Briefing Paper
Existing Building Program Funding for Pacific Power

May 23, 2012

Summary

Staff proposes to utilize up to $934,000 in energy efficiency program reserves to support demand for existing commercial building activity in Pacific Power service territory, allowing the program to achieve greater levels of savings for 2012.

Background

- Existing Building Program budgets for commercial energy efficiency in Cascade Natural Gas (CNG), Northwest Natural (NWN) and Portland General Electric (PGE) service territories are currently on track to achieve annual savings goals within allocated budgets.
- The industrial and agriculture efforts for Pacific Power are also in line with budgets. The pipeline is at 65% of annual goals and on track for Pacific Power. No changes to this program are warranted at this time.
- It is too soon to project year end results for the residential programs for any of the utilities.
- Due to a large uptake in custom incentives early in the year, the Existing Building program for Pacific Power is running at a pace that is forecasted to bring 3.6 million kWh in additional savings beyond the stretch case goal. However, this would require approximately $934,000 more in incentives than budgeted to meet the projected demand.
- The table below shows the current forecast of for the entire program, including multifamily efforts as well as initiatives managed by ETO staff for building-operation certification and up-stream incentives for efficient business equipment:

Savings	% of Goal	Incentives	% of Budget	Overage
37,988,071	110%	$7,563,199	114%	($933,904)

- The overage listed above represents 39% of the 5% reserves available for Pacific Power in 2012. Shifting funds from other programs to support the demand in the commercial sector merely shifts the issue and does not address the overall shortfall.
- At the time Pacific Power and Energy Trust were developing proposed funding levels for 2012 energy efficiency programs in the fall of 2011, Energy Trust proposed a total budget of $48.2M to meet Integrated Resource Plan targets. This amount included some ongoing mitigation in the form of higher incentives for commercial customers most impacted by reductions in the state's Business Energy Tax Credits.
- Prior to finalizing the budget request to the Energy Trust Board of Directors, Pacific Power asked Energy Trust to address a series of variables related to changes in the

BETC program. After further discussion, we then agreed to reduce the proposed energy efficiency budget by $1.9M, resulting in a revised budget of $45.3M. This decision was made with the understanding that Energy Trust business, industrial and agriculture programs would, to the extent possible, offer the same incentive levels across Pacific Power and PGE territories and that Strategic Energy Management offerings and outreach activities would be reduced in Pacific Power service territory as a way to manage demand. Pacific Power and PMC staff would be asked to take a reactive role in project development to help manage the pipeline.

- The reductions identified and agreed upon last fall are in place and the outreach has been dialed back. However, strong carryover and high customer activity in the Existing Building program creates a significant risk for budget overage for Pacific Power.
- Staff developed and analyzed four potential options to reduce Pacific Power customer demand. All required curtailing services or lowering incentives to Pacific Power customers. We do not face this budget issue for other programs or utilities. Staff strongly prefers maintaining a consistent set of services and incentives for all utilities, trade allies, customers and the market if at all possible. Therefore, staff recommends usage of Pacific Power energy efficiency program reserves.

Discussion

- In March Energy Trust staff informed Pacific Power that the uptake in the Existing Building program was robust and provided an analysis of the possible impacts of the following alternative approaches:

    1. Eliminating all bonus incentives in Pacific Power territory through 2012
    2. Reducing the lighting and custom capital bonus incentives to half of the current levels for commercial customers of Pacific Power in the second half of the year.
    3. Maintaining the 20% bonus for lighting for Pacific commercial customers and retain the popular targeted digital control tune-up; and discontinue the bonus for all other custom capital measures.
    4. Maintaining a 20% bonus incentive for lighting and a slightly broader mix of custom measures through 2012; discontinue any incentives for a majority of other capital measures.

- The first alternative kept budgets well below budgeted levels yet ran the risk of not meeting annual conservative savings goals. All the other options provided forecasted savings above 90% of the current stretch goal at expenditure levels close to the approved budget.
- The amount of savings potentially not achieved in the four alternatives ranged from 2.5 million to 7.2 million fewer kWh for the year.
- Energy Trust staff concluded that offering different levels of services for commercial customers in Pacific Power service territory would create substantial administrative costs, customer service issues and result in likely negative spillover effects to 2013.
- Pacific Power staff reviewed Energy Trust’s analysis and supported Energy Trust’s conclusion that further service curtailment or incentive reduction would be problematic and not preferred.

- Noting their understanding of the purpose of program reserves, Pacific Power supports diverting the necessary existing funds from their 5% program reserves in the 2011 budget for Pacific Power to address the potential Existing Building program shortfall.
- The proposed $934,000 re-allocation is for incentives only. Program delivery would remain unchanged from current 2012 levels.
- The proposed transfer is equal to 2.1% of the board approved budget for all 2012 Pacific Power efficiency programs.
- Shifting up to $934,000 in additional incentive funds from budgeted reserves for Pacific Power programs into the Existing Building efficiency program for Pacific customers would preserve a reserve balance of 61% remaining available, or $1.47 million.
- Assuming incentives are made available, an anticipated 3.6 million kWh in extra savings are projected.
- Pacific Power also supports and agreed to rebuild the reserves back to the appropriate levels for 2013 as part of the budget development process starting this fall for 2013.
- Pacific Power is open to reconsidering different incentive levels for their customers as a budget management tool in 2013, and suggested incorporating this option as part of the planning discussions later this year leading to the fall budget-setting efforts for next year.

Next Steps

- With board acknowledgement, the Executive Director and staff propose to utilize up to $934,000 in 2012 Pacific Power program reserve funds for Existing Building Program incentives to Pacific Power customers in 2012.
- Staff will collaborate with Pacific Power to replenish the reserve account as part of the budget setting process for 2013 to be initiated later this year, as well as to work with them to consider other options for future incentive levels.