

ORDER NO. 11 075
ENTERED MAR 07 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1519

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

ORDER

Consider appropriate modifications to the Energy Efficiency and Sustainability Technology Act of 2009 (EEAST Legislation) to recommend to the Legislative Assembly.

DISPOSITION: STAFF RECOMMENDATIONS ADOPTED

The 2009 Legislative Assembly passed House Bill 2626¹ to establish an energy efficiency and sustainable technology (EEAST) loan program to encourage investments in energy efficiency and renewable energy. The Energy Trust of Oregon (ETO) is tasked, by the Legislature, with implementing the EEAST loan program in the service territories of the investor-owned electric utilities, and is required to submit a report to the Public Utility Commission of Oregon (Commission) on the effectiveness of the EEAST pilot program. The Commission, in turn, is tasked with reviewing the ETO's report, and ordering the full or partial implementation of the successful measures and strategies of the EEAST loan program. The basis for the request and its procedural history is detailed in Staff's Report, attached as Appendix A, and incorporated by reference.

On February 4, 2011, Commission Staff convened a workshop to discuss statutory modifications to EEAST. All participating parties agreed that any recommendations to the Legislative Assembly for statutory modification of EEAST can wait until more experience is gained from the ongoing pilot program phase of EEAST.

¹ Codified as Chapter 470 of the Oregon Revised Statutes.

At the Commission's February 22, 2011 Public Meeting, Staff presented its final recommendations for a report to the Legislative Assembly, with one modification proposed by Avista Utilities. The Commission adopted Staff's recommendations, with one clarification to the purpose of the quarterly progress meetings.

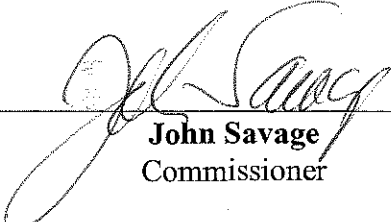
ORDER

IT IS ORDERED that the Public Utility Commission of Oregon (Commission) will provide a report to the Legislative Assembly indicating that:

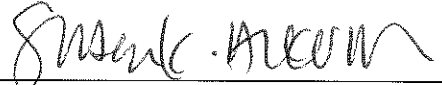
1. The Commission has extended the pilot program phase of the Energy Efficiency and Sustainability Technology Act of 2009 (EEAST) through 2012.
2. The Commission does not recommend any statutory modifications of EEAST.
3. The three Oregon natural gas utilities support the Commission's decision to not recommend any statutory modifications at this time, but raise concerns that may need to be addressed in future legislation. Northwest Natural Gas Company and Cascade Natural Gas Company question the statutory definition of Sustainable Energy Territories and the requirement for the utilities to transfer the EEAST loan repayment charge; Avista Utilities seeks clarification of the entity responsible for the provision of loan program services when a customer is served by an investor-owned electric utility and an investor-owned natural gas utility.

4. The Commission, in conjunction with the Oregon Department of Energy and the Energy Trust of Oregon, will convene quarterly progress meetings to monitor and evaluate the partial implementation of EEAST, to improve the overall coordination and implementation of EEAST, and to determine if any statutory modifications are needed prior to full implementation.

Made, entered, and effective MAR 07 2011



John Savage
Commissioner



Susan K. Ackerman
Commissioner



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
 STAFF REPORT
 PUBLIC MEETING DATE: February 22, 2011

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: February 16, 2011

TO: Public Utility Commission

FROM: Maury Galbraith *MG*

THROUGH: Lee Sparling *LS*

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: (Docket No. UM 1519) Consider appropriate modifications to the Energy Efficiency and Sustainability Technology Act of 2009 (EEAST Legislation) to recommend to the Legislative Assembly.

STAFF RECOMMENDATION:

Staff recommends that the Commission provide a report to the Legislative Assembly indicating that:

1. The Commission has extended the pilot program phase of EEAST through 2012;
2. NW Natural Gas Company (NW Natural) and Cascade Natural Gas Company (Cascade) raised concerns regarding the statutory definition of Sustainable Energy Territories and the requirement for the utilities to transfer the EEAST loan repayment charge to new customers, but the Commission is not making any recommendations for statutory modifications of EEAST at this time; and
3. The Commission, in conjunction with the Oregon Department of Energy (ODOE) and the Energy Trust of Oregon (ETO), will convene quarterly progress meetings to monitor and evaluate the partial implementation of EEAST to determine if any statutory modifications are needed prior to full implementation.

DISCUSSION:

The 2009 Legislative Assembly passed House Bill 2626 (HB 2626) to establish an energy efficiency and sustainable technology loan program to encourage significant

EEAST Legislative Report
February 16, 2011
Page 2

investments in energy efficiency and renewable energy. The bill was codified as Chapter 470 of the Oregon Revised Statutes.

The ETO, as the Public Purpose Fund Administrator, is tasked with implementing the EEAST loan program in the service territories of the investor-owned electric utilities. On October 1, 2010, the ETO submitted a report on the effectiveness of the EEAST pilot program to the Commission.¹ On October 26, 2010, the ETO presented the findings of its report to the Commission at its regular public meeting.² The ETO recommended that full-scale implementation of EEAST be delayed and that pilot program implementation, through Clean Energy Works Oregon (CEWO), be extended beyond 2011. With CEWO managing and investing \$25 million in federal grant funding, the ETO believes there is further opportunity to learn from pilot program implementation.

The Legislature tasked the Commission with reviewing the ETO's report and fully, or partially, implementing the successful measures and strategies of the EEAST loan program in investor-owned utility service territories. Specifically, Section 43(3) of HB 2626 states:

The commission shall review the report and:

- (a) Order full implementation of the successful energy efficiency and sustainable technology loan program measures and strategies in investor-owned utility service territories; or
- (b) Order the partial implementation of energy efficiency and sustainable technology loan program measures and strategies and make recommendations to the Legislative Assembly for appropriate statutory modification of the program.

On December 20, 2010, Commission Staff solicited public comments and recommendations regarding the full or partial implementation of the EEAST loan program measures and strategies. On January 12, 2011, eighteen separate parties submitted comments on EEAST implementation.

On January 25, 2011, Commission Staff recommended that the Commission:

¹ A copy of the ETO report is available at:
http://energytrust.org/library/reports/101001_EEAST_OPUC.pdf

² The Staff Report is available at:
<http://www.puc.state.or.us/PUC/meetings/pmemos/2010/102610/reg3.pdf>

EEAST Legislative Report
February 16, 2011
Page 3

1. Order the partial implementation of EEAST by extending the pilot program phase through 2012;
2. Provide a report to the Legislative Assembly describing the extension of the pilot program phase of EEAST, but make no recommendations for statutory modifications to EEAST at this time; and
3. Continue to evaluate EEAST pilot program implementation and monitor the issues raised by the parties in this proceeding to determine if solutions are needed and whether the solutions require statutory modifications prior to full implementation.³

NW Natural and Cascade did not fully support Staff's second and third recommendations. NW Natural indicated that the statutory definition of Sustainable Energy Territories (defined in ORS 470.050(31) and ORS 470.555) needed to be modified to prevent multiple overlaps between these territories and its service territory, which could result in the company having to work with multiple program managers and banks. NW Natural also recommended modification of ORS 470.675(4), which requires the utility to transfer the responsibility of repayment of an EEAST loan to the utility account after the customer who took out the loan closes their account. Cascade supported NW Natural's recommendation to pursue statutory modifications of EEAST.

After discussion of these issues, the Commission adopted a modified version of Staff's recommendation and directed Staff to convene a workshop to address the natural gas utilities' proposed statutory modifications to EEAST.⁴

On February 4, 2011, Commission Staff convened a workshop to discuss statutory modifications to EEAST. The workshop was well attended. The participants discussed the need for statutory modification of the definition of Sustainable Energy Territories and the requirement for the utilities to transfer the loan repayment charge. All of the parties, including NW Natural and Cascade, agreed that any recommendations to the Legislative Assembly for statutory modification of EEAST can wait until more experience is gained from the on-going pilot program phase of EEAST.

Workshop participants also agreed that the Commission Staff, in conjunction with the ODOE and the ETO, should convene quarterly progress meetings to monitor and evaluate the implementation of EEAST. The quarterly meetings will provide a forum for

³ The Staff Report is available at:

<http://www.puc.state.or.us/PUC/meetings/pmemos/2011/012511/reg1.pdf>

⁴ Commission Order No. 11-039 is available at:

<http://apps.puc.state.or.us/orders/2011ords/11-039.pdf>

EEAST Legislative Report
February 16, 2011
Page 4

parties to raise issues related to EEAST implementation and to determine if statutory modification of EEAST is necessary.

Staff recommends that the Commission provide a report to the Legislative Assembly indicating that:

1. The Commission has extended the pilot program phase of EEAST through 2012;
2. NW Natural and Cascade raised concerns regarding the statutory definition of Sustainable Energy Territories and the requirement for the utilities to transfer the EEAST loan repayment charge, but the Commission is not making any recommendations for statutory modifications of EEAST at this time; and
3. The Commission, in conjunction with the ODOE and the ETO, will convene quarterly progress meetings to monitor and evaluate the partial implementation of EEAST to determine if any statutory modifications are needed prior to full implementation.

PROPOSED COMMISSION MOTION:

A report as set forth in this memorandum be submitted to the Legislative Assembly regarding the extension of the pilot program phase of EEAST through 2012.

EEAST Legislative Letter Memo.docx