



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital

FROM: Mark Freeman, Customer & Energy Management Services Department Manager and Kathy Grey, Residential Energy Management Services Program Supervisor

DATE: December 20, 2013

SUBJECT: EMS limited income conservation, rental weatherization and other support initiatives

OBJECTIVE: Provide requested information to the Board regarding the subject

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## **Issue:**

This memo is in response to a request for background on limited income conservation and rental property weatherization. Included as links are past background memos in response to previous Board requests of similar nature and attached is a table of penetration levels into these markets.

## **Background:**

Per ORS469.665, energy conservation measures to a dwelling shall be considered part of the utility service rendered by a publicly owned utility. The Eugene Water & Electric Board (EWEB) has offered very generous limited income and rental weatherization conservation programs since 1982. In 2011, EWEB was asked to evaluate the viability of a more specific regulatory approach to capturing more energy efficiency. Staff conducted a high-level assessment of a seemingly straightforward idea, requiring an energy audit of the building at time of sale, and uncovered numerous logistical and political issues. See [page 6 of March 19, 2012 Energy Audit Ordinance Proposal Memo](#).

### Limited Income (LI) Energy Conservation Activity

It is important to recognize that EWEB's energy conservation activities are budgeted and accounted for separately from EWEB's bill assistance programs (Customer Care). Although the two programs are coordinated, they address different objectives. Customer Care includes an education component where approximately 1,000 participants annually receive energy use education and equipment such as low-flow showerheads and CFLs free of charge. The education component of Customer Care complements the energy conservation programs and messages; and Customer Care energy advocates refer customers to EWEB's energy conservation programs.

EWEB allocates its energy conservation costs across customer rate classes by revenue. These conservation costs are split and captured through the delivery and energy charges. Because limited income customers' electric profiles are typical residential profiles, limited income customers are paying the same proportional share for conservation in their rates as other residential customers and yet are receiving a higher proportional benefit from EWEB's conservation programs.

It is estimated that between 20-30% of the Eugene population is at or below 60% of the state median income level, which is the qualifying income level for EWEB and Federal utility assistance. Historically, EWEB has targeted serving at least 20% of its limited income households through its energy conservation programs. See [September 6, 2011 Energy Management Services Penetration in Rental and Low-Income Housing Markets Memo](#). Energy Management Services (EMS) records going back to 1982 show EWEB energy conservation penetration into Eugene's limited income market has averaged more than 20%.

Forty-seven percent (47%) of all residential energy conservation projects completed over the last five years were on limited income households, and 52% of budgeted residential incentive dollars were spent on these projects, many of which are also rentals (see attached table 1). These incentives went primarily toward weatherization, heating system improvements (ductless heat pumps introduced in 2009), solar water heating, and residential multifamily (less than four stories) new construction<sup>1</sup>. In addition, 84% of commercial multifamily high-rise (four stories and above) new construction and retrofit projects completed during this same period have been for limited income occupancy. This is remarkable considering that during this time Eugene was experiencing an economic downturn, unemployment was at an all-time high and discretionary spending curtailed.

The Bonneville Power Administration (BPA) offers utilities the ability to use their BPA allocation to claim "dollar-for-dollar" expenditures for specific measures in qualified limited-income residences and up to \$20 per square foot for windows. Until 2012, EMS funded 100% of the costs for insulation, electronic thermostats, and duct-sealing; between 30-50% of the costs to install efficient windows; and an additional \$500 above the regular income heating systems incentive for limited income occupied properties (rental and owner-occupied). Limited income homeowners could receive 100% of the windows paid for through HACSA. Federal and State tax credits have been available to both residential homeowners and rental property owners.

Additionally, income eligible customers with approved credit can receive zero-interest loans to cover remaining program costs, whereas other customers must choose between rebate incentives or a zero-interest loan. In the past five years, nearly 500 limited income customers received loans for conservation projects.

As part of the EWEB 2012 cost cutting strategy, EMS conservation budgets and staff were reduced. To balance customer demand with reduced resources, EMS reduced incentives across all residential customers and eliminated some programs. This strategy included transferring all future limited income retrofit projects to HACSA starting in 2013. An intergovernmental agreement between EWEB and HACSA was approved by EWEB's Board in March 2013, allocating \$500K to provide whole house retrofits of limited income owner-occupied homes. EWEB agreed to continue the HACSA contract in 2014. Therefore, 41% of all residential conservation incentives dollars in the 2014 budget are targeted towards LI.

To make program participation attractive and affordable, incentives targeting limited income and rental property owners are typically more generous. Limited income project incentives range from 25–100% above traditional programs. Combining the higher incentives with the increased customer and contractor support required to bring these projects to completion translates into an average of about 50% higher operating cost for each kWh saved on a limited-income customer project.

### Rental Property Energy Conservation Activity

It is estimated that between 48-50% of all housing units in Eugene are rental units. Over the past five years, an average of 41% of projects completed were on rental properties (refer to attached tables). The 2010 Conservation Potential Assessment (CPA) listed approximately 11,000 living units in EWEB's service territory that had no record of participating in energy conservation programs. Of those non participants, approximately 6,800 were electrically-heated rental units. To gain insight into this market, research was conducted in 2012 that identified the majority of property owners of these non-weatherized rental units. Based on focus group research, staff has since created an action plan to contact these property owners and is implementing a targeted direct mail campaign in 2014 to encourage action. See [page 22 of April 5, 2013 Memo Rental Weatherization Research and Recommendations](#).

### Energy Conservation Outreach Activities

Outreach to limited-income and rental households includes: Coordinated referral from EWEB's Customer Care Bill Assistance programs, listings in Senior and Boomer News resource directory, Community Resources Network meetings with social services agencies, assessing customers who contact EMS directly to determine potential inclusion in limited-income programs, querying EWEB's CIS periodically to determine customers who have received LIHEAP and other types of LI assistance, referrals from the City of Eugene, advertising in the Rental Owner Association (ROA) newsletter, ROA meeting presentations, and direct mail to landlords and property owners of non-weatherized units (referenced above).

Affordability is a key strategic issue utility-wide and has become the primary barometer that staff uses to weigh program and service decisions. EWEB staff has made every attempt to strike a balance between affordability and availability of services and has made tangible improvements where possible. Increasing market penetrations in segments that may be lagging in energy efficiency too often requires additional funding. This additional market penetration may be a challenge given EWEB's current budget situation, relatively small conservation acquisition targets, and the EMS redesign objective to ensure year-round program availability for all interested residential customers.

Despite these limitations, 2013-14 incentives for ductless heat pumps (DHP) were expanded to include manufactured homes (MH). Staff estimates there are about 6,000 MH in EWEB service territory and anticipates that this program expansion will help reach a LI market segment that has been traditionally under served. Staff is not planning to actively promote this technology to manufactured home customers, but rather will accommodate natural demand from customer inquiries.

### **Recommendation:**

No recommendations, informational only.

### **Requested Board Action:**

None

<sup>1</sup> Appliances and lighting energy conservation programs are excluded because these programs are delivered by retailers who do not capture purchasers' income levels.

<http://quickfacts.census.gov/qfd/states/41/4123850.html>

**Table 1. EWEB Limited Income and Rental Property Penetration (2008-2012)**

Limited Income and Rental Property Project Data:

Completion Year	Total number of Projects	Number of Limited Income Projects	Limited Income as % of total projects	Number of Rentals	Rentals as % of total projects	Number of Limited Income Rentals	Limited Income Rentals as % of total projects	Number of Non-Limited Income Rentals	Non-LI Rentals as % of total projects
2008	2,176	1112	51%	902	41%	812	37%	90	4%
2009	2,198	1012	46%	701	32%	530	24%	171	8%
2010	2,714	1474	54%	989	36%	552	20%	437	16%
2011	3,028	1373	45%	1,461	48%	1,072	35%	389	13%
2012	1,847	667	36%	808	44%	368	20%	440	24%
<b>Totals</b>	<b>11,963</b>	<b>5638</b>	<b>47%</b>	<b>4,861</b>	<b>41%</b>	<b>3,334</b>	<b>28%</b>	<b>1527</b>	<b>13%</b>

Incentive Dollars paid to Customer for Energy Efficiency Projects:

Completion Year	Total Incentives paid	Total Appliance and Lighting Incentives	Total Incentives not including Appliances and Lighting	Total limited income incentives paid	Limited Income as % of total incentives paid
2008	1,482,584	430,908	1,051,676	755,525	72%
2009	2,188,392	455,184	1,733,208	785,102	45%
2010	2,548,833	325,479	2,223,354	1,083,531	49%
2011	2,987,987	388,197	2,599,790	1,290,554	50%
2012	1,395,328	339,331	1,055,997	573,697	54%
<b>Totals</b>	<b>10,603,124</b>	<b>1,939,099</b>	<b>8,664,025</b>	<b>4,488,409</b>	<b>52%</b>

**Table 2.**

## New Construction Projects 2008 – 2014

Residential New Construction - Limited Income Projects						
Year	LI Projects	Residential Housing Type	Number of units	LI Incentives	% LI vs. Non LI units (per year)	% LI Incentives vs. Non LI units (per year)
2008	2	Multifamily	29	\$ 23,800	14%	13%
2009	2	Multifamily	166	\$ 82,635	47%	56%
2010	2	Multifamily	45	\$ 15,485	19%	14%
2011	0					
2012	1	Multifamily	56	\$ 7,676	48%	9%
2013	3	2 Single Family, 1 Multifamily	56	\$ 19,000	64%	N/A
2014	6	5 Single Family, 1 Multifamily **	59	\$ 6,250	31%	N/A
<b>Totals</b>	16		411	\$ 129,596		25%

**Note:** 2013 LI projects expected December 31, 2013.  
LI incentives column does not include 2013 and 2014 estimated incentives.

Commercial - New Construction and Retrofit Limited Income Projects						
Year	LI Projects	Commercial Housing Type	Number of units	LI Incentive	% LI vs. Non LI units (per year)	% LI Incentives vs. Non LI units (per year)
2008	0					
2009	0					
2010	1	Multifamily	35	\$ 19,464	100%	16%
2011	2	Multifamily	45	\$ 48,557	56%	7%
2012	3	Multifamily	105	\$ 18,042	100%	7%
2013	0					
<b>Totals</b>	6		185	\$ 86,063	79%	8%

**Note:** Commercial multifamily high-rise projects (four stories and above).