

January 14, 2013

Public Utility Commission of Oregon  
550 Capitol Street, NE, Suite 215  
Post Office Box 2148  
Salem, OR 97308-2148  
Attention: Filing Center

Re: UM 1565 – Response Testimony: Investigation  
of Fuel Switching and Cross Fuel Energy Efficiency  
Issues

Enclosed please find an original and five (5) copies of Response Testimony of Energy Trust of Oregon.

Please let me know if you have questions.

Very truly yours,



John M. Volkman  
General Counsel





BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON

**UM 1565**

Energy Trust of Oregon

**Response testimony of Steve Lacey**

ETO EXHIBIT 101

January, 2013

**UM 1565 – ENERGY TRUST OF OREGON**  
**RESPONSE TESTIMONY OF STEVE LACEY**

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1 **I. INTRODUCTION AND SUMMARY**

2 **Q. Please state your name and position.**

3 A. My name is Steve Lacey. I am Director of Operations of the Energy Trust of  
4 Oregon ("Energy Trust"). My witness qualification statement is part of Exhibit  
5 Staff – ETO/102, filed June 6, 2012.

6 **Q. What is the purpose of your testimony?**

7 A. To respond to NW Natural's characterization of Energy Trust's fuel-switching  
8 policy, advise the docket on the likely impacts of the changes NW Natural  
9 proposes, and clarify that Energy Trust is not seeking Commission guidance on  
10 heat-pump marketing.

11 **II. RESPONSE TO NW NATURAL'S CHARACTERIZATION**

12 **OF ENERGY TRUST FUEL-SWITCHING POLICY**

13 **Q. In its testimony, NW Natural characterizes Energy Trust's fuel-switching**  
14 **policy: "Energy Trust does not intend that their incentive will induce fuel**  
15 **switching and so, they argue, it does not." (Direct Testimony of Bill**  
16 **Edmonds, pp. 5-6). Is this an accurate description of Energy Trust policy?**

17 A. No. Energy Trust offers incentives for consumers to buy high-efficiency  
18 equipment to reduce consumption of electricity or natural gas. Energy Trust does  
19 not contend that consumers who take these incentives do not switch fuels, but  
20 rather that fuel choice is the consumer's decision. It is not Energy Trust's role to  
21 anticipate or determine if consumers actually switch fuels.

22 Energy Trust incentives, in cases of equipment replacement/retirement, are  
23 designed to offset the cost difference between high-efficiency equipment and

1 standard-efficiency/code compliant equipment, whatever the fuel the consumer  
2 choses.

3 **III. LIKELY EFFECTS OF NW NATURAL PROPOSAL**

4 **Q. What would likely be the effect on Energy Trust programs if Energy Trust**  
5 **withheld heat pump incentives from consumers who use gas for space**  
6 **heat?**

7 A. I will answer the question based on several assumptions. First, I will assume that  
8 this change would not be a precedent for other Energy Trust programs or  
9 incentives. Second, I will assume that Energy Trust would use current quality-  
10 control procedures to monitor or enforce contractor compliance with this  
11 qualification, and not undertake a rigorous verification or enforcement program to  
12 screen or verify fuel use. Current procedures allow Energy Trust to identify  
13 persistent patterns of contractor non-compliance, but they are not designed to  
14 determine compliance in every case.

15 Based on these assumptions, here is my assessment of the effects of the  
16 proposed change:

17 There would be a modest cost increase to train a fairly large number of  
18 HVAC vendors about the restricted incentive. Energy Trust also would address  
19 this issue in trade-ally newsletters and roundtables, in program forms, and in  
20 other promotional materials for trade allies and for customers, at modest cost.

21 Even with access to training and informational materials, I would expect  
22 some instances of contractor confusion. Not all HVAC vendors will attend  
23 trainings or read informational material carefully, and not all who do would

1 necessarily understand or remember that some consumers who pay an electric  
2 bill do not qualify for a heat pump incentive because they have gas space-heat  
3 as a primary heating source. As a result, some consumers may not find out that  
4 they are disqualified from receiving an incentive until after an installation has  
5 been completed, and these customers may be disappointed and feel unfairly  
6 treated. Energy Trust's Existing Homes Program, for example, pays incentives  
7 after installation; there is no pre-approval process. In our experience, pre-  
8 approval processes are burdensome and time-consuming when working in high  
9 volume markets such as the residential sector.

10 I would expect the largest impact on Energy Trust to stem from increased  
11 consumers complaints. Addressing these complaints would require some effort  
12 by Energy Trust, the utilities and the Commission.

13 I cannot accurately predict or quantify these effects or the cost of  
14 addressing them. There might be a relatively small number of complaints at any  
15 given time, given that fuel conversions occur in a modest number of heat pump  
16 installations in Oregon, based on our review of the data. I can only speculate on  
17 how intense or persistent these complaints would be, but I would expect some  
18 increased dissatisfaction with Energy Trust programs.

19 Finally, I would not expect that qualifying the heat-pump incentive as  
20 proposed by NW Natural would necessarily be a one-time matter. Depending on  
21 the rationale for a restricted incentive, I would expect that the issue would have  
22 to be revisited as economic, technological and market factors change over time.

1 **Q. How might these effects be different if the assumptions you made above**  
2 **were not borne out?**

3 A. If Energy Trust were required to manage other programs and incentives to  
4 anticipate and avoid fuel-switching, the effects could be much more significant.  
5 The economics and technology of gas and electric use are interrelated and highly  
6 dynamic. In order to assess which fuel choice would make most sense for  
7 consumers, we would need to study a range of variables that affect such choices  
8 -- fuel prices, the impact of new technology, differences in lifestyle, occupancy  
9 hours, number of people per family, condition of home, etc. -- against a range of  
10 futures. We would need to revisit these analyses as market conditions change,  
11 and I would expect that we would have to adjust incentives and educate  
12 contractors about the resulting changes again and again. This is a fundamentally  
13 different approach to program administration than the approach Energy Trust has  
14 taken, and one that we would recommend against on the basis of cost,  
15 complexity, and contractor and consumer confusion. We continue to believe that  
16 leaving fuel choice to the consumer is the right course.

17 **IV. ENERGY TRUST HEAT-PUMP INCENTIVE MARKETING**

18 **Q. With regard to heat pump incentive marketing, NW Natural urges that**  
19 **Energy Trust: (1) not send direct marketing materials related to heat pump**  
20 **incentives to gas space-heat customers; (2) qualify its messaging to**  
21 **convey that Energy Trust does not intend its incentive to encourage**  
22 **consumers to switch fuels; and (3) encourage cooling technologies that are**  
23 **less expensive to the region's energy system (e.g. attic fans, single room**



1        **cooling, etc.). NW Natural says it understands that Energy Trust is hesitant**  
2        **to make these changes without Commission guidance, partly because the**  
3        **electric utilities oppose these steps. Is this accurate?**

4        A.     Energy Trust does not believe marketing guidance of this kind is required from  
5        the Commission.

6                In general, Energy Trust avoids tackling complex consumer messages  
7        such as fuel-choice considerations, because they tend to inhibit customer action.

8                Energy Trust does try to avoid marketing heat-pump incentives to gas  
9        customers. For example, Energy Trust works with utilities to include information  
10       promoting Energy Trust incentives and programs in utility bills. We urge electric  
11       utilities to target heat pump promotions to customers with electric heat.

12       Nonetheless, when gas customers are also customers of our electric utilities,  
13       they may learn of heat-pump incentives from electric bill inserts.

14               We inform consumers that heat pump incentives are primarily intended for  
15       homes that use electricity as their primary heat source. Energy Trust's website  
16       heat pump eligibility section includes the following sentences:

17                *"Heat pump must be used as the primary heat source; back-up systems*  
18       *do not qualify for an incentive."*

19                *"Oregon customers heating their homes with electricity provided*  
20       *by Portland General Electric or Pacific Power are eligible to participate."*

21               This year, Energy Trust's web site includes and a section dedicated to  
22       comfort cooling including information and suggestions on low-cost/no-cost

1 cooling strategies as well as investment options for cooling and ventilation  
2 equipment such as evaporative coolers and room and central AC units.

3 We believe these steps are an appropriate way to address NW Natural's  
4 concerns. We do not believe further steps are needed, or that the Commission's  
5 guidance on the specific subject of marketing is required.

6 **Q. Does this conclude your testimony?**

7 **A.** Yes it does.

8 DATED this 14<sup>th</sup> day of January, 2013.

Energy Trust of Oregon

By:  \_\_\_\_\_

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## UM 1565 – CERTIFICATE OF SERVICE

I hereby certify that, on January 14, 2013, I served the foregoing Response Testimony of the Energy Trust Of Oregon upon each party listed in the UM 1565 PUC Service List, all of whom have waived paper service, by email, and by sending one original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

**W=Waive Paper  
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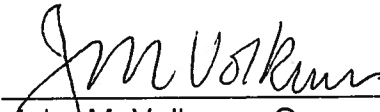
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Dated this 14<sup>th</sup> day of January, 2013, at Portland, Oregon.

By: \_\_\_\_\_

  
John M. Volkman, General Counsel  
Energy Trust of Oregon

