

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: FEBRUARY 7, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE February 8, 2017

DATE: January 31, 2017

TO: Public Utility Commission

FROM: JP Batmale *JP Batmale*

THROUGH: *J* Jason Eisdorfer and *Jc* John Crider

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1565) Information from Energy Trust regarding possible high-efficiency air conditioning incentives per Order No. 15-265.

STAFF RECOMMENDATION:

Staff recommends the Commission accept the information from Energy Trust on possible high-efficiency air conditioning incentives as complying with the Commission's directive in Order No. 15-265.

DISCUSSION:

Issue

Whether the Commission should accept the information from Energy Trust on possible high-efficiency air conditioning incentives as complying with the Commission's directive in Order No. 15-265.

Applicable Rule or Law

The Energy Trust and the Oregon Public Utility Commission have a grant agreement "to control the manner in which the Energy Trust will receive and expend funds for the Statutory Purposes in conformity with the requirement and intent of the Statute [ORS 757.612]."¹

¹ Recital D, Page 1. Grant Agreement between ETO and OPUC dated December 1, 2005.

In the grant agreement, the term "Conservation" has the meaning given it under OAR 860-027-0310(1), which includes fuel switching as a conservation measure.

Oregon Administrative Rule (OAR) 860-027-0310(1)(a) defines "Conservation" as any reduction in electric power or natural gas consumption as the result of increases in efficiency of energy use, production, or distribution. The same rule specifies that conservation also includes cost-effective fuel switching.

In OAR 860-027-0310(1)(b) "Fuel switching" is defined as any substitution of one type of energy or fuel for another.

In OAR 860-027-0310(1)(c) "Cost-effective" is defined in part as having "the meaning given that term in OAR 860-030-0010." In turn, OAR 860-030-0010 references ORS 469.631(4) which defines, *"Cost-effective" to mean "that an energy conservation measure that provides or saves a specific amount of energy during its life cycle results in the lowest present value of delivered energy costs of any available alternative..."*

The Commission opened Docket UM 1565, Investigation of Fuel Switching and Cross Fuel Energy Issues, in March 2013, the Commission concluded the docket with Order No. 13-104 and listed three specific findings related to Energy Trust's delivery of heat pump incentives.

- The Energy Trust has the discretion to provide the heat pump incentive to all customers, regardless of their heating source.
- The Energy Trust must revise its messaging and marketing activities related to the high-efficiency heat pump incentive and clarify its fuel switching policies consistent with the terms of this order.
- The Energy Trust must use an independent surveying entity to collect additional information about natural gas customers who receive the heat pump incentive.

In addition to these items, the Commission indicated it would revisit these decisions in early 2015 once Energy Trust had completed the third-party survey in Order No. 13-104.

In September 2015 the Commission issued Order No. 15-265 adopting Staff's recommendation to take no action regarding Order No. 13-104, without prejudice to Northwest Natural Gas Company. .

Order No. 15-265 included direction to Energy Trust to do two things. The Commission directed Energy Trust to:

1. Provide an economic analysis of the use of a heat pump for heating and cooling compared to the use of a standard natural gas furnace and electric air conditioning unit.
2. Provide information about possible high-efficiency air conditioning (AC) incentives.

Analysis

In late 2015 Energy Trust began a review of its AC incentives per the Commission's direction in Order No. 15-265. At the time Energy Trust was only offering one AC incentive for new homes. This was because the higher-efficiency air conditioners did not pass Energy Trust's cost-effectiveness tests.

After reviewing new market data, updating avoided costs, and looking at market trends Energy Trust confirmed that it would still not be cost-effective to offer any other incentives for AC technology in 2017. Energy Trust did note that it would be reviewing AC measure cost-effectiveness again for 2018. Please see the memo from Energy Trust in Attachment A.

Conclusion

Staff finds the information provided by Energy Trust on possible high-efficiency AC incentives meets the needs of the Commission as expressed in Order No. 15-265. Staff also appreciates that Energy Trust will be reviewing AC measure cost-effectiveness this year, as it has been noted in the PGE IRP that the growth in summer load and in summer peak is partially driven by greater AC adoption by customers.

PROPOSED COMMISSION MOTION:

Accept the information from Energy Trust on possible high-efficiency air conditioning incentives as complying with the Commission's directive in Order No. 15-265.

Attachment A

Memo

To: JP Batmale, OPUC
From: Fred Gordon and Spencer Moersfelder, Energy Trust of Oregon
cc: Steve Lacey, Energy Trust of Oregon
Date: January 31, 2017
Re: Energy Trust Residential Air Conditioning Measures Overview

This memo is a response to an Oregon PUC order directing Energy Trust to provide information about possible high-efficiency air conditioning incentives per Order No. 15-265 under UM 1565.

Currently, the only air conditioning measures receiving incentives are a component of the New Homes Program Energy Performance Score (EPS) offering. Beyond this offer, due to cost-effectiveness limitations, Energy Trust does not offer any other prescriptive incentives for either central or window air conditioning (AC) measures for single-family homes or for multifamily dwellings.

Since September 2015 when the Commission directed Energy Trust to provide information about possible high-efficiency air conditioning incentives Energy Trust has performed a preliminary re-analysis for three types of air-conditioning measures. They were:

1. Central AC in existing and new single-family and existing manufactured homes.
2. Window AC in existing single-family, multifamily and manufactured homes.
3. Packaged terminal AC in new multifamily.

Our analysis took into account evolving market conditions updated market prices, increased utility avoided cost values, and updated equipment availability. This initial analysis did not indicate that any of the measures are cost-effective so Energy Trust cannot currently offer other incentives for high-efficiency residential air conditioning.

However, some measures appear close enough to being cost-effective that they warrant a more detailed look. Energy Trust has contracted for more detailed analysis to determine if certain AC measures could be cost-effective in late 2017 or early 2018, or are good market transformation targets. Energy Trust plans to report back to the Commission in one of our regular reports later in 2017.