

February 19, 2015

421 SW Oak St., Suite 300
Portland, OR 97204

1.866.368.7878
503.546.6862 **fax**
energytrust.org

Via Electronic Mail and USPS
Oregon Public Utility Commission
Attn: Filing Center
3930 Fairview Industrial Drive SE
PO Box 1088
Salem, Oregon 97308

Re: UM 1622: Incentive Cap Concepts Memorandum

Attached to this letter and certificate of service, please find a Memorandum regarding Incentive Cap Concepts filed in Docket No. UM 1622 and pursuant to the opening in Order No. 14-332.

Thank you for your assistance with respect to this filing. If you have any questions, please do not hesitate to contact me.



Debbie Menashe
General Counsel
503 445 7608
Debbie.@energytrust.org

cc: UM 1622 Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Report to Commission Staff upon all parties in this proceeding by causing a copy to be sent via electronic mail to the following parties at the following addresses.

Dated at Portland, Oregon, this 19th day of February, 2015

A handwritten signature in cursive script that reads "Debbie Menashe". The signature is written in black ink and is positioned above a horizontal line.

Debbie Goldberg Menashe, OSB No. 89050

UM 1622 SERVICE LIST

	SANDY FLICKER	5779 BASIL ST NE SALEM OR 97317 s_flicker@comcast.net
W	PAUL FULSHER	pfulsher@winrocspi.com
W	DAVID SALHOLM	4404 NE CESAR E CHAVEZ BLVD PORTLAND OR 97211 dsalholm@pyramidheating.com
W	*OREGON DEPARTMENT OF ENERGY	
	KACIA BROCKMAN SENIOR ENERGY POLICY ANALYST	625 MARION ST NE SALEM OR 97301-3737 kacia.brockman@state.or.us
W	ABACUS ENERGY SOLUTIONS LLC	
	PETER TOFALVI	peter.tofalvi@abacusergysolutions.com
W	ATTIC ACCESS	
	PHILLIP NORMAN	1234 NE 118TH PORTLAND OR 97220 pjnorman@gmail.com
W	AVISTA UTILITIES	
	SHAWN BONFIELD	PO BOX 3727 SPOKANE WA 99220-3727 shawn.bonfield@avistacorp.com
W	CASCADE NATURAL GAS	
	MONICA COWLISHAW	1600 IOWA ST BELLINGHAM WA 98229 monica.cowlishaw@cngc.com
	MICHAEL PARVINEN DIRECTOR - REGULATORY AFFAIRS	8113 W GRANDRIDGE BLVD KENNEWICK WA 99336-7166 michael.parvinen@cngc.com
W	CASCADE NATURAL GAS CORPORATION	
	JIM ABRAHAMSON	8113 W. GRANDRIDGE BLVD KENNEWICK WA 99336 jim.abrahamson@cngc.com
W	CASCADE POLICY INSTITUTE	

JOHN CHARLES

520 SW 6TH AVE STE 940
PORTLAND OR 97204-1535
john@cascadepolicy.org

W

CITIZENS' UTILITY BOARD OF OREGON

ROBERT JENKS
EXECUTIVE DIRECTOR

610 SW BROADWAY, STE 400
PORTLAND OR 97205
bob@oregoncub.org

W

CLEAN ENERGY WORKS

SCOT DAVIDSON

1733 NE 7TH AVE
PORTLAND OR 97212
scot.davidson@cleanenergyworksoregon.org

TIM MILLER
PRESIDENT & COO

1733 NE 7TH AVE
PORTLAND OR 97212
tim@cleanenergyworksoregon.org

W

CLEAN ENERGY WORKS OREGON

DEREK SMITH
CEO

3934 NE MARTIN LUTHER KING JR BLVD
STE 204
PORTLAND OR 97212
derek@cleanenergyworksoregon.org

W

CLEARRESULT

SARA FREDRICKSON

sara.fredrickson@cleareresult.com

W

ENERGY TRUST OF OREGON

DEBBIE GOLDBERG MENASHE
SENIOR COUNSEL

421 SW OAK ST, STE. 300
PORTLAND OR 97204
debbie.goldbergmenashe@energytrust.org

FRED GORDON

421 SW OAK ST, STE 300
PORTLAND OR 97204
fred.gordon@energytrust.org

W

GREENSAVERS USA INC

ROBERT HAMERLY

roberth@greensaversusa.com

W

H. GIL PEACH & ASSOCIATES

H. GIL PEACH

16232 NW OAKHILLS DR
BEAVERTON OR 97006
hgilpeach@scanamerica.net

W

HOME ENERGY LIFE PERFORMANCE GROUP

COLLEEN SHANNON

10006 SW CANYON RD
PORTLAND OR 97225
colleen@helppdx.com

W **HOME ENERGY LIFE PERFORMANCE GROUP, INC.**
BERENICE LOPEZ-DORSEY 10006 SW CANYON RD
PORTLAND OR 97225
info@helpwdx.com

W **HOME PERFORMANCE GUILD OF OREGON**
DON MACODRUM PO BOX 42290
PORTLAND OR 97242
don@hpguild.org

W **METROPOLITAN ALLIANCE FOR COMMON GOOD**
MARY NEMMERS
mary@macg.org

W **NATIVE AMERICAN YOUTH AND FAMILY CENTER**
REY ESPANA 5135 COLUMBIA BLVD
PORTLAND OR 97218
reye@nayapdx.org

W **NEIL KELLY COMPANY**
CHAD RUHOFF 804 N ALBERTA ST
PORTLAND OR 97217
chadr@neilkelly.com

W **NORTHWEST ENERGY EFFICIENCY COUNCIL**
STAN PRICE EXECUTIVE DIRECTOR 605 FIRST AVE STE 401
SEATTLE WA 98104
stan@putnamprice.com

W **NORTHWEST NATURAL**
JENNIFER GROSS TARIFF & REGULATORY AFFAIRS CONSULTANT 220 NW 2ND AVENUE
PORTLAND OR 97209
jennifer.gross@nwnatural.com

W **NW ENERGY COALITION**
WENDY GERLITZ SENIOR POLICY ASSOCIATE 1205 SE FLAVEL
PORTLAND OR 97202
wendy@nwenergy.org

W **OREGON AFL-CIO**
TOM CHAMBERLAIN
tom@oraficio.org

W **OREGON TRADESWOMEN INC**
CONNIE ASHBROOK EXECUTIVE DIRECTOR 3934 NE MARTIN LUTHER KING JR BLVD
STE 101

PORTLAND OR 97212
connie@tradeswomen.net

W PUBLIC UTILITY COMMISSION OF OREGON

JULIET JOHNSON
SR. UTILITY ANALYST

PO BOX 1088
SALEM OR 97308-1088
juliet.johnson@state.or.us

W PUC STAFF--DEPARTMENT OF JUSTICE

MICHAEL T WEIRICH
ASSISTANT ATTORNEY GENERAL

BUSINESS ACTIVITIES SECTION
1162 COURT ST NE
SALEM OR 97301-4096
michael.weirich@state.or.us

W SENSIBLE ENERGY SOLUTION

MITT JONES
WWW.SENSIBLEENERGY.COM

1100 SE WOODWARD ST
PORTLAND OR 97202
mitt@sensibleenergy.com

W WORK SYSTEMS

ANDREW MCGOUGH

1618 SW FIRST AVE
PORTLAND OR 97201
amcgough@worksystems.org

Introduction and Background

The following Incentive Cap Concepts memorandum is filed by Energy Trust of Oregon, Inc. (Energy Trust) in UM 1622, Energy Trust's Request for Approval of Exceptions to Cost Effectiveness Guidelines. On October 1, 2014, as corrected by Errata Order on October 3, 2014, an Order was entered in UM 1622 memorializing the Oregon Public Utility Commission's decision on cost effectiveness exceptions to certain measures for which Energy Trust provides incentives. The UM 1622 Order also, among other things, indicated that the Commission "is open to considering the idea of an incentive cap proposal." In response to this opening, Clean Energy Works convened a meeting of interested stakeholders. Energy Trust and others attended this meeting and several interested stakeholder working group meetings that followed between November 2014 and January 2015. In addition, on January 14, 2015, the Oregon Public Utility Commission staff hosted a stakeholder workshop to discuss incentive cap concepts. This memorandum represents a compilation of discussions gathered through the efforts of the interested stakeholder working group and Oregon Public Utility Commission staff.

The following Incentive Cap Concepts provide approaches to maintain support for floor and wall insulation. Incentive Cap Concept 1 would continue these incentives for renters and moderate income households. Incentive Cap Concept 2 would offer the incentives to all housing types, not just renters and multifamily, when wall and floor measures are installed in combination with ceiling insulation. Each concept could be implemented independently or in parallel.

Incentive Cap Concept 1: Weatherization for Moderate Income Customers, Low Income Multifamily, and Rental

In brief: Through the Incentive Cap Concept 1, moderate income customers, single/multifamily (1-4 units) rental properties and participants in the MPOWER program for larger public assisted multifamily units will be able to access incentives for additional weatherization measures.

Description: The Incentive Cap Concept 1 would be aligned with existing program pathways to maintain floor and wall insulation incentives for income qualified customers and rental properties, through:

- MPOWER—subject to a combination of income and property ownership criteria
- Savings Within Reach—subject to income criteria
- Rental Property projects—owners of rental properties

Under this proposal, floor and/or wall insulation incentives will be offered to qualified customer groups when ceiling insulation is installed or when the existing ceiling insulation level meets a defined threshold (i.e., existing condition is R-19 or greater).

- Example 1: a moderate income homeowner or rental property owner who has an existing-condition of R-18 or less in the ceiling would qualify for ceiling insulation incentives, as well as floor and wall insulation incentives.
- Example 2: if the moderate income home already has R-19 or greater insulation levels, Energy Trust would not offer an incentive for ceiling insulation, but will offer the incentive for floor and wall.

- Currently, ceiling insulation incentives are not available for homes that already have R-13 or greater insulation levels. This proposal adjusts the qualification criteria to R-19 so that homes can select the potentially more impactful ceiling insulation along with wall and floor.
- Add incentive through Incentive Cap for floor/wall insulation
 - Option 1—current incentive reduced by 30%¹
 - Option 2—incentive level maintained

Table 1- Proposed Incentives Cap Concept 1 for Moderate Income, Multifamily, and MPower

Measure	2014 Incentive	2015 Incentive Cap Option 1*	2015 Incentive Cap Option 2
Ceiling Insulation	\$0.25/sf	\$0.25/sf	\$0.25/sf
Floor insulation	\$0.40/sf	\$0.30/sf	\$0.40/sf
Wall insulation	\$0.50/sf	\$0.40/sf	\$0.50/sf

*Note: Adjustment under option 1 is not precisely 30% but rounded consistent with existing practices for clarity.

Incentive Cap Concept 2: For weatherization markets not eligible for option 1- floor and wall insulation eligible, when installed in conjunction with ceiling insulation

In brief: As of January 1, 2015 there is a \$100 incentive available when a customer installs two or more non-instant savings measures². Through the Incentive Cap Concept 2, the incentive would be modified solely for weatherization projects to create a capped incentive for wall and floor insulation, as well as expanding ceiling insulation qualification criteria.

Description: Through the Incentive Cap Concept 2, when a customer installs ceiling insulation, they would be eligible for an incentive if they also install floor or wall insulation, with the wall/floor incentive of \$150 per measure. Additionally, a customer who has an existing ceiling insulation condition of less than R18 but more than R13 (a qualification which currently does not receive an incentive, but did prior to 2013) would be eligible for a ceiling insulation incentive of \$100. Customers with ceiling insulation of R-13 or less will continue to receive the current incentive of \$.25/sf for added ceiling insulation.

The capped incentive level for wall and floor insulation will be a significant reduction in average incentives paid for floor and wall insulation measures (see Table 3). In aggregate, this concept supports a reduction of approximately 55% of annual incentive expenditures for wall and floor insulation.

The multiple upgrade incentive cap can be available to any single-family or multi-family property (up to 4 units), regardless of income or property ownership. If the OPUC elects to support both Concepts 1 and 2, customers eligible for Concept 1 will likely take it due to higher incentives.

Table 2: Frequency of Floor or Wall Insulation installed within same year as attic insulation

¹ 30% was selected to address OPUC’s directive to reduce incentives. This level is intended to start the discussion. It increases difficulty for limited income households and landlords with split incentives to invest. Financing may moderate this barrier but not eliminate it. A level should be selected that balances the desire to serve limited income households with the desire to reduce expenditures on these measures.

² Instant savings measures are efficient shower heads, aerators, and lights.

Measure	2013 Count	%	2014 Count	%
Ceiling Insulation	1,583	100%	890	100%
Floor Insulation	841	53%	443	50%
Wall Insulation	685	43%	383	43%
Duct Insulation	377	24%	173	19%

Table 3: Average Floor or Wall Insulation Incentive compared to Incentive Cap Concept 2

Average Energy Trust Incentive (when installing attic insulation as well)			2015 Weatherization Incentive Cap (recommended)
Measure	2013	2014	2015
Ceiling Insulation (R13-18)	\$288	N/A	\$100
Floor insulation	\$307	\$290	\$150
Wall insulation	\$231	\$226	\$150

Concept 1 Criteria Analysis:

Criteria 1: "...idea of an incentive cap proposal – especially for moderate income and multi-family customers ..."

Pros / Strengths:	Cons / Weaknesses / Considerations:
<ul style="list-style-type: none"> Minimal impact to program delivery cost by leveraging existing program pathways Expands weatherization opportunity for moderate income customers and multi-family customers/rental properties Because of long paybacks, measures will have limited financial energy savings benefits to limited income customers. However, owners will enjoy increased comfort and enhanced capital assets in their home. Ownership of viable capital assets can be important to helping families leverage their way to a better life. Lessees may enjoy increased comfort and lower energy costs through landlord investments. Some rental properties may have a lower TRC due to leverage of state tax credits. 	<ul style="list-style-type: none"> Other weatherization: <ul style="list-style-type: none"> Consideration of adding measures for qualified customers that bridge between what CAP agencies offer <ul style="list-style-type: none"> Storm windows Weather-stripping Air sealing Prescriptive duct sealing Income criteria <ul style="list-style-type: none"> Consider increasing the maximum income for Savings Within Reach eligibility Landlords may increase rents if units are significantly upgraded, although it's possible increases could be offset by lower utility costs.

Criteria 2: Meaningful reduction in incentives [relative to pre-UM1622]

<ul style="list-style-type: none"> Recommends significant reduction in incentives and prioritization of ceiling insulation as most cost-effective measure Reduced incentives may encourage contractors to offer leanest-possible prices to secure jobs. 	<ul style="list-style-type: none"> Only modest potential reduction in TRC but maintains weatherization incentives in an underserved market Those with lower incomes will likely need heftier incentives, not reduced, in order to act.
---	--

Criteria 3: Strong protocols to minimize free riders

<ul style="list-style-type: none"> Income criteria, property ownership type, and incentive eligibility criteria minimize market rate customer free ridership. 	<ul style="list-style-type: none"> There aren't typically free riders in this market sector. Reducing the incentive further may adversely impact savings associated with this demographic. Option 2 would have the least impact on historical participation rates
--	--

Criteria 4: A design that favors lowest cost, highest savings measures

<ul style="list-style-type: none"> Ceiling insulation is the most cost-effective/highest savings insulation measure. This design ensures that measure is prioritized prior to floor or wall insulation. 	<ul style="list-style-type: none"> ET will consider whether to require installation of instant savings measures (shower heads, aerators, lights) when floor/wall insulation are installed to increase low/no cost savings within project
--	---

Concept 2 Criteria Analysis:

Criteria 1: "...idea of an incentive cap proposal – especially for moderate income and multi-family customers ..."

Pros / Strengths:	Cons / Weaknesses / Considerations:
<ul style="list-style-type: none"> Broadens the cap concept to more customers than concept one and maintains criteria to treat homes with savings potential. Acquires energy savings at a lower UCT. 	<ul style="list-style-type: none"> This concept is available to all customers with qualifying projects. Moderate income and multifamily may choose between this incentive cap offer and one explicitly designed for that market segment.

Criteria 2: Meaningful reduction in incentives [relative to pre-UM1622]

<ul style="list-style-type: none"> Recommended incentive level is significantly reduced from historical average incentive levels. 	<ul style="list-style-type: none"> Consideration needs to be included to require a minimum square footage of area treated.
--	---

Criteria 3: Strong protocols to minimize free riders

<ul style="list-style-type: none"> Based on historical data, customers install floor/wall insulation about 50% of the time when attic is installed. Assumption that without incentives for floor/wall, this correlation would decline significantly. Reported free rider rates are lower for multiple measure projects, further evidence supporting the idea that this approach may have fewer free riders than the program as a whole. 	<ul style="list-style-type: none">
---	--

Criteria 4: A design that favors lowest cost, highest savings measures

<ul style="list-style-type: none"> Ceiling insulation is the most cost-effective/highest savings insulation measure. This design ensures that 	<ul style="list-style-type: none"> ET will consider whether to require installation of instant savings measures (shower heads, aerators, lights) when floor/wall insulation are
--	--

measure is prioritized prior to floor or wall insulation.	installed to increase low/no cost savings within project.
---	---