Gas Cost-Effectiveness Exceptions Process

Conservation Advisory Council

October 24, 2012

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Review of Issue

As previously presented to CAC in July:

- 20-year gas avoided cost forecast reduced 45 percent
- Several residential gas weatherization measures were not passing societal test prior to this change due to cost and savings issues
- Combined result: most gas weatherization, duct and air sealing measures did not pass OPUC investment criteria
- Energy Trust filed appeal, promised changes, requested two years to improve

UM1622 Outcomes: Weatherization

- OPUC has approved Energy Trust request for exceptions, with commitments:
  - Energy Trust will try to improve societal B/C of Existing Homes gas program over next 2 years
    - From estimated Societal B/C of 0.6 in 2012
    - →0.8 in 2013
    - →1.0 in 2014
  - Getting there will require > savings and < costs
    - 50% increase in therms/$ of societal cost
    - To do this ***both*** Energy Trust costs/therm and invoice costs/therm to the consumer must come down.

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UM1622 Outcomes: Other Commitments

- **End current single-family duct sealing measure Jan. 1, 2013**, and start limited prescriptive duct sealing pilot
- Air sealing:
  - Decide when 2010-2011 evaluation results are in; unless results improve markedly, discontinue contractor testing-based air sealing in mid-2013
  - Develop alternative approaches
- All measures: Provide customers with access to simple payback estimates that correlate well with typical home loads
- Adjust existing condition limits for floor and ceiling insulation to eliminate jobs with lowest savings/$
- Solar water heating: Pursue current plans to reduce cost; simplify QC, qualify a less expensive system

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What Might Change In Two Years

- Avoided cost forecast may change in *either* direction
- OPUC may review cost-effectiveness rule
- Role of the state in weatherization may be reconsidered based on Governor Kitzhaber's energy plan
- Program cost performance should improve; how much?
- For program to pass the OPUC's investment criteria without a dramatically different rule, we need ***all of***:
  - Higher avoided costs
  - Lower cost/measure
  - Higher savings/measure

Other Gas Cost-Effectiveness Considerations

Impacts of lower avoided costs vary by program:

- ***Production Efficiency***
  - Very small impact
- ***Home Products***
  - Examining washers, others okay
- ***New Homes***
  - Most gas Builder Option Packages do not pass societal test
- ***New Buildings***
  - Gas portion of program does not pass, several measures do not pass
- ***Existing Buildings***
  - Gas portion of program does not pass
  - Measures constituting 15 percent of gas savings in 2011 do not pass; mostly from custom controls, and custom boilers, some prescriptive foodservice, water heating and smaller rooftop tune-ups with economizers
- ***Commercial solar water heating***
  - At 0.9

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Potential Second Exception Request

New Homes and New Buildings:

- Exception requested because programs impact codes, standards and practices, transform markets
  - Review each major gas measure to make sure they really have market transformation potential that can lead to B/C >1
  - Discontinue incentives where this is not the case by January 1, 2015

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Potential Second Exception Request, cont.

Existing Buildings

- Eliminate gas measures with Societal B/C below 0.7 Jan. 2013
  - Leaves ~ 5 % of savings from measures that do not pass
- Try to improve gas program societal B/C
  - From 0.8 in 2011 → 1.0 in 2014
- Review measures for potential to drive down cost or transform markets
  - Eliminate all that do not fit these criteria by January 1, 2015

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Potential Second Exception Request, cont.

Commercial Gas Solar Water Heating

- Follow residential exception
- Employ strategies to reduce cost, including new tech, custom analysis with cost caps
- B/C could improve, but unlikely to reach 1
- Revisit in two years

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Schedule

- OPUC staff will schedule public input period; OPUC meeting if/when request is finalized (which is soon)

- Two years (2013-2014) gives us time to review all measures, and work with markets and internally to lower cost.
  - Energy Trust may modify or end measures with B/C <1 in less than 2 years if they are found not to have market transformation potential and do not fit into other UM-551 exception criteria.

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Will This Be the Last Request for Exceptions?

- There may be later requests for exceptions for specific measures that meet UM-551 criteria

- Electric avoided costs forecasts may drop 10 – 20 percent next year (not as much)

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How Are Other States Addressing?

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No clear pattern

- British Columbia
  - High deemed carbon values and 15 percent for non-energy benefits (Vermont too)
  - Deems gas avoided cost to be half of the value of electric
  - But, electric avoided cost is gas turbines!?
- Utah
  - Utility test only
  - Presents some problems
- Massachusetts
  - Deemed values for “soft” benefits
- Washington
  - Open docket UG121207 reviewing assumptions/factors in avoided costs and tests used to evaluate cost effectiveness

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Questions?
Comments?