

December 31, 2014



Public Utility Commission
Attn: Filing Center
3930 Fairview Industrial Drive SE
PO Box 1088
Salem, Oregon 97308

Re: UM-1696: Filing of Energy Trust's Memorandum on Follow-Up for Cost Effectiveness Exceptions Request for Specific Electric Measures in UM 1696

Enclosed for filing please find Energy Trust's above-referenced Follow-Up Memorandum.

A handwritten signature in cursive script that reads "Debbie Menashe".

Debbie Menashe
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Enclosures
c: UM 1696 Service List

CERTIFICATE OF SERVICE

I, Debbie Goldberg Menashe, hereby certify that on this day I served a copy of Energy Trust's UM 1696 Follow-Up Memorandum upon all persons indicated on the attached service list via electronic mail.

Dated this 31st day of December 2014, at Portland, Oregon.

By: 

Debbie Goldberg Menashe
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**C=Confidential
HC=Highly Confidential**

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Cost Effectiveness Exceptions Request for Specific Electric Measures

December 29, 2014

Background

July 22, 2014, the Oregon Public Utility Commission (OPUC), signed Order 14-266 noting their decision to fully support OPUC staff recommendations regarding Energy Trust's request for exceptions to cost effectiveness for specific electric measures (Docket UM 1696). The recommendations grouped measure requests into one of four categories; 1) approve requests for exceptions 2) approve exceptions only through 2015 3) do not approve exceptions and 4) require Energy Trust to file a new exception request following resolution of UM 1622, the gas cost effectiveness docket, but allow those measures to continue until then.

With this memo, Energy Trust is addressing two open issues from these two cost effectiveness dockets.

1. The electric measures from UM 1696 that were grouped into the fourth category and are now in need of new exception requests since the gas cost effectiveness docket is complete. These measures are **single family duct insulation, multifamily attic insulation and multifamily floor insulation**. These three measures were the only ones within UM 1696, besides solar water heating, to also appear within the gas cost effectiveness docket for gas heated homes and for which the commission technically put a hold on deciding the outcome pending the gas docket outcome.

Of the three measures, only multifamily attic insulation for gas heated residences received approval for an exception to cost effectiveness. Approval was based upon its relatively strong total resource cost benefit cost ratio of 0.5-0.7 and acknowledgement of significant non energy benefits for the participant. Duct insulation and multifamily floor insulation for gas heated residences did not receive exceptions to cost effectiveness but were included in the list of measures that Energy Trust could continue to offer through April 30, 2015. After this date, these measures will be discontinued although it is possible the measures could continue beyond April 30, 2015 if approved to be included in the "Incentive cap" concept which will be addressed by the Commission in early spring, 2015.

2. Through UM 1622, OPUC staff and the Commission expressed support for Energy Trust implementing pilot projects without seeking Commission approval each time the pilot was not cost effective but that Energy Trust should set a dollar limit and provide a summary of pilot projects in process to the OPUC at regular intervals.

Measure Exception Requests

Energy Trust follows specific guidelines from the OPUC regarding cost-effectiveness of measures and programs we support. In general, we are directed to only offer incentives to efficiency projects which pass both the utility and Total Resource Cost (TRC) cost effectiveness tests. Measures which do not pass

the tests may be included in programs if they meet the following additional conditions specified by UM551¹:

- A. The measure produces significant non-quantifiable non energy benefits. In this case, the incentive payment should be set at no greater than the cost effective limit (defined as present value of avoided costs plus 10%) less the perceived value of bill savings, e.g. two years of bill savings
- B. Inclusion of the measure will increase market acceptance and is expected to lead to reduced cost of the measure
- C. The measure is included for consistency with other DSM programs in the region
- D. Inclusion of the measure helps to increase participation in a cost effective program
- E. The package of measures cannot be changed frequently and the measure will be cost effective during the period the program is offered
- F. The measure or package of measures is included in a pilot or research project intended to be offered to a limited number of customers
- G. The measure is required by law or is consistent with Commission policy and/or direction

Energy Trust is seeking approval from the OPUC for the following proposed non cost effective measures to receive an exception to the cost effectiveness test under conditions specifically tied to the exception categories in UM 551.

Multifamily attic/ceiling and floor insulation

Ceiling and floor insulation for electrically heated multifamily units no longer pass the TRC test with benefit/cost ratios of 0.53 and 0.46. Similar to ceiling insulation for gas heated single and multi-family (MF) dwellings, the significant non energy benefits to the participant owners (increased tenant satisfaction, possibly increased occupancy and rent due to comfort, noise and health benefits, increased asset value) are not included in the cost effectiveness test.

MF ceiling insulation for gas heated homes with a TRC BCR of 0.4 received an exception from the Commission based upon presence of significant non energy benefits. MF floor insulation for gas heated homes with a TRC BCR of 0.3 did not. For electrically heated homes, however MF floor insulation has a TRC very close to 0.5, higher than 0.2 TRC BCR for floor insulation for gas heated single family homes. The UCT BCR for electric MF floor insulation is 1.1. The Commission has noted less likelihood for freeridership with low income and multi-family residential. The majority of multifamily projects are electrically heated and although insulation may be a small percent of savings from the Energy Trust's multifamily retrofit program, having these insulation measures available for the market leads to a range of consumer benefits.

Energy Trust would therefore like to propose a similar approach to exceptions for these measure in electrically heated residences be followed as for ceiling insulation in gas heated homes. *We propose that*

¹ OPUC UM551 (OR 94-590) Section 13

these measures be included in the multifamily program offering and recognize the significant non energy benefits of residential weatherization. This is consistent with UM551 condition A.

A: The measure produces significant non-quantifiable non energy benefits.

Single family duct insulation

This measure did not receive an exception to cost effectiveness from the OPUC for gas heated residences but Energy Trust was allowed to continue to offer this measure through April 30, 2015. We propose that this measure for electrically heated homes continue to be included in the program offerings through April 30, 2015. At that point any further offer would be limited to possible inclusion under a future OPUC approval for a weatherization incentive cap. Such inclusion will be determined by the OPUC at a later date.

Measure Name	Electric					Gas				
	2013 Savings (kWh)	% 2013 program savings	UCT BCR	TRC BCR	Proposed Exception Criteria	2013 Savings (therms)	% 2013 program savings	UCT BCR	TRC BCR	Exception Status from UM 1696
Single Family Duct Insulation	32,877	0.09%	5.1	0.9	--	4,293	0.41%	1.0	0.2	no exception, discontinue April 30, 2015
Multi-family ceiling insulation	31,956	0.09%	1.8	0.5	A	205	0.01%	1.2	0.4	A
Multi-family floor insulation	23,316	0.06%	2.5	0.5	A	92	0.01%	1.1	0.3	no exception, discontinue April 30, 2015

Table 1. Measure cost effectiveness by heating fuel

Proposed Pilot Exception Limit

A “pilot” is a test of a new program approach, communication strategy, energy management technique or technology that meets the following criteria:

- 1) It is in some way experimental. We may have theories about specific issues related to cost, performance or market delivery, and we need more certainty before operating at full scale.
- 2) We need specific information to support decisions about further action.
- 3) It is financially and technically feasible to answer those questions through field experimentation and evaluation.
- 4) Ultimately, the test is important to our success

At times the specific measures defined within the pilot do not meet our cost effectiveness guidelines or cost-effectiveness is highly uncertain because one or more key variables impacting cost effectiveness is the main pilot question being tested. Often one purpose of a pilot is to determine potential cost-effectiveness of measures. Pilots and research projects are already included within the seven listed criteria of UM 551 where non cost effective measures can be included but currently require Energy Trust to ask for an exception request for each instance.

Through UM 1696 and UM 1622, the Commission noted that there should be blanket exceptions with some cost bounds for pilots such that Energy Trust would not have to request approvals for each one. In addition, Energy Trust should report to the Commission informally at least once a year on pilot activity focusing on what is being learned and next steps.

In response to this request, Energy Trust proposes setting a per pilot cost threshold of \$500,000 for automatic exceptions. Non cost effective pilots and those with highly uncertain cost-effectiveness which exceed \$500,000 would continue to require Energy Trust to request an approval from the OPUC. All pilots, no matter the cost, will be included in regular status reporting to the OPUC.