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September 15, 2014
Oregon Public Utility Commission
3930 Fairview Industrial Dr SE
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PO Box 1088
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RE: Second Round Comments –UM1622 Gas Cost Effectiveness Measures

I appreciate the opportunity to submit brief second round comments:

- (1) I request the opening of a new docket in which the status of cost-effectiveness approaches can be flexibly addressed. The old system was appropriate for the late 1980's but a modified framework is required to take account of new realities.
- (2) For the current TRC and UCT (or PAC) tests, unless it can be demonstrated that funding for projects is developed in a capital market, for example by issuance of a conservation bond, the commission should find that the Weighted Average Cost of Capital is not an accurate measure of discount rate. Generally, DSM funding is derived from a rate rider and not borrowed or raised in a market. Since there is no empirical basis in a real market for the WACC as a discount rate, the discount rate should logically be zero or some near-zero stand-in to serve as a public discount rate.
- (3) It is very important not to disrupt the current private sector DSM employment and training. We will need to grow these resources to deal with continuing climate change.
- (4) Now that we have an official EPA finding of danger on carbon and climate change, the ten percent "adder" for hard to measure non-energy benefits should be modified to take into account the damage value of carbon and related emissions for the region. The circumstances since the percentage was set have changed dramatically. The percentage specified for the tests should be raised accordingly.
- (5) EPA has declared special vulnerability to climate change for low income households. This should be taken into account, for example by lowering the target on TRC and UCT tests from 1.00 to 0.25 and by favoring the UCT (or PAC test) for low income programs.

Sincerely

H. Gil Peach

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