

# Board Strategic Planning Workshop Reed College, Portland, Oregon

Friday, June 13, 2014

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**Board members present:** Rick Applegate, Susan Brodahl, Ken Canon, Melissa Cribbins, Dan Enloe, Roger Hamilton, Mark Kendall, Debbie Kitchin, Alan Meyer, John Reynolds, Anne Root, Dave Slavensky, Warren Cook (ODOE special advisor)

**Board members absent:** Kenneth Mitchell-Phillips, John Savage (OPUC *ex officio*)

**Staff attending:** Margie Harris, Ana Morel, Hannah Hacker, Debbie Menashe, Amber Cole, Steve Lacey, Peter West, Courtney Wilton, Fred Gordon, Scott Clark, Elaine Prause, John Volkman, Julianne Thacher, Thad Roth, Jessica Rose, Dave McClelland, Cheryle Easton

**Others attending:** Nick Viele, *Facilitator* (c3 Strategy), Jim Abrahamson (Cascade Natural Gas), Bill Edmonds (NW Natural), Jason Eisdorfer (OPUC), Juliet Johnson (OPUC), Holly Meyer (NW Natural), John Charles (Cascade Policy Institute), Bob Stull (PECI), Don Jones Jr. (PacifiCorp), Erin Dopfel (PECI), John Morris (CLEAResult),

## Call to order and welcome

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President Debbie Kitchin called the workshop to order at 8:05 a.m. Every June, the annual retreat provides the board an opportunity to delve into a handful of topics and think strategically through their opportunities and risks. This year, the retreat is particularly important as the draft five-year strategic plan is ready for board review and input. Debbie thanked the Strategic Planning Committee members for their role in the development process, and the support of the staff in preparing for this retreat.

Rick Applegate, chair of the Strategic Planning Committee, reviewed the process to date in the development of the draft plan. The process started in late fall 2013, and included an external expert review, staff intake through a "strengths, weaknesses, opportunities and threats" exercise, Margie's interviews of industry experts, analysis of California's practices, and discussions with utility partners, Conservation Advisory Council members and Renewable Energy Advisory Council members. The board heard that Energy Trust may be entering an era where a lot of the easier-to-achieve energy savings have been acquired and the future does not look as promising in terms of the levels of efficiency known and available. These and other items are what the board will hear about and discuss throughout the retreat.

The board welcomed retreat facilitator Nick Viele from c3 Strategy.

## Opening remarks

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Margie Harris welcomed the board and encouraged discussion throughout the day, especially of new board members who provide a fresh perspective. She asked the board to think through what role they see Energy Trust playing in the next five years, what guidance should they provide now for staff to make the best decisions, and how does the organization balance between discrete, measurable goals and flexible strategies.

Margie described the current strategic plan and decisions made in 2009 that shaped the current structure of Energy Trust, where emphasis was placed and where investment made. Examples of how Energy Trust evolved while implementing the current plan include completing a redesign to set up the

organization to double and triple results, shifting the focus to be centered more on customer experience, looking for ways to be efficient and effective in IT and data analysis, developing cascading goals to link the strategic plan to the everyday activities of staff, and investing time to strengthen relationships with utilities and others.

While implementing the plan, Energy Trust experienced unexpected market changes. In response, Energy Trust employed various program strategies to encourage participation and serve customers. With those actions, Energy Trust made great progress to the goals in the current strategic plan, including expectations of achieving 106 percent of the electric efficiency goal and 114 percent of the natural gas efficiency goal, both of which were ambitious and aggressive. Staff expects to achieve only 70 percent of the renewable generation goal. The sector was impacted by a number of factors, like the loss of tax credits and low avoided costs, which necessitated mid-course corrections. Those corrections will be revisited today as staff asks the board how to measure progress over the next five years.

To set the stage for discussion on the next strategic plan, Margie described that in the state of Oregon, economic recovery is outpacing other states and the construction industry is beginning to rebound. Interestingly, the middle class is shrinking and discretionary spending is still constrained, meaning Energy Trust may need to revisit its model of pay-to-play to overcome customer investment challenges.

In the draft plan for the board's consideration is the potential selection of an area of emphasis when staff is implementing strategies to achieve the five-year goals. The two areas are broadening participation by all contributing ratepayers or building capability to deliver energy savings by using new technologies. Related to the broaden participation emphasis, Margie noted that over the most recent 10-year census period, population growth in Oregon mainly occurred with non-whites, with the greatest population growth among Hispanics. Assuming population growth and diversity continue in the state, new opportunities are created to better reach different people, tailor strategies and services, and re-shape programs.

Related to investing in new technologies, filling the pipeline would mean investment in new products and services. In the years ahead, Energy Trust would potentially work closer with the Northwest Energy Efficiency Alliance (NEEA), conduct more pilots, work with national labs and place more emphasis on how products and equipment perform in the Pacific Northwest's climate.

A layer on top of all this is a number of clean energy policies that may provide new or different direction, rules and regulations. The policies include the Oregon Global Warming Commission, Governor Kitzhaber's 10-Year Energy Action Plan, the Pacific Coast Action Plan on Climate and Energy, Oregon's SB 844 and the Environmental Protection Agency's (EPA) Clean Air Act carbon regulations on existing coal plants. These can impact how Energy Trust delivers its programs.

Energy Trust has successfully scaled a considerable landscape with solid and sound results. What staff predicts in the future is different than the exponential growth seen in the past five years. It's estimated that the pace of savings acquisition will shift to becoming more measured, steadier and slower. Staff anticipates working differently, and in some cases working harder, to get lower results. The savings may not cost less, they may cost more. The board and staff should expect new challenges. Even so, Energy Trust should not be intimidated by this; organizationally, Energy Trust thrives on challenges.

Marge recapped her discussions with industry leaders around the country, who are called "influentials" in the plan documentation. The essence of the feedback from the influential is for Energy Trust to stay

true to its mission, continue to emphasize what programs do well, expand relationships, and be poised and ready for what else may come. Margie said that with a talented staff and goal-oriented focus, Energy Trust has the building blocks to implement the direction the board provides today.

Margie reviewed the main questions before the board today:

- Should Energy Trust continue to emphasize renewable energy market and project support, and is 10 average megawatts (aMW) the right goal?
- How high should the energy-efficiency goal be set, and does Energy Trust pursue balanced strategies, emphasize broader participation or emphasize new technology and methods?
- Should Energy Trust have an operations goal and what should it emphasize?

## **Renewable energy goals**

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### ***Staff presentation on current plan (Thad Roth)***

Thad Roth began his presentation with current system installations and renewable energy capacity installed in Oregon. The takeaway is that Energy Trust participation has helped expand the number of non-solar projects installed in the state 50 percent since 2005. Those projects have been smaller in capacity than non-Energy Trust projects, on average 1.3 MW vs. 5.9 MW. Energy Trust has been a key player in biogas, hydropower and solar. For standard solar, Energy Trust incentives combined with state and federal incentives have been the primary driver for net-metered projects.

Thad reviewed the current plan's long-term renewable energy goal and five-year energy goals. The sector will fall short of the generation goal, and is estimated to come in at 16 aMW due to declining incentives at the state and federal level, smaller projects and a portfolio of projects that is heavily weighted to solar, which has a low capacity factor. The sector has been successful in expanding markets, especially for solar and also hydropower and biopower.

### ***Staff presentation on proposed plan (Thad Roth, Betsy Kauffman, Dave McClelland)***

In developing the renewable energy proposal for the next plan, Thad said staff considered the Energy Trust annual budget and the availability of other, non-Energy Trust incentives that help build up a project to make it successful. In 2015, the renewable energy sector expects to receive about \$14 million in annual revenue, which is less than previous years. Over the last five years, the sector was working with annual budgets of about \$18 million to \$22 million, largely due to unallocated funds from prior years rolling into current years. In addition, there is expected a continued decline in state and federal incentives, and wholesale energy rates.

The board asked if wholesale retail rates are declining. Thad said avoided cost rates are available to qualifying facilities. Over the last five years, the avoided cost rates have gone down 50 percent. The Oregon Public Utility Commission (OPUC) is going through a docket that will clarify where rates will go in the future and Energy Trust will further articulate differences between variable resources, like solar and wind, and baseload resources as described in UM 1610. The avoided cost rate will continue to affect the viability of projects Energy Trust can support.

Staff proposes to maintain in the next plan the long-term goal as written in the current plan. On five-year energy goals, the draft plan indicates a change in focus as order of the goals flips to emphasize market and project development first, and then energy acquisition second. This reflects Energy Trust's annual revenues and circumstances in the market. The first goal would then be to sustain a vibrant small and mid-scale renewable energy generation market. The sector has been doing this for the past 10 years. A key measure is continual growth in project installations. The sector would still maintain the strategy in-place since the beginning of supporting all five technologies. Staff recognizes the refocus still needs a benchmark and a way to measure success, which leads to the second goal of 10 aMW

by 2019. This lower generation amount is based on assessment of current conditions, and reflects reality.

Betsy presented on the strategies for the Other Renewables program. The program will support all four technologies, looking to build the pipeline, improve overall financial performance of projects, conduct outreach, provide project development assistance and support existing projects. Betsy showed a chart of non-solar generation from 2005, including generation from in construction projects for 2014-2016. The takeaway is the program experiences lumpy progress. It may see two to three projects a year, maybe four in a good year. Each project also takes two or more years to plan and develop, and staff support is provided throughout. The long project timelines and lumpy project completion makes it difficult to determine a benchmark or measure for progress. Betsy showed a graph of the current plan showing aMW by technology. Biopower and hydropower bring in the most generation and make up about a dozen projects.

Betsy described an example of a hydropower strategy in the draft plan that is based on experiences from the current plan. For the past five years, the program focused on in-conduit hydropower projects, and has seen eight complete and five are in process. The learning from these projects is there is an opportunity to do hydropower in irrigation districts due to the water savings effect. Instead of looking for places to do hydropower projects, staff is looking at places to do water savings and along with that, hydropower generation. This means staff will collaborate with organizations that have relationships and expertise in this area, like the Farmers Conservation Alliance, and have them help Energy Trust conduct outreach. Because there are fewer incentives to provide, the program is looking for projects that can pull in other funding sources, or leverage innovative ownership and financing models. Progress with this technology would be the number of irrigation districts involved, the number of projects participating and list of potential projects applying for project development assistance.

Betsy also provided an example of a biopower strategy. Challenges for this technology are the significant operations and maintenance costs which last the life of the project. Due to the importance of lowering these costs to improve the project's financial performance, staff is looking at gathering baseline operations and maintenance costs, learning about cost drivers, working with national organizations looking at similar issues and establishing best practices to share. The measurement of progress would be monitoring changes in costs as the strategy is implemented.

Dave presented on the Solar program, which has seen a lot of change in the last five years. He mentioned that 87 percent of Oregon's solar electric capacity seen today was installed in the past five years. Also, the average costs for installed solar have declined by about one-half in the last five years from \$8-\$9/watt installed to \$4.50 per watt for residential and \$3.30 per watt for commercial systems. Utility-scale is even lower, at about \$2 or \$3 per watt installed. Dave showed a chart of commercial capacity since 2004 and the effect on volume as the Oregon Business Energy Tax Credit changed from 35 percent to 50 percent to zero percent. Dave described the changes in the residential market. The local, bulk purchase effort called "Solarize" was responsible for a large amount of system installations in 2010 and into 2011 but that model has been quiet lately in Oregon even though it's becoming a popular model in other states. In Oregon, the market is shifting to third-party owned systems, which are about two-thirds of the market today.

Challenges for solar over the next five years include the conclusion of the Volumetric Incentive Rate pilot, the solar capacity standard being met by the utilities five years early, the federal Investment Tax Credit dropping to 10 percent at the end of 2016 and the Oregon Residential Energy Tax Credit expiring at the end of 2017. This means Energy Trust will be the sole incentive program but would not be able to support the market to the level it has reached today. Dave showed scenarios of how Energy Trust could support solar in the next plan. The program strategies will be to collaborate with NW Solar Communities, measure soft costs and identify soft cost reduction targets for Oregon.

***Board discussion on proposed plan***

The board discussed how the program can be involved in reducing soft costs for solar installation, mentioning the cost-reduction effect of competitive processes, the Solarize effort and positive user experience that makes going solar easier and streamlined.

The board was pleased to hear both presentations, and acknowledged the fact that the sector has a relatively fixed budget and was glad to hear staff is looking at bundling benefits on non-solar systems and reducing costs on solar systems. And as economics change, the sector has flexibility to shift to support one technology over the other.

The board asked about the outlook for energy storage or micro-grids in the future. Staff hasn't yet received such requests, but in the next five years the region may experience pressure to move to storage. Staff pointed out that California's solar generation levels will have an impact on Oregon as the region uses a connected grid. Staff noted California has a mandate for storage.

The board commented on whether the Solar program should shift with the market away from the bulk buy model, especially if it's growing in other states.

The board asked how the Other Renewables program is attracting other outside capital, and whether Energy Trust could play the role of aggregator. Staff commented that one initiative with hydropower is to find a set of projects and package and then look for investors, and to talk with foundations interested in water and environmental benefits. Staff is beginning to have those types of conversations to attract outside financing. Plus, with project development assistance, the sector increased the cap to \$150,000 to help projects move along more quickly to a point where they have a nice package they can present to the investment community. The challenge remains of an unpredictable level of volume.

The board asked what role Energy Trust plays in attracting projects across all technologies. Staff mentioned that outreach is a strong component to their work. With competitive RFPs, available funding is getting wider publicity and Energy Trust is becoming known to more people. The challenge is that these complex projects are being done by people whose core business isn't electricity or electric utilities but water agencies, irrigation districts or wastewater treatment plants.

***Board discussion on goal setting questions for next plan***

The board agreed with the proposed renewable energy goals and the order in which they are listed as appropriate for the strategic plan. The board supported additional metrics to document the sector's efforts. The metrics should be set for each technology and area of focus like cost reductions for solar soft costs and operations and maintenance. Timing for this would be during the annual budget and action plan development. The board encouraged staff to look at metrics by market segment, too.

The board commented they would like to see a clearer link between the draft plan and the strategies in the briefing papers.

The board asked for clarification on the strategy around load management and climate change. Staff mentioned the direction would be set by the utilities and Energy Trust would not be in the lead. Energy Trust will be supportive of any such efforts, and be open and receptive to change in the energy policy arena, including the recently passed EPA rules on carbon (111D). The board mentioned a desire to learn more about carbon reduction at a future board meeting.

**Confirm recap of renewable energy goals**

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John Volkman recapped the discussion for the board:

The board is comfortable with reaffirmation of the current approach to the sector and shifting the order of goals as staff proposed. Around the question about additional metrics, the board thinks it is an important idea best spelled out in two-year action plans. It is also a good idea to have development metrics for any areas staff is proposing emphasis. The board also encourages looking at whether staff can measure any spillover effects from program activities.

The board discussion included direction to staff to go through the draft plan and make sure strategies match up with what was heard today and as written in the briefing paper. There are several areas for questions on whether there should be more specificity in the draft plan, like around attracting other sources of capital, reducing soft costs for solar or working in the realm of operations and maintenance. The board also wants the program to think about how to stay involved in the bulk-buy solar strategy.

There is interest in and questions about the strategy of supporting state and utility climate change load management priorities. The board asked whether that is a strategy or an outcome, how does it foster renewable energy and even energy conservation, and how does it match up with federal climate goals. The board would like staff to think about a future board briefing about these issues.

There is interest in showing how renewable energy strategic goals tie together with resource assessments, and thoughts for staff to consider how micro-grids, storage and multi-meter owner strategies might be incorporated into program implementation.

The board agreed the recap captured its comments and discussion, particularly support for the content and order of the five-year goals, and that no other refinements are needed for this section of the plan.

The board asked what will be sent out to the public for comment, the whole packet or just the plan. Staff said the public will receive the revised draft plan and a document that summarizes and focuses people on the same issues and questions before the board today.

## **Energy Trust in action**

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### ***Reed College Performing Arts Building*** (Jessica Rose)

Jessica Rose presented on the building being a recent participant in Energy Trust's New Buildings program, having completed construction in fall 2013. The building houses classrooms, theater, dance and music rehearsal space, and a student "living room." The building participated through the Small Commercial Efficiency pilot, and was on the large end at 80,000 square feet. Often, buildings less than 100,000 square feet are designated as small commercial. The Small Commercial Efficiency pilot was launched to understand how small buildings can be energy efficient, the steps for them to get there and the support needed.

The board asked how this pilot works with architects and if that's different than the standard program approach. In the pilot, the offer of a per square foot incentive is easier to understand and easier for trade allies to install. In forming the pilot, the program analyzed by market and set prescriptive incentives, delivering a checklist where the owner can choose a good, better or best level of efficiency. Overall, the pilot makes being energy efficient easier.

*The board took a lunch break at 11:35 a.m. and resumed at 1:00 p.m.*

## **Energy conservation goals**

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### ***Staff presentation*** (Fred Gordon & Elaine Prause)

Elaine previewed the three energy-efficiency questions posed to the board today. The board is asked to determine a goal option, which is the specific amount of savings Energy Trust will seek to achieve, and the strategy for achieving the goal.

1. Which goal option?
2. Which strategy to emphasize or balance all?
3. Does the answer to the second question change the goal selected?

Energy Trust's current strategic plan is about growth, and has so far resulted in doubling energy savings over 2009. Energy Trust focused on customer service and innovation to meet those goals. Going forward, staff expects markets and Energy Trust programs to change by 2019. For example, cost-effectiveness is a challenge today that was not present when the current strategic plan was created. Staff expects Energy Trust to continue to add savings annually in the next five years, but at a slower rate than in the last five years.

The draft strategic plan includes three goal options representing different amounts of risk and savings: a Base Option, a Base Plus New Technology Option that includes the Base Option, and an Expanded Option that includes both the Base Option and New Technology Option. All goals will include continued Integrated Resource Plan, IRP, and utility planning processes.

**The Base Option is 218 aMW and 22 million annual therms**, and includes all known available resources without hedged emerging technologies.

**The Base Plus New Technology Option is 237 aMW and 24 million annual therms**, and includes all known available resources plus hedged estimates of emerging technologies, which adds 8 percent to Base electric savings and 9 percent to Base gas savings. Emerging technologies are primarily LEDs, smart home automation and absorption heat pump water heaters.

**The Expanded Option is 244 aMW and 27.5 million annual therms**, and includes all known available resources, hedged emerging technologies, large opportunities and sustained cost-effectiveness exceptions. Large opportunities are large data centers and industrial megaprojects that were excluded from the resource assessment because they are not predictable sources of savings. The Expanded Option adds 13 percent to Base electric savings and 11 percent to Base gas savings. Extending cost-effectiveness exceptions is an OPUC decision, not an Energy Trust board decision.

In determining goal options, staff determined scenarios bounding uncertainty. The "maximum challenge" scenario includes reduced load growth, less participation and lower avoided costs. This is modeled at 80 percent of Base goal. The "unforeseen opportunity" scenario includes nearly all emerging technologies coming to fruition and no limitations for funding greater than one aMW customers. The three goal options fall in between these two bounds.

Board members recommended that the strategic plan include cumulative energy savings and not characterize high avoided cost as an opportunity or load growth as a challenge. The board also noted that technology innovation can come from other parts of the world.

Board members asked about strategies, and staff presented on the five successful strategies that should be included in the strategic plan: broaden participation, manage total costs of conservation, continuously improve designs, support state and utility climate and load management priorities and invest in development of new technologies. Some of these strategies may conflict and compete for limited resources. Each sector and program may need to emphasize different strategies to achieve goals.

Staff presented two strategic emphases posed to the board today. The first choice is to emphasize **New Technology**, which shifts resources to field testing and refining efficient products and behavioral program strategies to increase available efficiency. The Base goal includes one or two technology pilots with NEEA at any given time. Energy Trust relies on other entities to develop new technologies, for example a Bonneville Power Administration heat pump water heater pilot. New technology development does happen all over the world, but it needs to occur locally to work with the Pacific Northwest climate, culture, equipment and code requirements. New Technology work is adopting technologies, not inventing them. This strategy does not include new product development.

With the New Technology emphasis, Energy Trust would redirect resources from near-term savings acquisition, which would increase risk of falling short of near-term goals. This emphasis may result in high long-term savings, but results are not predictable. Adopting the New Technology emphasis would represent a strategic change for the organization.

The second emphasis option is **Broadening Participation**, which increases commitment to reaching more types of participants not yet reached in large numbers. The Base goal includes serving markets with the largest potential savings. Broadening Participation would address additional markets by geography, ethnicity and income. Adopting a Broadening Participation emphasis would mean resources are redirected from high-volume markets to low-volume markets. Similar to the New Technology emphasis, Broadening Participation would be an investment in long-term savings that may decrease near-term savings. Regardless of emphasis, Energy Trust will strive to achieve annual goals.

### ***Board discussion***

Board members discussed risks associated with the three goal options, and asked about rewards and motivation for taking on additional risk. Staff explained that the Base goal starts at a point of moderate risk and includes innovation in service delivery. The Base Plus New Technology goal includes slightly more risk than the Base goal. The Expanded goal includes more opportunity than staff can identify.

The more risk the organization takes on, the more potential there is for greater gains. There is value in setting an aspirational goal. Setting high goals and failing to meet them might be detrimental. Investing in new technologies will cost more in the near term.

The board asked for examples and outcomes of past choices that Energy Trust identified as new technology. This is a new question for Energy Trust. In the past, staff assumed progressive increases in savings, but never assumed more savings than could be identified. Past new technology changes have occurred in dramatic shifts and have not been predictable.

The board discussed that if Energy Trust's goal is to require all cost-effective conservation, then the Expanded Option will achieve the most conservation. Staff responded that there is uncertainty about how much conservation will be available to achieve. The Expanded Option includes opportunities that cannot be anticipated.

The board considered whether, to be consistent with the Energy Trust mission to acquire all achievable energy conservation, broader participation should take precedence over new technologies. Board members discussed tactics for Broadening Participation. Low-income customers are motivated by different kinds of incentives, such as immediate or ongoing incentives, so Energy Trust should consider creating options for incentives delivery.

Board members asked about the relationship between strategic plan goals and annual IRP targets. Since Energy Trust is held accountable for meeting annual IRP targets and not strategic plan goals,



there might not be any downside to setting an aspirational strategic plan goal. Staff noted that the Base goal aligns with IRP targets, which are conservative estimates and updated every other year. Energy Trust will be accountable to goals that emerge from IRP discussions with utilities. Staff will strive to align annual goals to with strategic plan goals.

Don Jones, Pacific Power, explained how IRP targets are developed through an iterative process with Energy Trust. The Base Plus New Technology goal aligns with Pacific Power's current analysis. Don hopes that there is minimal variance between Energy Trust goals and Pacific Power IRP targets.

Jim Abrahamson, Cascade Natural Gas said the utility relies on Energy Trust to determine IRP targets.

Board members talked about the merits of each goal option. Some board members supported the Base and Base Plus New Technology goals, and were wary of the additional variables in the Expanded goal. Other board members described the positive impacts an achievable goal can have on staff performance and the importance of a visionary goal. Board members cautioned that a goal must be attainable.

Board members questioned the necessity of picking one strategy at the expense of others. Staff responded that the Base goal includes Broadening Participation and New Technology emphasis to a limited extent. Energy Trust is resource and staff constrained, so there must be a choice between near-term acquisition and one of these emphases. Board members recommended that Energy Trust free up resources by shaving costs from proven energy-saving programs.

Board members noted that the continuous improvement strategy allows for each program to apply different strategies. Energy Trust could also broaden participation by changing strategies rather than adopting more expensive strategies. Members noted that efforts to broaden participation should be targeted and may have low return on investment.

Board members asked about using reserves to add resources for focus areas. Staff responded that reserves are not a resource for emphasizing goals.

Jason Eisdorfer, Oregon Public Utility Commission said Energy Trust needs to take into account 111(D), the Environmental Protection Agency's carbon ruling that includes emission reduction targets for Oregon. In creating these targets, the EPA expects Oregon to ramp up savings and then level out. Energy Trust needs to think about priming the pump for future savings acquisition in three to five years. Jason recommended the board consider trading off near-term savings in exchange for growing and sustaining long-term savings as Oregon needs to invest in stable, ongoing energy savings for the future.

Jason responded to board questions, and clarified that Energy Trust is expected to deliver a steady stream of cost-effective energy savings over time, and to balance new technology adoption with short-term energy generation. The board agreed that staff need latitude to make strategy judgments by program and market, and advised staff to pay attention to the upcoming NEEA budget decisions that may impact funding for new technology.

When asked to state a preference between expanding Energy Trust's reach and investing in large, cost-effective projects, Jason responded that acquisition and equity are both important, and Energy Trust's primary directive is to acquire cost-effective energy efficiency. Board members noted that Energy Trust has flexibility on how it acquires savings beyond IRP.

*The board took a break from 3:00 to 3:23 p.m.*

## **Confirm recap of energy conservation goals**

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Margie noted that the draft strategic plan will be updated based on board guidance before it is distributed to the public.

John Volkman led an effort to recap the discussion about goals and strategies. There is confusing terminology because the three goal options do include emerging technology and broadening participation strategies separate from the similarly named emphasis areas. Energy Trust will include a graph in the plan that shows cumulative savings, not just declining resources by year. It is problematic to characterize high avoided costs as positive and reduced load growth as a negative. Board members suggested deriving cost-savings from efficiencies in proven programs. Staff will clarify that climate and load management are not related. 111(D) is a significant external driver that may merit more thought about it as characterized in the plan. The long-term conservation goal should be the total cost-effective “achievable” resource.

The board did not reach agreement that Broadening Participating and New Technology emphases are mutually exclusive and requested clarification to quantify and characterize impacts of risks associated with goals. Staff noted that the choices are not binary. Energy Trust needs to serve rural areas, but can choose to add additional emphasis to increase long-term savings opportunities from underserved customers. These strategy questions are about Energy Trust’s identity and mission.

Board members discussed the Broadening Participation emphasis.

Board members discussed the importance of balancing prescriptive strategies and staff flexibility, noting that the strategic plan should balance definitive direction while leaving room for staff discretion and should empower staff to be tactically nimble at the market and program level.

John Volkman summarized that the board wants nimbleness and flexibility, and wants to emphasize Broadening Participation and New Technology as appropriate in different markets and sectors. This is consistent with the Base goal.

The board discussed goals of 240 aMW and 25 million annual therms.

Board members supported an aspirational goal, and recalled that Energy Trust’s prior aspirational goals were achieved. Low goals result in regional under-investment in energy efficiency. Given a history of credibility and accomplishment, Energy Trust is in a position to push limits. A high goal will help Energy Trust adapt to the changing market.

Staff will revise the strategic plan based on board guidance. Strategy guidance is that Energy Trust stay nimble and flexible to seize unexpected opportunities, and explore both Broadening Participation and New Technologies emphases, but not at the expense of the other strategies.

Staff will modify the plan for review at the July 22 Strategic Plan Committee meeting. The plan will be distributed to all board members prior to the meeting, and members can submit input in writing or attend the meeting.

## **Operations**

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***Staff presentation (Margie Harris)***

Energy Trust's strategy is to hatch new ideas, test them through a small-scale pilot process, learn from testing and then modify offerings based on lessons. This process also applies to internal operations, which include communications, IT, finance, human resources, planning and evaluation. Operations goals help ensure a responsible, transparent, accountable and responsive organization, and are complementary to program goals. Energy Trust already demonstrates operational emphasis through forecasting efforts, program feedback, the IT "agile" approach and marketing success.

The proposed operations goal is to align internal operations and management to support Energy Trust strategic goals and objective, optimize human resources and maintain an effective, open, transparent and accountable business model and structure. Operations strategies include continuous improvement, management review recommendations, establishing metrics and reporting on progress, succession planning and strategic partnerships.

The question before the board is whether a five-year operations goal should be included in the plan, and is this the right goal?

### ***Board discussion***

Board members agreed that Energy Trust should include an organizational goal in the strategic plan, with the addition of "most efficiently" prior to the word "support."

Should the strategic plan emphasize Energy Trust's reliance on staff expertise to make those real-time decisions? Board members agreed this is implicit in the strategic plan goals and strategies, and can be made more explicit.

### **End of day comments and feedback on the day**

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Board members commended colleagues for productive, respectful and engaged discussions. Margie thanked board members for continued support and high engagement, and Debbie thanked staff for supporting the strategic plan and board workshop.

*The board adjourned for the day at 4:40 p.m.*

# Board Strategic Planning Workshop

## Reed College, Portland, Oregon

Saturday, June 14, 2014

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### Welcome & day one recap

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President Debbie Kitchin called the workshop to order at 9:06 a.m. The board commented on the value of the two recap portions of the agenda. The board would like to further discuss the emphasis of increasing participation of customers and trade ally contractors, particularly outside the Portland metro area.

### Reflections on goals & strategies

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#### ***Board discussion and reflection on the operations goal***

The board continued to support the inclusion of an operations goal. The Strategic Planning Committee will examine whether the goal should specifically encourage and give more license to staff to make more tactical, technical, informed decisions with regards to the weighting of the broaden participation or new technology emphasis depending on market and timing. Any changes will be brought to the full board for review.

#### ***Board discussion and reflection on the renewables goal***

The board continued to support the renewables goals and strategies, especially bundling benefits and reducing costs to get the most out of the budget. The board reflected on how to stimulate more innovation and the value of combining energy and non-energy benefits, like water savings, to complete projects. The board reflected how Energy Trust should be part of the conversation in these expansion areas, whether it's inter-agency efforts, authoring white papers or raising awareness of the issue. It's always important to think about commonalities, and combining the efforts around sustainability.

#### ***Board discussion and reflection on emphasis areas***

The board encouraged using resources like an energy use map to target areas for outreach, and asked whether the definition of trade ally should be expanded to include plumbers and welders. The board noted that smaller, rural markets are more expensive for outreach, and staff should look for ways to naturally connect into the community, like working with the local Ace Hardware store, attracting more trade allies and making it easier for more "generalist" contractors in smaller markets to participate in one or multiple programs. They caveated this all with the layer of cost management. The board said there are opportunities to raise awareness of Energy Trust in local communities, from consumers to businesses to contractors, and to help contractors use Energy Trust development funds to market their energy services. One strategy to do so could be regional focused staff. The board

discussed how these markets could benefit from increased collaboration with the area's consumer-owned utility. The board asked how Energy Trust can document its influence throughout the market and tie it back to the goals, including documenting if there is there a "spillover" effect to Energy Trust's work.

Looking at the fifth conservation goal and the renewables goal, the board asked whether there is a way to look at climate policy and load management in a broader sense when there are clearly aligned opportunities that fit within Energy Trust's mission. The board commented the plan needs a more direct link between the climate goal and the strategies.

The board discussed how their desire for broader participation needs to be considered jointly with the cost constraint Energy Trust operates within, and encouraged staff to deploy resources well.

Margie said there is a sweet spot between finding savings in those outer areas and costs. Energy Trust needs to get more from these areas that have been served less.

Fred said that as efficiency margins get smaller, Energy Trust may not be able to be in as many places, in retail transactions in urban and rural, or as visible as savings are achieved through codes and standards. But visibility is important. What is the plug-and-play Energy Trust can give outer areas so programs don't over-interact or for Energy Trust to deliver with lower overhead. The downside is Energy Trust may not be a part of the culture in that community.

In response to a board question on how free ridership plays into the strategies, Fred said Energy Trust's accountability with the OPUC is to get savings from what action Energy Trust influenced, which is found through evaluations. Evaluations are imprecise and they can sideswipe the programs. For example, when a large customer says it would have saved the energy anyway and the program can no longer claim those savings. Energy Trust is helpful in other areas, like codes and standards. Energy Trust needs to evaluate what programs influenced with new technology, like quality, but attribution in the market is getting harder and harder.

The board conveyed its interest in measuring Energy Trust influence and marked the fact that Energy Trust currently evaluates conservatively.

The board commented that when looking out five years, what is a unique, new strategic method Energy Trust hasn't employed in a more planned way? Could one strategy be board ambassadors, not just attending customer ribbon cuttings but talking to city councils and rotary clubs, like the Forest Stewardship Council's an annual roadshow that includes board members?

#### ***Board discussion and reflection on the electric efficiency goal***

The board continued to support the 240 aMW five-year savings goal, noting that Energy Trust still needs to be responsive in real time to changes. It was noted the first efficiency strategy should move down the list and be rephrased in a more positive manner, possibly changing to "maximize value with current resources."

#### ***Board discussion and reflection on the natural gas efficiency goal***

The board revisited the natural gas efficiency goal, posed yesterday as 25 million annual therms. Staff clarified that the Expanded goal option assumed resolution of cost-effectiveness challenges, which still needs to be reviewed in an OPUC docket. Staff said Energy Trust has a much lower probability of achieving the Base Plus New Technology goal even with the best of efforts. Staff recommended revisiting the goal and coming back to the Strategic Planning Committee. The board supported the

approach and that it is important to give good and full regard and analysis to the natural gas efficiency goal.

The board asked how the cost-effectiveness docket may affect strategy. Staff is in the process of drafting a paper on gas cost-effectiveness, which at this point looks stark for wall, floor and duct insulation, which is about 16 percent of the Existing Homes savings. There are some savings impacted in other programs, too. The OPUC is mulling through some options, there are hearings over the summer, and by the end of October it will have a rule. The decision will interact with the budget process.

The board commented that a goal could be set for now and then always amended after adoption if something dramatic changes. Staff mentioned a similar approach was taken when SB 838 passed.

Board confirmed staff will go back and refine the number, which will go to the committee and all board members will receive a copy.

## **Review vision & purpose statements**

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Board discussed and approved the current plan's vision and purpose statements for the upcoming plan.

## **Outreach strategy**

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Amber Cole described the next steps on public and stakeholder outreach around the draft strategic plan. The draft plan won't be released to the public until the Strategic Planning Committee has reviewed it at its July 22 meeting. The draft will be emailed to the full board prior to that meeting on July 15 and all board members are invited to attend. The same document will go to the Conservation Advisory Council and Renewable Energy Advisory Council at the July 23 meetings. It is ideal for the committee to come to resolution on the draft plan at the July 22 meetings to allow for enough public comment time, which would start on July 25 and end August 26. The committee will then see a revised draft at its September 8 meeting and a final draft presented at the October 1 board meeting.

Outreach strategies include promotion on the Energy Trust website, a webinar, Conservation Advisory Council and Renewable Energy Advisory Council presentations, a strategic utility roundtable and regional meetings. It was clarified that regional meetings scheduled before July 25 will not mention specifics of the draft strategic plan, and will instead surface that Energy Trust has a five-year strategic plan and when and where to provide feedback. Board members are welcome at the regional events, which are in coordination with Pacific Power customer events. Staff will send the board the dates of the regional meetings. The board requested Salem, Eugene and Vancouver be added to the list.

Staff clarified the list of influential will receive a communication when the draft plan is ready for comment.

The board requested the questions posed to the public to gather feedback on the plan be more specific and directional while allowing for open-ended responses. The questions might include how Energy Trust can improve broadening its outreach and venues to do so. Staff will send the questions to the Strategic Planning Committee to review with the revised draft plan. The board asked how staff will set context around the plan to further direct feedback, for example, that Energy Trust operates within a budget even though the strategic plan doesn't include costs. Staff will include a cover letter with the draft plan to set that context. The board encouraged adding Energy Trust's cumulative accomplishments, and the process and outreach already conducted to develop the plan.

## **Summing up**

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The board commended Rick on his coordination, leadership, strategic pacing of the committee and engagement with staff.

Warren mentioned the Oregon Department of Energy is completing a future plan that includes energy conservation and efficiency, and it's important to know that plan includes a strategy on coordination with Energy Trust and others. The Oregon Department of Energy programs do not operate in a vacuum; they augment programs and fill voids where other programs don't play. He sees an opportunity to help align things. On the gas side, Warren mentioned the Oregon Department of Energy has different latitude and is working with Energy Trust residential staff on how to support non-cost-effective measures in the tax credit world. When looking at broadening and deepening outreach to those that both organizations serve, there is opportunity to work on both identities together.

## **Next steps & closing remarks**

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Margie thanked the board for their involvement and the work they do to steer the organization. She mentioned there is opportunity to get more people aware of the discussions happening at the board retreat and will go back to discuss with staff how to do this.

## **Adjourn**

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The workshop adjourned at 11:27 a.m.

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/S/ Alan Meyer

Alan Meyer, Secretary