



## Citizens' Utility Board of Oregon

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January 25, 2013

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Re: UM 1565 CUB Reply Testimony

Please find attached a replacement of Exhibit 102 for CUB's Reply Testimony in UM 1565 and a certificate of service. The original version of the exhibit had an incorrect header. I apologize for any inconvenience.

Sincerely,

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## Rates &amp; Regulatory Affairs

UM 1565  
Investigation of Fuel Switching and  
Cross Fuel Energy Efficiency IssuesData Request Response**Request No.** UM 1565-CUB-DR 8:

The incentives that ETO offers for high efficiency water heaters is greater for gas water heaters than for electric water heaters (see [http://energytrust.org/library/forms/HES\\_DOC\\_Incentive\\_Grid.pdf](http://energytrust.org/library/forms/HES_DOC_Incentive_Grid.pdf)).

- a. The larger gas incentives are offered to electric water heating customers who convert to gas water heating. Does this violate the ETO's fuel switching policy?
- b. Should the ETO be prohibited from offering incentives to electric water heating customers if they switch to gas water heating?
- c. Has NW Natural cited the ETO incentives when encouraging customers to purchase high efficiency gas water heaters? If yes, does it limit its promotion to gas water heating customers?

**Response:**

- A. When balanced incentives are offered for equipment fueled by both gas and electricity, NW Natural is placated by ETO's policy interpretation that incentives do not induce fuel-switching.

In the case of water heating equipment, ETO offers incentives for both electric and natural gas equipment – so unlike with space heating, customers are less likely to believe that the Trust favors one type of equipment over another.

The incentive sheet referenced did not include a \$500 heat pump water heater incentive that was piloted in 2012 and will be a standing incentive beginning January 2013. So in actuality the highest level incentive for water heating equipment is for electric equipment. It should also be noted that ETO only allows this incentive for electric water heat customers apparently in recognition that it makes sense to focus this incentive on inefficient electric resistant heat. NWN has not taken issue with the large heat pump water heater incentive because it is not made available to gas water heating customers.

- B. It is NW Natural's view that this question is outside of the scope of this docket as defined by the ALJ, and that to appropriately respond would require a consideration of many factors, including but not limited to, the comparative value of available ETO water heating incentives by fuel type and an economic analysis evaluating what is in the best interest of the consumer and the energy system.

UM 1565  
NWN Response to CUB DR 008  
Page 2

- C. Yes, NW Natural includes the availability of the ETO gas water heating incentive in our customer communications. NW Natural has also promoted the availability of the ETO gas water heating incentive in direct mailings to non-customers. It is our position that when there are comparable ETO incentives offered for both gas and electric equipment it is appropriate for investor-owned utilities to use their shareholder funds to communicate the availability of those incentives. However, for heating no such parallel offering exists, creating an unbalanced opportunity for electric shareholder funds to leverage ETO endorsed *and* rate-payer funded incentives to increase electric loads – incremental load increases that are, in NW Natural's view, costly to the energy system and to customers.

## UM 1565 – CERTIFICATE OF SERVICE

I hereby certify that, on this 25<sup>th</sup> day of January, 2013, I served the foregoing **REPLACEMENT EXHIBIT 102 OF THE CITIZENS' UTILITY BOARD OF OREGON** in docket UM 1565 upon each party listed in the UM 1565 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

**(W denotes waiver of paper service)  
(HC denotes highly confidential)**

**(C denotes service of Confidential  
material authorized)**

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