the power purchase agreement for this project by the end of the quarter.
2. Energy Trust staff met with PGE staff to share lessons learned from PGE's participation in the Energy Trust's wind RFP process.
3. The Anemometer Loan Program was launched and four applications received. These applications were being analyzed to permit selection during the next quarter.

C. Photovoltaic Program

1. With input from the Renewable Energy Advisory Council and Oregon Office of Energy staff, the Energy Trust finalized a proposed solar electric program design for board consideration and approval. The program is designed to double the number of grid-tied solar electric systems in Oregon within one year. Anticipated results are designed to support at least 115 new systems, producing an average of 735,000 kilowatt per year for 20 years. Additional program elements are intended to stabilize and expand the photovoltaic market, provide quality assurance mechanisms, reduce consumer costs and increase awareness. This market transformation effort contains incentives for both residential and commercial participants.

D. Biomass Program – no significant activity this quarter.

E. Other programs

1. Staff met with CH2M Hill to explore renewable opportunities in municipal projects and will make joint presentations with them at two industry conferences later in the year.
2. The decision was made to hire an intern to study opportunities for community-based solar electric and solar hot water projects.

3. The Energy Trust joined the Clean Energy States Alliance, a collaboration among 14 state programs, private and public, that sponsor renewable energy development.

III. Strategic Alliances and Market Transformation

A. Northwest Energy Efficiency Alliance

The Energy Trust is working with the Northwest Alliance to integrate their market transformation services into Energy Trust programs. Particular areas of focus include the Alliance's initiatives for small municipal waste treatment plan efficiency, magnetically coupled motors, motors management workshops, and appliance efficiency initiatives.

B. Other Partnerships

1. Bonneville Power Administration

The Energy Trust and the Bonneville Power Administration developed consistent program specifications for a new class of commercial fluorescent office fixtures called "premium T-8 lamps and ballasts." These save approximately 17% more than T-8 lamps and ballasts commonly sold today. Coordinated specifications will help speed the entry of this technology, and its significant additional savings, into the market. Coordination with Bonneville continues on a wide range of other program issues, ranging from solar program design to residential financing to municipal waste treatment plant efficiency.

2. Center of Design for an Aging Society

Staff is working with the Center of Design for an Aging Society to participate in a proposal to the National Institutes of Health to fund a study of the effects of daylight on people living with Alzheimer's disease. Energy Trust involvement includes daylighting design assistance, Business Energy Tax Credits application and facilitation, and incentives to install skylights and high efficiency lighting and controls through the Building Efficiency program. Case studies featuring strategic use of skylighting coupled with lighting controls in assisted care living facilities will be developed for use in new construction and retrofit applications.

IV. Planning and Evaluation

A. Energy Trust General Plans

A rollout schedule for gas programs in all sectors has been developed.

B. Efficiency and Renewable Resource Assessments

1. A study of small industrial retrofit customer needs and program options was initiated.
2. An assessment of the cost and savings of gas efficiency measures was initiated.

C. Cost-effectiveness Analysis

A contract has been initiated to develop estimates of gas efficiency resource supply, cost, and measures.

D. Utility Least-cost and Transmission/distribution Planning

Energy Trust staff met with PGE representatives four times to review and identify opportunities for integrating renewable resources into PGE's system planning and resource acquisition efforts.

E. Best Practices

Ongoing consultation with regional and national organizations helped shape efficiency and renewable program designs, along with the design of program, contract and contract tracking systems and the website.

F. Evaluation

1. An assessment of supply infrastructure for solar electric systems was completed and presented to the board.
2. A study of the economic and jobs impact of Energy Trust programs was completed in draft.
3. A draft of the residential windows free riders study was completed.
4. Contractors were selected to evaluate utility transition residential and commercial new construction programs and assess new construction markets.
5. A contractor was selected to evaluate the solicitation process for large wind and unsolicited renewable energy projects.

V. Marketing and Communication

A. Communications and Outreach

1. The volume of communications received by telephone and email (linked to website) picked up. Web visits, which averaged 3,164 during the final quarter of 2002, rose to 5,571 by March 2003. Tracking and reporting systems for telephone calls were readied for implementation during the second quarter.
2. A new website look and content debuted in March. Content continued expanding as the Building Efficiency and Home Energy Savings programs were defined.
3. Design of an Energy Trust general brochure began.
4. The annual report for 2002 was posted on the website.
5. Concepts for an email newsletter were discussed.
6. Drafting of a press release summarizing 2002 accomplishments was begun.
7. Briefings with key stakeholders, including legislators, trade group representatives and utility officers continued.
8. No community visits were scheduled during the quarter.

B. Marketing

1. The branding/identity study was completed, leading to a new logo and design guidelines for published materials.
2. Two focus groups provided information useful in establishing a baseline measure of opinions and attitudes about the Energy Trust and its mission.
3. Findings from the two focus groups were used in finalizing the branding/identity study.
4. A contract with Encompass Teleservices Inc. was established to provide call center services for Energy Trust programs.
5. Meetings with program management contractors for the Building Efficiency and Home Energy Savings programs discussed marketing approaches. A contractor was hired to develop an Energy Trust marketing/communications plan and master calendar.
6. An advertisement and companion story were placed in the March issue of the *Main Ingredient*, the magazine of the Oregon Restaurant Association, focusing on the Energy Trust restaurant energy management systems program. An exhibit was created and a booth staffed for the annual Northwest Foodservice Show. An advertisement in the March/April issue of Associated Oregon Industries *Viewpoint*

magazine explained the Building Efficiency program. A general ad about the Home Energy and Building Efficiency programs was prepared for placement in 17 local newspapers around Oregon in April.

7. The Energy Trust agreed to participate in an EnergyStar front-loading washer coupon promotion in April-June.

VI. Internal Operations and Administration

A. *Financial Management and Budget*

1. A tracking system for measures and incentives was evaluated and approved during the quarter. Implementation will begin in June, with first-phase availability estimated to be available in September. Development of follow-on functionalities will occur during the remainder of the year.
2. A revised and updated budget was completed and approved by the board on April 2. The update was necessary to accommodate the change in our operating year from a fiscal basis ending on September 30 to a calendar basis ending on December 31. The budget includes an updated staffing plan, planned program commitments, and reasonable management and general costs.
3. Internal controls are continually being evaluated and enhanced. Focus for this year will be implementing effective controls for incentive payment processing under new Energy Trust programs.
4. Input was solicited from the utilities for the new budget year to achieve reliable revenue projections and assumptions.
5. Improved financial reporting will be accomplished as a result of the software analysis and research conducted during the quarter, with implementation expected in June. Job costing features will allow for more detailed accounting for programs and contracts.
6. The accounting system redesign and enhancement work began and will continue as part of the new financial reporting software.
7. Work began on the formulation of a formalized risk management plan to include appropriate contractual provisions, insurance coverage, policies and final employee handbook. These are expected to be substantially completed at the end of June, with some continued work throughout the year as we gain experience.

B. *Contract Preparation and Management*

1. An additional contracts manager with legal training was hired to facilitate efficient contracts preparation.

2. The request for proposal process for both energy efficiency and renewable resource programs continues to be streamlined and improved with experience.
3. Enhancements and changes to existing standard documents were made during the quarter for both requests for proposals and contracts. Further improvements will continue as policies are determined and formalized.
4. Policies for confidentiality, conflict of interest, and bidders were refined during the quarter, along with other necessary policies. These will continue to evolve with experience.

C. *Reporting and Information Systems*

1. Completed analysis of business and management needs, including program, project, contract and external contact tracking with a focus on integration and efficiency where possible; software applications were evaluated and purchased.
2. Financial reporting is being enhanced and expanded to improve program cost reporting to PUC and for internal cost management. Initial implementations of several systems will occur June through September and continue to be enhanced throughout the year.
3. Changes in some of the dates listed in PUC agreement were requested to facilitate the alignment of reporting requirements with the new accounting year.

D. *Board of Directors*

1. Board president Steve Schell named new board member Rick Applegate to join the board policy committee and new member Rick Kroon to participate in the Conservation Advisory Council.
2. Additional board recruitment is underway to fulfill intentions to further expand board diversity by attracting additional business perspective and expanded geographic representation.
3. The first meeting of 2003, officially the board's annual meeting, was held on February 5, 2003, during which election of officers and designation of terms took place.
4. The board anticipated conducting at least one meeting outside of the Portland area. However, due to present cost considerations, no such meeting has yet been scheduled.
5. Members agreed to a new board meeting schedule that anticipates 10 meetings during 2003. A corresponding schedule and packet of materials is posted on the web site in advance of meetings. Approximately 20-30 individuals attend board meetings. Public comment is a standard part of each meeting.