**CONSERVATION ADVISORY COUNCIL**
Notes from meeting January 21, 2009

*Attending from the Council:*
Holly Meyer, NW Natural
Karen Meadows, Bonneville Power Administration
Paul Case, Oregon Remodelers Association
Bill Welch, EWEB
Jeff Bissonnette, Fair and Clean Energy Trust of Oregon, Inc.
Steve Weiss, NW Energy Coalition
Charlie Grist, NW Power Planning Council
Bruce Dobbs, BOMA
Lauren Shapton, PGE
Suzanne Dillard, ODOE
Don Jones, PacifiCorp
Lori Koho, OPUC (phone)

*Attending from the Energy Trust of Oregon:*
Steve Lacey
Diane Ferington
Fred Gordon
Sarah Castor
Ben Huntington
Kate Scott
Leana Mathews
Ashley Jackson
John Reynolds, board of directors
Phil Degens
Sue Meyer Sample
Tom Beverly
Matt Braman
Pete Catching
Dan Enloe, board of directors (phone)

*Others attending:*
Tom Kovalak, CSG
Mark Defrancisco, Heat Relief
Eric Breon, Oregon Green Solutions (OGS)
Kit Schumann, OGS
Jessee Schuman, OGS
Tracy Hruska, OGS
Benjamin Flaata, OGS
Jon Strahl, OGS
Izzy Weaver, OGS
Julia James, OGS
Phil Knight, Service Partners
Jeff Schmidt, Marhy Dist
Marshall Johnson, CSG

*Others attending, continued*
Rod Carson, RC Heating and Air Conditioning
Ron Penn, P&L Johnson Mechanical
Alecia Dodd, CSG
Tom Sorenson, Heat Relief
John Livengood, Gagles Heating
Dick Edwards, Nexant, Inc
Ed Hahn, Four Seasons Heating and Cooling
Courtney Dale, OGS
Pat Beckley, Carson Oil Co.
Kong Tang, Thrifty
Stewart Mercer, Gensco
Steve Guasco, Roth Heating
Mike Dawson, Gensco
Dave Foster, D&R Heating
Joe Frey, OGS
Ian Shelledy, CUB
Marilyn Williamson, NW Natural
Jeremy Prys, Rice Heating and Air Conditioning, Inc
David Band, Carson Oil Co
Berck Sheppard, AAA Heating and Cooling
Bad Bigalow, Tri County Temp
Dave Sadihawk, Tri County Temp
Garrett Harri, PGE
Bull Mountain Mechanical
Jeremy Anderson, WISE
Jerry Page, Total Comfort
Steve Campbell, Home Comfort
Tom Newman, AireFeo Inc.
Zach Erdmann, Premium Efficiency
Jeff McCormick, Gensco
Mary Mann, Goose Hollow Window Co.
John Schreiner, Nor-Air
Michael Pepellaskov, Energy Comfort
Carollyn Farrar, NW Natural
Kari Greer, Pacific Power
Lauren Flagn, ?
Jason Young, Climate Control
Jerri Cole, OIS Distribution
Adam Zielinski, Sustainable Solutions
Rob Staehle, Watts Heating

## 1. Welcome and Introductions

Steve Lacey reviewed the agenda and asked for self introductions.

**2.** Steve reviewed the 2009 schedule and changes to the council roster, noting that Paul Case (Oregon Remodelers), Holly Meyers (NW Natural), Allison Spector (Cascade NG), and Bill Welch (EWEB) will be representing their organizations in 2009.

## 3. 2009 Program Incentive Updates (Discussion)

*a. Existing Homes furnace incentives.* Diane Ferington explained Energy Trust's proposal that as of May 1, 2009, stand-alone incentives for gas furnaces no longer would be available. She noted that market studies indicated that a high percentage of high efficiency furnaces are being installed independent of program incentives and that this has been noted to stakeholders since last fall. She indicated that we would grandfather incentive applications through June to effectively complete the 2008-09 heating season. She welcomed comments.

- Contractors: the proposed change is unfair, unjust. They were skeptical of the studies and want percentages and know who was surveyed.
  Fred Gordon: 2 years ago when asked a sample of contractors if they would sell same equipment without incentive, most said yes. Distributers said they will still sell. Customers said they would have purchased without the incentive. There were 5 different inquiries over 3 years, each different in scope. We drew from multiple pieces of information to draw a conclusion and gave the industry a year to adjust to this.
- Vendor: we are not selling in this economy. What happened in the last few years is not going on now.
- Vendor: customers are going to be very upset comparing prices for 90% furnace. Taking away the incentive will take away business. How many furnaces need to be replaced? Many. We need the incentive to do it. Pricing affects people's decisions.
- Fred: incremental costs of a 90+ furnace range from $600-1,200 and our incentive is $150. The furnaces are selling with other features that we do not offer incentives for.
- Contractor: "If you take away the foundation of the program, your program will die". Customers will go back to less efficient heat pumps and furnaces because it's cheaper. 80% furnaces did not make a change until recently. There was a reason to go to 90% furnace. Most contractors here are better and stronger. They have been trained by Energy Trust and are trying to install the best.
- Contractor: there is no new construction going on. Contractors are entering the replacement market selling "price" by selling cheaper products.
- Contractor: Asked about the budget impact for eliminating the incentive,
- CSG representative: processed 6,500 $150 incentives for new furnaces- about $1M per 12 months.
- Contractor: "I pay monthly utility bills that include funding for Energy Trust incentives." If cutting incentives, where is money going?
- Contractor: the reason to have the furnace incentive is to achieve gas savings and also energy savings.
- New construction homes are going high performance: the cost difference between a 90% and 95% efficient furnace is about $1,600. Incentives really help people make the decision to go to the higher efficiency.
- To get to the other area where houses need new furnaces, we need the incentive to attract them to the higher efficient option.

- Steve Lacey, addressing where the furnace incentive budget has been redirected: the money will go toward other measures: duct sealing, insulation, gas water heaters, reducing amount of gas being used to heat the home and to bring gas expenditures in line with revenues received by utilities. Up until this year Energy Trust has been working to reduce the surplus in gas funding by spending more than it is currently taking in. By the end of 2009 there will be no more surplus and budgets will need to be reduced to align with the revenues.
- Fred: there is no evidence the electronically commuted motor generates enough savings to be cost effective.
- Contractor: We have seen the market change within the past 3 months.
- Contractor: a customer's 17-year-old furnace went out. The customer had the choice to spend $1,000 to keep two old furnaces running, or $5,000 to upgrade to an efficient furnace. He chose to fix his furnace for $1,000. He does have the money and chose not to upgrade. They are seeing parts selling to keep 70% and 80% furnaces running rather than upgrading.
- Contractor: asks about activity in Southern Oregon.
- Fred: We are investigating sales in Bend to see if we should continue the program there and in other Cascade Natural Gas territory. We do not serve the furnace replacement market in the Medford area- Avista runs their own program.
- Diane: restates that incentives will not change until after May. Sales are most likely to be processed thru June.
- Paul Case: if activity drops and proves that the incentive is needed, will we act on this?
- Steve: we may offer another promotion in the fall with incentives for furnaces if we find the market is reverting back to lower efficiency furnaces. We are trying to put together a program that best serves the rate payers who are the source of incentive and program funding.
- Contractor: disputes survey findings. Incentive drives many to purchase 90% furnaces. State tax incentives are limited and nothing is available at the federal level.

*b. Existing Homes air sealing incentives.* Diane said a new requirement proposed to take effect May 1, 2009, would set a new, higher minimum air flow reduction of 200 cubic feet per minute to qualify for an incentive. She reviewed duct and air sealing benefit cost ratios.

- Contractor: asked where did the data backing the change come from?
- Fred: savings data represents our best estimates after consulting with RTF and experts. Cost data is based on air sealing installations completed through the program.
- Contractor: how do we verify that these numbers are accurate?
- Dave Hutchins (CSG): noted that very few trade allies have enrolled in air sealing training classes he offers and encourages contractors to take advantage of these trainings.
- Contractor: business now is 40% of where it was last year. Cutting incentives in this tough economy will hurt contractors you took the time to train.
- Several contractors: Energy Trust incentives helped us get started. Taking them away now is a bad move, considering the economy.
- CSG representative asks the contractor what percentage of the incentive pays the cost of the installation. The contractor replied that 100% is covered with the Mobile Homes program.

*c. Existing Homes duct sealing incentives.* Diane presented data supporting a proposed duct sealing incentive of $0.50 per CFM improvement.

- Contractors: recommend using other studies as sources of data.
- Contractor: questions the fairness of incenting a 95% efficient furnace regardless of the efficiency improvement over the old furnace, while basing duct sealing incentives on the percentage improvement.
- Oregon Green Solutions (OGS): Energy Trust's incentive pays 100% of the cost of their work. They work mostly in older homes. Many of their customers who have the lowest incomes have the highest utility bills. Energy Trust needs to focus on low income customers. Most people have never heard of Energy Trust until OGS shows up. Many can't afford to do measures that qualify for incentives other than the "free" duct sealing OGS offers.
- Diane: Energy Trust is working on an initiative serving lower income homes.
- Contractor: if you decrease incentives now as the economy continues to erode, half the people in this room are going to lose their jobs.
- Steve: structuring the incentive around units of CFM improvement is simpler than other approaches; we constantly hear contractors asking for greater simplicity in our programs.

d. *Other incentive changes*. Diane said the Home Performance with Energy Star coupon will be discontinued in 2009. A bonus coupon will be offered in spring. The windows promotion will not be offered this spring.

- Mary Mann: clients are holding off from purchasing now because they think promotions are on the way, and asks Energy Trust to let customers know that the promotions will not be offered. Don't say "we might make another special offer" because that just makes people wait.

*e. New incentives.* Diane noted new incentives will be offered for tankless water heaters with electric ignition and high efficiency boilers with electric ignition.

f. *Mobile/manufactured home incentives*. Diane and Dave Hutchins explained new requirements for mechanical ventilation associated with duct- and air-sealing in mobile homes. A 100 CFM reduction will be required to qualify for an incentive.

- Contractor: 95% of his business serves mobile homes. Most clients cannot afford upgrades. How do we reach and serve these folks? The wait for Community Action Program assistance is three years, at least.
- Diane: we are looking at ways to serve that income bracket.
- Steve: while the public purpose funds coming to Energy Trust are not eligible for serving low income, and the 17% share of the public purpose fund directed at low income households is administered by the Oregon Department of Housing & Community Services, not Energy Trust, the Obama stimulus package is likely to have more funding for low income programs. The Oregon Public Utility Commission may have leeway to change the value given to non-energy benefits, such as low income support, in the cost effectiveness test Energy Trust must, by law, apply to any incentive it offers.
- Steve noted that more than half of Energy Trust's 2009 gas efficiency budget supports the existing homes program.

***Conservation Advisory Council members' comments on proposed incentive changes:***

- Steve Weiss: frightening when people say their businesses are going to fail. We need to further consider the incentive changes. Suggests a smaller meeting to focus on effect on Energy Trust programs. Would hate to make a decision [supporting incentive changes] in the face of this feedback from trade allies.
- Suzanne Dillard: timing seems bad. Once you take something away, people back off and don't realize that the incentive may be coming back.
- Lauren Shapton: concerned about data used. PGE heat pump data didn't look like Energy Trust data. Not sure the market has changed.
- John Reynolds: concerned about the proposed incentive changes.
- Karen Meadows: concerned about the cost effectiveness of duct sealing.
- Holly Meyer: concerned about the furnace issue. With this level of disagreement, we need to dig more into it, in particular the effect of the down economy. She would hesitate to change the incentive.
- Bill Welch: not convinced that $150 from Energy Trust is going to keep high efficiency furnaces going in this economy. We will have to acknowledge that we will lose trade allies if we cut the incentives.
- Steve Lacey: Energy Trust gas spending is on course to outpace revenue, as we spend down carryover funds from past years. We will need to go back to NW Natural and Cascade to fund the higher activity level if this trend continues. We will check mid summer on where we are with our savings and activities.

Council members generally agreed on the need for more discussion before reaching decisions.

**4. Home Electronics Program** (discussion)

Fred delivered a presentation and noted that, among home electronic products, televisions are the biggest electricity consumers. Challenge is nationally to get major retailers, such as Best Buy and Costco, to lean on manufacturers to develop higher efficiency products. In California, Pacific Gas and Electric has had some success.

Key elements include common specifications for all participants, and sales agents who work with manufacturers. Goal is to include televisions, monitors and personal computers.

The approach makes sense if done regionally through the Northwest Energy Efficiency Alliance. Energy Trust could support NEEA's work. NEEA would ally with Pacific Gas and Electric, Sacramento, and maybe others to offer a large area with a similar offer to the national retailers. PG&E proposes to develop a coordinating council to run near-identical programs at different utilities.

Fred noted that PG&E developed an excellent program design to market to large retailers and buying coops for small retailers, but is not sure PG&E picked the best efficiency levels. It is possible that NEEA could help the joint program develop a more aggressive standard and move things faster. BPA and Puget Sound Energy have expressed interest in NEEA taking this role. He believes the effort would cost $1 million in 2009 to get started.

He concluded the effort meets criteria for new ventures, including:

- Significant savings
- High chance of success and changing market
- Outsourcing work to NEEA that would be difficult for Energy Trust to staff

- There are some manageability issues, but they can probably be resolved
- There are expansion opportunities.
- Opportunities to serve rural areas and work with small retailers as well as the big-selling outlets.
- Complement to core programs.

Bill Welch feels this will make people think about energy efficiency with everything that they buy. Studies show more and more people are interested in efficiency. Fred says that by 2010, NEEA proposes the budget will increase. Other utilities may want to fund as well. He is not sure if the money is available at this time but will have a clearer picture by the end of the month when we close the books on 2008.

Steve noted there was general support from council members and no dissenting opinions.

Fred will describe this potential initiative to the Energy Trust board at its February meeting.

*Meeting adjourned at 4:00 pm. Next meeting is February 18, 2009.*