

ORDER NO. 14 056

ENTERED FEB 18 2014

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1678

In the Matter of

ENERGY TRUST OF OREGON,

Request for Proposal for Energy Efficiency,
Pay for Performance Pilot Incentive Offering.

ORDER

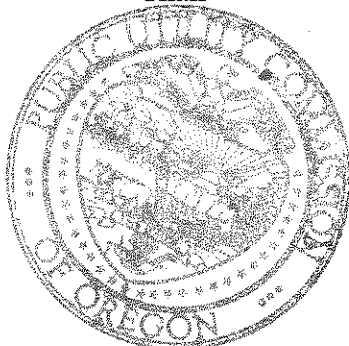
DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

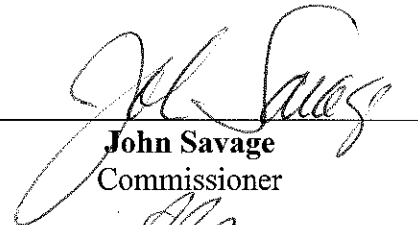
This order memorializes our decision, made and effective at the public meeting on February 18, 2014, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

Dated this 18th day of February, 2014, at Salem, Oregon.

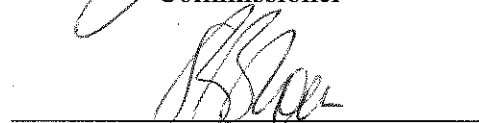


Susan K. Ackerman
Chair





John Savage
Commissioner



Stephen M. Bloom
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. 2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 18, 2014**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: January 29, 2014

TO: Public Utility Commission

FROM: Juliet Johnson *JJ*

THROUGH: Jason Eisdorfer, Maury Galbraith, and Aster Adams *ME* *AA*

SUBJECT: ENERGY TRUST OF OREGON: (Docket No. UM 1678) Energy Efficiency Pay for Performance Pilot Request for Proposals

STAFF RECOMMENDATION:

Staff recommends the Commission approve the request for proposals (RFP) for Energy Trust of Oregon's (Energy Trust or ETO) Pay for Performance pilot (PfP).

DISCUSSION:

On December 2, 2013, Energy Trust filed a draft RFP for their proposed Pay for Performance Pilot and Docket No. UM 1678 was opened. On December 18, 2013, Oregon Public Utility Commission Staff (Staff) sent an email to all interested parties laying out a schedule and asking for comments on the RFP by January 15, 2014. Comments from Ameresco were received on January 14, 2014, and from PacifiCorp on January 15, 2014.

On January 21, 2014, a workshop was held to discuss the RFP and parties' comments. Staff also circulated a copy of this memo along with a modified RFP on January 30, 2014, and parties were asked to submit further comments by February 6, 2014. A copy of the final proposed RFP is attached to this memo. What follows is an issue-by-issue summary of the parties comments in this case, a summary of Energy Trust's response to each issue and any proposed modifications to the draft RFP, and Staff's recommendations related to each issue or RFP modification.

1. Ameresco had a question about a requirement on page 4 that any restaurant or retail space be separately metered. Energy Trust clarified that any restaurant or retail space in the building not operated by the participant is to be separately metered. The appropriate change was made to the RFP.

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2. The RFP states that payments will be made at the end of each year of the three-year pilot. Ameresco suggested that providing more specific timing would be helpful and that uncertainty and risk regarding receipt of performance payments may limit the number of interested parties, or may lead to disputes or participant dissatisfaction. Energy Trust indicated to Staff that due to the many unknown variables of the pilot, it is not currently possible to estimate how quickly energy savings can be verified and resulting incentive payments determined, but all efforts will be made to ensure a fair process and incentive payments will be made as promptly as practicable.
3. Ameresco questioned the third paragraph of page 7 which states that the baseline for calculating incentives for equipment at the end of useful life will be based on code requirements. Ameresco recommended that the RFP clarify what standard would be used for determining when equipment is near or at the end of its useful life. Ameresco also identified that the concept of paying for whole building performance starts to break down when different baselines are applied to different components of a project. Staff consulted with Energy Trust on this item. Energy Trust indicated the PfP team will work with Energy Trust Planning and Evaluation staff and outside resources to develop guidelines to address these issues. In addition, the RFP was modified to add the following:

Existing conditions may be considered as baseline for early replacement of equipment in cases where the customer can provide evidence to support the existing conditions as baseline, such as: existing equipment life compared to typical equipment life, the condition of the equipment, other building upgrade plans that will affect the building system, and the customers capital plans prior to engaging in this program.

4. Ameresco and PacifiCorp both addressed cost effectiveness in their comments. Regarding cost effectiveness the original RFP states:

Cost-effectiveness will be a factor for the Pilot. Typically, all measures must meet regulatory cost effectiveness standards, including utility and societal cost effectiveness tests. There are exceptions to cost effectiveness that are allowed under OPUC Commission Order No. 94-590. Analysis and discussions are currently underway among Energy Trust, the OPUC, the Oregon Department of Energy and other interested parties regarding cost-effectiveness under the exceptions outlined in OPUC Commission Order No. 94-590 and bundling of measures in connection with whole building assessments under HB 2801. Given their timing, these discussions and analyses will be considered by Energy Trust in the course of its evaluation of proposals under this RFP. However, in final Pilot project incentive funding agreements, Energy Trust will not include

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energy savings or pay incentives, for measures that do not meet the regulatory cost effectiveness tests or exceptions currently or as they may evolve.

Ameresco recommended that further information be provided outlining the process for renegotiating pilot project incentives as cost-effectiveness tests and exceptions evolve. Ameresco said they are interested in the Commission's perspective regarding the extent to which it may be premature to solicit pilot project proposals prior to these tests and exception being finalized. Ameresco asked if potential changes have the potential to significantly alter project incentives.

PacifiCorp urged Energy Trust to work with Staff to clarify the cost-effectiveness framework under which incentives will be paid because the Company believes this will result in improved quality of responses and negotiations and ultimately result in a more robust pilot program.

At the workshop, Staff made it clear that cost-effectiveness tests and guidelines are not likely to change significantly. Staff notes that one option would be to delay the RFP until after the current exception period for cost-effectiveness testing that is set forth in UM 1622 ends on October 18, 2014. However, Staff instead recommends Energy Trust move forward with the RFP process and parties develop their proposals using the current cost effectiveness framework which is spelled out in UM 551, Order 94-590.

Energy Trust added a section to the RFP with a link to full Order 94-590 that summarizes which measures that are not cost-effective may be included in utility programs. Energy Trust also removed references to current and upcoming cost effectiveness regulatory discussion. The modified section reads:

Cost-effectiveness will be a factor for the Pilot. Typically, all measures must meet regulatory cost effectiveness standards, including utility and societal cost effectiveness tests. There are exceptions to cost effectiveness that are allowed under OPUC Commission Order No. 94-590 . Energy Trust will be using the avoided cost and cost effectiveness rules that are in place when the RFP is released, and will not include energy savings, or pay incentives, for measures that do not either meet the regulatory cost effectiveness tests or meet the conditions to qualify for exceptions.

5. PacifiCorp suggested that the RFP clarify that cost-effectiveness will be assessed using the Energy Trust's avoided costs in place at the time the incentive agreement is signed and that alternative avoided costs calculations not be used as part of this pilot. Energy Trust indicated to Staff that they will be using the avoided cost and

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cost effectiveness rules that are in place when the RFP is released. The RFP was modified to that effect.

6. Ameresco expressed concerns about the originally proposed project schedule. Energy Trust modified the schedule based on Ameresco's concerns.
7. PacifiCorp suggested that as part of determining whether a facility is eligible for participation in the pilot program, the minimum building profile also include information regarding whether the facility is currently self-directing the energy efficiency portion of the public purpose charge or whether it plans to do so in the future. Energy Trust modified the RFP in two places to address this. On page 5 the following requirement was added:

If the building is a large electric energy user (1 aMW/per year or greater), then the Pilot project measures may not receive any self-direct credits from the Oregon Department of Energy and any earned conservation self-direct credits may not be applied against the buildings' associated electric utility account(s) for 3 years.

On page 12, the following was added as required information that must be provided for buildings proposed for the pilot:

Disclose whether this building is currently certified by the Oregon Department of Energy as a site eligible to self-direct its public purpose charge.

Oregon Department of Energy (ODOE) suggested minor changes to the language of this section to ensure the responsibility is on the customer's side and there is no duplication of efforts. The language on page 5 has been modified to read:

If the building is a large electric energy user (1 aMW/per year or greater), the customer will agree not to request any self-direct credits from the Oregon Department of Energy for the Pilot project measures, and the customer will not apply any earned conservation self-direct credits against the buildings' associated electric utility account(s) for 3 years after the Pilot participation agreement is signed.

8. PacifiCorp suggested that the RFP clearly state whether pilot incentives will or will not be capped at project costs. Energy Trust modified the RFP to say:

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Typically, Energy Trust caps incentives in our programs at 100% or less of project costs. However, in order to promote inclusion of low-cost O&M measures such caps may not be applied in the pilot towards O&M and other behavioral measures.

9. PacifiCorp suggested that the RFP should require proposals to specify how incentive rates are tied to project costs. Energy Trust indicated to Staff that incentive rates will not be tied to project costs for reasons described in item 8 above. However, Energy Trust did modify the RFP to specifically ask that Service Providers include project costs that include soft costs [See page 13, Item 3) A) e)].

In addition to these written comments, Mr. Stan Price from the Northwest Energy Efficiency Council made general comments about the pilot at the workshop on January 21, 2014. Mr. Price's comments are summarized as follows:

- Part of what could be valuable about this pilot is to test to what extent this PfP model shifts risk of underperformance from Energy Trust to the service provider. It would be helpful if evaluators could evaluate and express that risk shift as an outcome of this pilot. For example, realization rates should be higher in this pilot than in Energy Trust's standard track where all incentives are paid up front. The pilot should demonstrate more "persistence" of savings, particularly related to operational and behavioral measures.
- Participants who engage in the PfP pilot may have participated in Energy Trust programs in the past. This new model relies on a different investment psychology because it sets up a return on investment scenario where there is an annual revenue stream in lieu of a one-time buy down. The extent to which parties are interested in and satisfied with this alternative investment psychology is also worthy of evaluation.

Staff Recommendation

Staff is appreciative of input from Ameresco, PacifiCorp, and ODOE and for participation of multiple parties at the workshop in this docket. Staff believes that the input of these parties has improved the RFP and that the modified RFP represents a fair process for obtaining and evaluating proposals to test the "Pay for Performance" approach to acquiring energy efficiency. Staff recommends that the Commission approve the modified RFP and allow the Energy Trust to insert final dates and make any non-substantive changes to the RFP as needed.

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PROPOSED COMMISSION MOTION:

The request for proposals (RFP) for Energy Trust of Oregon's Pay for Performance pilot is approved with the understanding that final dates will be added to the RFP and other non-substantive changes may be made if needed.

UM 1678 – Pay for Performance RFP

Energy Trust of Oregon Existing Buildings

**Request for Proposals for Energy Efficiency
Projects (*Existing Buildings - Commercial,
Institutional, or Governmental Offices*)**

Pay for Performance Pilot Incentive Offering

PROPOSAL DUE DATE: DUE DATE

Energy Trust of Oregon, Inc.

Brian DiGiorgio, Project Manager
421 SW Oak Street
Portland, OR 97204
brian.digiorgio@energytrust.org

Request for Proposals
Pay for Performance Pilot Incentive Offering

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Request for Proposals
Pay for Performance Pilot Incentive Offering**1. Introduction**

Building owners with commercial, institutional or governmental office buildings meeting the criteria outline in the Request for Proposals (RFP), along with their energy efficiency project implementation team member(s), are invited to submit a proposal (Proposal) to Energy Trust of Oregon, Inc. (Energy Trust) to participate in a three-year pilot to test a "Pay for Performance" energy efficiency incentive funding concept (the Pilot). Energy Trust anticipates selecting up to three projects for Pilot participation as a result of this RFP.

About Energy Trust

Since March 2002, Energy Trust has invested public purpose funds to help utility customers benefit from saving energy and generating renewable energy. We are funded by and provide services to Oregon customers of Portland General Electric, Pacific Power, NW Natural and Cascade Natural Gas, and to NW Natural customers in southwest Washington.

An independent 501(c)(3) nonprofit organization, Energy Trust serves the residential customers and most commercial and industrial customers of our affiliated utilities. We offer information, services and cash incentives to help customers manage energy costs, increase comfort at their homes and businesses and improve productivity in the workplace.

Energy Trust history and funding sources are described in detail at www.energytrust.org/about/who-we-are. Some of Energy Trust's requirements in this RFP and in any subsequent negotiating and/or incentive agreement contracting phases are driven by governing law, the provisions of our grant agreement with the Oregon Public Utility Commission (the OPUC Grant Agreement), and our utility funding agreements. A copy of the OPUC Grant Agreement, as well as more information about Energy Trust's background, funding sources, strategic and action plans; policies and programs are also available on our website at www.energytrust.org/about.

Pay for Performance Pilot Objectives

Energy Trust's Existing Buildings program offers technical services and prescriptive and custom incentives to customers who implement qualifying energy efficiency measures. Similar to most traditional energy efficiency programs, project incentives are based on an analysis of estimated first-year energy savings and paid upon successful completion of the retrofit.

Energy Trust also offers technical consulting services and incentives to help its commercial, institutional and governmental customers identify and implement strategic energy management (SEM) actions to capture operations and maintenance (O&M) and behavioral energy savings.

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Pay for Performance Pilot Incentive Offering

This "Pay for Performance" Pilot concept is designed to test an alternative incentive approach that emphasizes energy performance over time to calculate incentives for implementation of energy efficiency projects. Depending on whole building cost effectiveness rules in response to Oregon House Bill 2801, whole building energy performance may be allowable for determining incentives. Under the Pilot, Energy Trust will provide financial incentives over time – annually for three years – for demonstrated energy savings achievements, rather than one up-front payment at project completion.

Energy Trust is interested in learning whether the Pilot model encourages participation by building owners and operators who would otherwise not participate, helps customers and energy efficiency professionals successfully implement deeper retrofit projects by capturing multiple cost-effective energy savings opportunities at one time, delivers more (and more persistent) savings than traditional program approaches and helps Energy Trust deliver savings cost-efficiently. Energy Trust also hopes to identify and learn more about additional O&M and behavioral implementation strategies that may enhance or complement its existing suite of SEM offerings.

Overall objectives for this Pilot are to gain knowledge of whole-building analysis tools, understand the implementation and verification costs, determine if "Pay for Performance" offers measureable and persistent cost-effective energy savings, gain a deeper understanding of how to effectively manage a pay-for-performance approach and assess the long-term potential for acquiring additional savings under this approach. Ultimately, Energy Trust anticipates that our experience with the Pilot will inform whether this incentive approach may be made available on an ongoing basis.

Building Profile Criteria

To be considered for Pilot participation, the proposed building must meet the following minimum building profile criteria:

- a) The building is located in Oregon and receives electricity from PGE or Pacific Power and/or natural gas from NW Natural or Cascade Natural Gas (*only energy savings associated with these utilities' services will be included for Pilot incentive purposes*)
- b) The building has at least 50,000 square feet of conditioned floor area
- c) Of the conditioned floor area, a minimum of 85% is used for "Office" type occupancy
- d) The building is individually metered and (i) all of the energy metered is being used in the subject building, and for uses (such as for exterior lighting) for which the usage can be calculated to the necessary level of precision (ii) no energy is being supplied from any other building, (iii) energy measured at that meter is not being used to condition a separate space
- e) Any restaurant or retail space in the building not operated by the Pilot participant is separately metered

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- f) Each energy source supplied to the building (e.g., *electricity, steam, natural gas*) has a dedicated billing meter that serves only that building
- g) All equipment used for cooling or heating is located within the confines of the subject building and provides heating and cooling only to that building
- h) If subject building contains significant square footage dedicated to servers for off-site users, the Pilot participant must be capable of disclosing the energy consumption for those spaces, including the output-kW of the uninterruptable power supplies
- i) On-site power generation in the building is acceptable if the generation system(s) contain the capability to monitor and record monthly generation and isolate power production from power purchases
- j) The building may not have any significant amount of on-site manufacturing or have participated in Energy Trust's Production Efficiency program
- k) The building must have been substantially occupied for one year prior to the planned project start date with no major changes to occupancy anticipated to occur during the term of the Pilot
- l) If the building is a large electric energy user (1 aMW/per year or greater), the customer will agree not to request any self-direct credits from the Oregon Department of Energy for the Pilot project measures, and the customer will not apply any earned conservation self-direct credits against the buildings' associated electric utility account(s) for 3 years after the Pilot participation agreement is signed.

Additional existing condition criteria may apply.

2. Pilot Overview

Energy Trust invites competitive proposals from interested building owners in conjunction with their energy efficiency project implementers (e.g. energy service companies, energy efficiency contractors or energy service professionals), referred to at times in this RFP as the "Service Provider."

The Pilot's longer-term approach to measuring energy use and paying incentives for energy use reductions in the building is intended to incentivize owners/operators to ensure persistent energy savings, and provide another path to financially reward savings delivered through O&M activities and behavioral changes and not just from capital investments. Energy Trust's current expectations for implementation of the Pilot are outlined below and are subject to change.

Pilot Incentive Agreement: Energy Trust will negotiate and execute a "Pay for Performance" Pilot project incentive funding agreement with selected Pilot participants (i.e. building owner or its designated building management firm), which will describe the parties' obligations, mutually agreed upon incentive amounts and terms and conditions for Pilot participation and incentive payments.

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Project Measures: Respondents are invited to include a broad array of energy efficiency measures for the subject building in their Proposal. Energy Trust is particularly interested in projects that include energy management systems that incorporate wireless controls and data logging. Respondents may propose projects that:

- Include only O&M and behavioral changes; or
- Combine capital improvements with O&M and behavioral changes

Respondents should anticipate the following Pilot process when preparing a Proposal:

- The building's baseline of a minimum of one year's pre-retrofit energy use will be established by the respondent and mutually agreed upon (*see additional information in the "Establishing Baseline" section below*)
- Building owner has responsibility for ensuring that its energy efficiency project is designed, installed and operational
- The 12 months of energy use after the project is completed will be measured, and incentives will be paid at the agreed-upon rate(s) for the avoided energy use (i.e. the reduction in use from the pre-retrofit baseline)
- The second 12 months of energy use will be measured and another incentive payment made for reductions in use below the pre-retrofit baseline
- The third 12 months of energy use will be measured and the final incentive payment made for reductions in use below the pre-retrofit baseline
- In the event that a respondent does not include, within the proposed Pilot project scope, capital-related energy efficiency measures that it intends to also implement at the subject building during the Pilot's implementation period, then any energy savings from such implemented capital measures would be subtracted from or netted out from any other savings realized under the Pilot. Only the remaining whole building savings would be counted for Pilot incentive calculation purposes

For Pilot consideration, Energy Trust expects that the proposed energy efficiency project, including capital, O&M and behavioral measures, will reduce building energy use by a minimum of 10-15%. In addition, project equipment and systems must be completed and fully operational within nine months from Pilot enrollment.

Establishing Baseline: To calibrate the modeling tool to a specific building, the parties will use the agreed-upon one-year historical baseline. The respondent will propose the baseline; the starting point for that baseline will be a point of negotiation and will be reviewed by both Energy Trust and its third party Pilot evaluation contractor. All Pilot participants will be required to grant Energy Trust access to:

- The modeling algorithms used to establish the baseline model and predict energy use under conditions found in the post-baseline measurement period.

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- The participant in order to conduct an annual survey to assess changes in operational practices that could result in energy savings
- All data input to the model in raw, time series format, including but not limited to:
 - Energy consumption data
 - Weather data
 - EMS trend data mutually agreed upon with Energy Trust at the beginning of Pilot participation
 - Building occupancy
 - Other correlating variables used
- All assumptions affecting the data regression and baseline development, including but not limited to:
 - Documentation of any periods excluded from the baseline
 - Documentation of any adjustments made to the baseline
 - Documentation of conditions to which data will be normalized

If a selected respondent and Energy Trust are not able to mutually agree on proposed baseline values within six months from execution of a Pilot incentive agreement, the project may be removed from the Pilot. Energy Trust will assist in transferring qualifying project measures to Energy Trust's standard Existing Buildings program.

Calculating Energy Savings and Incentive Rates: Energy Trust hopes that the Pilot's incentive model will encourage deeper energy efficiency retrofits and longer energy savings persistence. Negotiated incentive rates may vary across the selected Pilot buildings and will be based on the expected mix of measures and the associated measure lives. Only energy savings for measures associated with electricity or natural gas supplied by PGE, Pacific Power, NW Natural or Cascade Natural Gas will count for Pilot incentive calculation purposes.

Pilot incentives for verified energy saving achievements will be based on normalized energy usage measured at the building level compared to the agreed-upon baseline. To compliment whole-building measurement, end-use metering will be encouraged as a source of additional data to validate energy savings.

For situations where the equipment being replaced has failed, or is near the end of its useful life, current code will be the baseline for energy savings. In these instances, Pilot incentives would be calculated and paid based on incremental energy savings over current code, **not** based on straight reductions in energy use.

Energy Trust may consider existing conditions as baseline for early replacement of equipment in cases where a Pilot participant can provide evidence to support the existing conditions as baseline, such as: existing equipment life compared to typical equipment life, the condition of the equipment, other building upgrade plans that will

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affect the building system, and the customers capital construction plans prior to engaging in the Pilot.

Respondents will identify their proposed incentive payment rate(s) for incremental energy savings (cents per kWh saved and/or cents per therm saved) as a contract basis for participation in the Pilot, based on the mix of energy-savings actions they intend to implement. This proposed incentive payment rate(s) will be considered during the RFP review process (see *Section 6.2*). Energy Trust will use the levelized costs for its standard program incentive rates as a point of reference during its review of the proposed Pilot projects, and will expect requested incentive rates to have similar levelized costs, taking into account the additional level of effort required of a pilot, as well as the multi-year length of the proposed pilot.

Typically, Energy Trust caps incentives in our programs at 100% or less of project costs. However, in order to promote inclusion of low-cost O&M measures such caps may not be applied in the Pilot towards O&M and other behavioral measures.

Cost-effectiveness will be a factor for the Pilot. Typically, all measures must meet regulatory cost effectiveness standards, including utility and societal cost effectiveness tests. There are exceptions to cost effectiveness that are allowed under OPUC Commission Order No. 94-590. Energy Trust will be using the avoided cost and cost effectiveness rules that are in place when the RFP is released, and will not include energy savings, or pay incentives, for measures that do not either meet the regulatory cost effectiveness tests or meet the conditions to qualify for exceptions.

Changes to original project measure descriptions, costs, or mix of capital and O&M activities that occur during the Pilot implementation period will require Energy Trust to re-analyze the measure's cost-effectiveness for Pilot incentive calculations, and will potentially require renegotiation of incentive payment rates.

Project Completion and Performance Measurement Period: The Pilot will end as of December 31, 2018, and all Pilot projects must have completed their three year performance period for incentive payments by that date. Energy savings must be achieved during the Pilot participation period to qualify for Pilot incentives.

The start of the three-year performance measurement period for a Pilot participant will be the date that capital measures work is complete and the project begins to deliver savings. In order to keep the Pilot moving expeditiously and to keep the disparate projects reasonably aligned, Energy Trust anticipates that Pilot projects will be complete and the measurement period will begin no later than nine months from the execution of a participant's Pilot incentive agreement. This period should allow adequate time for the development and implementation of the energy efficiency improvements.

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Pilot incentive agreements will allow Energy Trust to end the incentive reservation and remove the project from the Pilot if the participant is unable to complete the capital measure work within nine months from execution of the incentive agreement. Projects withdrawn from the Pilot will remain eligible to apply for incentives for qualifying measures under Energy Trust's standard Existing Buildings' program and/or its SEM offerings for O&M and behavioral savings.

Monitoring and Verification of Energy Savings:

As part of their proposal, respondents will include a proposed modeling tool/methodology for calculating Pilot energy savings to be used both to project savings and verify savings as a basis of payment. Energy Trust will review the tool as part of the proposal review process. The tool used to calculate savings must have the ability to normalize the baseline for dependent and independent variables, including weather, building occupancy and building use. Energy Trust and the Pilot participant will agree on the building model, modeling approach, inputs, and conditions that will trigger a reconsideration of the baseline for the model when the Pilot project incentive funding agreement is finalized.

During the Pilot participation period, the Pilot participant's Service Provider will operate the model and will provide reports to Energy Trust which will be the basis for determining energy savings. Energy Trust will require access to the modeling tools, as well as all algorithms and assumptions used in estimating energy savings. Either before or during the Pilot period, Energy Trust may also determine that it will be necessary for the building owner to install monitoring and data logging equipment in a participating building in order to monitor performance and verify Pilot energy savings.

Participants will be responsible for documenting their energy-saving actions through monthly reporting and will also provide a detailed annual report summarizing key initiatives and results. All energy savings documentation for the Pilot must be understandable, reliable and transparent so that Energy Trust and its third party contractors reviewing the savings can understand the data, assumptions, and methodology and can perform additional analysis and verification using the provided data.

Energy Trust will review the Service Provider's provided reports and may visit the site and/or collect additional data if it identifies any concerns or questions regarding the analysis or data underlying the report results. If Energy Trust agrees that the analysis is in accordance with the agreed upon methodology and no baseline reconsideration triggers have occurred, then Energy Trust will calculate incentive amounts based on the report's modeled analysis: Energy Trust's energy savings calculations will be used for incentive calculation and payment purposes.

Energy Trust will not provide incentive funding directly for any energy savings analysis or other costs that respondent or its Service Provider(s) may incur in order to identify,

Request for Proposals
Pay for Performance Pilot Incentive Offering

analyze, calculate or report energy savings to Energy Trust in accordance with Pilot requirements. Energy Trust may perform additional impact evaluation data collection and/or analyses on the building. The building owner must provide access and data for this activity. These activities are for Energy Trust purposes only and will not be the basis of calculating incentive payments.

Incentive Payments: Energy Trust will calculate and pay incentives for verified Pilot energy savings annually. Incentives will be paid to the Pilot participant or its designated payee. Projects exceeding \$499,999 in incentives would require additional review and approval by Energy Trust's Board of Directors in accordance with its established Board-approved policies.

Pilot Results: Because the purpose of the Pilot is to gather and disseminate information about the "Pay for Performance" incentive concept, Energy Trust expects that Pilot participants will cooperate with Energy Trust to share what we learn about the participant's project with the public and interested external stakeholders. Energy Trust will also require that Pilot participants cooperate with its personnel and third-party contractors to evaluate and assess the Pilot, including but not limited to participating in an annual survey to assess any changes in operational practices that may impact energy savings.

3. Proposal Requirements

If respondent desires to submit multiple buildings for consideration, a separate Proposal is required for each individual building. To receive consideration for selection under this RFP process, a proposal must meet the requirements described below:

Organize Your Proposal as Follows

Proposals must include all of the following sections and information in order to be considered responsive. Page numbers indicated are the maximum. Where supporting documentation is requested, please reference and attach in labeled Appendices. All pages are to be numbered.

PROPOSAL FORMAT (Sections should be identified by labeled tabs)**Part 1: Administrative**

- A: Cover Page and Representations and Signature page (see Appendix
- B: Table of Contents
- C: Letter of Introduction

Part 2: Building Profile

- A: Description
- B: Building History
- C: Current Building Maintenance

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Part 3: Project Description
A: Three Year Project Implementation Plan
B: Three Year Operational Plan
C: Monitoring and Verification
D: Modeling Tools

Part 4: Project Team

Part 1: Administrative

A. Cover Pages (2 pages) Submit response with a cover sheet clearly identifying the respondent company name (building owner) and address, along with respondent's designated primary contact, email and phone number. Include a **Representations and Signature** page (attached to this RFP as Appendix 1), signed by a duly authorized officer or agent of the respondent company submitting the Proposal. Only one original signature is required (photocopies may be included in the additional hardcopy submittals).

B. Table of Contents (1 page)

C. Letter of Introduction (2 pages) A letter of introduction must include an overview of the project and clearly identify the legal business name of the building owner, and other details associated with the entity submitting the proposal. Respondent should also specifically address its willingness to allow Energy Trust to share information about its Pilot project with external stakeholders and/or the public to capture and disseminate lessons learned through the PfP pilot.

Part 2: Building Profile

A. Description (2 pages) Include all of the following information for the subject building being proposed for Pilot participation:

- a) General description of building; owner, property manager, occupants, and general use.
- b) Gross and conditioned building square footage.
- c) Square footage by occupancy type.
- d) Number of stories.
- e) Property County Parcel number.
- f) Year built.
- g) Inventory of **all** energy sources and electric and natural gas utility accounts and meter numbers.
- h) General description of building systems including HVAC plant, air and water distribution, and delivery components.

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- i) General description of all building controls, manufacturer and vintage of the control system, and their interface with building plant, distribution, and delivery systems (attach as an Appendix).
- j) The building's daily and annual occupancy schedule noting any major changes to level of occupancy or vacancies in past year or anticipated changes during the Pilot period.
- k) One year historical energy usage data and, if available, associated 15-minute interval data.
- l) ENERGY STAR® rating, if it has been rated within the last 12 months.
- m) Disclose whether this building is currently certified by the Oregon Department of Energy as a site eligible to self-direct its public purpose charge.

Note: It is the expectation of Energy Trust that by responding to this RFP, building owner is indicating that it does not plan to sell the building during the Pilot period. (The Pilot project incentive funding agreement will not be transferable to a future building owner.)

B. Building History (2 pages) Provide the information below in order to assess any anomalies that may affect the baseline year:

- a) List all major projects, equipment upgrades, added loads, and/or tenant improvements completed or initiated in the last 36 months as well as any projects underway, or planned, for the next 36 months.
- b) Describe any major functional problems that currently affect energy consumption such as; major problems with temperature control, equipment that needs to be replaced soon, or other anomalous conditions that may impact building energy consumption.
- c) Summarize building occupancy patterns.

C. Current Building Maintenance (2 pages) Describe the building's maintenance program:

- a) Specify who performs day-to-day operations and oversight of building and/or the building control system and to what extent operations and oversight happen.
- b) Address whether the building has a preventative maintenance program in place. If so, provide a brief description of the scope of the program.
- c) Address whether there is a maintenance management system for inventory and record keeping of maintenance activities. If so, provide a brief description.
- d) Specify the duration that the lead building operator has worked in the building.
- e) List any energy related service agreements for maintenance and provide a brief description of the scope of the agreement(s).

Part 3: Project Description

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A. Three Year Project Implementation Plan (6 pages) Describe respondent's plan for achieving electrical energy and/or gas savings during the Pilot:

- a) Identify the types of energy saving activities that respondent will undertake during the three-year Pilot period, including expected percentages of savings from targeted end uses
- b) Specify the estimated ratio of electric and gas savings from capital projects vs. O&M and behavioral activity
- c) Provide a proposed incentive rate (cents per kWh saved and cents per therm saved) to be paid for energy savings resulting from the identified energy saving activities
- d) Specify estimated energy savings that respondent expects to achieve each year in electricity and natural gas and as a percentage of the total building energy consumption
- e) Include estimated total project cost to customer for each year (including capital projects as well as implementation and soft costs), and financial savings resulting from the project, both in dollars and as a percentage of total utility cost.
- f) Provide the names, title and roles of all personnel responsible for overseeing and implementing each of the identified activities
- g) Describe the methods that respondent and/or its Service Provider(s) will use for tracking the actions taken to achieve savings
- h) Describe the metrics that will be used, in the short term, to identify whether your actions are successful
- i) Clearly outline the contractual structure between respondent and its Service Provider implementation team members.
- j) Include a project implementation schedule for the identified energy saving activities, including when contract negotiations between respondent and its Service Provider(s) will be finalized.
- k) Include a copy of the building energy audit (attach as an Appendix).
- l) Include copies of respondent's relevant Service Provider(s) project bid(s) with costs (attach as an Appendix), including cost breakdown at the measure level.

B. Three Year Operational Plan (2 pages) Provide a three-year building capital and operations plan that describes planned capital projects, equipment purchases, or business expansion:

- a) Include a list of all major equipment nearing its end of life that requires replacement in the near future.
- b) Describe the availability of staffing to implement O&M repairs and corrective actions.

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C. Measurement & Verification (2 pages) Describe respondent's plan for measuring and verifying the electrical and gas energy savings during this Pilot:

- a) Describe the specific approach for calculating the electrical and gas energy savings for the Pilot.
- b) Address how the electrical and gas energy baseline will be established. How will you adjust for and document changes to the baseline resulting from changes to the building's use, business processes and occupancy?
- c) Identify how this overall approach is aligned with the International Performance Measurement & Verification Protocol (IPMVP).

D. Modeling Tools (4 pages) Describe the tools and methodologies that will be used to track and report energy savings:

- d) Indicate whether the product is commercially available. If so, what is the acquisition mechanism (is it a purchase, license, subscription, service agreement, etc.)?
- e) Describe who will use the tool and the breadth and depth of their experience with the tool.
- f) Describe how data is populated and maintained within the system and what level of data is collected; i.e. what are the relevant inputs?
- g) Describe how the end-user interfaces with the system
- h) Describe the system's ability to define a baseline and apply both dependent and independent variables and adjustments; i.e. weather, changes in occupancy, added loads, etc.
- i) Describe the conditions under which baseline adjustments will be made, and what are the determining factors for baseline adjustment
- j) Describe the general model assumptions or methodologies that are used to calculate savings and how they are aligned with IPMVP protocols.
- k) Address how often the energy savings will be calculated (monthly, annually or otherwise)
- l) Provide at least one example of an energy savings report used to document annual performance.
- m) Indicate respondent's ability to provide a software and/or energy savings tool demonstration to Energy Trust. This may be requested of a respondent as part of Energy Trust's review process.

Part 4: Project Team Qualifications

A. Qualifications (4 pages) Provide a list of all of respondent's key implementation team members, the names of the organizations they work for, and the role they will perform in implementing respondent's proposed project.

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Provide (i) short biographies of key Service Provider staff that would perform the project implementation work, including information regarding any relevant licenses and/or certifications, and (ii) organizational chart detailing roles and staff and also indicating organizational structure.

Submit resumes (2 pages) for each team member as an attachment Appendix, including any of the building owner Pilot participant's employees taking on key project implementation roles. Specifically identify the team member(s) who will perform and provide the analysis of energy savings.

Provide 3 references of projects where the Service Provider(s) has performed similar types of work to the proposed project being (building name, customer contact information, and description of scope of work, and role of team member).

B. Conflict of Interest Disclosure (1-2 pages) Disclose any direct or indirect, actual or potential conflicts of interest respondent may have with Energy Trust. A "direct or indirect conflict" is defined as any situation in which an individual or a member of their family or close business or personal acquaintance, is employed by Energy Trust or the Oregon Public Utility Commission, or may be reasonably construed to have a direct or indirect personal or financial interest in any business affairs of Energy Trust, whether because of a proposed contract or transaction to which Energy Trust may be a party or may be interested or is under consideration, or whether such conflict is purely conceptual, because of similarity of business interests or affairs.

4. Proposal Submittal Instructions

This section details the instructions and requirements for the Proposal submittal. Energy Trust reserves the right in its sole discretion to reject the submission of any Proposal that fails to comply with the instructions.

4.1 Clarifications/Requests for Information

Any request for clarification or additional information regarding this RFP **must be submitted via e-mail** and received by Energy Trust by 5:00 PM PST on the date listed in the Schedule.

Send email requests to: brian.digiorgio@energytrust.org. This email must include a subject line of "Request for Clarification: Pay for Performance Pilot RFP."

Questions submitted by email and received prior to the stated deadline will be posted with answers on Energy Trust's website by the date shown in the Schedule above.

Verbal discussions with individuals cannot be accommodated. Requests for additional information received via mail or fax will not be accommodated; all submissions must be via email. Energy Trust will not respond to additional requests for information after the date listed in the Schedule above.

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Pay for Performance Pilot Incentive Offering**4.2 Notice of Intent to Respond**

Energy Trust requests that firms intending to respond to this RFP notify Energy Trust in advance by the date indicated in the RFP Schedule. Please send this notice via e-mail to briandigiorgio@energytrust.org. The subject line must read "Intent to Respond: Pay for Performance Pilot RFP" and include the following:

- Company name
- Address
- Contact name
- Contact title
- Telephone number(s)
- Email Address

Energy Trust may accept proposals from respondents that did not provide us with an Intent to Respond notification as described herein; however, we highly recommend that respondents provide Energy Trust with this advanced notice.

4.3 Withdrawal and Modification of Proposals

Respondents may withdraw their proposal and submit a revised proposal prior to the response deadline. After the response deadline, respondent-initiated changes will not be accepted unless Energy Trust, in its sole discretion, makes a determination otherwise. Respondents may withdraw their proposal from consideration at any time.

4.4 Revisions to RFP

If it becomes necessary to revise any part of this RFP, an addendum will be issued by Energy Trust and posted to the Energy Trust website.

4.5 Proposal Submittal/Method of Delivery

Proposals may be mailed, hand delivered, or sent electronically. Energy Trust is not responsible for late delivery caused by the Postal Service or private carriers. The Proposal must comply with the format requirements and include the information outlined in this RFP.

Submit one original (1) unbound, four (4) bound copies, and one (1) emailed electronic copy of the response. Energy Trust requests that respondents use simple, recyclable cardboard binders for bound copies rather than plastic or vinyl. In an effort to reduce waste, Energy Trust asks that hard-copy responses utilize double-sided pages.

Deliver hard-copies in a sealed box or envelope clearly marked and addressed with name of Energy Trust's representative indicated below and the subject line of "Pay for Performance Pilot RFP." Hardcopies must be delivered to Energy Trust, by the date and time indicated, via hand-deliver, U.S. Mail or courier service to:

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Brian DiGiorgio
Energy Trust of Oregon
421 SW Oak Street
Portland, OR 97204

Electronic copies must be submitted as follows and include a subject line of "Pay for Performance Pilot RFP": briandigiorgio@energytrust.org.

5. RFP Schedule

All times listed below are prevailing Pacific time.

Request for Proposal Issued	DUE DATE
Submittal of Clarifications/Requests for Information on RFP due to Energy Trust	DUE DATE
Posting of Answers to Clarifications/Requests for Information on RFP to Energy Trust Website	DUE DATE
Notice of Intent to Respond	DUE DATE
Proposal Submission Deadline	DUE DATE
Pilot Participants Selected	DUE DATE

6. Proposal Review Process

This section explains Energy Trust's process for reviewing Proposals and making selections for Pilot participation.

6.1 Proposal Review

Proposal review will be the sole responsibility of Energy Trust and will be undertaken at the sole discretion of Energy Trust. A team of reviewers consisting of Energy Trust staff and energy experts from external organizations will review the submitted Proposals. Any external reviewers involved in this process will be bound by confidentiality agreements related to their review. Proposals may be eliminated from consideration at Energy Trust's sole discretion for any reason, including but not limited to:

- It is substantially incomplete or exceeds page limits.
- It does not address the objectives and requirements of this RFP.

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- It is inconsistent with Energy Trust policies or requirements.
- A conflict of interest exists.

6.2 Selection Criteria

Energy Trust is seeking Pilot participants representing a diverse set of parameters which include: energy savings measures; approaches to achieving the energy savings, software tools, service providers, building ownership/lease structures, and building characteristics. Selection for Pilot participation will be based upon a combination of these parameters.

The Proposal review team will use an initial screening process to determine whether the proposed building and project appear to meet the Building Profile Criteria as described in this RFP. Proposals that pass initial screening will then be reviewed, scored and ranked using the following additional criteria, without limitation:

- Overall quality of Proposal
- Strength, experience and ability of team to deliver project as proposed
- Demonstrated capability and capacity of software tools to track energy savings
- Demonstrated validity of baseline and saving calculation methodology
- Breadth, depth and magnitude of energy savings
- Demonstrated commitment of building owner to engage in success
- Ability to replicate the proposed "Pay for Performance" approach in other office buildings and potentially in other types of building uses other than offices
- Recruitment of a diverse set of ownership models, service providers, and physical building types
- Proposed incentive rate and its relationship to the mix of planned actions and their associate measure lives, as well as levelized cost and measure level cost-effectiveness.
- Project implementation schedule
- Incorporation of risk mitigation factors (warranties, performance guarantees, etc.)
- Geographic distribution of projects/savings across utility territories

Review criteria may change or be modified at Energy Trust's discretion. During the review process, Energy Trust may request a building site visit, one or more interview(s) with respondent's team members, a presentation of the proposed modeling tool software/methodology or submittal of additional documentation for review.

6.3 Notification

All responding companies will receive notification when Pilot selection has been determined. Selected respondent(s) will work with Energy Trust to negotiate a Pilot project incentive funding agreement. Additional project information may be required during this negotiation and drafting period.

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Energy Trust's ability to enter into an incentive agreement with Pilot project participants may be dependent on receiving advance authorization from the OPUC and/or Energy Trust Board of Directors. Incentive funding for the Pilot is subject to budget availability.

7. RFP Governing Provisions

All submitted Proposals are subject to the following additional provisions:

7.1 Right to Accept or Reject Proposals, Multiple Awards

Energy Trust reserves the right to make multiple awards, reject any and all Proposals and to waive any nonconformity in proposals received, to accept or reject any or all of the items in the Proposal, and award the contract in whole or in part as it is deemed in Energy Trust's best interest. Energy Trust may also choose to negotiate any of the details of a Proposal prior to contracting.

7.2 Confidentiality

Respondent shall clearly identify those proprietary portions of their responses that it does not want revealed to third parties and label such portions as "Confidential Information." Subject to litigation or other legal disclosure and/or audit requirements, Energy Trust will not disclose information submitted in response to an RFP.

7.3 Ownership and Return of Proposals

All materials submitted in response to this RFP shall become the property of Energy Trust and shall not be returned to the respondent.

7.4 No Verbal Addendums

No verbal agreement or conversation made or had at any time with any officer, agent, or employee of Energy Trust, nor any oral representation by such party shall add to, detract from, affect or modify the terms of the RFP, unless specifically included in a written addendum issued by Energy Trust.

7.5 Proposal Costs

Each Proposal prepared in response to this RFP will be prepared at the sole cost and expense of the respondent and with express understanding that there will be no claims whatsoever for reimbursement from Energy Trust.

7.6 Waiver of Claims

The respondent waives any right it may have to bring any claim, whether in damages or equity, against Energy Trust, Energy Trust Board of Directors or any of Energy Trust's

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agents, employees or contractors, with respect to any matter arising out of any process associated with this RFP.

7.7 Energy Trust Rights Reserved

Energy Trust reserves the right, in its sole discretion, to reject any or all proposals in whole or in part, to waive any minor irregularities or informalities in a proposal, and to enter into any agreement deemed to be in its best interests. In addition to any other enumerated reserved rights and/or options as stated in this RFP, Energy Trust may in its sole discretion do any one or more of the following:

- Determine which proposals are eligible for consideration in response to this RFP.
- Disqualify proposals that do not meet Pilot requirements.
- Negotiate with respondents to amend any proposal.
- Select and negotiate and/or enter into agreements with respondents who are most responsive to the RFP and whose proposals best satisfy the interests of Energy Trust.
- Issue additional subsequent solicitations for proposals, including withdrawing this RFP at any time and/or issuing a new RFP that would supersede and replace this one.
- Vary any timetable or schedule, add or change any provisions discussed herein.
- Conduct any briefing session or further RFP process on any terms and conditions.
- Suspend or modify the RFP process at any time.
- Enter into relationships with more than one respondent.

7.8 No Commitment

Energy Trust is not obligated to enter into any contract with any respondent. Execution of a written Pilot project incentive funding agreement with Energy Trust would be necessary for any Pilot participation. No award will be considered a commitment, and no obligations or legal relations shall exist between Energy Trust and any selected respondent(s) until a final and binding written contract has been executed by and between Energy Trust and the respondent. Time is of the essence, and prolonged contract negotiations will not be undertaken. Any party involved in these contract discussions can terminate negotiations at any time and for any reason. If it appears that contract negotiations are not proceeding in a timely manner, Energy Trust may opt to terminate the discussions and select another respondent.

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Appendix 1: REPRESENTATIONS AND SIGNATURE

I, the undersigned declare that:

1. I am an authorized agent of the respondent and have authority to submit this proposal on behalf of the respondent.
2. The information provided in this proposal is true and correct to the best of my knowledge.
3. I have read this Request for Proposal in its entirety and agree unconditionally to all of its conditions and governing provisions.
4. The respondent has not directly or indirectly induced or solicited any other respondent to submit false or a sham proposal.
5. The respondent has not solicited or induced any other person, firm or corporation to refrain from responding to this RFP.
6. I understand and accept that the approval or rejection of respondent's proposal is within the sole discretion of Energy Trust and that there is no legal commitment until all due diligence has been performed and a properly authorized contract has been duly and properly executed.
7. The respondent's proposal is genuine; not made in the interest of, or on behalf of, any undisclosed person, firm or corporation; and is not submitted in conformity with an agreement of rules of any group, association, organization or corporation.
8. The respondent has not sought by collusion to obtain for itself any advantage over any other respondent or Energy Trust.
9. I authorize the representatives of Energy Trust to investigate the business history of the respondent and authorize the release of all said information.
10. I agree that I will report immediately in writing to Energy Trust any changes to the information contained herein at any time while respondent's proposal is under consideration.

The information contained in this proposal and any part thereof, is true, accurate and complete. This proposal includes all information necessary to ensure that the statements therein do not in whole or in part mislead Energy Trust as to any material fact.

Date: _____

Respondent Firm Name: _____

Authorized Signature: _____

Printed Name: _____

Title: _____