

**The subcommittee proposes not to develop a stand-alone legislative concept at this time. Instead, we have identified one proposal to incorporate into the financing concept and several non-legislative options for next steps.**

### **Background**

District energy systems are based on centralizing the heating and cooling equipment, with a thermal network to interconnect buildings within a defined service area. Almost always, that service area is a defined franchise utility, with a single provider offering monopoly service with regulatory oversight. These systems can be publicly or privately owned.

District heating and cooling systems offer the potential for more efficient equipment, better management of energy needs among buildings (e.g., smoother peaks), better opportunities for installing clean technology, and finance and operations models that can make investment decisions with longer time horizons. At the same time, as buildings become more efficient and technologies that can be retrofit to individual buildings continue to improve (e.g., heat pumps and solar), the potential benefits of a district system need to be evaluated on a case-by-base basis.

The primary barriers to district systems appear to be coordination among potential customers, financing the large capital investment, and working with local governments to resolve issues around use of the public rights of way.

### **Potential Next Steps**

1. In the legislative concept addressing financing, define district energy and include district systems as one type of energy efficiency project that could be funded under the new financing mechanism(s), to the degree that a given system offers efficiency benefits.
2. Propose that the PUC undertake further study of barriers to district energy systems and convene utilities and customer groups to explore how the costs and benefits of systems would be shared, if an existing utility were involved.
3. Review the City of Portland study of the technical and financial feasibility of a district energy system in the North Pearl. The study will be completed in fall 2008 and may shed light on technical and financial merits as well as potential barriers.