3TIER Environmental Forecast Group
Advocates for the West
AirWorks, Inc.
Alaska Housing Finance Corporation
Alliance to Save Energy
Alternative Energy Resources Organization
American Rivers
A World Institute for a Sustainable Humanity
BlueGreen Alliance
Bonneville Environmental Foundation
Centerstone
Citizens' Utility Board of Oregon
City of Ashland
City of Seattle Office of Sustainability & Environment
Clackamas County Weatherization
Clean Energy Works Oregon
Climate Solutions
Community Action Partnership Assoc. of Idaho
Community Action Partnership of Oregon
Conservation Services Group
David Suzuki Foundation
Earth and Spirit Council
Earth Ministry
Ecova
eFormative Options
Emerald People's Utility District
Energy Trust of Oregon
Environment Oregon
Environment Washington
Friends of the Earth
HEAT Oregon
Home Performance Guild of Oregon
Home Performance Washington
Housing and Comm. Services Agency of Lane Co.
Human Resources Council, District XI
Iberdrola Renewables
Idaho Clean Energy Association
Idaho Conservation League
Idaho Rivers United
Idaho Rural Council
Interfaith Network for Earth Concerns
Laborers International Union of North America, NW Region
League of Women Voters – ID, OR & WA
Metrocenter YMCA
Montana Audubon
Montana Environmental Information Center
Montana Renewable Energy Association
Montana River Action
Montana Trout Unlimited
National Center for Appropriate Technology
Natural Resources Defense Council
New Buildings Institute
Northern Plains Resource Council
Northwest Energy Efficiency Council
Northwest Renewable Energy Institute
NW Natural
NW SEED
Olympic Community Action Programs
One PacificCoast Bank
Opower
Opportunities Industrialization Center of WA
Opportunity Council
Oregon Energy Coordinators Association
Oregon Environmental Council
Oregonians for Renewable Energy Policy
Pacific Energy Innovation Association
Pacific NW Regional Council of Carpenters
Pacific Rivers Council
Portland Energy Conservation Inc.
Portland General Electric
Puget Sound Advocates for Retired Action
Puget Sound Cooperative Credit Union
Puget Sound Energy
Renewable Northwest
River Network
Salmon for All
Save Our wild Salmon
Sea Breeze Power Corp.
Seattle Audubon Society
Seattle City Light
Seinergy, LLC
Shoreline Community College
Sierra Club
Sierra Club, Idaho Chapter
Sierra Club, Montana Chapter
Sierra Club, Washington Chapter
Silicon Energy
Smart Grid Northwest
Snake River Alliance
Solar Installers of Washington
Solar Oregon
Solar Washington
South Central Community Action Partnership
Southeast Idaho Community Action Partners
Southern Alliance for Clean Energy
Spokane Neighborhood Action Partners
Student Advocates for Valuing the Environment
Sustainable Bainbridge
Sustainable Connections
SustainableWorks
The Climate Trust
The Energy Project
The Policy Institute
Trout Unlimited
US Green Building Council, Idaho Chapter
Union of Concerned Scientists
United Steelworkers of America, District 12

NW Energy Coalition
for a clean and affordable energy future

July 24, 2014

Oregon Public Utility Commission
3930 Fairview Industrial Dr. SE
PO Box 1088
Salem, OR 97308

Re: Comments on UM 1622

Dear Commissioners,

The NW Energy Coalition offers the following preliminary comments in UM 1622. The Energy Trust of Oregon's (ETO) report to the Commission (Cost-Effectiveness Review for Specific Gas Measures and Programs, July 1, 2014) is a thorough response to the Commission's direction in Order 13-256 under docket UM 1622. The report provides extensive information about the cost effectiveness of gas energy efficiency measures and the Coalition supports many of the recommendations in the report. However, at this time, the Coalition is proposing two key issues for further discussion and consideration prior to examining the ETO's recommendations on specific energy efficiency measures.

The Coalition supports the general framework established under Order 94-590 in UM 551 for the consideration of energy efficiency measures. Energy efficiency is a resource and as such should be evaluated based on benefits and costs in order to establish the acquisition levels for utilities. We agree that both the Total Resource Cost Test (TRC) and the Utility Cost Test (UCT) are valuable tests to perform in this context. Further, each of the exceptions provided under UM 551 are important and appear to be functioning as intended to cover gaps created by a cost test screening approach to evaluating efficiency measures. The Coalition recommends that the Commission examine two key issues to further define how we evaluate energy efficiency resources in Oregon.

The first key issue is whether we are utilizing and implementing cost tests correctly. Particularly, in the use of the total resource cost test, are we accurately accounting for all of the costs and benefits attributable to a particular measure?

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The Coalition agrees with the ETO that we may be failing to account for substantial non-energy benefits in the TRC calculations. The wealth of low cost measures that utilities have had to work with over the past thirty years have obscured some of the flaws in the current implementation of the TRC. The TRC is frequently applied incorrectly, which provides skewed and misleading results that tend to undervalue efficiency.[1] In order for the TRC to be most accurate, it needs to properly account for both the incremental cost of energy efficiency measures as well as all the participant and non-participant benefits. These non-energy benefits, also referred to as 'Other Program Impacts' (OPIs), can be difficult to quantify. Given that these benefits are difficult to account for, what protocols can we put in place in Oregon to ensure that we are adequately accounting for benefits in our evaluation frameworks?

The second key issue is the risk. The Coalition supports inclusion of a risk avoidance value for efficiency programs in Oregon. Price and market condition forecasts are always uncertain. If all the factors creating lower benefit cost ratios were to dissipate, a rush away from energy efficiency investments could prove to be premature. According to the Northwest Power and Conservation Council (Power Council), over the past 15 years efficiency has proven to be a very stable electricity resource that ends up being a better deal for electric customers at least 95% of the time. Energy efficiency acts as a hedge against market price volatility. Energy efficiency programs protect customers from some of this volatility and provide a margin of hedging value against uncertain demand and fluctuating prices.

A look at history provides an illustration of the importance of risk valuation. Our region's 'lost opportunities' for electric efficiency from the mid-late 1990's were recently quantified by the Power Council. The Power Council's resource portfolio analysis compared historical utility acquisitions with all projected cost-effective acquisitions based upon the 6th Power Plan's market price and risk premium. The results, in Figure 1, show that these lost opportunities could have saved the region $8.9 billion at historic market prices even if the energy crisis had not occurred:

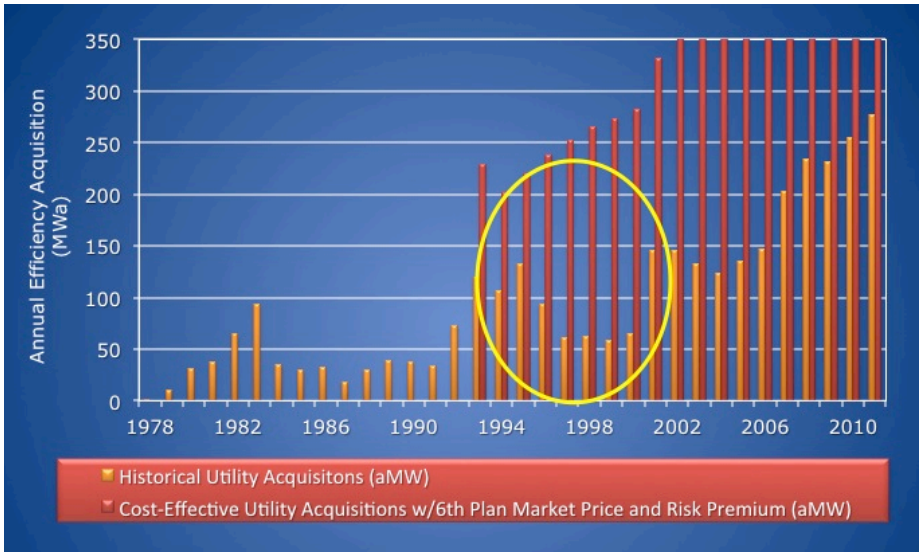

Figure 1: 6th Plan Status Report, NW Power and Conservation Council, May 2013

[1] Regulatory Assistance Project, *Energy Efficiency Cost-Effectiveness Screening: How to Properly Account for 'Other Program Impacts' and Environmental Compliance Costs*, November 2012

Risk hedging remains an important consideration to the benefits of energy efficiency. While the Power Council and some electric utilities have included the benefits of conservation risk mitigation in their determinations of cost-effectiveness, natural gas utilities in Oregon have not.[2]

Natural gas prices have been volatile and are likely to remain so. Natural gas is still subject to a number of other vulnerabilities, including interruptions from accidents, weather changes, pipeline disruptions, storage constraints and pending environmental regulations.[3] A complex array of price dichotomies such as access to global markets and alternative fuel prices further add to the confusion.[4] While there are several methods used to hedge against price increases, energy efficiency provides long term benefits that gas storage, financial products and contracts often cannot. This is because regulators often limit financial products to short-term hedging and contracts are usually pegged to commodity costs instead of having a true fixed price comparable to the measure life of energy efficiency investments.[5] The benefit to the utility and its customers as a tool to reduce risk of price uncertainty is currently overlooked in the cost-effectiveness analysis for gas utilities in Oregon.

Acquisition of all cost effective energy efficiency is critical to securing a clean and affordable energy future. The region's challenge is to ensure utilities invest in energy efficiency for the long-term, rather than a roller coaster of commitment as market conditions change. We look forward to working with parties in UM 1622 to improve our implementation of the framework established in UM 551 to implement energy efficiency programs in Oregon.

Regards,

/s/ Wendy Gerlitz

Wendy Gerlitz
Senior Policy Associate

CC. UM 1622 Service List

[2] See Northwest Power and Conservation Council, 5th Northwest Conservation and Power Plan, Appendix P (http://www.nwcouncil.org/media/4401598/AppendixP.pdf)
[3] American Council for an Energy-Efficient Economy, *Saving Money and Reducing Risk: How Energy Efficiency Enhances the Benefits of the Natural Gas Boom*, September 13, 2012
[4] Center for Climate and Energy Solutions, *The Looming Natural Gas Transition in the United States*, May 2012
[5] Lawrence Berkeley National Laboratory, *Assessing Natural Gas Efficiency Programs in a Low-Price Environment*, April 30, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **Comments of NW Energy Coalition** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class Mail, postage prepaid and properly addressed, to those parties on the service list who have not waived paper service from OPUC Docket No. UM 1622

DATED this 24th day of July, 2014.

Wendy Gerlitz
Senior Policy Associate
NW Energy Coalition
Portland, Oregon