

ITEM NO. 3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 26, 2019

REGULAR X CONSENT _____ EFFECTIVE DATE February 27, 2019

DATE: February 20, 2019

TO: Public Utility Commission

FROM: Anna Kim *AK*
I

THROUGH: Jason Eisdorfer and JP Batmale *JPB*

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1158) 2019 performance measure recommendations for Energy Trust of Oregon.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (Commission or OPUC) adopt the proposed performance measures as stated in this memo for evaluating the performance of Energy Trust of Oregon (Energy Trust) in 2019 and direct Staff to develop two additional performance measures to be used in 2020 for review and possible adoption at a later Public Meeting.

DISCUSSION:

Issue

Whether the Commission should adopt the proposed performance measures for evaluating the performance of Energy Trust in 2019 and consider two additional measures in a later Public Meeting.

Applicable Law

Energy Trust operates under a grant agreement with the Commission, entered into pursuant to ORS 757.612(3). The grant agreement requires the PUC to establish quantifiable performance measures that clearly define its expectation of Energy Trust's performance. The following statement can be found on page 3 of the grant agreement:

The Energy Trust and the PUC recognized the need for having valid and quantifiable performance measures that clearly define the PUC's expectation of

the Energy Trust's performance. The performance measures are developed to clarify minimum expectations for Energy Trust on an ongoing basis and may be adjusted from time-to-time. The Energy Trust will regularly report to the PUC, comparing actual performance to the PUC established performance measures. Should the Energy Trust fail to meet the performance measures adopted by the PUC, the PUC, at its discretion, may issue a Notice of Concern. In choosing to issue such a Notice of Concern, the PUC will take into account reasonable causal factors and any mitigating actions taken by the Energy Trust.

The Commission has reviewed and approved Energy Trust's annual performance measures regularly since 2004. See table below:

Year	Order No. for Energy Trust's Annual Performance Metric
2004	04-593
2005	05-920
2006	06-679
2007	07-123
2008	08-529
2012	12-094
2013	13-070
2014	14-103
2015	15-127
2016	16-055
2017	17-050
2018	18-076

Analysis

The remainder of this memo provides: (1) an overview of the performance measure development; (2) descriptions of each performance measure proposed for 2019; (3) a table summary of the 2019 performance measures; and, (4) a discussion of the performance metrics Staff wish to develop in the upcoming months.

Purpose and Process

The purpose of Energy Trust performance measures is to clearly define the Commission's minimum expectations. Performance measures are not meant to be targets or goals. Rather, they reflect a threshold by which regulators can determine the health of Energy Trust programs. They are meant to provide early indicators of poor performance, which if not met, signal that intervention may be required. Energy Trust sets specific goals, collaboratively developed with utilities and Staff, in its annual budget

and action plan. These goals are based on available conservation and renewable generation as indicated by utility IRP targets and market studies.

In November each year Energy Trust presents its annual budget and action plan to the Commission. The Commission then offers insight, direction, and recommendations to Energy Trust to adopt prior to the annual budget being finalized by the Energy Trust board in December.¹ Energy Trust presented its 2019 budget and action plan to the Commission at a special public meeting on November 8, 2018.²

The annual update of performance metrics has become an exercise that generally takes place between Energy Trust and Staff. However, a substantial amount of work happens between the utilities and Energy Trust each year to develop Energy Trust's energy efficiency and renewable goals. This dialog between the utilities and Energy Trust forms the basis of the goals specified in Energy Trust's annual budget and action plan.

Overview of Performance Measure Categories

Energy Trust performance measures cover a wide range of operational aspects as follows:

1. Electric Energy Efficiency
2. Natural Gas Energy Efficiency
3. Renewable Energy
4. Financial Integrity
5. Program Delivery Efficiency
6. Staffing
7. Customer Satisfaction
8. Benefit/Cost Ratios
9. Proposed New Metric in Development: Diversity, Equity, & Inclusion

In 2012, the Commission approved a more systematic approach to developing Energy Trust's annual performance measures.³ Each performance measure was explicitly linked to either Energy Trust's annual budget goals and/or references Integrated Resource Plan (IRP) targets for a specific utility.

Staff proposes two changes of note for 2019. The first concerns the staffing performance measure. Staff recommended changing this for 2019 because the 2018

¹ For more information on Energy Trust's budget process please see <https://www.energytrust.org/about/reports-financials/budget-action-plan/>.

² For more information on this special public meeting please go to http://oregonpuc.granicus.com/GeneratedAgendaViewer.php?view_id=1&clip_id=341.

³ See UM 1158, Commission Order No. 12-094.

budget contained the highest ever total for staffing costs and nearly the greatest year-over-year increase.

The second is the administrative performance measure. Staff recommends changing this for the 2019 budget because Energy Trust's administrative costs have risen at a much greater rate than overall revenues since 2015.

In addition, Staff proposes to develop two metrics for 2020. The first is again, the staffing performance measure. Energy Trust is expected to continue to perform in compliance with the staffing metric in 2018 and 2019. Energy Trust has indicated to the commission, however, that due to forecasted reductions in annual expenditures associated with successful market transformation, it does not expect to meet it in 2020 and beyond. Staff requests more time to develop a more appropriate metric that measures Energy Trust performance under expected market conditions.

Staff also proposes that a new performance metric be developed to measure and evaluate Energy Trust's performance in the category of Diversity, Equity, and Inclusion. The performance metric will be developed by Staff and in coordination with various stakeholder groups to create an appropriate measure to be applied to Energy Trust in 2020.

Descriptions of Each Performance Measure Category

Measures 1 and 2: Electric and Natural Gas Efficiency Savings & Levelized Costs

In 2014 the Commission adopted Staff's recommendation to move to a single savings performance measure for each utility.⁴ The annual OPUC performance measure uses the Board approved savings goal as the basis for its calculation. The single savings objective per utility is calculated each year as 85 percent of Energy Trust's board-approved savings goal at a levelized cost ceiling.⁵ The Board-approved savings goals are close to, if not equal to, each utility's IRP targets. The table below compares the 2018 and 2019 savings and levelized cost performance measures by each utility.

⁴ See Order No. 14-103. Previously Energy Trust had two annual savings performance measures: a *stretch* (100 percent of annual goal) and a *conservative* (85 percent of annual goal).

⁵ The OPUC's levelized cost ceiling for Energy Trust is 115 percent of the Board-approved levelized cost goal for that year.

Table 1 – Efficiency Performance Measures by Utility, 2018 and 2019

Utility	2018 Performance Measure (Minimum aMW & Levelized Cost)	2019 Performance Measure (Minimum aMW & Levelized Cost)
Portland General Electric (PGE)	30.9 aMW @ no greater than \$0.033/kWh	28.5 aMW @ no greater than \$0.035/kWh
PacifiCorp (PAC)	17.2 aMW @ no greater than \$0.036/kWh	16.8 aMW @ no greater than \$0.037/kWh
Northwest Natural (NWN – Oregon Only)	4.8 M therms @ no greater than \$0.37/therm	4.4 M therms @ no greater than \$0.44/therm
Cascade (CNG)	0.47 M therms @ no greater than \$0.43/therm	0.43 M therms @ no greater than \$0.48/therm
Avista	0.30 M therms @ no greater than \$0.25/therm	0.30 M therms @ no greater than \$0.43/therm

Measure 3: Renewable Energy

In 2018 the Commission adopted Staff's recommendation to modify the renewable energy performance metric. The new measures report on trends over time and allow OPUC to offer more customized insights without penalizing Energy Trust for the normal variations in custom, non-solar project development and completion. This year's performance measure aligns with the priorities for Energy Trust's current strategy for small scale renewable energy development.

- 1) Deploy \$1.63 Million in project and market development assistance with a project pipeline of non-solar projects in excess of 25 projects. Energy Trust will report the number of projects served, total funds spent and summarize progress.
- 2) For project and market development assistance, Energy Trust will report annual results, including number of projects supported, milestones, and documentation or results from market and technology perspectives.
- 3) For the standard net-metered, solar program obtain at least 1.7 aMW of installed generation.

- 4) For solar projects funded outside of the program's standard, net-metered incentive offer, Energy Trust will report all sources of funding for projects and the criteria for selection.

As this is the second year of these performance metrics and the renewables industry continues to experience changes, these metrics may be revisited in upcoming years.

Measure 4: Financial Integrity

Energy Trust engages a third party annually to conduct a financial audit once the calendar year has closed. Staff proposes to maintain the current performance measure for financial integrity, which is to receive an unmodified financial opinion. Energy Trust has met this measure every year since launching.

Measure 5: Program Delivery Efficiency (Administration)

The program delivery efficiency measure is a maximum threshold for administrative and program support costs as a percentage of total annual revenues. The initial target of 11 percent was set in 2004 with the establishment of Energy Trust's performance measures.⁶

Historically, Energy Trust has maintained delivery efficiency percentages ranging between 4.6 percent and 6.9 percent. In 2012 the measure was adjusted down to 9 percent.⁷ Three years later the Commission approved lowering the performance measure down again, from 9 percent to 8 percent.⁸

The forecast for 2019 estimates this percentage will be approximately 7.4 percent.⁹ Staff recommends maintaining the measure at 8 percent for 2019.

Additionally, the Commission approved another metric starting with the 2019 budget to cap absolute growth in administrative costs to 10 percent year-over-year growth and Staff recommends maintaining this measure.

Staff requested that it be easier to find administrative costs in the 2019 budget. Energy Trust has updated its filed annual budget documents to make it easier to determine applicable costs for this OPUC performance measure.¹⁰ Administrative costs fall under the following categories:

⁶ See Order No. 04-593.

⁷ See Order No. 12-094.

⁸ See Order No. 15-127.

⁹ See Energy Trust's Approved 2019 Annual Budget and 2019-2020 Action Plan, December 14, 2018, pg. 7.

¹⁰ See Order No. 18-076.

- Employee Salaries & Fringe Benefits if not directly related to program delivery
- Agency Contractor Services if not billed to program delivery
- Planning and Evaluation Services if not billed to program delivery
- Advertising and Marketing Services if not billed to program delivery
- Other Professional Services if not billed to program delivery
- Travel, Meetings, Trainings & Conferences
- Dues, Licenses and Fees
- Software and Hardware
- Depreciation & Amortization
- Office Rent and Equipment
- Materials Postage and Telephone
- Miscellaneous Expenses ¹¹

Measure 6: Staffing

This performance measure pertaining to Energy Trust's staffing costs was established in 2015.¹² The measure is determined by calculating a three-year rolling average of total staffing costs divided by total annual expenditures. The three years used in the average include the proposed next year budget, current year budget forecast and prior year actual costs. In 2017, Staff worked with Energy Trust to revise the performance metric from 7.75 percent three-year rolling average including contractor costs to 7.25 percent three-year rolling average *not including agency contractor costs*. The metric was also modified to include a 10 percent cap on year-over-year increases.¹³

To increase transparency and accountability, Energy Trust began to report employee (staffing) costs and agency contractor costs separately in the 2019 budget. Agency contractors became a new line item in the budget.

Measure 7: Customer Satisfaction

Energy Trust should maintain a minimum of 85 percent of customers indicating they are satisfied or very satisfied with; a) interaction with program representatives where they are utilized (E.g., Existing Buildings Program), and b) overall satisfaction. Staff proposes to keep the customer satisfaction performance measure the same as it was last year.

Measure 8: Benefit/Cost Ratios

Staff proposes to maintain the current performance measures for benefit/cost ratios as shown below.

¹¹ See Staff Report at Special Public Meeting on Energy Trust's 2019 Budget, November 8, 2018, pg. 10-11.

¹² See Order No. 15-127.

¹³ See Order No. 18-076.

Proposed 2019 Performance Measures

The proposed 2019 performance measures for Energy Trust are detailed below. They include the previous year's performance measures for comparison purposes.

Category	2018 Performance Measure	Proposed 2019 Performance Measure
Electric Energy Efficiency	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> • PGE: Obtain at least 30.9 aMW; Levelized cost not to exceed 3.3 cents/kWh • Pacific Power: Obtain at least 17.2 aMW; Levelized cost not to exceed 3.6 cents/kWh 	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> • PGE: Obtain at least 28.5 aMW; Levelized cost not to exceed 3.5 cents/kWh • Pacific Power: Obtain at least 16.8 aMW; Levelized cost not to exceed 3.7 cents/kWh
Natural Gas Energy Efficiency	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> • NW Natural: Obtain at least 4.8 million annual therm savings; Levelized cost not to exceed 37 cents/therm • Cascade Natural Gas: Obtain at least 0.47 million annual therm savings; Levelized cost not to exceed 43 cents/therm • Avista: Obtain at least 0.30 million annual therm savings; Levelized cost not to exceed 25 cents/therm 	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> • NW Natural: Obtain at least 4.4 million annual therm savings; Levelized cost not to exceed 44 cents/therm • Cascade Natural Gas: Obtain at least 0.43 million annual therm savings; Levelized cost not to exceed 48 cents/therm • Avista: Obtain at least 0.30 million annual therm savings; Levelized cost not to exceed 43 cents/therm
Renewable Energy	<ul style="list-style-type: none"> • For project and market development assistance (part 1), deploy at least \$1.72 million in non-solar project development assistance incentives. Maintain a non-solar project development assistance pipeline in excess of 25 projects. Report number of projects served total dollars spent, and summarize project 	<ul style="list-style-type: none"> • For project and market development assistance (part 1), deploy at least \$1.63 million in non-solar project development assistance incentives. Maintain a non-solar project development assistance pipeline in excess of 25 projects. Report number of projects served total dollars spent, and summarize project

	<p>progress through development stages.</p> <ul style="list-style-type: none"> • For project and market development assistance (part 2), report annual results, including number of projects supported, milestones met and documentation of results from market and technology perspective. • Obtain at least 1.6 aMW of installed generation of standard net-metered Solar program projects. • For solar projects funded outside of the Solar program's standard, net-metered incentive offer, report sources of funding for projects and the criteria for selection. 	<p>progress through development stages.</p> <ul style="list-style-type: none"> • For project and market development assistance (part 2), report annual results, including number of projects supported, milestones met and documentation of results from market and technology perspective. • Obtain at least 1.7 aMW of installed generation of standard net-metered Solar program projects. • For solar projects funded outside of the Solar program's standard, net-metered incentive offer, report sources of funding for projects and the criteria for selection.
Financial Integrity	<ul style="list-style-type: none"> • Unmodified financial opinion 	<ul style="list-style-type: none"> • Unmodified financial opinion
Program Delivery Efficiency	<ul style="list-style-type: none"> • Administrative and program support costs must be below 8% of annual revenues 	<ul style="list-style-type: none"> • Administrative and program support costs must be below 8% of annual revenues • Administrative and program support cost growth is limited to 10% year-over-year increase.
Staffing	<ul style="list-style-type: none"> • Total staffing expenditures will not exceed 7.75% of total organization expenditures calculated on a 3 year rolling average for public purpose funded activities in Oregon 	<ul style="list-style-type: none"> • Total staffing expenditures will not exceed 7.25% of total organization expenditures calculated on a 3 year rolling average for public purpose funded activities in Oregon
Customer Satisfaction	<ul style="list-style-type: none"> • Greater than 85% satisfaction rates for: <ul style="list-style-type: none"> • Interaction with program representatives • Overall satisfaction 	<ul style="list-style-type: none"> • Greater than 85% satisfaction rates for: <ul style="list-style-type: none"> • Interaction with program representatives • Overall satisfaction
Benefit/Cost Ratios	<ul style="list-style-type: none"> • Report both utility system and societal perspective annually 	<ul style="list-style-type: none"> • Report both utility system and societal perspective annually

	<ul style="list-style-type: none"> • Report significant mid-year changes as warranted in quarterly reports 	<ul style="list-style-type: none"> • Report significant mid-year changes as warranted in quarterly reports
NEEA and Market Transformation	<p>Report annually:</p> <ul style="list-style-type: none"> • Savings and costs • Savings strategies • Show Energy Trust direction to NEEA through committee membership • Summary of Energy Trust direction to NEEA • Summary of NEEA initiatives Energy Trust opts out of and why 	<p>Report annually:</p> <ul style="list-style-type: none"> • Savings and costs • Savings strategies • Show Energy Trust direction to NEEA through committee membership • Summary of Energy Trust direction to NEEA • Summary of NEEA initiatives Energy Trust opts out of and why

Proposed Metrics for Future Development

Measure 6: Staffing

As this metric was developed in 2017 in close coordination with Energy Trust, both Staff and Energy Trust believed at the time that the new measure would be a reasonable limit which Energy Trust could meet. However, during Energy Trust’s 2019 budget development process, Staff learned of two factors that will significantly impact Energy Trust’s ability to remain under the staffing metric threshold in 2020 and future years: (1) Energy Trust anticipates a 25 percent increase in healthcare costs in 2019 with similar increases expected in subsequent years and (2) a projected 7 percent decline in expenditures between 2019 and 2020 driven by the transition of the residential lighting market. The cumulative result is a larger staffing expenditure ratio representing a larger percentage of smaller total expenditures.¹⁴ The following table lists staffing costs using the new metric.¹⁵

¹⁴ See Staff Report at Special Public Meeting on Energy Trust’s 2019 Budget, November 8, 2018, pg. 11-12.

¹⁵ See Energy Trust’s Approved 2019 Annual Budget and 2019-2020 Action Plan, December 14, 2018, pg. 84

	Total Staffing Cost (excludes contractors)	3 year Rolling Average used in OPUC Metric
2015 Actual	\$ 10,233,136	6.40%
2016 Actual	\$ 11,433,837	6.19%
2017 Actual	\$ 12,524,401	6.41%
2018 Approved Budget	\$ 13,608,430	6.62%
2019 Approved Budget	\$ 14,505,374	6.97%
2020 Forecast Budget	\$ 15,527,709	7.43%

In short, Energy Trust will meet the new staffing performance metric level of 7.25 percent in 2019 but will most likely exceed it in 2020.

As the unprecedented era of highly effective low cost lighting efficiencies comes to a close, Energy Trust faces more moderate cost-effective energy savings opportunities, while also facing staffing cost increases.

Staff plans to work with Energy Trust to reduce a range of costs and develop different strategies going into 2020. Staff proposes that this performance measure be reviewed, after collecting additional analysis from Energy Trust, and a new modified staffing metric be developed for 2020.

Measure 9: Development of New Metric for Diversity, Equity, & Inclusion

Staff proposes the development of a new measure in 2019 for use in 2020 that will allow the Commission to assess how well Energy Trust is serving all demographic populations within its service territory. In recent conversations with Energy Trust and stakeholder groups, Staff observed growing interest in identifying and explicitly measuring and tracking Energy Trust's performance in reaching communities that may have been underserved. Staff is supportive of these efforts to discover where there may be gaps and Energy Trust's efforts to address any gaps in service to different communities and populations within its service territory.

As with all of the other performance measures, the intent is to create a measurable indicator of Energy Trust's performance and to track results that are within Energy Trust's control to influence. To do so—to know how Energy Trust is performing--may pose significant challenges in determining an appropriate measure.

Currently, detailed of demographic data relating to all ratepayers is unavailable. Collecting new data will also come with new challenges and may result in unwanted delays. Consequently, without direct, accurate information, our ability to estimate Energy Trust's performance could be limited initially.

Staff proposes to work with stakeholders to explore all potential sources of data and other options for data collection. Staff proposes returning to the Commission in six months with an update on progress and a proposed metric if one is identified by then. This is a serious undertaking and Staff requests the time necessary to collaboratively develop a metric that will serve the Commission's needs.

Conclusion

Staff finds that most of the performance metrics continue to provide insight into Energy Trust's performance and recommends the Commission adopt the 2019 performance measures set forth above. For 2020, Staff recommends undertaking further work to potentially revise the staffing metric and develop a new category of metric for diversity, equity, and inclusion, which will be brought to the Commission for Review and approval.

PROPOSED COMMISSION MOTION:

Adopt the proposed performance measures as stated in this memo for evaluating the performance of Energy Trust in 2019 and direct Staff to develop two additional performance measures for to be used in 2020 for review and possible adoption at a later Public Meeting.