COMMERCIAL SECTOR BUDGET CONCEPTS 2014

Sector: *Commercial*
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Sector Overview:

Energy Trust's Commercial Sector provides energy efficiency services and financial incentives to commercial, institutional and multifamily customers. Primary sector activity is accomplished through three Program Management, PMC, Contracts: Existing Buildings, New Buildings and Multifamily. In addition to PMC activity, the sector supports Training, Building Operator Certification, Plug-Load Efficiency, Strategic Energy Management and other efforts.

2014 Sector Themes and Key Directions:

The primary objective of the commercial sector is to make cost-effective investments in energy efficiency to meet IRP goals. This is accomplished through services and financial incentives that enable customers to invest in energy efficiency projects. In order to achieve the goals in 2014 and lay the foundation for future savings in 2015 and beyond, the commercial programs will focus efforts on:

- Making it easy for customers to work with Energy Trust
- Innovative program design
- Targeted outreach
- Leveraging partnerships with third-party organizations
- Developing program and administrative efficiencies

2012 Recap:

The commercial sector had a very successful year in 2012, as described in the Commercial Sector 2012 Trends report[1]. Highlights include: expanding innovative approaches to the market, rebidding the Existing Buildings PMC contract and transitioning to the newly selected PMC.

- The Existing Buildings PMC contract brought in 51 percent of the sector's electric savings and 65 percent of the gas accomplishment.
- New Buildings savings accounted for 33 percent of the sector's electric savings and 23 percent of the gas savings. Savings from large custom projects has tailed off; however, Oregon has seen unprecedented growth in large enterprise, mid-tier, localized data centers.
- Multifamily accounted for 9 percent of the sector's electric savings and 4 percent of the gas savings. The program continued cultivating existing relationships with top property management agencies and integrated the assisted living market sector.
- Commercial Strategic Energy Management Initiative, launched in late 2011, brought in nearly 6 million kWh and 127,000 therms in 2012.

2013 Current Situation / Market Conditions:

The economy appears to be recovering, but customers continue to be cautious about spending. This, and the fact that the program has already served many of the largest custom capital projects, is reducing savings per project. To meet increasing goals, the Sector must bring in a substantially higher volume of projects. In addition, changing baselines brought on by 2010 Oregon Energy Code and 2012 Federal Lighting Standards are requiring new approaches to maintain savings. The sunset of BETC is now over two years old, and the State's Energy Incentives Program is greatly reduced. Energy Trust is coordinating with ODOE to identify opportunities to leverage incentives and tax credits to increase market penetration.

[1] http://energytrust.org/library/meetings/cac/CAC_Package_130619.pdf

Program direction and key activities, by program

Existing Buildings

The annual number of sites served is holding steady with the majority being small businesses -- 55 percent of incentive checks are going to sites under 20,000 square feet and approximately 30 percent to sites under 5,000 square feet.

Lighting:

- Overall lighting savings declined in 2012, in part because the 2011 Fall Bonus accelerated lighting projects to complete in 2011.
- Lighting baseline changes due to new Federal Standards were less dramatic than anticipated, and the program is working with NEEA on a pilot to prepare for a comprehensive design-based approach to lighting upgrades.
- LED lamp prices have been dropping, creating more retrofit opportunities and allowing for the introduction of more prescriptive LED incentives.
- Existing Buildings is focusing on street light retrofits as LED street lighting prices have fallen and municipal customers are more comfortable with the technology.

Operations & Maintenance:

- Savings from O&M continue to increase as we expand our building controls offerings and larger customers realize the benefits of strategic energy management.

Schools:

- Existing Buildings supports schools enrolled in ODOE's "Cool Schools" initiative with audit and technical project support. Energy Trust has also coordinated with ODOE to offer strategic energy management to two qualified districts.

Other:

- The program supports plug load efficiency through midstream incentives to distributors that stock higher efficiency personal computers, monitors and servers. Strategic energy management, Building Operator Certification, and the Lighting Design Lab are other initiatives supported by Existing Buildings.

Innovation:

- The program is running pilots for comprehensive lighting installations and energy management information systems, EMIS, to help small- to-medium-sized customers implement operational improvements; and is delivering products to market through distributors using buy-down incentives.
- Existing Building is increasing engagement with non-lighting trade allies, including untapped contractors such as roofing companies, to make them more aware of program opportunities.

New Buildings

The number of large buildings constructed has slowed over the last several years. Smaller buildings, tenant improvements and renovations are filling the gap. Industrial and multifamily are also seeing more enrollments as the economy picks up.

Small Commercial:

- New Buildings introduced Market Solutions—a streamlined small commercial offering that does not require energy modeling—in late 2012 to encourage owners to achieve 10-20 percent savings beyond code.

Building Code:

- The program is promoting early design assistance and tiered custom incentives to reduce the costs of high-performance design strategies and strengthen code adoption.

Data Centers:

- Data centers continue to be a source of significant savings. New Buildings launched a Market Solutions incentive package for data centers in 2012 with specialized services and tiered incentives which is getting good market traction.

Lighting:

- New Buildings is encouraging a comprehensive lighting design with higher incentives. This will be continued into 2014 since it has been successful in identifying additional energy savings.

Innovation:

- The Path to Net Zero pilot concluded with 5 projects completed and 4 more to be complete by 2015. Findings have been incorporated into New Buildings in the form of goal setting, design strategies for net zero, increased technical support and tiered incentives.
- The program launched a Solar Ready offering in 2013 to enable customers to more cost effectively add solar components to their buildings at a later date. New Buildings has been supporting the design of energy efficient modular classrooms and continues to seek opportunities to encourage the adoption of these facilities statewide.

Existing Multifamily

The multifamily market has historically low vacancy rates, driving more program activity in new construction. Due to high building occupancy, there have also been fewer major renovations and capital projects that require vacant units or temporary tenant displacement.

Energy Trust has increased outreach to build customer demand for Energy Trust multifamily services in Pacific Power and Cascade Natural Gas territory.

Affordable Housing:

- Energy Trust support for the affordable housing market sector has increased over the past three years to over 10,000 units served through instant savings measures (ISMs) and incentives for capital projects.

Custom Projects:

- Custom Track projects are driving more savings through large retrofit projects. Direct-installed ISMs, should reach 16,000 units in 2013.
- Savings from weatherization and windows measures have dropped off significantly due to changes in state tax credits which had been a significant financial complement to Energy Trust incentives.

Midstream incentives:

- Midstream clothes washer and refrigerator initiatives were launched to increase the uptake of qualified appliances installed through maintenance and replacement channels for multifamily housing. A hot water heater initiative will launch in July.

Innovation:

- Multifamily is working to overcome barriers to participation created by renter/landlord split incentives through a focus on water and sewer costs that are paid by the majority of multifamily property owners and managers. Currently the benefits of many capital projects accrue more to tenants than property owners.

- Multifamily is running several pilots including:

  - Memory care/assisted living pilot to provide comprehensive lighting design that meets new state standards

  - MPower Oregon pilot in collaboration with Network for Affordable Oregon Housing, leveraging HUD grant to overcome barriers in affordable housing through light touch retrofit and on-bill payment.

2014 Key Actions and Initiatives

In 2014, the commercial sector will continue with strategies from 2013 and engage in the following efforts in order to meet savings goals:

The sector will emphasize improvements that **make it easier for customers work with Energy Trust** and to access our programs:

- Streamlining the application process and enhancing online tools
- Providing simple prescriptive incentives where appropriate

The commercial sector will continue to encourage savings through **innovative approaches** to program implementation, including:

- Expanding strategic energy management offerings for larger customers and develop offerings to cost-effectively bring benefits of SEM to smaller customers.

- Targeting O&M incentives to optimize building systems performance for customers of all sizes.
- Redesigning the custom track in multifamily to better meet customer needs and develop ways to better serve individual unit owners without HOAs and central managers.
- Launching a pay-for-performance pilot to assess the market demand and feasibility of longer-term contracts to support capital and operational savings.
- Developing financing opportunities where they can drive cost-effective savings.
- Developing prescriptive incentives to support greater market adoption of new cost-effective technologies such as LEDs.

In 2014 the sector will continue to focus efforts on reaching a broad array of customers and to support customers to achieve deeper savings through **outreach and targeted services** such as:

- Developing tools and services to assist customers with decision-making, and developing a more compelling business case for engaging in deep energy efficiency investments.
- Expanding relationships with public sector to ensure an overarching strategy that addresses all retrofit, new-construction and renewables opportunities.
- Launching targeted direct install strategies.

The sector will continue to **develop collaborative relationships** by:

- Leveraging partnerships with external organizations such as ODOE and Network for Affordable Oregon Housing.
- Coordinating with cities and counties to leverage other efforts such as Multnomah County's PACE financing and the City of Portland's Sustainability Plan
- Coordinating with NEEA, Building Codes Division and designers to provide support for new code development, code compliance, and to support acceptance of energy efficiency reach codes.
- Focusing on incentives and offerings that support the transition to 2012 and 2014 Federal Lighting Standards.

Finally, the Sector will emphasize development of **program and administrative efficiencies** through:

- Revising customer-facing forms and exploring online forms when appropriate.
- Improving tools to make a more compelling financial case for energy efficiency projects and providing help on which projects to pursue.
- Improving processes around project and technical review; adopting systems to better identify multiple retrofit opportunities; and improving lead capture for future targeted marketing efforts.

2014 Anticipated Challenges or Risk Factors

- Serving the needs of larger customers (>1 aMW) as we get closer to legislative spending limits.
- Gas avoided cost.
- Adjusting to post-recession market dynamics.
- A maturing retrofit market with limited savings opportunities per project and fewer large custom projects.
- Supporting more innovative approaches may be dependent on identifying new funding sources now that ARRA funds are not available.
- Potential transition to a new PMC contractor for New Buildings in late 2013.
- HB2801's comprehensive building analysis will require adjustments to program strategies.
- CFL baseline changes in 2014 due to new Federal Standards will significantly impact savings from multifamily instant savings measures.
- Completion timing on large projects including data centers, lighting, and custom projects.
- Remaining potential for gas savings through rooftop tune-ups may be limited.