

Energy Trust of Oregon, Inc.
851 SW Sixth Avenue, Suite
1200
Portland, Oregon 97204

Telephone 1-866-ENTRUST
Facsimile 503-546-6862
energytrust.org



MEMO

Date: April 24, 2007

To: Christine Kautzman and Kathie Barnard

From: Steve Lacey

Subject: Proposal for Planning Study for Energy Efficiency for Cascade Natural Gas Customers in Washington

Thank you for your continued interest in the Energy Trust of Oregon, Inc. (ETO) and our potential to provide energy efficiency services to your Washington customers. Below is a brief proposal for providing planning services to Cascade to support future program implementation. At a high level, the plan developed as result of this effort will address:

- The regulatory requirements of program implementation in Washington, including the cost-effectiveness and reporting requirements
- The efficacy of the expansion of Energy Trust's operations to serve Cascade's Washington customers
- The characteristics of a program portfolio that will serve the needs of Cascade's Washington customers by assisting them in using natural gas more efficiently, promoting local economic development, and providing substantial environmental benefits.

Our first step in developing a plan for Cascade will focus on infrastructure requirements and considerations. In doing so, we will review the regulatory and legal aspects of doing business in Washington. We will assess our internal systems to determine their applicability to supporting the planning and reporting requirements in Washington and what enhancements may need to be made to support multi-state implementation activity. Further, we will consult with various stakeholders that could include regulators (Washington Utilities and Transportation Commission), staff of other state agencies, Cascade management, customer groups, and trade ally representatives to determine which programmatic strategies are most likely to be successful.

We anticipate we will present our findings from this stage of the analysis in a preliminary report that will follow the outline below. We will work with you to identify any other areas related to infrastructure and feasibility of Energy Trust coordination of program implementation that should be addressed at this stage.

Planning Requirements

- Coordination with IRP
- Cost Effectiveness analysis
 - o Utility and TRC tests, avoided costs, discount rates
 - o Analysis of program viability with standalone gas measures
- Approval processes

Measurement and Reporting Requirements

- Content, format and frequency
- Evaluation requirements
- Market effects

Potential Energy Trust Role

- License, permit and other requirements to do business in Washington
- Management of program implementation contractors
 - o Competitive solicitation and resource procurement

- Day-to-day coordination
 - Performance monitoring
- Ongoing program evaluation and enhancement
- Industry leadership
 - Technological
 - Programmatic
- Alternate implementation/coordination strategies

The second stage of this planning analysis would look at the applicability of the Trust's current program portfolio, identify the needs of the Cascade's customer base, map the program offerings to those needs, and determine any gaps. We would examine the following areas and define specific to Cascade's Washington Service area:

Market Characterization

- Number of customers
- Average consumption
- Equipment saturations and stocking characteristics
- Codes and standards and current efficiency shares

Measure Characterization

- Current Cascade and Trust measures
- Identification of gaps
- Measure savings and costs
- New and emerging technologies

Program/Portfolio Strategies

- Measure mix
- Incentive levels
- Role of market transformation
- Interaction with other utilities

We will draw from existing market and customer data furnished by Cascade as much as possible at this stage. We may do a limited amount of primary research to better understand the Washington market. We would anticipate talking with a

limited number of heating contractors, builders and other key trade allies to define current practices and identify opportunities to leverage current market activity. Additionally, we would meet with strategically located electric utilities to gauge interest in co-marketing programs with interactive efficiency measures such as those under the Northwest Energy Star New Homes program.

Per our discussion, we would expect to spend \$30,000 to \$40,000 in completing this planning effort. Before commencing work beyond \$30,000, we will notify Cascade and seek approval. We are confident that the work listed above will not go beyond \$40,000. We plan to use a combination of internal staff and outside consultants. Internal staff time will be billed at a rate of \$75 an hour. Cost of outside counsel/consultants and other direct costs incurred in completion of this effort would be passed on directly. The table below shows the estimated cost of each resource component for this plan.

Cost Category	Projected Cost @ \$30,000 total
Energy Trust Staff	\$15,000
Legal Counsel	\$5,000
Program Design Consultation	\$8,000
Travel and Other Direct Costs	\$2,000

The \$30,000 funding level will allow us to spend approximately 200 hours of staff time to complete this planning exercise. The final report will guide Cascade in their program implementation, regardless of the implementation and coordination method that is determined to be most advantageous. Cascade will be well positioned to quickly go to market with an expanded program offering with a clear vision of the requirements in each of the following areas:

- Program marketing - communication strategies to be employed to inform target market of the availability of the program; outreach efforts to engage potential program partners, trade allies or other

market actors; and education efforts to inform customers of the benefits of energy-efficient technologies

- Incentive strategies – types and level of incentives used to encourage the adoption of energy-efficient technologies
- Delivery strategies – how the program will be deployed, including staffing or contracting needs, administrative resource requirements, and roles and responsibilities of trade allies
- Participation goals or targets – what market penetration is expected to be achieved based on target market characteristics, the selected market intervention strategies, and program resource availability
- Evaluation, monitoring and verification– key program metrics (savings impacts, participant satisfaction, trade ally participation) to be tracked and approaches to analyze program performance, both for regulatory reporting and to support ongoing improvement of program delivery
- Program budget – including an overall budget and allocation of budget to incentives (for end users and up-stream market actors, if appropriate), administration, marketing and communications, and evaluation and reporting
- Initial Cost-Effectiveness results – as required by the WUTC

We look forward to our meeting with you and your senior management on Monday, April 30, to discuss further our joint accomplishments in Oregon and the opportunities for working together in Washington. With your agreement, we will begin work quickly after the meeting in order to complete the planning analysis by the end of June. Completion of the plan by June is necessary to be prepared for launch of expanded programs in the fall.

In the meantime, please feel free to call us if you have any questions regarding our proposed approach to this work.