

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1158

In the Matter of)
ENERGY TRUST OF OREGON) The Industrial Customers of Northwest
Recommendations for Performance) Utilities' Additional Comments on the Staff's
Measures.) Recommendations for Energy Trust of Oregon
) Performance Measures
)
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The Industrial Customers of Northwest Utilities (“ICNU”) submits these comments in response to the five italicized questions in Administrative Law Judge Michael Grant’s July 26, 2004 Memorandum.

I. MEASURES VS. CONDITIONS

The two performance measures that are mentioned in this section of the Memorandum (an unqualified audit opinion and ensuring that at least 80% of the conservation funds will be spent in the service territory where they are collected) are the two that should be subject to a pass/fail requirement. The financial performance measure is relatively easy to quantify and is critically important. The Energy Trust of Oregon (“ETO”) receives mandatory public purpose funds and therefore carries a very high fiduciary responsibility. The 80% performance measure is somewhat different. First, it is a legislative requirement and therefore is a hard constraint. However, the Oregon Public Utility Commission (“OPUC” or the “Commission”), the ETO, and interested parties should engage in a process to better define how the 80% criteria should be applied. The ETO (and utility customers) needs to know the precise boundaries of this performance measure. For example, over what time period is the 80% calculated? Is it calculated annually or over the life of the program? Does it mean that 80% of the incentives paid to Oregon Investor Owned Utility (“IOU”) ratepayers will actually be spent in Oregon IOU

service territories or does it mean that 80% of all of the ETO conservation revenues will be spent in those service territories?

The other performance measures should be used as an early warning system to allow the OPUC to raise, and the ETO to address, issues before they rise to a level requiring a Notice of Concern.

II. INDIVIDUAL PROGRAM PERFORMANCE

At this time, ICNU would support applying the cost effectiveness criteria to overall energy efficiency and renewable resource performance. We recognize that in any large-scale energy efficiency effort some programs may not turn out to be cost effective. For example, a small program may be put in place to address a small, but previously under-served customer category. Even if the program is not precisely cost effective, if it serves an important ETO goal and the impact on the ETO's overall cost effectiveness is small, it may be appropriate. In other cases, a program just may not work as expected, even after several modifications. That is part of the trial and error process that is important to seriously exploring new methods to approach conservation delivery. Focusing on individual program cost effectiveness could force the ETO to fund only large, mature conservation programs. This could stifle the innovation needed to achieve the ETO's performance goals.

At some reasonable level, this should be self-correcting. While ICNU supports an overall cost effectiveness performance criteria, we presume the ETO will collect and report individual program cost effectiveness performance. The programs that are not cost effective should be closely monitored and receive extra scrutiny to ensure that they continue to be justified. If too many of these programs exist, they will begin to erode the ETO's overall cost effectiveness performance and the ETO will have no choice but to terminate some of the least cost effective programs.

III. MINIMUM VS. SUPERIOR PERFORMANCE

More than one target level could be established, if truly comparable information exists for the various performance measures. Take the savings and cost performance measures. If the OPUC and ETO could agree on comparable utility conservation program information (including all ratepayer costs such as lost revenue recovery), then that could be used as the baseline or “but for” test. If the ETO did not exist, then the utility performance is what we could expect. Since it is a baseline, we could give the utility performance a “C” or average grade. If the ETO’s performance fell below this level, it would be a cause for further attention. If it fell a certain percentage below this level (i.e. 10% – 20%) for a certain time period, then the OPUC, using its discretion, could issue a Notice of Concern. Obviously, we presume the ETO will work towards the positive side of average and the same method would be used to acknowledge and reward good or excellent performance.

Our principal concern is the difficulty of finding comparable information against which to measure performance.

IV. GRANT AGREEMENT

We do not believe that it makes much difference whether the performance measures are incorporated in the grant agreement, or are only referenced in the grant agreement and communicated to the ETO and public via a process that is similar to the one in which we are currently engaged. The decision turns on how often the parties to the grant agreement want to reopen the grant agreement for review and revision. While we believe a periodic review of the grant agreement is appropriate, incorporating the performance measures into the grant agreement would establish an annual review process. An annual review may be too frequent. Having an annual review process that focuses solely on the performance measures would be most efficiently accomplished if this is a stand-alone process.

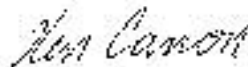
V. CUSTOMER SATISFACTION

We are not sure whether a specific customer satisfaction target is either appropriate or desired. How customers view the ETO obviously is important. However, surveying customer satisfaction, not unlike any other polling, is governed more by the nature of the survey itself than anything else. Ask the correct questions and the ETO could be assured of getting a 100% positive response. However, we should want the ETO to ask the tough questions, those that help the ETO to improve service to Oregon ratepayers. This will likely lead to customer satisfaction surveys oriented more to specific programs than to overall satisfaction ratings. Establishing a specific number into this benchmark will lead the OPUC into questioning the details of the survey instrument itself. This may not be a good use of the OPUC's time or of the ETO's funds. We would recommend withholding establishing a specific target for customer satisfaction. Instead, the OPUC should create the expectation that the ETO will survey for customer satisfaction. The OPUC should also use its annual ETO benchmark review process as another independent method to sample customer attitudes towards the ETO.

We appreciate the opportunity to work with the OPUC and the ETO to establish meaningful performance measures.

Dated this 5th day of August, 2004.

Respectfully submitted,



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