

Conservation Advisory Council Meeting Notes

May 14, 2021

Attending from the council:

Jeff Bissonnette, NW Energy Coalition
Roger Kainu, Oregon Department of Energy
Jess Kincaid, Bonneville Power Administration
Jason Klotz, PGE
Kari Greer, Pacific Power
Tim Hendricks, Building Owners and Managers Association
Rick Hodges, NW Natural
Tina Jayaweera, NW Power and Conservation Council
Anna Kim, Oregon Public Utility Commission
Kerry Meade, Northwest Energy Efficiency Council
Lisa McGarity, Avista
Becky Walker, Northwest Energy Efficiency Alliance

Attending from Energy Trust:

Hannah Cruz	Amanda Thompson
Peter West	Amanda Zuniga
Mike Colgrove	Amber Cole
Elizabeth Fox	Cameron Starr
Alex Novie	Dan Rubado
Thad Roth	Eric Braddock
Fred Gordon	Jay Ward
Sue Fletcher	MacKenzie Kurtzner
Oliver Kesting	Mana Haeri
Jay Olson	Mark Wyman
Jackie Goss	Marshall Johnson
Juliana Hairston	Ryan Crews
Amanda Potter	Salvatore Militello
Wendy Gibson	Sarah Castor
Adam Bartini	Scott Leonard
Tom Beverly	Spencer Moersfelder
Jessica Kramer	Tracy Scott
Kenji Spielman	Naomi Cole
Alma Pinto	

Others attending:

Alan Meyer, Energy Trust board	Cassidy Bolger
Lindsey Hardy, Energy Trust board	Cassie Hibbert, Wenaha Group
Henry Lorenzen, Energy Trust board	Chelsea Catto
Misti Nelmes, CLEAResult	Desiree Sideroff, Craft3
Dave Backen, Backen Consulting	Dolores Martinez, Euvalcree
Josh Weissert, Energy350	Eric McDaniel, Sora Design Group
Alan Munitz	Eric Zechenelly, Willamette Home
Arthur Hamlin	Erica Mills, NW Umpqua
Bayo Ware, Casa of Oregon	Ezell Watson
Bill Van Vliet, Noah Housing	Forest Tanier-Gesner, PAE Engineers
Brady Peeks, NW Energy Works	Heather Moline, NW Energy Coalition

Jaime Majure, Avista
Joe Marcotte, TRC
John Molnar, Rogers Machinery
John Spillman, Earth Advantage
Katherine Anderson, Glumac
Kathy Gillette, J&M Homes
Kyle Kent, CLEARResult
Leanna Petrone, Latino Built
Lisa Rogers, Casa of Oregon
Marc Hellman, OPUC
Matt McVee, Pacific Power
Matt Tidwell, Portland General Electric
Michael Parkhurst, MMT
Michelle Parry, Town of Lakeview

Michelle Scala, OPUC
Natali Pardo, Latino Built
Paul Lindfors, CLEARResult
Phil Jordan, CLEARResult
Phillip Kelsven, BPA
Rachel DeRosia, Portland General Electric
Randall Olsen
Rebecca Brown, NW Natural
Rob Prasch, Noah Housing
Steve Meyers, Umatilla Electric
Tawny Reader, Craft3
Terry McDonald
Zack Thompson, Idaho Power

1. Welcome

Hannah Cruz, senior communications manager, convened the meeting at 9:30 a.m. via Zoom. The agenda, notes and presentation materials are available at www.energytrust.org/about/public-meetings/conservation-advisory-council-meetings.

Hannah Cruz opened with a summary of the agenda and welcomed Becky Walker as a new council member, replacing Julia Harper, who recently retired from NEEA. Hannah Cruz also introduced Tracy Scott, Energy Trust's new energy programs director, and Energy Trust board member Eric Andersson, the new council liaison.

2. Measure development and in-progress cost effectiveness exceptions

Topic summary

Alex Novie summarized Energy Trust's process for developing energy efficiency measures and key concepts in Oregon's measure-level cost effectiveness framework. Measures are developed to fit program designs and start with an understanding of what would have happened without the intervention and customers' options at the time. Different program designs reach customers at different positions in their decision-making timeline, and Energy Trust's measures are designed to capture that influence. Staff looks at baselines, base incremental costs and energy savings as compared to the baseline condition for a measure to screen for cost effectiveness and determine savings and maximum incentives.

Cost effectiveness is a way of comparing the value and costs of energy efficiency to the avoided cost of the utility buying or generating more energy to send to a customer. Per OPUC guidelines, Energy Trust uses cost effectiveness tests for the value to the utility system (Utility Cost Test or UTC) and also for the value to all ratepayers and the participant (Total Resource Cost Test or TRC). These benefit/cost ratios are based on the avoided cost to the utility, not the customer. The TRC can include quantifiable non-energy benefits, for example, water and sewer costs, costs for purchasing non-utility fuels and out-of-territory savings and varies by measure. Cost effectiveness is evaluated at the measure level and program level; the program level incorporates Energy Trust administrative costs.

Exceptions to measure-level cost effectiveness are possible and there is an established OPUC request process and criteria. The process is different based on the type of exception and whether it is a minor or a major exception based upon the magnitude of savings and incentives under exception and the TRC benefit/cost ratio. For measures under an exception, the costs are higher than the benefits. Staff expects to request cost effectiveness exceptions for ductless heat pumps in single family and multifamily homes and for New Buildings commercial whole-building offers.

Discussion

Heather Moline of NW Energy Coalition asked who decides the meaning of significant for non-quantifiable non-energy benefits. Alex Novie said recommendations are made by staff based on working with customers and trade and community partners working on program delivery and decided by OPUC staff. Staff and/or commissioners review requests and may seek input from stakeholders and community members at council meetings and OPUC public meetings. Council members said there's a greater cost for low-income populations for many measures, so staff needs to make reasonable attempts to quantify non-energy benefits within the OPUC cost effectiveness framework. Alex Novie stated that non-quantifiable benefits often include health considerations (e.g., replacing older manufactured homes) and air quality (e.g., DHPs replacing wood- or oil-burning stoves).

Heather Moline commented about hearing Energy Trust is reaching the maximum for incentive levels and asked how often is that a barrier for people to participate, such as low-income or community-based organizations, because they can't afford the upfront investment required to participate. Alex Novie responded that as Energy Trust pays more within the maximum incentive that is cost effective at the measure level, there's more of a burden on the overall program benefit/cost ratios. Staff is working with community-based organizations that often have other funding sources that can cover a portion of costs alongside our incentives.

3. Ductless heat pump measure cost effectiveness exception in the Residential program and existing multifamily initiative

Topic summary

Marshall Johnson and Jackie Goss provided an update on ductless heat pump (DHP) performance and cost effectiveness exceptions. DHPs provide an efficient heating and cooling solution for homes with existing zonal electric heat and electric forced-air furnaces. They represented over 8% of Residential and 9% of Multifamily electric savings in 2020. Energy Trust has provided incentives since 2008 for 22,000 units. They have been under a TRC cost effectiveness exception since 2014, and a UCT cost effectiveness exception for targeted applications in 2020 and 2021. Energy Trust supports this measure in the market to broaden acceptance of DHPs, which will lead to lower costs for everyone.

Changes were made to the program in 2020 to improve savings performance. Incentives levels were reduced and requirements were added to locate the equipment so that it more effectively heats the right portions of homes. There were also efforts to obtain better reporting from trades on supplemental heat sources.

Energy Trust has exceeded the number of projects under the UCT exception and plans to reduce incentives to limit the volume of measures under this exception. Staff will explore more targeted DHP offers for moderate and low-income communities and reanalyze the measure for use in 2022.

Discussion

Council members asked if the targeted offers for low-income customers would be through community action agencies. Marshall Johnson said they would be through community action agencies or community-based organizations, such as African American Alliance for Homeownership or Verde. Members asked about the total resource cost for the various DHP measures on slide 7. Marshall Johnson responded the total resource costs are higher than the total resource cost test for DHP measures in homes without supplemental fuel due to the value of avoiding wood burning wood or other supplemental fuel. Members noted one strategy is to reduce incentives and asked if that was only for standard offers, and not for Savings Within Reach. Marshall Johnson responded that staff created promotions for renters and aligned the

incentive structure of \$2,000 between Multifamily and Residential. Staff will adjust the offer to deliver the highest incentive possible at a benefit cost ratio of 1.

Next steps

None.

4. Update on the New Buildings current cost effectiveness exception on whole building projects and a proposed extension of the exception

Topic summary

Jay Olson provided an update on New Buildings whole building projects. Oregon's 2019 code moved from a measure-based code to a whole building approach that gives building owners greater flexibility in design options and systems selection. This created challenges in New Buildings, which receives 50% of its savings from whole building projects. This is a similar challenge for other program administrators across the country.

A collaborative process was launched with Oregon Department of Energy, Northwest Energy Efficiency Alliance and the Oregon Public Utility Commission over the past year to determine a path forward for the program. The program doesn't face a utility cost test challenge, but the total resource cost is a concern. The incremental cost between a code building and going beyond, as required for the program, is a significant challenge to determine. A proxy approach was unable to produce incremental cost, thus we are unable to calculate the total resource cost (TRC).

The program has requested an extension of the TRC cost effectiveness exception for whole building projects. If granted, staff will propose a program design focusing on training, education and information consultation, some of which is already in place.

Discussion

Council members asked how much are the savings and what is the magnitude of the savings. Jay Olson responded that there are rough estimates from industry knowledge but not a baseline comparison or any models to rely on. The challenge is determining baseline costs, without which staff can't measure the incremental cost effectiveness. Savings are no problem to measure. Members asked if staff is having problems determining costs of materials and installation. Jay Olson responded yes regarding baseline costs. It also involves all of the options developers have for reaching code. Staff has no way of comparing those alternatives with how much more Energy Trust's approach costs. Rather than focusing on measure-level cost effectiveness, staff wants to shift to an informational and educational approach with the greater flexibility in code. Staff doesn't want them to get stuck at our measure-level cost effectiveness since they are looking at the whole-building.

Members asked if this will be more of a design incentive where staff looks at the back-end savings and compares them for cost effectiveness. Jay Olson stated that it is about design, but Energy Trust will still pay for investments in energy efficiency.

Members commented the proposed approach seems reasonable given how much is changing in the building sector and the broader industry. They also stressed different building owners having different positions and returns on investment.

Casa of Oregon asked if there is any value when Energy Trust report on this showing the profile or type of developer used to determine the cost calculation. In emerging markets, smaller and low-income owners have different targets and tolerances. When we center the low-income owners who have the least amount of wiggle room, we improve the system overall. Market indicators show the more money you have, the more attention you get. The library approach will be helpful. Jay Olson responded that energy efficiency isn't the primary driver behind those decisions. Staff intends to keep the information updated by evaluating what are the better

design decisions and what do different owners have in mind. Staff would like to keep a library of projects and information to track technology and to allow the next participants to have a history to see what works or review profiles that best serve different types of owners.

Members asked if staff will collaborate with organizations like the New Buildings Institute that Energy Trust would normally not have worked with and suggested it would be a great opportunity to bring in that perspective. Jay Olson responded staff is always interested in expanding knowledge to improve training and support for customers and improve building resilience.

Forest Tanier-Gesner from PAE stated his organization regularly works with Energy Trust to push projects further. The tools on the design and support side are tremendous in expanding their reach in energy efficiency. The performance-based pathway pushes projects further. It's something they support in their designs but it does take more up-front effort. They are facing cost challenges in the market that mean they must do their due diligence up front. The carrot at the end of the road, incentives, are also still necessary.

Next steps

None.

5. Update on the Manufactured Home Replacement Pilot

Topic summary

Mark Wyman provided an update on concluding the Manufactured Home Replacement Pilot and transitioning it to a standard program offer. Staff has provided periodic updates on the pilot with OPUC direction and is seeking input on the proposed updates.

The pilot replaces inefficient manufactured homes in Energy Trust territory in partnership with housing, energy and community development organizations. The OPUC authorized a cost effectiveness exception allowing up to \$500,000 for non-cost-effective projects. It enabled co-funding with Pendleton flood recovery funding. Staff have also interviewed and documented the experience and conditions of residents both before and after replacement and learned this leads to a transformational change in living circumstances.

Enrollment in the pilot ends July 1, 2021. New projects submitted prior to July 1 will receive funding commitments subject to budget availability. Projects after July 1 will go through the successor offer. Proposed changes involve income-based customer qualifications aligned with Savings Within Reach, inclusion of state-declared natural disaster impacted sites and dissolution of age of home tiers in favor of size of home and climate zone locations.

Staff will set up discrete fixed budgets for disaster recovery and all other customers with ways to move the budgets between the two based on experience. This is somewhat unique at Energy Trust. The state has taken leadership on this and there are many other organizations working to make this happen. Energy Trust's role is to support the leaders and frontline providers in this space that have greater experience in helping people with financial decisions. The program will use an early retirement differential baseline. It will focus on homeowners with barriers to home replacement.

Discussion

Heather Moline of NW Energy Coalition commented that as this process went through OPUC approval, the pilot was a good fit for younger families with some kind of income that could make changes to their lifestyle, but wasn't as good for older people with different planning horizons. Do these limitations still need to be taken into account? Mark Wyman said the limitations still exist, depending on the context. A rental home impacts different income levels and age groups. It's different with an owner-occupant unit. HB 2896 and updates now provide significant

resources to support households. Energy Trust can't be the sole entity, but it is available to support anyone who is interested in bringing this option forward.

A representative from Casa of Oregon asked how customers are engaged and whether the option of home replacement is present alongside other services. Mark Wyman responded that customers are presented with all of the available options from Energy Trust, community action agencies and any other resources. The "program navigator" role will work with customers to provide independent counsel from staff and organizations trained and experienced with homebuyer assistance and financial counseling services.

Other audience members asked if the amounts of incentives would change under the new program. Mark Wyman replied that it's a too early to tell.

Other audience members commented that dealers could replace homes and wondered if that will still be an option going forward. Mark Wyman replied that it will be, but the household that would buy or rent the home must meet some income requirements.

Bayo Ware from Casa of Oregon commented that Casa helps purchase properties to help residents collectively own them. There are situations when homes should be abandoned but can't always be because of county assessor methodologies. They will sometimes be sold and bought yet still not improved due to financial challenges.

Council members asked if Energy Trust will use its data to adjust the two periods. Principal savings come from shell, which is a 45-year life. Within that, the early retirement baseline establishes two periods of measurement: a baseline against the older home and a period of time baselines against a market baseline of a newly constructed home. Members asked if there is an implication around cost effectiveness or the level of incentives offered. Mark Wyman replied that it's the savings that would influence the incentives offered. Staff is analyzing project costs now. At the end of the day, replacement is more expensive than the value of energy savings, but there are many non-energy benefits.

Next steps

Energy Trust is developing a brief survey instrument for organizations in the industry. Mark Wyman asked that people reach out to him with questions and insights. Timing of each step is hard to predict, but the next phase will include cost effectiveness exception proceedings. The goal is to launch the standard offer before the end of this year.

6. Updates commercial, industrial and business lighting program changes

Topic summary

Oliver Kesting, Wendy Gibson, Jessica Kramer and Adam Bartini provided updates on commercial, industrial and business lighting program changes. COVID-19 disrupted the market in early 2020. Energy Trust responded by looking for ways to stimulate the market and rolled out bonuses. Interest in projects, even with bonuses, was low until late fall, but then accelerated quickly, resulting in a large number of electric efficiency projects late in the year and early in 2021. Energy Trust ended bonuses in November and December 2020. Gas efficiency projects didn't follow this trend.

Energy Trust ordinarily starts each year with a pipeline of projects, but this year's pipelines were much larger than normal and left little room for new projects. Energy Trust can cover the projects it's aware of but has less funding available for new projects. It has reduced electric incentive offers and capped them. Staff also discussed how to respond to this situation, including through possible budget increases, with the OPUC and electric utilities in order to maintain programs for the rest of the year. The OPUC, PGE and Pacific Power agreed to revise upward the individual electric utility budgets for these programs. In addition, operational

changes and spending in other parts of the organization were reduced. The amended budget will go to the board for review and adoption on May 19.

Adam Bartini provided industrial updates. For custom industrial, there are no changes to gas offerings or operations and maintenance. Energy Trust will honor existing commitments for electric projects. Going forward, it will start studies for future year projects. Custom projects already in the pipeline will be served on a first-come, first-served basis and capped at \$250,000. It can't do new custom projects in 2021. Standard calculated incentives will be capped at \$40,000 for PGE and \$10,000 for Pacific Power on less than 100,000 kWh and at \$15,000 for 100,000 kWh or more. Standard will be \$40,000 for PGE and \$10,000 for Pacific Power.

Wendy Gibson presented Existing Buildings changes, which included similar caps. Energy Trust also reduced some Pacific Power incentives. Existing Buildings caps are now \$12,000 for PGE and \$6,000 for Pacific Power. These are per-site per year. Some specific Pacific Power measures were removed or reduced. Gas measures were not impacted.

Jessica Kramer discussed business lighting changes. Business lighting moved to a closed trade ally network. Custom and prescriptive incentives were changed, and completion timelines were reduced. Energy Trust capped lighting project incentives at \$6,000 and implemented caps on the number of concurrent active projects. Trade ally companies are now capped at \$250,000 in PGE territory and \$75,000 in Pacific Power territory. Trade allies gave a mixed response. Some have continued working with us while others have mentioned negative business impacts from these changes. Some have maxed out the number of projects in the queue resulting in projects moving forward without Energy Trust. There are fewer industrial lighting projects than expected.

Discussion

Council members asked about trade ally feedback regarding the disparity in industrial incentives. Adam Bartini indicated that there has been minimal trade ally or customer issues. Most are happy that we're moving again. Members asked why there is disparity between the electric utilities in incentive levels and caps and expressed concerns about the lack of time to discuss the disparity between utilities and stated that it will need further discussion.

Next steps

Staff will reach out to Pacific Power before the next board meeting, where the amended budget will be discussed. More feedback is welcome.

7. Public comment

There was no public comment.

8. Adjournment

The meeting adjourned at 12:05 p.m. The next meeting will be held on June 16, 2021.