Energy Trust of Oregon

2009 Production Efficiency Proposed Incentive Changes

April 15, 2009

Energy Trust of Oregon, Inc.

Analysis of Need

- Proposed changes based on:
  - Review of PE program historical incentive and project cost data
  - Alignment with Existing Buildings custom incentives
  - PDC observation of immediate effect of recession on the Industrial sector in Oregon and resulting PE 2009 forecast trends
  - Lack of economic stimulus directed to this sector

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Current Incentives/ Proposed Changes

- Current incentives
  - Current custom incentives $.20/ kWh or 50% of project costs
  - 2008 special incentive of 60% of costs for projects committed by 1/15/09, completed by end of 2009, drove new commitments in Fall/ Winter 2008.
- Proposed Changes
  - Permanent change to $.25/kWh
  - Temporary special of 60% of project costs for commitments in 2009, completed before end of 2010, to drive savings during recession
- Applies to all PE custom electric efficiency measures except lighting
  - Does not apply to pilots or special strategic market offerings
- Proposed to be effective May 15, 2009

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Key Findings Addressed By Changes

- Average turnkey costs for industrial energy efficiency projects have risen significantly since 2006
  - Materials and equipment costs directly affected by rising metals, energy costs
  - Types of projects incented by ETO have changed – larger number of smaller projects for smaller industrials, deeper savings in sites that already tapped low hanging fruit
- Currently ~ 45% of incentives capped by $.20/kWh
  - Higher-priced projects get capped at $/kWh
- Incentive change to $.25/kWh designed to
  - motivate underserved customers to participate
  - increase kWh savings at participating sites by going after higher-cost measures

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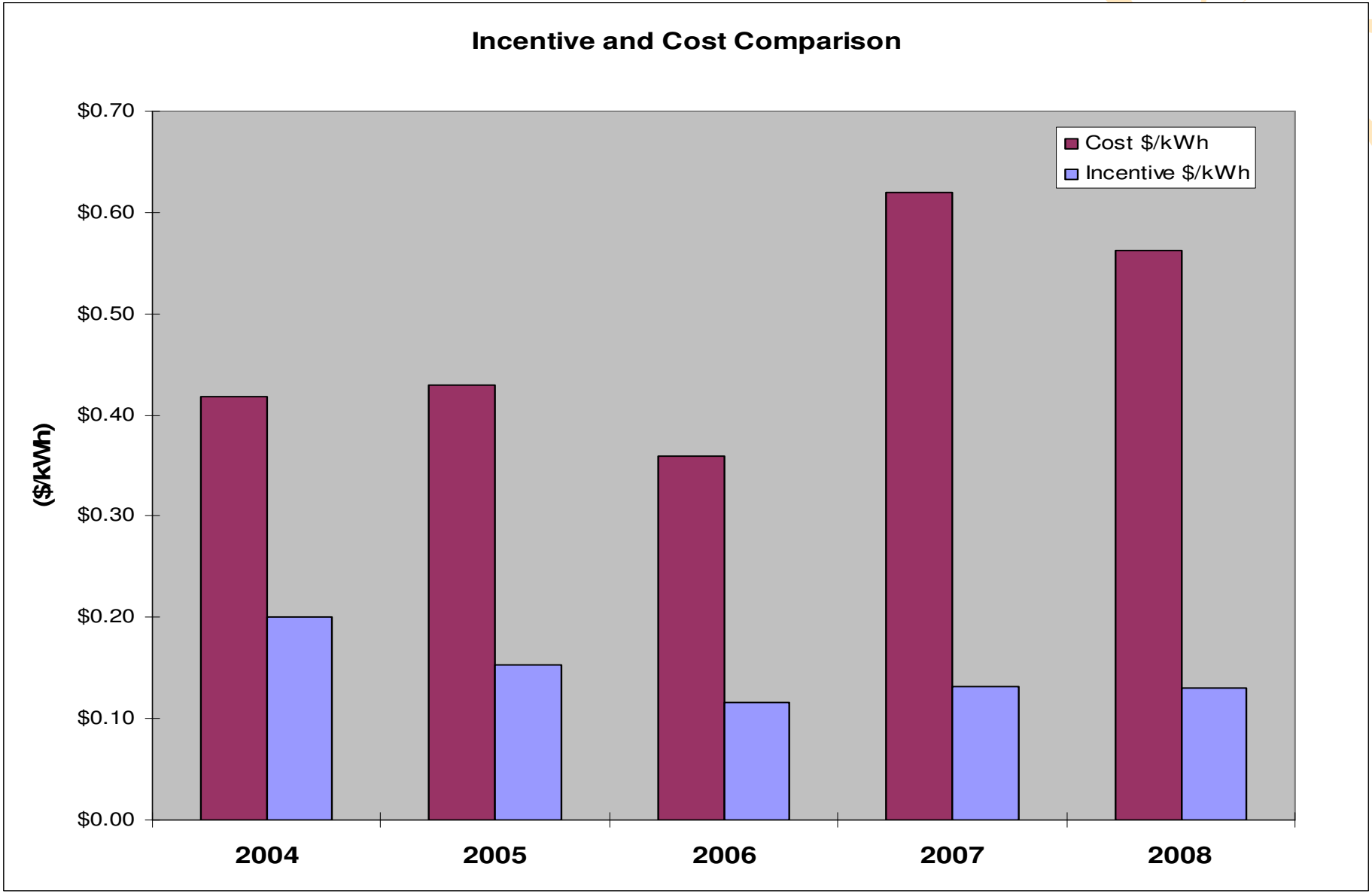
Historical PE Cost and Incentive Data



Aligning PE with EB Incentives

- Existing Buildings, Multifamily, Production Efficiency increased lighting custom incentives in tandem in Feb 2009.
  - Increased:
    - custom incentive from 30% of installed cost to 35% of installed cost
    - custom incentive cap from $0.15/kWh to $0.17/kWh
  - Value of consistent incentives from both customer perception and internal administrative perspective
- Proposed change from $.20 to $.25/kWh is in alignment with EB Custom Mechanical change which became effective Feb 2009.

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Key Findings Addressed By Changes

- Economic recession directly affecting most Oregon large industrials
  - Traditional source of PE low cost, large efficiency projects
  - Our larger industrials are increasingly committed to energy efficiency, are actively seeking projects, but are getting resistance from financial decision-makers
  - Some large projects have been canceled or delayed, offsetting new commitments and flat-lining PE program forecast in Feb & March 2009.
- Fairly good commitments during Sept 08 – Jan 15, 2009 due to 60% incentive special
  - Lower cost/ higher savings projects typically capped by project cost %
- Proposed "special" (temporary) 60% project cost cap designed to
  - Overcome financial decision-maker reluctance to commit
  - Reach immediate PE kWh savings goals in 2009/ 2010

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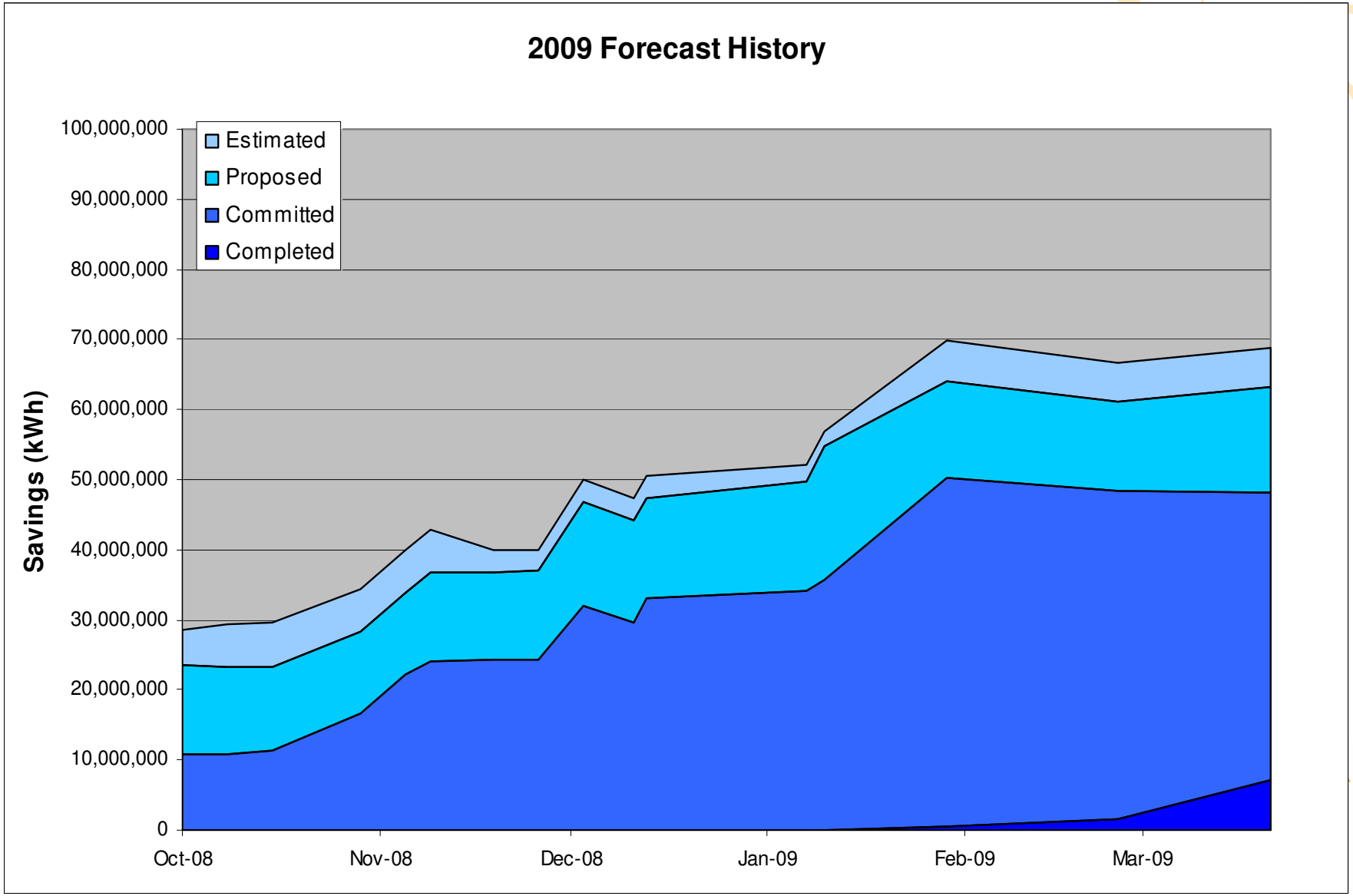
2009 Forecast Trend – Recently Flat