

Minutes
Governor's Energy Efficiency Work Group
16-May-08

Attendance

Members: Bill Edmonds, co-chair (NW Natural), Clark Brockman, co-chair (SERA Architects), Dave Vanthof (Governor's office), Cameron Smith (Governor's office), Jim Edelson (Interfaith Power & Light), David Cohan, (NW Energy Efficiency Alliance), Gina Franzosa (Cascadia Green Building Council), Tom Konicke (McKinstry & Co.), Markus Stoffel (2,000 Watt Society), Myron Burr (Siltronic), Phil Ermer (Hewlett Packard), Joe Barra (PGE), Charlie Stephens (sustainability consultant), Fred Gordon (Energy Trust of Oregon), Sean Penrith (Earth Advantage), Michael Early (Industrial Customers of Northwest Utilities), Bob Simonton (Oregon University System), Rob Bennett (Clinton Foundation), Bob Shiprack (Oregon Building Trades Council), Jeremiah Bauman (Environment Oregon), Tom Osdoba (Portland Office of Sustainable Development), Michael Armstrong (Portland Office of Sustainable Development), Susan Steward (BOMA), Jim Abrahamson (alternate for Jim Slusher), Al Durgan (Steelworkers), Glenn Montgomery (Earth Advantage), Tom Payne (Oregon Home Builders Association), Jeremiah Bauman (Environment Oregon), Mike Weedall (Bonneville Power Administration), Jason Eisdorfer (Citizen's Utility Board)

State agency liaisons: John Kaufmann, (Oregon Dept. of Energy), Betty Merrill (ODOE), Lee Sparling (OPUC), Mark Long (Building Codes Division), Cameron Smith (Governor's Office), Jennifer Wetherbee (Oregon Dept. of Energy), Elin Shepard (Dept. Administrative Services), Andrea Simmons (Building Codes Division), Richard Mathews (Dept. of Housing and Community Services), Nancy Hamilton (Governor's office), Tamara Brickman (Office of Budget and Management), Andrea Simmons (Building Codes Div.),

Other: Dick Harmon (Industrial Areas Foundation), Jim Lobdell (PGE)

Not present: Jim Slusher (Mid-Columbia Community Action Council), Scott Winkels (League of Oregon Cities), Jeff Bumgarner (Pacifcorp), Scott Stewart (Intel), Tom O'Connor (Oregon Municipal Electric Utilities Association), Dick Wandersheid (City of Ashland), Jon Chandler (Oregon Home Builders Association)

Bill Edmonds explained the buckets, desire to be inclusive at this time. (1) Existing homes and financing. (2) High performance buildings, including codes and public buildings. (3) Utility, smart grid, and industrial. (4) Catch-all, softer stuff – RD&D, outreach, market transformation.

Charlie Stephens would like to see a little more verbiage on several of the ideas. John said he's already received comments from . Clark – there will be a fifth bucket related to water conservation.

Discussion of coordination with other advisory groups. The main ones are the Renewable Energy Working Group (REWG) and the Workforce Training Group. REWG looking more at generation. If it relates to codes, this group might be the best. David Cohan expressed concern about coordinating legislative ideas emanating from different groups. Dave Vanthof – will take conversations over to course of the summer. Fred – we're dependent on renewables. For example, 2030 goal depends on on-site renewables. Joe Barra thinks we should lean toward inclusion of on-site solar. Clark asks that we flag these crossover issues when they come up.

Michael Armstrong recommends renaming the first two groups Existing Buildings and New Buildings.

New ideas? New market tax credits on a community scale? Gina—centralize resources at state level around green buildings and energy efficiency, a place for municipalities and other agencies to go (Bucket 4). Jim Edelson – one stop kiosk. Susan Steward – why are utility and industrial lumped together. Jim Abrahamson – low-income contribution to carbon goals. Essential that low-income are brought along, so the residential sector in total meets the carbon reduction goals. Something on smart grid. Joe Barra— sees industrial as its own bucket. Tom Payne – Bucket 4 – homeowners aren't willing to try something new, so maybe set up some model homes demonstrating exotic technologies. Al Durgan – concern about not pricing manufacturers out of the market. Also, industrial users have co-gen that are shuttered now, but will be fired up when prices rise. Dave – are there things to make sure co-gen has appropriate incentives. Elin Shepard – state agencies aren't able to use some of the utility incentives. Must have limitation and cash. BETC comes in as cash, but not as limitation, so state agencies aren't able to spend it effectively. Becomes icing six months later, but doesn't affect how they make decisions up front.

Myron Burr offered up some work from Climate Change Integration Group. Identified carbon savings from a number of measures. May help us sort out priorities. Also “Resource Assessment” from the Energy Trust (2006) could help –put it on the web site. Also ODOE's study on economic impacts of BETC (2007).

Bob Shiprack – big proponent of utility programs that promote efficient furnaces. It's a natural program that should be expanded. Bill – we'll dive into it today.

Phil Ermer – heard a lot of comments about all the great things that could be done if we had the money. Take state loan program so it can be paid back on utility bill. Joe says there's something on the books now.

Phil also suggested incorporating financing into what's already there so that rates aren't increased even more.

Myron – allow PPC for renewables to be spent on energy efficiency.

Financing Concepts

Tom Osdoba re: Berkeley model. People choose to have local improvement charge attached to property tax. Looking only at solar now. Looking at bundling it with energy efficiency. Local improvement charge, like sidewalks and curbs. The tax stays with the property. If city does a bond, it's usually a 20-year timeframe. Some measures have attractive paybacks, some don't. Using public funding, you can do more faster by bundling less attractive measures with more attractive ones. Make package revenue neutral. Rob – question for staff research: does state have the mechanism to allow this? Berkeley chose solar because they're set up to exercise quality control over that now, so city isn't in game of having to evaluate cost-effectiveness. So another question is whether governments or utilities have infrastructure in place. Are there incentives (ETO), etc., that they can hang their hat on. Charlie Stephens –preliminary look at ORS 223 suggests legislative tweaks would be needed. Tom – legislative idea should be enabling, not just restrictive, so it can be adapted as we learn more about how it works. A lot of municipalities around the country will be experimenting with this idea. Lisa Adatto – huge barrier is cost of marketing. Have cities looked at utilities as marketing arm? Berkeley relying on contractors to do a lot of the marketing for them. Also, how to get a commercial player in the loop so you can take advantage of tax credits through lease arrangement.

Dave – can somebody aggregate users for a BETC?

Charlie – large market for solar now, because of state, federal and utility incentives. But even windows are cheaper on a kWh basis. Almost no incentives available for lower cost measures. Charlie's interest in Berkeley model is financing for improvement of large number of existing houses, not for renewables.

Jim Abrahamson – this idea would go a long way toward stretching their capability. Don't forget low-income or landlords. From low-income perspective, how to get landlords to do something without them removing it from low-income rolls?

Municipal revenue bond is about what you need to make this work. How many measures can you do in total with a 12-year simple payback. Smash them altogether. Don't do the easy stuff first.

Mike Weedall – Cambridge, Mass., is further along than Berkeley.

Charlie – what we're talking about here is major remodel. May need to leverage with private financing, or allow private entities to purchase carbon credits.

David Cohan – slightly different model. We're talking about getting lots of money. PAYS – Pay-as-You-Save. Tariff that assigns bill paying to a meter location, not a customer. That means its an individual tariff. Must be coupled with disconnection for non-payment. How do you guarantee revenue service. Utility guarantees revenue stream to allow private entities to come in with financing.

Jim Edelson – it's a matter of securing payment on the loans.

Lee – ability of utility to put lien on property, he doesn't think its been used. Why not? Also, provision in existing statute for utility to go to PUC to ensure investment is guaranteed in rates. ORS 757.247.

Joe – securitization is way to get money. Must be attached to shell measures, not washing machines. Back in early 90s, PPL gave low-interest loans in lieu of rebates, with meter attachment (no lien). Worked pretty well. Cheap energy in mid-90s took programs in a different direction. Clark – request Joe – developer can't get loan for something if it exceeds debt ratio.

Rob Bennett – Private financing. Clinton foundation partnered with five major banks and several of the largest ESCOs. Investment grade audits, M&V. How can we grow that industry? How can you take energy savings as collateral to pay for project up front, so you don't need a lien on the property. Working with transaction managers. Been able to generate interest in ESCO model. Goal is 1 billion sq.ft. under contract globally this year. Washington – fee-for-service support organization, pre-qualified ESCOs, low-interest finance program. Streamline performance contracting through procurement rules, etc.

Tom Konicke – performance contracting - -go into existing facilities, monetize savings, provide guarantee (which allows you to monetize it). The guarantee is well-documented.

Betty – HB 3612 last session allows ODOE to set qualified list of ESCOs. For state agencies we use SELP, based on energy savings. We don't usually play in residential sector. SELP provides the financing, not the construction. ESCO goes in and does the whole thing, and does M&V after construction. A lot of ETO programs require M&V as well.

Clark – is there legislation needed? Betty – a lot is in place. Tom – more can be helpful. Clark asked him to suggest something.

Fred – SELP should be revised/streamlined to be more effective in this (energy efficiency) market.

Lisa – should be streamlined packaging for customers. (Bucket 4). All this M&V slows it down. Charlie agrees.

Jeremiah – Why don't agencies use SELP more? Betty – public buildings and K-12 are debt-averse, that's why they don't use SELP.

David – theme coming out – stuff is available, but people aren't using it. So questions is, how do we drive people to use the programs. Remove utility disincentives isn't enough, must add incentives as well.

Clark – what are privacy laws regarding disclosure of energy use.

Betty – inadequate incentives for shell improvements. You’ve got to value those savings at a higher value.

Clark – please e-mail any other ideas on this issue to staff.

Utility/Smart Grid

1. Bill Edwards – Bob Shiprack said he likes the current model (Public Purpose Charge). How do we squeeze more out of that model?

Fred – Under IRP, utilities determine how much is available. Now question is becoming how fast you can get it. How to get accountability framework and ability to focus more on long-term, not five year payback. Utilities should be asked to do more long-term work. Customers looking to get more wholistic help from ETO, why they have to go different places for different things. Need for think tank that is independent.

Phil – get team of specialists to get into whole system – systems integration expertise – needs to be magnified. No state program to recognize companies or individuals that do good – no acknowledgement.

Jeremiah – once cap-and-trade is in place, cost-effectiveness will be enhanced.

Jim Abrahamson – improved metric to demonstrate cost-effectiveness of low-income programs to gain access to new funds.

Jason – limitations of ETO now, will cost-effectiveness allow for longer return? ETO is ratepayer mechanism, not state policy concept. On going-forward basis with climate issues, we need to integrate carbon issues better into cost-effectiveness. Power Council finding that RPS will drive rates up while market prices go down. May argue for legislation.

Jim Edelson – many opportunities are with consumer-owned utilities. Should be addressed legislatively, by this committee.

Joe Barra – Should look at bundling measures, or raising cost-effectiveness limits. That may be a regulatory discussion.

Bill – asks Lee what can be done through legislation and what can be done through regulatory process. Lee – a lot of this could be done by PUC, but they may not do it.

David – is there a way to tell the PUC what we want. It hasn’t happened in 30 years, so it’s not going to happen under current system.

Joe – financing could be bundled, but utility rebates could be tied to cost-effectiveness of each measure.

Charlie – more serious than our tools of the past can handle. Need to leave some things behind, cost-effectiveness may be one of them. Kurt Vonnegut

Lee – you don't start with cost-effectiveness. You start with IRP planning process. If goal is to reduce carbon emissions, cost-effectiveness flows from that.

2. What do we have to do legislatively to make it happen, or is it something PUC can do?

3. Smart Grid. Joe Barra – huge investments will be made. Doesn't know if there's anything that needs to be done legislatively.

Clark – is there a time-of-use/net metering issue here? Joe – Customers won't rearrange their lives to reduce rates. There may be something to be done by code, that would make this easier.

Jason – need to prioritize. Can't do it all, will cost too much money, and there will be a reaction. Need to get best return for carbon reduction as well as cost-effectiveness.

Fred – thinks smart grid is in experimental stage. We need to learn a lot. Whether rates are the way to get info to customers is unclear at this point. Mike Weedall agrees, we should focus efforts elsewhere at this point. Timing for smart grid is not right for this group.

4. Require reduction in demand. That's a whole new way of doing things. How do you have a prosperous utility in a no-growth world?

Jason – no-growth business plan? No-growth in load or in rate base? If rate base, it's the wrong question. Can't get from here without changing out the meters, closing down coal plants, etc. That will increase the rate base. Utilities will be in good position, even with negative load growth.

Jim Edelson – Energy Efficiency Performance Standard. How does it fit in. Are we going to get back to 39 million MWh (1999 level?).

Jeremiah – savings amount target – either limit load or establish savings target. Then IRP becomes exercise in finding least-cost way to achieve it.

Michael Early – ultimately this is customer money. Accountability should be on shareholders, not customers.

Joe – maybe we should look at Integrated Systems Plan. Broaden traditional boundaries.

Jim – make sure you bring in consumer-owned utilities.

Industry

Is there a legislative barrier to getting things done in the industrial sector?

Myron – last year BETC was increased to 50% for renewables. Why not do the same for industrial. Might be simple.

Bill – how big can BETC get?

Myron – because of multiplier effect, you'd see financial benefits to the state.

Betty – 80% of BETCs are pass-through now.

Clark – pass through does well when economy is strong, as lenders are looking to shelter money. Not so well when economy is down.

Phil – streamline the ETO system, or even in BETC, to make it simpler for industry.

Michael Early – this is a crossover issue. How do industrial projects work under cap-and-trade Benefits must go to industry, not to the utilities.

Jason – need to explore that issue. Also, self-directing portion of renewable adjustment clause.

Phil – better to reduce inefficient load than to build renewables to serve it.