**CONSERVATION ADVISORY COUNCIL**
Notes from meeting Oct. 14, 2009

*Attending from the Council:*
Jim Abrahamson, Cascade Natural Gas
Jeff Bissonnette, Fair & Clean Coalition
Paul Case, Oregon Remodelers Association
Bruce Dobbs, BOMA
Joe Esmonde, IBEW
Andria Jacob, City of Portland
Holly Meyer, NW Natural
Lauren Shapton, PGE
Steve Weiss, NWEC
Bill Welch, EWEB

*Attending from Energy Trust:*
Matt Braman
Pete Catching
Amber Cole
Diane Ferington
Fred Gordon
Brooke Graham
Steve Lacey
Jessica Rose
Kate Scott
Peter West
Kendall Youngblood
Hannah Hacker
Sue Meyer Sample
Greg Stiles
Christian Conkle
Nick O'Neal
Ben Huntington
Kacia Brockman
Lizzie Rubado
Scott Swearingen
Leana Mathews

*Others attending:*
Jeremy Anderson, WISE
Kim Brown, CSG
Amery Celvelli
Mark DeFrancisco, Heat Reliev/ORACCA
Kevin Duell, Nexant, Inc.
Carolyn Farrar, NW Natural
Gary Frahn, Advanced Energy
Theresa Gibney, OPUC
Peter Gutmann, Earth Advantage
Gary Intelell, Mar-hy Dist.
Marshall Johnson, CSG
Stewart Mercer, Gensco
Andrew Ragen, Rogers Machinery
Dave Salholm, Tri-County Temp Control
Jan Schaeffer
Jeff Schmidt, Mar-hy Dist.
Marilyn Williamson, NW Natural

**1. Welcome and Introductions**
Peter West asked for self-introductions and reviewed the agenda.

**2. 2010 Draft Budget**
Peter reviewed 2009 forecast savings – 36.4 aMW electric savings, 94 percent of stretch goal; and 2.95 million annual therms, 92 percent of stretch goal. He noted the performance fell short of the stretch goal largely due to the recession and its effect on the commercial market. Another factor is that savings from our new offerings to industrial firm and interruptible gas customers will not be logged until next year. He noted renewable programs

expect 4.0 aMW in new generation, which is above the OPUC benchmark but reflects cancellation of forest industry biomass projects.

He reviewed five-year strategic plan activities, including accelerated activity, increased customer service, encouraging innovation, balancing investments, supporting business and industry, communicating the value of efficiency and renewables.

He noted funding considerations. These include the fact that utility IRP targets are increasing. Revenues are projected to be down. The pace of economic recovery is uncertain. Efficiency acquisition costs are rising due to changing markets and the fact that we've already acquired much of the cheapest resources. NEEA funding is expected to double, as this organization has expanded its mission. Also, in the past, we paid less to NEEA, in proportion to other funders, than we are able to claim in savings. We must meet unfunded legislative mandates, including EEAST/HB 2626. There is much less carryover of funds to cushion programs, resulting in a greater need to manage program flow and react faster.

He reviewed budget "themes" – including greater utility coordination, diving deeper to get more (i.e., Clean Energy Works Portland pilot), reach more of the untapped measures, address quality control, expand outreach (to existing small businesses and industrials, government sector, community level), take advantage of the joint efficiency-renewables sell, support ARRA efforts, prepare for impact of code changes, test alternative delivery structures and test behavior change strategies. Themes revolve around the need to deliver programs and achieve savings/generation more efficiently, while retaining transparency.

He reviewed program emphases within residential programs. We want to test measures to deliver added savings, deepen market share in residential new construction, grow consumer demand through energy performance scores for homes and other strategies, aid the transition to new codes in 2011, and pursue greater trade ally support and promotion. We aim to increase refrigerator recycling, and create exit strategies for transformed appliance and lighting markets.

He reviewed emphases in the commercial programs, which include new and existing commercial buildings, as well as multifamily. Outreach and incentives are targeted by market segments, often through trade associations. We provide technical and design assistance and training in energy management and green building. Solar offerings will be incorporated. We will expand an operations and maintenance pilot.

He explained outreach for industrial programs is customized to industry segments and includes dedicated efforts to reach small industrial and agriculture.

The draft 2010 electric program budget is $89.5 million, which, when a 5 percent contingency is added, represents a 25 percent growth from the 2009 budget. The goal is 48.9 aMW (just above the IRP target). We expect to increase growth by 1/3 while increasing spending by only 1/4. He covered the breakout by sector over time, noting the spread is similar to past years. We expect to get much more savings out of the commercial and industrial sectors.

The gas side also shows a budget increase, about 20 percent. The goal is almost 4.7 million annual therms; of which, 3.4 million is in Oregon.

Bill Welch asked if the steam conversion to natural gas in Eugene is in the budget. Peter said it is.

Peter noted budgeted gas spending will need to be cut back to about $600,000 to equal expected revenues at this time. He reviewed 2010 draft gas spending by sector, which continues to be dominated by the residential sector, both in spending and savings.

He concluded by noting we have aggressive IRP budgets which are more than 30 percent higher than in 2009. Higher budgets are needed to accommodate this. We are betting on an economic recovery, expecting strategies used in 2009 will work even better in 2010. The budgets are contingent on lining up funding. Rate increase filings are needed; NW Natural has filed for an increase; the other utilities lag. We will know by December if we have the amount of funding necessary to support the budget. We have contingencies built into the budget regarding where we would ratchet back should revenues fall short.

Steve Weiss asked how the utilities are reacting to the draft budget. Peter said there is a degree of “sticker shock.” Steve Lacey said OPUC expects a January 1, 2010 start date for rate adjustments. Peter noted asking for rate increases in a down economy may not be well received and the outcome is not certain. He noted the total public purpose charge for electric customers may hit 5 percent. Theresa Gibney noted decreased cost of gas may offset some of the requested increase.

Gary Frahn asked why costs have risen more steeply on the residential side. Peter said the cost of reaching residential customers has increased, the effort to communicate with and then have those customers install more than one measure also increases costs.

Jim Abrahamson asked if there is a back-up slide for Cascade like the ones for PGE, Pacific and NW Natural. Peter said he would provide one.

Steve Weiss suggested in the future it might be good to break out NW Natural Oregon and Washington. Peter said we will do this. He noted the Washington and industrial customers represent about 11 percent of costs.

**3. Gas Furnace Market**

Matt Braman said we are approaching the point at which we need to make a decision about gas furnace funding in existing homes for 2010 (90% AFUE furnaces). He presented information from several perspectives, including distributors, trade allies and markets outside Energy Trust service territory.

From a market transformation perspective, we're there. A federal standard will set the floor at 90 percent in 2013. From the perspective of lost opportunity, there are some savings that will be lost between now and when the code changes take effect, but this is a relatively small and shrinking amount. Matt examined the likely impact of incentives on the market before the standard passes. He noted there is no precise data or perfect sample, and never will be. Yet we need to make decisions on spending funds prudently and strategically.

He noted that in 2005, distributors reported 71 percent of furnace sales to the replacement market were high efficiency. In 2008, distributors reported 64 percent were high efficiency. He's not sure the decrease is significant. He noted that nonparticipating trade allies said that 88 percent of the furnaces they sold in '05-'06 were high efficiency. According to a 2009 market assessment in Bend, 9 contractors and 2 distributors said 63 percent of furnaces they sold exceeded 90 percent efficiency. In Clark County, 3 contractors and 3 distributors said 64 percent of the furnaces they sold were high efficiency.

He noted only about one-third of customers purchasing a high-efficiency furnace have taken our incentive. He noted reasons why some people won't buy a high-efficiency furnace when given a choice, including income constraints, small homes, planning to move soon.

Bruce Dobbs and some others suggested we may need to raise the incentive in order to get more sales. He agrees that the issue is moot starting 2013.

Matt noted there are now federal and state tax credits of up to $1,800. Stewart Mercer, a dealer, noted these tax credits may become oversubscribed and go away, like cash for clunkers. Peter noted the credit is not an expenditure authorization with a limited set of funds. It was good at least through the end of 2010. He agreed that we still want to influence the market to buy high-efficiency furnaces, but not necessarily through incentives. Another installer, Dave Salholm, noted the significance of the Energy Trust endorsement when he sells furnaces. The rebates and tax credits help make the sale; but in many cases the purchaser doesn't follow through with the incentive.

Matt noted we have a constrained budget. Any gas furnace incentive comes at the expense of other strategies we can do.

He noted the market share of 95 percent efficient furnaces has grown from 9-12 percent in 2005-6 to 77 percent in 2009.

He compared the levelized cost of gas furnaces to other measures. At 1 in 10 people who buy the furnaces claiming the incentive, the levelized cost is $1.03, compared to 82 cents for duct sealing (the next highest levelized cost) and 22 cents for insulation (among the lowest).

He noted the percentage of untapped resource for weatherization, hot water, solar hot water and windows – each of which has been installed in only a tiny percentage of homes, while efficient furnaces have been installed in all but a small percentage of homes.

Peter noted we propose going forward assuming the gas furnace market has been transformed, if we incent it the levelized cost is going up and not down. We propose to drop this incentive in order to afford the other things we want to do for NW Natural. He thinks the argument that the incentive represents Energy Trust's endorsement is compelling. He noted our intent to move the Savings Within Reach program for moderate-income households to include gas customers; with limited funds, we cannot do this unless we end gas furnace incentives.

Steve Weiss thinks we should see this as a success. This is the strategy we wanted: it becomes code, and builders and installers support this. He noted you can continue to get larger tax credits than our $100 incentive. He wonders if we can get our name on the product without offering the incentive. He agrees this is the time to get out of it.

A dealer suggested Energy Trust give an incentive for only the 95 percent furnaces, to align with the state and the feds. Peter said most of our activity already involves these top efficiency models.

Paul Case asked what would happen to Clean Energy Works: Portland. Peter said the incentive would continue to be offered for Savings within Reach and NWN in Washington, but not Clean Energy Works Portland.

Holly said NW Natural could choose to offer its own incentive. She wondered why we continue to support windows. Matt said windows represents a very small portion of our budget. There are new triple-pane windows coming into the market.

Fred suggested keeping furnaces on our website and linking them to tax credits. Holly suggested keeping the incentive through first quarter, and maybe thereafter bundling the incentive with a water heater. Peter said we welcome talking with utilities toward reaching agreement. Peter noted this is the third time this topic has been before CAC.

Peter asked CAC members about ending the gas incentive at the end of the year.

Steve Weiss: Consider continuing the incentive for one more heating season with bundling, and then ending it.

Theresa Gibney: Agrees with Weiss' comments and also finding a way to continue to communicate with utilities to their customers that high-efficiency furnaces are valuable investments.

Jim Abrahamson is less than agnostic. He sympathizes with Steve's comments that it would be great to find a way to get through the heating season. It would be good to figure out how to communicate the value. He thinks some of the other programs/measures are important. This is but one piece. He is resistant to seeing the incentive end at the end of the year and would like to extend it a little longer.

Lauren Shapton: She is agnostic. She suggests the difference between recognizing a market has transformed, and creating a transition plan, rather than declaring victory and cutting off contractors and customers.

Paul Case: The incentive has been phased down over the past. Going through one more heating season and packaging with other measures may create synergy, more value than one plus one. Contractors could use the deadline to the end for the offer (spring) as a way to drive sales.

Andria Jacob: She said the market transformation seems clear and can support the Energy Trust position, although she could accept extending it a bit longer.

Joe Esmonde: Extending it until spring makes sense. He supports Weiss's suggestion.

Jeff Bissonnette: Supports the staff position as well as the bundling, but notes the trade offs are clear. He's not convinced the $100 for furnaces is the best use of ratepayer money.

Bruce Dodds: Thinks Energy Trust's position is supportable but would like to extend the incentive through the heating season. Dealers and installers have worked hard to support these programs and he thinks we owe them a compromise.

Holly Meyer: Noted all the trade offs are not on the table yet. We could look at that. Perhaps some of these measures may have greater value than the furnace incentive. She supports waiting until the end of the heating season, noting that a year ago when we noted the $200 incentive was to be cut back, only 1,100 furnaces were sold in Q1.

Bill Welch: Though Holly put forth a good strategy. Prefers a softer landing, especially to get them through the heating season.

**4. Home Energy Solutions 2010 strategies and budget implications**

Diane presented. She gave a general note to frame the discussion: Existing Homes program activity has increased 186% from last year at this time; coupled with budget cuts this presents a great budget challenge. 2010 strategies and budget implications will touch upon trade allies and trainings, Home Energy Review, initiatives, marketing and incentive changes.

*Trade allies and training.*
Diane noted unprecedented growth in trade allies and training – 708 trade allies, including 478 with a CCB (rest are Real Estate Professional trade allies and do not have CCBs). Energy Trust is a source for "green job" development. Trade allies perform 80 percent of Home Energy Solutions project installations. In 2010, we intend to create a tiered trade ally network, revamp orientation, increase regional outreach and support, engage Real Estate Professional trade allies, increase training opportunities, and evolve into online delivery of trade ally trainings.

Holly asked why Energy Trust pays for training when the outcome helps businesses expand. Diane said we require some to pay, for instance Home Performance contractors pay all the costs of their training. We also want to make sure trade allies understand our expectations.

Diane said we are working with Blue Mountain Community College to reach outlying areas as we're finding those contractors are less knowledgeable on certain requirements. With our growth in trade ally numbers, our quality control pass rates are going down. The program seeks to remedy this with revamped orientations, greater resources in the quality control department and more training with trade allies.

We are considering an incentive for contractors who travel to serve remote areas. The network will also move into a 2-tier structure – tier 1: standard status (like now); tier 2: preferred status (trade ally required to complete customer applications, attend additional customer service trainings, minimum projects completed per year and higher quality control pass rate).

*Home Energy Reviews.*
Will continue in 2010, expecting a greater participation rate. We'll start electronic forms to save on administrative resources. We are going to implement an "Act Now" coupon, given during a review, to motivate customers to install measures. We are engaging even more folks who live in outlying areas.

*Initiatives.*
Savings Within Reach: The moderate-income program with PGE, Pacific Power and Cascade Natural Gas will continue; looking to add NW Natural (Oregon).

Clean Energy Works: Portland: Looking at 500 homes and 9 advocates by June.

EEAST Rural Pilot: Looking at 100 homes and 3 advocates, this depends on funding given to State of Oregon (may increase/decrease).

LivingWise Energy Kits: 28,000 kits with curriculum for '09-'10 school year and 6$^{th}$ graders.

Energy Performance Score: We will build on our pilot this year and will work with ODOE; goal is to have a refined program in the field by Fall '10.

*Technologies*.
Ductless heat pump pilot: Continued from ’09 and to increase to 500 installs.

Heat pump repair and commissioning pilot: 100 homes, $250 incentive, will include a behavior education component; this pilot is being driven by shaping consumer behavior and knowledge of heat pumps, to decrease on use of resistance heat.

Programmable thermostat pilot: 200 thermostats installed during Home Energy Reviews, includes customer behavior education and training; thermostats are not ENERGY STAR®; Gary Frahn recommended breaking out evaluation by demographics.

Positive Energy: New name is Opower; 60,000 homes to receive a profile report, telling them where they land on a scale measuring their home’s energy use with their neighbors. Questions arose on the cost effectiveness of the pilot. Fred said it’s cost effective right now but it depends on how long the effect lasts on the homeowner, and we have a lot to learn but are looking at Puget Sound Energy’s results. Andria wondering if the participants will be connected to Clean Energy Works: Portland; Diane said selection of homeowners will be randomized. Andria is concerned with confusing the customer as there are so many pilots out in the marketplace right now.

*Marketing*.
Statewide community outreach: Building on Corvallis Energy Challenge model in 2010 and focusing on 1 community per quarter; targeted advertising and community events.

Home Performance with ENERGY STAR will be pushed throughout the year and we will be following up with leads from the Home Energy Makeover Contest, including working with the sponsors.

Marketing reductions: From a roughly $600,000 budget, $100,000 cut from advertising, $150,000 cut from cooperative marketing program, co-op requirements may move to a tiered approach like the proposed Trade Ally Network. Moving away from marketing in Portland-metro.

*Managing budget by utility service territory*.
Previously, we managed budgets by fuel (electric, gas); this year, will manage by utility. There are different funding levels per utility and we have territory-specific activities (like Positive Energy).

*Gas measure changes*.
Tiered gas hearth promotion: 2 tiers ($100 and $150), more models required, using Canadian P4 test to determine models that qualify. Paul said this would have been a good point to mention to the furnace contractors attending during Matt’s presentation.

NWN Oregon: Adding customer base to Savings Within Reach; Incentive: reducing levels for air sealing, attic/wall/floor insulation, and tankless water heaters; the thermal bonus will be continued to encourage customers to complete multiple measures; duct sealing, gas boilers, direct vent units, tanked water heaters, duct insulation, and windows incentive levels will remain the same. Holly questioned why we're proceeding with pilots when we're cutting incentives for measures that were shown as having a greater savings potential. Peter noted we need to acknowledge the state mandates we're obligated to meet (EPS, EEAST, etc.).

*Other items.*
Residential tax credit assistance: Will no longer fund the $45 fee to Ecos for registering PTCS projects for the Residential Energy Tax Credit but we will offer education to the contractor and customer on how to do it – moving into what we currently do for Business Energy Tax Credit applications in the Multifamily program.

Multifamily program: Transitioning to the Commercial sector starting January 1, 2010. CSG will remain the PMC and Greg Stiles will now manage the program.

*Floor open for discussion.*
Jeremy Anderson, WISE, wondering if 2010 strategies will be discussed again, especially with the trade allies attending. Contractors are encouraged to sign up for a focus group and any comments on the strategies are appreciated in the next 10 days before the presentation is given to the Board on Nov. 4.

Holly and Paul would like to see a greater connection between where the dollars are getting cut and why. Peter discussed needing to balance budget needs and mandates with customer service, noting customers are benefiting from the federal tax credit.

Peter said we need to manage the flow tighter and may have to decrease lead time on incentive changes. Jeremy would like us to keep in mind the administrative costs contactors incur when incentives change too quickly.

Discussion evolved into requirements we have on trade allies and how we allow them to join the Trade Ally Network. Support was shown for a tiered network to put more responsibility on the contractors and to help the customers find the right contractor. Peter suggested taking the discussions off the CAC table and onto the roundtable agendas or a similar forum.

**6. Adjourn**

The meeting adjourned at 4:25 pm. Next meeting is November 18, 2009.