Energy Trust of Oregon

Business Energy Solutions Project Sorting Rules

Conservation Advisory Council Meeting
April 16, 2008

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Progress to date

- Presented to CAC on February 20th
- Presented to CAC again on March 19th
- Hosted a Trade Ally Meeting to gather feedback April 4th
- Presenting again to CAC today

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Overview

- The Issue
  - How projects are assigned to commercial and industrial programs affects incentive payments and the energy savings claimed
- Why Now?
  - Current rules for major renovation cause some confusion
  - Current rules have not been evaluated since 2003
  - 2008: RFP process for New Buildings program
  - Production Efficiency program has been restructured

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Energy Trust Objectives

- Support the market by providing clear and objective services and incentives
- Achieve deeper market penetration in concert with Trade Allies
- Be good stewards of ratepayer money

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Current Rules

Existing Buildings

- Retrofits and replacements of components and single systems

New Buildings

- New construction
- Major renovations
  - 2 or more systems completely replaced

Production Efficiency

- Retrofits and replacements of industrial process equipment, lighting and HVAC related to production
- Major renovations
  - 2 or more building systems completely replaced handled by New Buildings

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Issues with Current Rules

Baselines for Incentives and Savings

- Retrofit vs. Replacement vs. Major Renovation
  - Project type affects energy savings quantification and incentive calculation
  - Paying more in incentives than the total incremental costs of some projects

Project Assignment

- Market confusion about which program should serve specific projects
  - "Two or more systems" rule is vague
- Current rules do not coincide with our goals to develop longer standing relationships with industrial participants

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Staff Considerations Commercial

On July 1, 2008*:

- Existing Buildings will continue to address retrofits and replacements
- New Buildings will continue to address major renovations and new construction
- The guidelines for defining major renovation will be revised and incentive offers between programs will be aligned.

*Projects enrolled before July 1, 2008, under the present rules, will need to be completed by December 31, 2008. If there is an outlying circumstance then the project should work directly with the respective program to determine how to proceed.

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Current Commercial Project Sorting Rules

- Two or more systems rule
- Project phasing
- Change of occupancy

Commercial Program Target Projects

- Existing Buildings will address retrofits and replacements
  - Baseline for incentive calculation
    - Retrofit: existing equipment
    - Replacement: Code or Industry Standard
      - At the end of useful life
      - Does not meet occupant's operational requirements
- New Buildings will address major renovations; ideally major renovations are new buildings built within an existing structure
  - Baseline: Code or Industry Standard

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Baseline Determination

Does existing equipment meet occupant's operational requirements?	YES	NO
Baseline	Retrofit Baseline for incentives: Existing Equipment	Replacement Baseline for incentives: Code or Industry Standard

Commercial Project Sorting for Major Renovations

Replacement of at least lighting and HVAC that serve >50% of total building floor area	YES	NO
Program	New Buildings	Existing Buildings

Definition of Major Renovation: Existing equipment does not meet occupant's operational requirements and replacement of at least lighting and HVAC that serve >50% of total building floor area

Staff Considerations Industrial

Beginning on July 1, 2008:

- Production Efficiency program will serve as lead for all existing industrial facilities
  - PE will serve all buildings with production processes.
  - EB and NB will serve other buildings on industrial campuses
- New Buildings will work as the lead for NEW industrial construction projects coordinating with PE PDCs
  - PE will provide incremental process and production equipment support including HVAC and lighting related to process or products, not for human comfort. (No change from current coordinated program approach other than assigning NB as lead)

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Production Efficiency manages all industrial buildings and campuses

- Production Efficiency program incentives serve all retrofits and major renovations in buildings that contain industrial processes
- Reduces participant confusion in working with multiple programs and enables PE to build long term participant relationships via PDC model.
- Helps Energy Trust to better apply public purpose funds collected from industrial sector to industrial projects
  - Coincides with Energy Trust obligation to manage 838 funds according to contributing sector

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Production Efficiency manages all industrial buildings and campuses (cont'd)

Does existing equipment meet occupant's operational requirements?	YES	NO
Baseline	Existing Equipment	Code or Industry Standard

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PE Program Addresses Major Renovations on Production Floor (cont'd)

- A Production Efficiency program liaison will:
  - Be the first point of contact for all projects with an industrial component
  - Provide Trade Ally support including project reviews and Energy Trust representation on-site as necessary
  - Coordinate with Existing Buildings and New Buildings programs to provide retrofits and major renovations in non-production spaces on campuses (e.g. office building)

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Incentive Alignment

Beginning on July 1, 2008:

- All cost effective projects with a simple payback longer than 12 months will be eligible for incentives
- Retrofit, renovations and replacement incentive offers more closely aligned:
  - Lighting: $0.15/kWh up to 30% of eligible project cost but no more than 100% of incremental cost
  - Mechanical: $0.20/kWh and $1/Therm up to 30% of eligible project cost but no more than 100% of incremental cost

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Benefits of Staff Proposal

- The revisions to the definition of baseline and major renovations will help to alleviate confusion in the market

- Realignment within the industrial sector will:
  - Provide these participants with one point of contact
  - Nurture long-term relationships through the PDC model

- Incentive alignment will:
  - Prevent the same project from receiving two different incentive offers
  - Bring in major renovations that look like new buildings
  - Help us to be better stewards of ratepayer dollars

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Moving Forward

- Staff will be closely monitoring impacts on the market's ability to sell projects

- If things are not working then the rules will be reevaluated

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Questions and Conversation