CONSERVATION ADVISORY COUNCIL
Notes from meeting on August 10, 2011

Attending from the Council:
Jim Abrahamson, Cascade Natural Gas
Verlea Briggs, Portland General Electric
Bill Welch, Eugene Water and Electric Board
Don MacOdrum, Home Performance Guild
Juliet Johnson, Oregon Public Utility Commission
Bruce Dobbs, BOMA
Stan Price, NEEC
Kari Greer, Pacific Power
Scott Inman, Oregon Remodelers Association
Steve Brooks (for Brent Barclay), Bonneville Power Administration

Attending from Energy Trust:
Margie Harris
Steve Lacey
Tom Beverly
Peter West
Oliver Kesting
Spencer Moersfelder
Marshall Johnson
Kim Crossman
John Volkman
Phil Degens
Nick O'Neill
Elaine Prause
Jessica Rose
Pete Catching
Lakin Garth
Susan Jowaiszas
Ray Hawksley

Others attending:
Jeremy Anderson, WISE
Emily Moore, PECI
Jess Kincaid, CAPO
Scott Inman, ORA
Theresa Gibney, Energize Corvallis
Dan Enloe, Energy Trust board
David Jackson, Lockheed Martin
Andrew Regan, Rogers Machinery
Kendall Youngblood, PECI
Elizabeth McNannay, Resource Consultants

1. Welcome and introductions

Peter called the meeting to order at 1:35 p.m., and asked everyone to introduce themselves. He indicated that presentation materials would be posted to the website, along with notes from the meeting. Peter said Phil and team came up with a revised measure life for industrial. We'll then cover an exciting lighting promotion, then changes in the Business Energy Tax Credit.

The agenda, notes and presentation materials are posted here.

2. Measure life in industrial settings
Phil presented. A plant closure study was done from last year through this April. Our current measure life is 10 years with a few exceptions:

- 15 years for irrigation and wastewater
- Three years for energy management and operations and maintenance
- Greenhouses and nurseries
- Lighting measures

Our measure life rules are thought to be too conservative and there has been pushback about them. This was a short study, specifically looking at plant closures.

The scope was 2003-2009. Plant closures and information about specific measures that were removed came through evaluations or our program management contractor. Certain classes weren't included: megaprojects and utility projects. With utilities, we guessed that if one utility went bankrupt, someone else would have to take over. Motors were a small portion of projects, and are hard to track, so they aren't included.

We aggregated lighting measures to the specific year and site. Information came from the FastTrack database, info USA or the Oregon Employment Department. The Employment Department lists plant closures but not re-openings. There is a database of wood plant closures, and also information from the Department of Environmental Quality, internet searches and interviews of program delivery contractors, PDCs.

The state and federal databases are not always a census, as addresses aren't always normalized, there are changes in names and addresses, purchases and bankruptcies; making them snapshot in time.

We had a database extraction of 7,500 records and focused on a working dataset of 1,500 measures or projects done during this period. After looking at all the databases, we had an outcome of potentially 92 plant closures. We reviewed them by phone calls to the plants and a few other routes to find out if they were closed. That resulted in 24 measures no longer in place because of removal or plant closures. Out of more than 1,400 measures, 24 were no longer used, resulting in 11 sites, 1.4 percent of program savings, or 1.7 percent of measures. The percentage no longer in service varied from year to year.

Our conclusion is that most measures are still in place – 98.3 percent. The evaluation contractor felt that a 10 year measure life was too conservative, and recommended that we extend them and do five-year updates, having PDCs gather plant closure and removal data, not for every measure, but maybe for large measures.

Our take is that the lighting measures should continue with existing lifetimes, but increase measure life to 15 years for others. We also looked at other organizations that used 11, 15 or 20 years for different measures. We felt 15 years was appropriate. We can repeat the study in a few years and update it. Our data does not support the precise calculation of survival rates and we felt the cost of hiring someone to do precise calculations wasn't worth it. Alternate ways to gather data might be to measure whether utility accounts are still active and if they are still operating through a simple phone survey.

Bill Welch: In going forward with this do you back-cast previous savings?

Phil: Yes, we'll go back to earlier measures, and back-cast, but we'll review it in five years to make sure.

Bruce Dobbs: Is this important because something that has less than a 10-year payback wouldn't be eligible, or does it dictate the horizon for claiming savings?

Phil: There are some measures that wouldn't previously have passed, but industrial customers are usually looking for short payback. We may have said plant closures led to a 10-year measure life, but found that's not true. We wanted to use realistic numbers.

Bill: This is pretty far-reaching. If it goes beyond Energy Trust, it attacks the common assumption of 10 years for measure lives. Few have evaluated it. BPA assumes 10 years; I'm not sure about the Regional Technical Forum, RTF. This is a good dialog to open because it makes a difference on cost effectiveness and levelized costs, and makes things cheaper if they last longer.

Phil: If we ever report cumulative savings, this impacts it.

Bill: Have you gotten pushback?

Phil: One evaluation committee member suggested 12 years as a possibility, and yes we could look at that, but it makes no more sense than 15 years. Most of the measures that are currently considered have much better than 10 year paybacks for Production Efficiency. On the margin, it will affect some measures, but not that great of an effect. If it turns out to be completely unrealistic, 10 years was based on plant closure worries, but that doesn't seem to be the case – that's the exception. They are sometimes closed for a short time, sold for cents on the dollar, and someone else can use them.

Peter: Overall, Phil is right. We may be able to offer a little more, but we have a 3.5 cent/kWh levelized cost and 60 cents for therms which we are bumping up against. This will help us get back to that standard and meet it.

Stan Price: Since there seems to be regional desire for consistency, do you plan to take this proactively to the RTF or others to encourage that?

Phil: We will be presenting it to the NW Research Group; where evaluators from many utilities participate. We presented it to Eugene Water and Electric Board, Puget Sound Energy and Bonneville Power Administration.

Kim Crossman: The RTF gets involved only in prescriptive, not custom, measures. Phil's list wasn't comprehensive; it was custom measures based on a sense that plants don't stick around. The outcome was identical for a measure in a data center considered to be permanent, and given a 20-year measure life and for the exact same project in a plant that would get a 10-year life. The RTF hasn't ever gotten involved in custom measures. These are custom analyses every time.

Bill: What's the impact on the budget and savings plan if levelized costs are lower?

Phil: Cumulative savings may happen, and the plan should incorporate them if they are truly happening over time.

Kari Greer: If we move to the new model, have you run through calculations of what it means for increased savings and decreased costs?

Phil: I haven't run through it yet, but the study was done at the request of the Evaluation Committee to decide if plant closures were real.

Peter: We wouldn't have made changes yet, without feedback.

Kim: It's really just on the planning side of the house, and doesn't impact first year measure savings and costs.

Peter: To the extent that we have been bumping against our OPUC benchmarks for levelized costs, it brings us back down to where we should be.

Andrew Regan: Our equipment tends to have a long life: for motors and air compressors it's 20-30 years, and doesn't lose efficiency over the lifetime. We want savings to be claimed over the measure life. It's great you're increasing it, and if you have other arbitrary measure lives, look at them. Warranties alone on new compressors are more than 10 years. This is a good move, and I appreciate the thought that went into it.

Phil: Thank you. Again, we'll look at it in five years to see if this is optimal.

3. Lighting market transformation savings

Peter: Next, Phil is going to look at lighting market transformation in the commercial sector.

Phil presented. As you know, we claim market transformation savings where the Northwest Energy Efficiency Alliance, NEEA, isn't operating—gas areas and some electric areas where we've had impacts and spillover should be claimed. One area is high-performance T8s. We had Navigant do the study; they also monitor and track for NEEA.

We're looking at high-performance T8s with higher lumens per watt and 32 watts. The standards are the 700 and 800 series. There are major changes to federal standards, which is why we wanted to look at this. Currently, as of July 2012, the linear lamp standard will be 89 lumens per watt. That means no more standard T8s and T12s. High-performance T12s and T8s only. There is no impact on ballast efficiency. 2014 standards may change things further but that's not in the Navigant study.

For framework, the savings are counted over baseline market trends, and not double counted with NEEA. If Energy Trust is part of a collective effort that has a critical influence on standards, we can claim the impact in our territory. We are 1 percent of the nation, so had 1 percent influence. If our actions or peers' actions were critical to outcomes, we can claim savings.

We use the results for forecasted savings to utility IRPs to defer generation. Any savings already built into base forecasts are excluded, and savings are trued up over time. As the future becomes the present, we review to be sure we got it right. We also commission periodic reviews.

The study looked at current savings from replacing current T12 fixtures and lamps, only in low bay applications, like in our office. Market transformation impacts were due to early adoption of higher standards rather than savings from program efforts. We only claimed savings for short times and assumed we influenced the standards.

For the influence piece, we asked a number of experts about our influence in efficiency standards and timing of adoption. Eight of nine experts decided that we had an influence. Most felt that the standard would have changed by 2017 without our efforts, but that we moved it five years earlier to 2012.

We participated in development of CEE specs, and were the first in the region to promote, support and train on the new standards, and stopped incentives for less efficient ballasts once the prices and availability were there.

For regional influence, Navigant talked to five lighting distributors who all felt we had influenced the market through incentives. Five of six felt our education and training helped.

Lighting trade allies who were interviewed felt we were instrumental in moving the new standards earlier.

The green portion of the chart [included in posted materials] shows savings we're claiming. As of July 2012, we can claim T12 retrofit market savings, but that stops at 2017, when it would have happened anyway because of new codes.

We have database and FastTrack data, distributor interviews and commercial building stock studies in 2002 and 2007. These are fairly expensive studies that NEEA does on a regular basis, that look at the installed stock of lighting. We did an assessment in 2009 in which we interviewed trade allies and distributors. The U.S. Department of Energy, DOE, also looked at the baseline for high-performance T8s around the country.

This is the high-performance T8 share of T12 retrofits. In 2008, lighting contractors said it was 70 percent.

As baseline for high-performance T8s, DOE calculated that in 2008, about 12 percent of retrofits were with high-performance T8s. We lined it out through 2017, when standards would have gone into effect without our influence. That's how we got the baseline.

The navy blue line shows the total market for T12 retrofits. The purple area is our activity and the gold area is T12s done with standard T8s. The green area is what we claim from acceleration of the standards change; so there is nothing past November 2017.

T12s are assumed to be replaced on burnout. With T8 retrofits, you can't get the old T12 lamps, so you need to upgrade your fixture with new standards.

Impacts happen six months after standards go into effect, as existing stock is used. T12 lamps or better, or code compliant 89-lumens-per-watt is the minimum. We'll influence stock between 2013 and 2017. This results in considerable savings; about 3.5 to 3.7 aMW per year, cumulative to 18 aMW over the period.

Peter: Does this split among utilities in the regular way we do it?

Phil: Yes; according to commercial buildings in their territories.

Stan Price: In each of respective years is that the reported savings?

Stan: Is there detail differentiating what NEEA counts vs. Energy Trust?

Phil: They currently don't count high-performance T8s, and it started at Energy Trust as something we provided incentives for. It was a resource acquisition program with a goal of a change in standards. NEEA's commercial focus was on whole buildings in coordination with ENERGY STAR®, which looked at the whole building and not at specific measures.

Stan: Within that whole building approach there's no lighting?

Phil: I don't think they've calculated the lighting portion. I don't know how they calculate whole building savings, but in their market transformation approach, I don't believe they calculate the total impact of a change in high-performance T8 lighting. It warrants further research or discussion with NEEA. I don't believe there is double counting, looking at 2013 on.

Bill Welch: Tell me how you separate NEEA's and your influence.

Phil: A lot of the efforts were in BetterBricks, new construction and also building management; changing the way buildings are managed; and not on the specs of standard T8 or T12 to high performance.

Bill: It's not in their codes and standards group?

Phil: No. A lot of the utilities were providing incentives, so this is kind of a hybrid program; predominantly resource acquisition with the end goal of market transformation. NEEA typically shies away from resource acquisition because of large incentive investment. Clothes washers were an exception for them.

Bill: How does Energy Trust report market transformation savings?

Phil: NEEA reports to us their calculations, and they also go back and forth with other utility partners. Their philosophy is that if the utility touched it, the savings go to resource acquisition. They look at the excess of what happens in the market, and they say, "This is what the utilities and NEEA can claim." They provide savings back to the utilities. If it's a market thing, they look at the share of the market.

Bill: Does this show up in Energy Trust reporting or NEEA reporting?

Phil: It's allocated to the members, and up to utilities to provide the numbers to their boards or the OPUC.

Peter: It's part of the budget material you typically see. It also shows gas market transformation savings; like converting furnaces. We estimate and use it to reach goal.

Bill: Who are your partners?

Phil: California utilities, some national groups who work with EPA and DOE, and others who help influence decisions on the specs—CEE, manufacturers and ACEEE all weigh in on code making efforts. We try to influence it through our work in those types of bodies, presenting data and market share, so when DOE or EPA are making those decisions, they can point to actual data to support their decisions.

Peter: There are various partners. CEE gets together and muscles the manufacturers. We recently got together with 18 other utilities to get them to move to 0.67 efficiency water heaters. We target our markets with supply, and so far that's successful.

Phil: We have similar specs to California, so when we talk to manufacturers, we can tout similar nationwide specs, which helps them make their decisions to make those products and services available.

Peter: These are exciting results, and a lot of work has gone into them. It's a proud moment for us to show the change in the market. Being able to claim the savings comes at a good time with all the Business Energy Tax Credit changes. We intend to claim these savings, barring objection, to meet utility IRP goal.

Phil: It should be noted that we plan to continue doing these types of market research and transformation studies. We plan to look at high bay T8s. We don't have the data readily available unfortunately. The savings we're claiming are the minimum, so we're going to monitor.

The average may be much more efficient if market quirks happen. It's not good enough to claim future savings and walk away; we need to look at what really is happening.

4. Impact of changes to Oregon energy tax credits

Margie Harris and Peter West jointly presented information on Business Energy Tax Credit changes.

Margie Harris: The news we have to share is pretty good, all things considered. We're going to talk about the changes, how they affect our budget and goals, how our mitigation plans impact things and how much the mitigation strategies cost. We're pleased to say that overall, the effect of the Business Energy Tax Credit changes is only greatest on our commercial and industrial goals, and 80 percent of the savings goal can still be met this year. I'm focusing on 2011 only. Future discussions for 2012 are likely to show greater impacts.

We have a proposal and a couple of different ranges to close the gap created by the changes. The range of savings recapture is 30 to 60 percent, and we can use current funds to recapture up to 60 percent of lost savings.

We have some plans for how to support the recommended actions. We are just starting on 2012, and we are engaging many players, because there are many rules that will be written on changing the Business Energy Tax Credit.

HB 3672 changed the tax credits for the Business Energy Tax Credit, Residential Energy Tax Credit and renewable energy tax credits. Everything we know is changing, either through rules this year or through rulemaking next year. What we do know, we're explaining here and in other forums. The Residential Energy Tax Credit is left as-is through the end of the year. No changes are proposed for this year. There may be a run on appliance programs because of next year's changes. That bump probably won't be a major impact for us.

The Business Energy Tax Credit as we know it will change. We have a pipeline of pre-certified projects which were only eligible as of April 15, 2011. The changes affect approximately 600 projects after that date, and that's what we're trying to address in mitigation. There are two major tracks in both commercial and production efficiency. One is lighting and the other is custom capital projects. That's a preview of the mitigation discussion.

We'll see new conservation tax credits; the Oregon Department of Energy is undertaking rulemaking and they want to finish by early October. That schedule is ambitious. There are new standards and substantially less money. We will not have the luxury of our 30-year history of tax credits going forward. We enjoyed them for 30 years, but now we'll have new rules and $14 million per year. Rulemaking will decide and all of you should participate. The renewable energy tax credit starts this fall with new standards and caps, plus significantly less funding at $3 million per biennium.

Stay tuned to the Oregon Department of Energy and its rulemaking.

On electric goals, we are equally distributed between commercial, residential and industrial. The next slide for gas is similar, but with a different distribution. Business Energy Tax Credit impacts are different on the gas side because there is more residential stock, and those programs deliver a higher percentage of savings on gas. There is less impact on gas programs because of that.

In 2011 these items are not impacted:

- Residential
- Market transformation
- Operations and maintenance
- Strategic energy management
- Building operation certification
- Manufacturers' rebates
- Insulation and windows (unless done in combination)
- New buildings less than 10 percent above code

The biggest impacts are in Existing Buildings and Industrial for lighting and custom capital projects. That's the focus of our analysis and mitigation plans.

For the analytical approach, Peter launched things with program staff to evaluate the pipeline already booked (amount of savings from first half of this year), and we're helped greatly by this six months of activity. We then looked at the pipeline and how many projects are likely to finish. We used feedback from program management contractors and program delivery contractors and estimated who would finish without a Business Energy Tax Credit. That was the foundation of our assumptions. We're now dealing in unknowns: we haven't been in this situation before. We haven't spoken to a lot of trade allies and customers yet, but that will further inform and refine the analysis.

We have some increases in revenue – $1.4 million from the colder than normal winter, spring and early summer. We also have some revenue from increases in rates from the utilities. That's a little cushion for us, along with where are we under-spending. We developed some strategies predicated on closing some of the gap from the Business Energy Tax Credit but not the entire gap. We don't think we need to pay the full difference to get the savings in the door, and it would not be a good precedent to set going into 2012.

Peter: We're seeing not more than a 20 percent impact on any utility on the outside. The slide with our analysis shows a high impact and a low impact, with savings by utility and share of the goals that are impacted. For PGE, anything from 13 to 19 percent of what we had expected in 2011 would be lost. 81 percent to 87 percent of our goal can be met. Pacific Power is more like 83-89 percent. Our minimum is meeting 85 percent of goal, which could put us below our standard, if we do nothing to mitigate. These are the reasonable ranges – medium high and medium low. NW Natural has a larger mix of residential savings, and is not as affected; we may be on track for as much as 94% of goal. In Cascade it's a tale of very few but larger projects. Impact in Cascade Natural Gas territory is equivalent to what we see on the electric side.

What's the financial impact? Following the tables in the presentation, as an example you would end up not spending anywhere from $9.4 to $5.7 million in PGE territory. This is where our mitigation money is coming from, if you choose to do anything to ease the impact. As the table shows, Cascade Natural Gas is not a lot of money, but a large share.

The potential losses are the biggest in Production Efficiency and Existing Buildings: as much as one-half of Existing Buildings and one-quarter of Production Efficiency are at risk. Lighting and custom capital are most at risk. In looking at what we can do to get back lost savings, the focus was on these areas. We were guided by sticking to what one can afford; we are not going to break the bank in 2011. The mitigation has to fit within the total incentives we budgeted for 2011. We won't ask for a new tariff filing in 2011 for more money. Timing for that is really two to three months anyway, which is too late.

We haven't analyzed 2012 and will do so in the budgeting process in the fall.

Temporary bonuses worked well when the economy hit a downturn and this influenced our thinking for mitigation measures we could rapidly deploy in 2011.

We propose a focus on lighting, with a 20 percent incentive increase for prescriptive and a 50 percent incentive increase for custom projects. For custom capital projects, we propose a 20 percent incentive increase. More than a 20 percent bump would put us past what we could afford to pay to move the market. These are large ticket items, so there is a significant budget impact.

With the proposed bonuses in 2011, we believe our range of success will be a savings recapture between 30 and 60 percent. We applied this range to both the high and low impact cases to define the range of revised savings for 2011 shown in the tables. For instance, for PGE we can recapture 1.7 aMW to 3.4 aMW over the range of likely outcomes.

Can we get back to our minimum 85 percent goal? For PGE, we barely get by. For Pacific Power it's better. On the gas side it's also better: 88 percent for Cascade and 93 percent for NW Natural.

Scott Inman: Where were you before the Business Energy Tax Credit situation for this time of year? Were you on track?

Peter: We were on target before Business Energy Tax Credit changes. Things were working. The pipeline was good, and we had reason to believe we'd be close to 100 percent of goals.

Peter: If we do the mitigation, what does it cost? Our remaining funds at the end of the year will be related to our success in mitigating things and pushing projects through.

In the low impact cases with high success rates, we could go over budget if there is a lot of uptake on more expensive projects. If we go over, where do we make up the budget?

It's a cooler year, so revenue is up. Cooler weather has given us a little extra. We can cover the high success, low impact case, and we can dip into our 5 percent reserves if we are very successful. We can delay some evaluations and campaigns until 2012 to delay some costs. A line of credit is possible in an extreme case. What if we were 100 percent successful and recaptured all lost savings? We would then have to dip into a line of credit for one utility. The probability of going into that is very, very low. The point is that we can live within budget, in the most likely cases. When we set the new incentives, we are making up for one-half to one-fifth of the lost Business Energy Tax Credit credits, on average.

Margie: These commitments are shared by everyone. We need to communicate effectively and factually with customers, and be aligned in messaging to reduce confusion. We will do that with the Oregon Department of Energy and the utilities, along with people who directly interface with customers. There will be more trade ally newsletter information. Facts will help mitigate the confusion but not eliminate it. Some people will go ahead, some will wait and everything in between. We need to collectively manage it. We need your feedback from customer interactions. Give us anecdotal information. We need to know how well these things are doing and how we can better communicate with customers. We will also be doing more to monitor the pipeline. We'll need more contractor feedback and more program monitoring. There is an option to really target projects with marketing dollars to make sure they go through. Everybody needs to be flexible and may need to change again if it's not working well.

We've been communicating about changes already. Insider and Synergy just went out. There's an FAQ through the Oregon Department of Energy's website. When the governor signs the bill, the Oregon Department of Energy will send out letters to the 600 customers who are impacted. They will set up a call center for those callers, and they will be a source of feedback. We'll continue to work with our website, customers, communications team, contractors and utility call centers to get help. Hopefully we can get into their websites and messaging.

Looking ahead to 2012, we have scheduled preliminary meetings to occur after a utility roundtable and board meeting a week from today. They will inform and provide guidance for 2012. John Savage will be at the board meeting, he's one of two commissioners. He understands the trade-off between missing IRP goals and raising rates to get there. We will have to decide what we should do.

The roundtable begins at 10:30 a.m. and ends at noon. The board meeting follows. We're looking for guidance from the utilities, OPUC and board.

Over the last couple of weeks, we met with the utilities individually to go over the summary, explaining our analysis, assumptions and strategies. This meeting has been another discussion forum. The roundtable and board meeting one week from today will be another. At that point, we'll know whether we go forward. One option is not to do mitigation. We'll engage with the OPUC as needed. They may need to discuss it further after the roundtable and board meeting. We'll go about our budget and action plan based on what we hear from these discussions. It's public also, with lots of outreach and workshops.

We're into rulemaking also. We encourage people to participate, and the Oregon Department of Energy will lead that part.

This is a draft proposal, the same as we plan to do with board. It hasn't gone out, as we need your comments today, first. Do we have the right direction and balance between recovery, risk and goals?

Bruce Dobbs: My understanding is that this is commercial and industrial. It doesn't include residential?

Margie: This year it doesn't.

Scott Inman: Isn't there a moratorium at the Oregon Department of Energy on new applications for weatherization and multifamily things?

Margie: There will be new rules for the Business Energy Tax Credit targeted for October 1, but they may not be ready.

Scott: So, this is basically the middle of April, until the end of the year that these things are on hold?

Margie: That's based on who will drop out or proceed if the Business Energy Tax Credit is or isn't there.

Scott: I saw windows mentioned earlier, so it looks like they will be impacted?

Peter: For multifamily only. There is a Business Energy Tax Credit if you do insulation and windows together.

Jeremy Anderson: Because of multifamily, a good number of residential programs can still be impacted.

Margie: In our terminology, residential is four units or less.

Scott: You are focused on lighting and other projects. For me, it's windows, and a couple of large projects are on hold because of the changes.

Marshall: The numbers are rather small for small residential of four units or less.

Peter: In our programs we didn't see many projects that qualified for Business Energy Tax Credits in the categories you specify. We will have to think about it for 2012.

Scott: Are there possible increases elsewhere, where the Business Energy Tax Credit wasn't available, that would still give cost-effective savings?

Peter: We thought of those, but considered the 600 customers left out of the Business Energy Tax Credit and the pipeline of other like projects and how to serve them first. We focused on what we can do for the most affected. Lighting is very cost effective to provide a partial make-up. We walled off non-impacted programs, ensuring they proceed as planned with the budgets and strategies as planned. The issues in other programs need to be solved within those programs.

Margie: We were also paying attention to our OPUC measures, like levelized costs.

Bruce: On the mechanical side, the Business Energy Tax Credit has become almost a non-player because the tax credits are so low. It may not be worth applying. On the lighting side, it's a big impact. Replacing boilers is on an incremental cost basis and it doesn't have a huge impact. I think putting it into lighting 50 vs. 20 percent makes a lot of sense.

Stan Price: I'm very supportive of the idea of having a mitigation strategy; a sort of shock absorber. A relatively abrupt transfer away from having the Business Energy Tax Credit is difficult to handle, and having this strategy will get some projects across the finish line, so this is appreciated. Hopefully, the board won't talk too much about not having a mitigation strategy.

Bruce: There will be a lot gnashing of teeth and consultants being thrown under the bus when the Oregon Department of Energy letter goes out. That mitigation plan will make a big difference.

Peter: The Oregon Department of Energy will definitely communicate that our incentives are still available. We have a big part of our market that doesn't distinguish between Business Energy Tax Credits and Energy Trust incentives. It will be helpful to have them communicate it.

Scott: it used to be that any owner could work with Energy Trust on Business Energy Tax Credit information and paperwork, and it could be very helpful to have that back. The Oregon Department of Energy is hard to work with lately, and that was valuable to have Energy Trust's help.

Peter: When we see the new rules, we'll know more, and we'll have to step forward to help people navigate the new rules.

Margie: We're still doing that and helping package things. We are looking at our IT systems to see where we can help as we upgrade older systems. There may be ways we can offer some help to the state. We'll see, but that's another step.

Andrew Regan: I guess I speak on behalf of the industrial market. I can tell you that orders are down. 20 projects have been suspended, and are waiting to see if they want to submit their applications. We have a healthy group of customers who can benefit from the extra savings. The levels you show seem appropriate. Are you looking at moving an additional 20 percent on custom projects?

Peter: Yes. The design concept is that you would calculate today's incentive and multiply by 1.2. We attempted to make it as simple to calculate and sell as possible.

Andrew: We've lived through this a couple of times now. The problem we ran into in the past happens in the beginning of rollout and in December. The end of the federal fiscal year causes a hard date for projects to be turned in. You need to provide as much flexibility in accounting as possible, to help with that. A lot of customers will understand that signed documents need to be done by the end of December. Getting the PDCs to roll things in is tough, and December 15, just won't cut it.

Peter: We have a tough moment here. We need to design 2012 in the fall of this year. If you're not careful, you cause problems for next year. You have to look at those cutoffs and the next starts. But Kim can elaborate..

Kim Crossman: Customers have to have all their invoices together and sign their completion by that date. This is exclusive of our processing time. If we need to take fewweeks to process, that's on us and not the project.

Andrew: That would work.

Andrew: if you could launch next week that would be great.

Peter: If we launch, it will be as soon after our meeting as reasonable. Our notion is September 1. There is another week of board discussion and approval beyond today's meeting and we then need to notify the market.

Jim Abrahamson: I like the categorizing and phrasing as a shock absorber. It looks like a good approach. On the budgets, as you've said during the presentation, Energy Trust programs are pretty much on target and track for this year. No one is coming in short of budget this year. As of the end of 2011, things will be okay. The change in the Business Energy Tax Credit will cut the legs out of parts of two programs. That leaves incentive dollars on the table that otherwise would have been used. My understanding is that will be the primary backfill. Sort of what I'm hearing today, and last week, is that we don't know where it will end up. My caution is: I need to know sooner rather than later if some of the impact from these programs will spill over and impact other areas of Energy Trust; things like moving evaluations into next year. If it looks like residential will reach budget and therm savings, I need to know sooner rather than later about discussions of using that money to backfill a larger than expected response in commercial and industrial.

Peter: We're going to feed the success on residential programs.

Jim: We'll need to know, and we'll be waiting to hear Commissioner Savage's response next week. We need to watch and give special concern where budget might be moved around within programs.

Margie: We are okay to move within programs, but not between programs without board/public approval. We don't make any sense by moving money away from successful programs to prop up unsuccessful ones. We have many choices of categories of how to reallocate incentives, and we have additional revenue. Some has to stay within the right categories. There are savings in other parts of the organization that are trade-offs. There are reserves set up by utility. We have a $4 million line of credit on the books, but using it will exacerbate next year. We don't want to use it.

Juliette Johnson: On behalf of the OPUC staff, we appreciate the extensive analysis you've gone through and the overall balance of funds and mitigation. The changes in tax credits are no one's fault and no one did anything wrong. We appreciate you paying close attention to the OPUC's goals. We appreciate the input and analysis. We definitely like the stress on communication, collaboration and goal setting.

Peter: There were quite a few extra hours and weekends given away for this, and thank you to our staff that helped out.

Margie: This started on the program side and moved over to planning. It was truly a team effort, and some people spent a lot of time developing a clear presentation. We appreciate Jim and Juliette's comments. The market is used to 30 years of these tax credits, so this is new.

Peter: So, for next steps, we'll present your positive response to the board on August 17, and get their input. If there are no objections, we'll begin scrambling to roll it out, communicate it and get it to utilities, outreach folks, account reps and trade allies. Announcements will precede changes in forms, but we'll get it out as quickly as possible with an eye for September 1 implementation.

5. Additional public comment

There were no additional comments.

6. Adjourn

Peter thanked everyone for accommodating the changes and for their good comments. The next Conservation Advisory Council meeting is September 14, 2011.

The meeting adjourned at 3:50 p.m.