



September 15, 2015

Oregon Public Utility Commission  
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Re: Comments on UM 1622

Dear Commissioners:

I respectfully submit this response to the draft Public Utility Commission Staff Report, dated August 13, 2014.

Despite constructive efforts by nearly every stakeholder to retain incentives for core gas weatherization measures, the Staff Report recommends eliminating incentives for all but one. These recommendations are contrary to the public good. They would also have devastating consequences for programs, companies, and workers that provide home energy upgrades.

The staff recommendations are difficult to understand given that each of the gas weatherization measures in question achieved a Utility Cost Test (UCT) benefit-to-cost ratio (BCR) of at least one in 2013, with even the much-maligned whole-house air sealing yielding a UCT BCR of 1.4. As others have noted, any measure that provides a UCT BCR of at least 1 is good for the utility system and good for ratepayers.

The recommendation to eliminate incentives for weatherization measures that are good for the utility system and fundamental to residential energy efficiency is even more difficult to accept at a time when climate change is widely accepted as a growing reality. Any rational consideration of climate change should lead us to embrace such simple, time-proven carbon-reduction approaches.

If the intent is to shift ratepayer public purpose funds from residential to commercial or industrial energy efficiency programs, I would ask the PUC to consider the fairness of such a shift: Residential ratepayers contributing to public purpose funding should retain access to incentive programs that support home energy efficiency upgrades.

As a business owner, concerned citizen, and parent, I ask the Commission to help Oregon remain a leader in energy efficiency and to do the right thing for ratepayers, homeowners, and weatherization businesses and workers by supporting strong incentive programs for all core weatherization measures, including attic insulation, wall insulation, floor insulation, air sealing, and duct sealing and insulation. There is ample justification for maintaining these incentives (and restoring one, in the case of duct sealing), including:

- 1) Each of the measures has maintained a Utility Cost Test (UCT) benefit-to-cost ratio (BCR) of at least one, indicating that they are good for the utility system and, hence, good for ratepayers.
- 2) In its justification for keeping the incentive for one core weatherization improvement—attic insulation—the Staff Report cited significant, hard-to-quantify non-energy benefits (NEBs). The other five core weatherization measures in question offer similar non-energy benefits.
- 3) All core weatherization improvements are low risk and provide cross-fuel benefits.
- 4) As noted in the Staff Report, gas prices are not likely to remain low. In addition, it seems likely that climate change action will require larger investments in energy efficiency in the not-too-distant future. Maintaining all core weatherization improvements will give us the best chance of keeping the network of Existing Homes Trade Allies strong, and of maintaining our well-trained workforce.

### **Total Resource Cost Test**

The conclusion that investing in core weatherization improvements is no longer in the public interest seems to come from application of the Total Resource Cost (TRC) test, or TRC BCR. The TRC test as currently applied is flawed at best and incoherent in design. Its flaws were easy to overlook when natural gas rates were high enough to render respectable ratios, but current market conditions make the TRC a problem we can no longer afford to overlook.

Though it presumably tells us whether or not a measure is a good investment for the ratepayer, the TRC factors in the cost of the work to the homeowner in addition to the cost to ratepayers. That might arguably make sense if the TRC as applied in Oregon also factored in any of the benefits that motivate homeowners to invest in energy efficiency, including non-energy benefits such as comfort and increased home value, but it does not. Of course nor does the TRC factor in the actual bill savings of customers, because the savings of reduced energy usage is calculated from a ratepayer perspective as an avoided cost, not from the homeowner's perspective.

In short, though often discussed as if it somehow protects the public interest, the TRC does nothing of the sort. It's a muddled, strained, artificial construct with no clear or useful meaning as currently applied.

As others have surely recommended, I strongly support eliminating the use of the TRC altogether. At the very least, the Utility Cost Test should be given much more weight and the TRC should be applied fairly, so that if it factors in the cost to the homeowner, it also factors in benefits to the homeowner beyond the benefits any ratepayer would receive.

### **Consumer Protection**

I understand that some within the PUC believe that applying the TRC is important in order to protect consumers—that the PUC has a consumer-protection role. If so I would first question

what you mean by “consumer.” If by consumers you mean ratepayers, then continuing incentives that achieve a UCT of at least 1.0 achieves the goal. If by consumer you mean homeowners purchasing energy efficiency upgrades, then I question the validity of the role.

The consumer protection approach taken by applying the TRC essentially sets a maximum allowable value for the prices homeowners pay for energy efficiency work rather than letting the market set pricing through competition. Where else in state government is there an attempt to limit or set pricing, either directly or covertly? Not when we buy a house. Not when we rent a space to live. Not when we buy a car, clothing, or food. We let the market determine pricing, and by and large it works.

The PUC plays a valuable role in regulating utility rates, but that is partly in recognition of the fact that large utilities are essentially monopolies that provide critical infrastructure upon which we all depend. Companies that provide residential retrofit weatherization services clearly do not have the same power over consumers, who have plenty of choices when they opt to improve the energy efficiency of their homes.

When considering incentive programs for residential ratepayers, the PUC should support policies that focus on buying energy efficiency, a least-cost resource, not on playing a consumer protection role that is questionable at best. If it continues down its current path, the PUC will harm ratepayers and homeowners by withdrawing support from people who want to improve the energy efficiency of their homes. This lack of incentive support will result in fewer contractors competing in the marketplace. It will also significantly reduce residential energy efficiency improvements, which we know are good for the utility system and for ratepayers.

As the owner of a home energy business, I can say with confidence that inflated contractor pricing is not a widespread issue. Retrofit weatherization is a tough business with slim margins, a large investment in person hours in each potential engagement simply to provide a detailed bid, a large degree of uncertainty and risk with every job, and the challenges of adapting to ever-changing program rules. Numerous of our fellow companies have closed their doors or withdrawn from this business over the last two years, and most remaining companies are merely hanging in there, hoping conditions improve. I'll underscore this point: No small business owner I know is getting rich from weatherization. Relatively few are even making a profit.

### **Non-Energy Benefits**

The great majority of customers who invest in improving the energy efficiency of their homes do so because of non-energy benefits, not to save money. These benefits often include:

- Improved comfort
- Improved indoor air quality
- Reduced noise
- Improved health and safety
- Improved property value
- Improved building durability
- Carbon reduction/environmental impact

I believe the Public Utility Commission is losing sight of the public good if it cannot find a way to significantly factor the value of NEBs into its decision-making process about incentives for core weatherization measures, particularly when these measures are good for the utility system (UCT BRC > 1).

### **Maintaining the Market**

Energy Trust of Oregon leadership over the past several years has helped create a variety of companies dedicated to home performance and weatherization, and these companies have in turn hired and developed a skilled workforce. Retracting program support as drastically as recommended in the staff report would significantly affect all of these business and would certainly result in business closures and lost jobs.

Rebuilding this population of diverse home energy companies and pool of well-trained workers would be difficult to impossible in any short amount of time. Business owners burned once by flip-flops in program and public support would not likely venture into the field again, and skilled workers would likely have transitioned into other trades.

I'll close this section by saying that preserving only one of the core weatherization measure incentives – attic insulation – would not come anywhere close to achieving the stated goal of maintaining the market and the relationship between Energy Trust of Oregon and its Existing Homes Trade Allies.

### **Conclusion**

I believe the point of incentive systems should be “buying” the least-cost resource the utility system needs in a way that is responsible and fair to ratepayers who fund the system. Responsible management means setting incentive levels so that the UCT BCR equals at least 1.0. Fair implementation means providing residential ratepayers the opportunity to benefit from cost-effective incentive programs if they wish to improve the energy efficiency of their home. These homeowners should be free to determine what contractor they choose and what level of work and customer service they wish to pay for as they contributes to the public good.

Best regards,

/s/ Mitt Jones

Mitt Jones  
Sensible Energy Solutions