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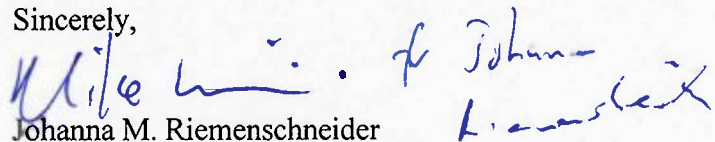
February 19, 2013

Attention: Filing Center
Public Utility Commission of Oregon
550 Capitol Street NE, #215
PO Box 2148
Salem, OR 97308-2148
puc.filingcenter@state.or.us

Re: *In the Matter of the PUBLIC UTILITY COMMISSION OF OREGON Investigation of
Fuel Switching and Cross Fuel Energy Efficiency Issues*
PUC Docket No.: UM 1565
DOJ File No.: 860100-GB0797-11

Enclosed for filing are an original and five copies of STAFF'S CROSS-ANSWERING
TESTIMONY in the above-captioned matter.

Sincerely,


Johanna M. Riemenschneider
Senior Assistant Attorney General
Business Activities Section

Enclosures
JLM:jrs/#4008875
c: UM 1565 Service List (electronic copy only)

CASE: UM 1565
WITNESS: Juliet Johnson

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 300

**Cross-Answering
Testimony**

February 19, 2013

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Juliet Johnson. My business address is 550 Capitol Street NE
4 Suite 215, Salem, Oregon 97301-2551.

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
6 **EXPERIENCE.**

7 A. My Witness Qualification Statement is found in STAFF's and ENERGY
8 TRUST's Joint Opening Testimony of Juliet Johnson and Steve Lacey (Staff-
9 ETO/101, Johnson-Lacey/1).

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. To summarize and respond to the parties' testimony and comments and to
12 summarize Staff's position in this docket.

13 **Q. PLEASE SUMMARIZE THE POSITION OF PARTIES THAT CONCLUDE**
14 **ENERGY TRUST PRACTICES SHOULD NOT CHANGE.**

15 A. In their filed testimony, Portland General Electric (PGE), PacifiCorp, and
16 Citizens' Utility Board (CUB) conclude that Energy Trust's policies and
17 procedures should not change. All three emphasize that a customer's choice
18 of fuel source should be respected and preserved and there should be no
19 change in incentive offerings.¹ CUB makes the point that customers make
20 personal decisions related to energy efficiency based on a variety of factors.²

¹ PGE/100, Shapton/2; PacifiCorp/100, Dalley/9, lines 17-19; CUB/100, Jenks-Feighner/4, lines 8-11.

² CUB/100, Jenks-Feighner/5, lines 6-15.

1 PacifiCorp and CUB explicitly state that no changes to Energy Trust policies or
2 practices are needed.³

3 All parties acknowledge that fuel switching is occurring to some
4 degree. PGE and PacifiCorp assert that Northwest Natural (NW Natural) fails
5 to establish that Energy Trust incentives are causing fuel switching.⁴ PGE and
6 PacifiCorp also point out, as Staff did in its reply testimony, that fuel switching
7 is occurring in both directions; from gas to electric and from electric to gas.⁵

8 PGE states that it “believes a \$250 incentive on a ~\$5,000 purchase
9 will not influence the overall choice of fuel, but can influence a customer to
10 install a high-efficiency heat pump over a standard efficiency heat pump.”⁶

11 CUB suggests the focus should be on whether or not an energy
12 efficiency upgrade is occurring, whether it be from a low efficiency furnace to a
13 high efficiency furnace or from a low efficiency furnace to a high efficiency heat
14 pump.⁷ They assert that NW Natural does not demonstrate that an upgrade to
15 a high efficiency heat pump from a low efficiency furnace is not cost-effective
16 for customers who are upgrading their heating systems.⁸ CUB states that the
17 level of Energy Trust incentives is not enough to encourage switching from one
18 high-efficiency source to another in a way that is detrimental.⁹

19 PacifiCorp points out that Energy Trust's current policy is a *fuel-neutral*
20 *policy* in that customers may choose a fuel type and the Energy Trust offers

³ CUB/100, Jenks-Feighner/7, lines 9-11; PacifiCorp/100, Dalley/3, lines 10-19.

⁴ PGE/100, Shapton/9 lines 3-15; PacifiCorp/100, Dalley/6, lines 5-13.

⁵ PGE/100, Shapton/8, lines 1-13; PacifiCorp/100, Dalley/5-6.

⁶ PGE/100, Shapton/5, lines 7-9.

⁷ CUB/100, Jenks-Feighner/3, lines 14-15.

⁸ CUB/100, Jenks-Feighner/3, lines 17-20.

⁹ CUB/100, Jenks-Feighner/4, lines 5-7.

1 incentives for energy efficient equipment.¹⁰ PacifiCorp argues that it is not
2 sound regulatory policy to regulate for a *fuel-neutral outcome* using a *fuel-*
3 *biased policy*, which they are suggesting NW Natural's proposal would set up.¹¹

4 **Q. PLEASE SUMMARIZE THE POSITION OF PARTIES THAT CONCLUDE**
5 **ENERGY TRUST SHOULD NO LONGER OFFER HEAT PUMP**
6 **INCENTIVES TO CUSTOMERS WITH GAS HEAT.**

7 A. Although the Northwest Energy Coalition (NVEC) supports the current Energy
8 Trust policy and acknowledges that there may be varying interpretations of the
9 best way to implement the policy, NVEC filed comments that Energy Trust
10 should modify its practices and only make heat pump incentives available to
11 customers currently not heating with gas.¹² NVEC comments that incentives
12 drive behavior and because market transformation is not commonly
13 understood, the fact that there are incentives for heat pumps and not for
14 furnaces sends a message to the consumer that a high efficiency heat pump is
15 a preferable way to heat one's home.¹³

16 NVEC's position aligns with Northwest Natural's position that Energy
17 Trust should limit the provision of incentives for heat pumps to customers that
18 do not currently heat their homes with gas.¹⁴ NW Natural believes that limiting
19 incentives would make Energy Trust's program more consistent with its fuel
20 switching policy. NW Natural also believes that the incentive's availability for

¹⁰ PacifiCorp/100, Dalley/13, lines 10-13.

¹¹ PacifiCorp/100, Dalley/13, lines 13-19.

¹² UM 1565 Comments of NW Energy Coalition at 2, paragraphs 4 and 5 (January 17, 2013).

¹³ UM 1565 Comments of NW Energy Coalition at 2, paragraphs 2 – 4.

¹⁴ NWN/100, Edmonds/9-10.

1 gas customers is being used by other parties in a way that is not intended by
2 Energy Trust or the Commission. NW Natural also believes that the availability
3 and promotion of the incentive to gas customers is resulting in customer
4 perceptions that are inconsistent with the intended purposes of the program.¹⁵

5 Cascade agrees with NW Natural and NWECC that heat pump
6 incentives should not be provided to customers that use natural gas to heat
7 their homes.¹⁶

8 **Q. WHAT IS STAFF'S POSITION RELATIVE TO THE HEAT PUMP**
9 **INCENTIVE?**

10 A. Staff agrees with the conclusions supported by PGE, PacifiCorp, and CUB and
11 disagrees with the conclusions supported by NWECC, NW Natural, and
12 Cascade regarding whether Energy Trust should modify its practice of
13 providing heat pump incentives regardless of prior heating source. Staff
14 supports Energy Trust continuing the current practice of offering heat pump
15 incentives regardless of previous heat source. Staff also continues to
16 recommend clarifying Energy Trust's current policy to reflect that although
17 Energy Trust may offer equipment incentives to customers who elect to switch
18 fuels, the incentives are not intended to promote fuel switching, and messaging
19 should clearly reflect that message. Energy Trust, in their cross-answering
20 testimony, agreed that their fuel-switching policy should be clarified to spell out
21 that Energy Trust may provide incentives for high-efficiency equipment for

¹⁵ Ibid.

¹⁶ UM 1565 Comments of Cascade Natural Gas, at 1, paragraph 3 (November 19, 2012).

1 whatever fuel the customer is considering.¹⁷ Staff is not convinced that Energy
2 Trust's heat pump incentives are being used in unintended ways to the
3 detriment of ratepayers. Messaging and communication issues are described
4 in the following section.

5 **Q. PLEASE SUMMARIZE THE POSITION OF PARTIES THAT CONCLUDE**
6 **ENERGY TRUST MESSAGING SHOULD CHANGE.**

7 A. NW Natural, CUB, NWECA, and Energy Trust agree with Staff that Energy Trust
8 messaging should be clarified.¹⁸ CUB emphasizes in its testimony that Energy
9 Trust "is an important source of information about energy efficiency."¹⁹ NWECA
10 makes the point that market transformation is not a commonly understood
11 concept and recommends Energy Trust provide more clear messaging about
12 the value of high efficiency gas furnaces, even though there are no longer
13 furnace incentives due to the determination that the high efficiency furnace
14 market has been transformed.²⁰ NW Natural proposes that Energy Trust take
15 steps to avoid sending direct marketing materials related to heat pump
16 incentives to gas heat customers and that Energy Trust put qualifications on its
17 messaging that better convey the purpose of the incentive.²¹ NW Natural also
18 believes that Energy Trust should modify its messaging regarding the heat

¹⁷ Energy Trust/200, Lacey/1-2.

¹⁸ NWN/100, Edmonds/16-19; CUB/100, Jenks-Feighner/2-3, and 9; UM 1565 Comments of NW Energy Coalition at 2-3; Energy Trust/200, Lacey/1-2.

¹⁹ CUB/100, Jenks-Feighner/2, lines 17-18.

²⁰ UM 1565 Comments of NW Energy Coalition at 2-3.

²¹ NWN/100, Edmonds/16-17.

1 pump incentive to avoid implying the incentive is offered to encourage the
2 installation of cooling equipment.²²

3 In cross-answering testimony, Steve Lacey indicates that Energy Trust
4 will manage its website and marketing materials to make clear that fuel choice
5 is a consumer decision and Energy Trust incentives are not intended to
6 promote fuel-switching, paying particular attention to ensuring that the heat-
7 pump webpage and marketing materials clearly convey this message.²³

8 **Q. DO ANY PARTIES DISAGREE THAT ENERGY TRUST MESSAGING**
9 **SHOULD CHANGE?**

10 A. PacifiCorp does not agree that Energy Trust or specific utility companies
11 should include a disclaimer with information about heat pump incentives.

12 PacifiCorp asserts that a disclaimer would be an inappropriate use of already
13 limited resources and would attempt to address a "problem" that has not been
14 shown to exist.²⁴

15 **Q. WHAT IS STAFF'S POSITION ON WHETHER ENERGY TRUST'S**
16 **MESSAGING NEEDS TO CHANGE?**

17 A. Staff agrees with NW Natural, CUB, NWECA, and Energy Trust and disagrees
18 with PacifiCorp relative to the need for Energy Trust to clarify its messaging
19 about the value of high efficiency furnaces and the fact that heat pump
20 incentives are not intended to promote fuel switching. Staff takes the position
21 that Energy Trust should clarify its messaging relative to the purpose of heat

²² NWN/100, Edmonds/17-18.

²³ Energy Trust/200, Lacey/2.

²⁴ PacifiCorp/100, Dalley/9, lines 5-13.

1 pump incentives (i.e., not intended to incent fuel switching) and when
2 appropriate assert the benefits of high efficiency furnaces. Staff also suggests
3 Energy Trust review the appropriateness of its messaging about cooling
4 benefits of heat pumps.

5 **Q. PLEASE SUMMARIZE PARTIES COMMENTS ABOUT TARGETING GAS**
6 **HEAT CUSTOMERS WITH INFORMATION ON HEAT PUMP INCENTIVES.**

7 A. PGE indicates in the company's testimony that as of May 2012, direct
8 communications from PGE have targeted customers listed in PGE's Customer
9 Information System as having electric heat.²⁵ PGE explains that while it is not
10 the company's intent to market heat pumps to gas heat customers, it does use
11 customer newsletters, the web, advertising, and other avenues to publish the
12 benefits of heat pumps.²⁶ Likewise, PacifiCorp indicates that direct mailings
13 from the Company may target only electric heat customers. But if the company
14 uses bill inserts, every PacifiCorp residential customer will receive the bill
15 insert, regardless of the target market.²⁷

16 NW Natural, Cascade, and Avista assert that heat pump incentives
17 should not be marketed to natural gas space heating customers.²⁸

18 **Q. WHAT IS STAFF'S POSITION REGARDING TARGETING GAS HEAT**
19 **CUSTOMERS WITH HEAT PUMP MESSAGING?**

²⁵ PGE/100, Shapton/6, lines 5-7.

²⁶ PGE/100, Shapton/4, lines 19-22, Shapton/5, lines 1-2.

²⁷ PacifiCorp/100, Dalley/5, lines 8-11.

²⁸ NWN/100, Edmonds/9; UM 1565 Comments of Cascade Natural Gas, at 1, paragraph 3 (November 19, 2012); UM 1565 Comments of Avista at 2, paragraph 3.

1 A. Staff continues to recommend that ratepayer-funded messaging should not be
2 used in a way that explicitly promotes fuel switching, either from gas to electric
3 or electric to gas. Specifically, in the case of heat pumps, Staff does not
4 support companies' using ratepayer funds to target gas heat customers with
5 stand alone, designated, heat pump campaign promotional materials.

6 **Q. PLEASE SUMMARIZE STAFF'S POSITION.**

7 A. Staff recommends that Energy Trust clarify its fuel switching policy to clearly
8 reflect that although Energy Trust may offer equipment incentives to customers
9 who elect to switch fuels, the incentives are not intended to promote fuel
10 switching, and messaging should clearly reflect that policy.

11 Staff supports Energy Trust continuing the current practice of offering
12 heat pump incentives regardless of previous heat source.

13 Staff recommends that on the Energy Trust website and in marketing
14 materials, Energy Trust should clarify that heat pump incentives are not
15 intended to incent fuel switching.

16 Staff continues to recommend that ratepayer-funded messaging should
17 not be used in a way that explicitly promotes fuel switching, either from gas to
18 electric or electric to gas. Specifically, in the case of heat pumps, Staff does
19 not support the Companies' using ratepayer funds to target gas heat customers
20 with stand alone, designated heat pump campaign promotional materials.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.

CERTIFICATE OF SERVICE/SERVICE LIST

I hereby certify that on February 19, 2013, I served the foregoing STAFF'S CROSS-ANSWERING TESTIMONY upon the persons named on the service list, by electronic mail only as all parties have waived paper service.

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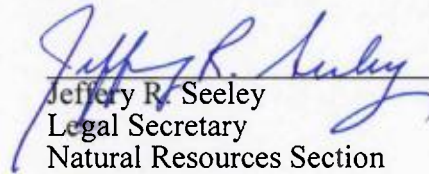
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