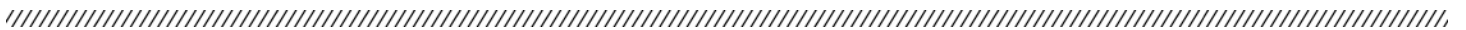


Quarter One 2012 Report to the Oregon Public Utility Commission



ENERGY TRUST OF OREGON

MAY 15, 2012

This report covers activity between January 1 and March 31, 2012

This is an excerpt of the Quarter 1 2012 Report to the Oregon Public Utility Commission.

View the full report at www.energytrust.org/120515_Q1_12_PUC.pdf.

HIGHLIGHTS OF Q1 ACTIVITIES IN OREGON

Commercial sector highlights

- **Overall, the commercial sector is ahead of historic Q1 accomplishments** for three out of Energy Trust's four collaborating utilities.
- **Results in PGE territory are slightly behind pace**, reflecting a slow start in Existing Buildings. Energy Trust is addressing the lag through focused outreach and by leveraging a new bonus incentive offer, called Kick-Start, to enroll lighting and custom capital projects.

Existing Buildings

- **At the beginning of 2012, the lighting project pipeline was less robust** than in prior years, and initial activity slower than expected. However, lighting trade ally contractors seem to be picking up the pace.
- **The new Kick-Start bonus incentive provides a 20 percent higher** incentive payment for lighting and custom capital projects for which equipment is ordered within 90 days of enrollment. The bonus offer has been well received.
- **The program enrolled several substantial custom capital projects** during Q1. These projects represent 8.9 million kWh and 365,000 therms in potential savings—equal to 10 percent of the program's electric goals and 31 percent of its gas goals.
- **In coordination with the Oregon Department of Energy on Governor Kitzhaber's Cool Schools** initiative, staff been in contact with 28 school districts about accessing SB 1149 schools funds. As of Q1, 10 of these schools had committed to complete projects by the end of 2012.
- **Nine companies enrolled in Strategic Energy Management** pilots and are receiving coaching and training focused on organizational assessment, identifying operations and maintenance opportunities, and developing long-term strategic energy management plans and policies. Their efforts are expected to produce significant savings through operations and maintenance actions in 2012 and beyond.
- **Early multifamily progress in PGE territory** is helping boost results. A strong rental market, resulting from the home mortgage credit crunch and other factors, is strengthening owners' capacity to invest in energy-efficiency upgrades.
- **Multifamily is slightly behind target for NW Natural** gas savings. A large gas project expected to complete in 2012 has been postponed indefinitely. Staff plans to enroll large custom HVAC projects during the second and third quarters to close this gap. They are considering adding or modifying gas measures to reach more customers and build a stronger pipeline for 2013.
- **Multifamily is helping develop an on-bill financing pilot called MPower Oregon** in collaboration with local, regional and national organizations. U.S. Housing and Urban Development has awarded \$3 million to the effort, which focuses on energy-efficient upgrades at affordable housing projects that do not require temporary relocation of tenants.

New Buildings

- **The New Buildings pipeline is strong** across all four utilities. Staff sees signs of economic recovery in the number of new project enrollments—285 new projects, more than double the number enrolled during Q1 2011.
- **To drive gas savings, staff designed a new small commercial offer** targeting office, retail and restaurant buildings less than 50,000 square feet in size. It will launch in May.
- **A new offer will support energy-efficient IT system design**, power supply and power distribution for data centers and large office buildings. It will launch in July.

- **Several large projects in the pipeline**—representing up to 40 percent of the program’s total annual savings—have comparatively low electric costs compared to typical projects and are likely to produce lower annual levelized costs for electric savings.

Industry and Agriculture sector highlights

Production Efficiency

- **A new Kick-Start bonus incentive similar to the one offered by Existing Buildings** has been equally well received.
- **Pipelines for the electric utilities are growing**, possibly due to the effect of the Kick-Start bonus on an uncertain market.
- **The Cascade Natural Gas pipeline is robust.** NW Natural activity appears to be on target. NW Natural’s results are more difficult to forecast because nearly half of savings come from prescriptive or short-cycle small industrial projects.
- **Overall, incentives are outpacing savings**, as is typical for Q1, due to investments in technical studies and services that will produce savings later in the year.
- **Close to 150 percent more projects completed in Q1** this year compared to 2011. Many of these were lighting projects initiated in 2011 through the Fall Bonus.

Residential sector highlights

- **Weatherization measures are down across all utilities and most tracks**, with the exception of the Savings within Reach initiative, compared to Q1 2011. Staff attributes the reduction to the mild winter.
- **Electric savings are trending favorably with historical results.** Gas savings are below historical trends, due to the weather and an Energy Trust database adjustment that delayed processing of gas water heater incentives. These savings will be reported in Q2.

Existing Homes

- **Savings from weatherization measures—especially insulation**—fell in comparison to results for Q1 2011.
- **Savings within Reach proved the exception.** Savings from the moderate-income initiative increased almost 500 percent over Q1 2011 as a result of a growing base of skilled contractors and a matching incentive offer through Energize Clackamas.
- **Clean Energy Works Oregon activity continued to grow** with Energy Trust support. During Q1, CEWO reported it received 835 applications during Q1, completed 284 projects and was tracking almost 1,000 additional projects that were in process as of the end of the quarter.¹
- **Database adjustments delayed processing of several key measures**, including ductless heat pumps and gas water heaters. Adjustments are complete, and the results will be posted in Q2.
- **Customer engagement enhancements to support customer follow through** continued in Q1. All homeowners receiving in-home energy reviews as well as those provided by telephone receive a custom home energy report, contractor referral list and a series of customized follow-up communications at key intervals.
- **A public stakeholder meeting on the Energy Performance Score** for Existing Homes examined key issues and options for arriving at a recommendation on how to approach an EPS for existing homes and Energy Trust’s role in the offering.

¹ “In process” refers to Clean Energy Works homes that had completed a test-in audit but had not closed as of 3/31/2012. There is a lag between the time CEWO records a completed project and when Energy Trust enters the project into its data tracking system.

New Homes and Products

- **Project completions and commitments are on track** for Q1 compared to historical trends.
- **New Homes fielded an air sealing pilot** targeting new builders not currently enrolled in the program.
- **A “path to goal net zero” offer was designed** in response to interest from builders.
- **The Energy Performance Score certificate** was redesigned.
- **A new internal process has significantly reduced** processing time per appliance application.

Renewable energy highlights

- **Renewable energy programs expect a better year in 2012** compared to 2011, as much of the generation scheduled to come on line was committed in past years for completion in 2012.
- **Following a request for proposals (RFP) for non-solar projects** serving Pacific Power customers, two projects were selected for funding pending board approval.

Solar Electric

- **Solar experienced its strongest ever first quarter.** The program received applications for 440 systems representing 3.4 megawatts (MW) compared to 112 applications for 1.2 MW in Q1 2011 and 121 applications for 1 MW in 2010.
- **The high volume of incentive applications** was driven by expectation of forthcoming reductions in incentive amounts and the Q1 launch of several community-led bulk purchase initiatives.
- **The board approved adding \$1.77 million to the Solar budget,** moving funds from stalled projects and interest income reserve accounts. The additional funds cover an extraordinarily high volume of solar applications in late 2011 and early 2012—including applications from federally supported low-income housing managers submitted at the end of 2011.

Biopower

- **The Q1 RFP attracted a 750-kilowatt dairy biogas project** in Tillamook County that will deliver 5,400 megawatt hours of power annually to Pacific Power. Staff will request board approval of a \$1 million payment to this project, in which an experienced developer will build, own and operate the project through lease and manure supply agreements with the dairy.

Other

- **Developers of a 240-kilowatt hydro project near Madras** also responded to the RFP. Using innovative technology, the project is expected to generate 822 megawatt hours of electricity annually for Pacific Power. Staff is seeking board commitment of \$450,000 incentive for the project.
- **With board approval, the program committed \$1.55 million** for a 1.5 MW geothermal project at the Oregon Institute of Technology in Klamath Falls.

HIGHLIGHTS OF Q1 ACTIVITIES IN NW NATURAL TERRITORY IN WASHINGTON

Commercial efficiency programs

Existing Buildings

- Commercial projects completed in Q1 resulted in savings of 34,353 annual therms, representing 24 percent of the program's stretch savings goal—significantly higher than past Q1 performance.
- The program closed six projects, including two significant pipe insulation projects with Evergreen School District that totaled 31,000 therms saved. The pipe insulation projects generated highly cost-effective savings, requiring only \$11,000 in incentive payments.
- The 2012 pipeline is developing nicely. Approximately 25 projects have been identified, about half of which are school and university projects. Savings estimates are not available for many of these projects this early in the year, but potential savings are considerably higher than at this time in 2011.
- As many as four custom projects may seek study assistance in 2012. While the program has delivered many projects since the custom offer began in 2011, these projects provided their own studies. The new interest in study assistance indicates increasing market awareness and the likelihood of increased custom therm savings in 2012.

Residential efficiency programs

Existing Homes

- The program saved 7,685 annual therms in Q1—62 percent from equipment measures, 26 percent from weatherization measures and 12 percent from instant savings measures.
- Gas hearths are performing well, having achieved nearly half of the year's expected therm savings by the end of Q1. A newly developed key products strategy, focused in part on promoting 0.67 EF water heaters and gas hearths, is expected to drive these savings well above the 2012 goal.
- With 41 installations through Q1, furnaces are on par with Q1 2011 performance.
- The program has begun delivering cold water detergent bottles during Home Energy Reviews and sending \$2 coupons for cold water detergent in energy saver kit shipments. These are limited duration promotions offered in conjunction with Procter & Gamble. The program receives the detergent bottles at no cost.

New Homes

- Thirty new homes meeting Northwest ENERGY STAR[®] standards were completed in Q1 2012, with approximately 60 more in the pipeline. By comparison, 40 homes were completed in Q1 2011. Managers will monitor closely whether the ENERGY STAR 3.0 checklist requirements are deterring program participation.
- Clothes washer incentive processing in collaboration with Clark Public Utilities has been running smoothly. Due to an expected processing lag, the 139 incentive payments represent only two months of program activity. Measure savings are nearly on budget.

Trade Ally Network

- A newly hired Washington outreach staff member began meeting with and recruiting Existing Homes contractors in Q1. The program added four Washington-based trade allies this quarter.
- Multiple breakfast meetings in Q2 will target contractors serving NW Natural's Washington territory.