



Citizens' Utility Board of Oregon

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June 22, 2004

Janet Fairchild
Public Utility Commission
PO Box 2148
Salem, OR 97308-2148

Re: Energy Trust of Oregon Performance Measures

Dear Ms. Fairchild,

Thank you for the opportunity to comment on OPUC Staff's Draft Performance Measures for the Energy Trust of Oregon. I would like to express a few general concerns, and put these performance measures in some historical context. It is certainly appropriate for the OPUC to establish performance measures for the Energy Trust of Oregon (the Trust). Performance measures not only provide guidance, they can also provide a showcase of the Trust's benefits and achievements for the legislative and the general public.

To put these measures in perspective, however, it should be noted that the level of oversight provided by the current grant agreement is already orders of magnitude greater than what existed when utilities ran similar programs themselves. The Trust currently has a number of its own benchmarks and evaluation processes in place. To the extent that these can be incorporated or adopted into the OPUC's performance measures, it would reduce the additional requirements placed upon the Trust, and may simply involve a reporting standard. This would reduce the burden both on the Trust's staff as well as on its budget.

With this in mind, the Trust's board of directors should be a critical partner in this endeavor. I realize the current schedule is to present a proposal to the Commission on July 6, but the Trust's board will not have had the chance to address the OPUC's proposal by then. Given that the board is an independent entity whose job it is to oversee the Trust, imposing performance measures on them without their input seems short-sighted.

As to the performance measures specifically, the draft's suggestion of biennial or annual performance/management audits stands out. An annual, independent financial audit is a cornerstone of sound governance and is already being done, but a performance and/or

management audit is an enormous undertaking and is not frequently done in the normal course of business. As the draft acknowledges, the grant agreement requires management reviews at least every five years. Considering the investment of time and resources these entail, annual or even biennial management reviews seem enormously burdensome. They would also be enormously costly, and stand in contrast to the standard which seeks to limit administrative expenses and maximize actual program expenditures.

An administrative expense performance measure is a valuable benchmark. Similar non-profit organizations can provide both a yardstick as to what that should be, as well context for the Trust's fiscal performance when presenting information to the public. Of the options suggested by the draft, 3b, administrative expenses should not exceed 10% of revenues, seems the most appropriate. Basing an administrative expense measure upon expenditures for an organization such as the Trust, whose expenses can vary wildly from year to year depending upon project cycles, would not be a reliable year-to-year measure of the Trust's administrative expenses.

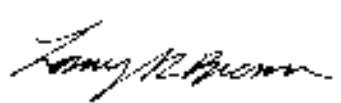
A related concern pertains to the savings targets. Savings targets are useful in that they set concrete goals. However, in their specificity, they can confine the Trust's program efforts to those projects that meet the specific target rather than the overall goal. As the draft points out in footnote 4, \$/aMW and \$/therm standards do not measure the benefits of reducing peak load. Like their expenses, the savings from the Trust's projects can vary considerably over time. Narrowly defined targets can exclude what might otherwise be very valuable system benefits.

My fear is that, in the very act of pushing the Trust toward better performance, it is all too easy to inadvertently clip its wings. Performance measures are a useful tool, but they should be carefully designed so as not to limit the Trust's flexibility and creativity. One of the fundamental reasons for the creation of an independent, non-governmental organization to administer SB 1149 funds, was to promote innovative program design. In a drive for transparency, it is important not to constrain the Trust's ability to tackle the problems it was created to address.

Given my hesitations with the draft performance measures, and given the unexpected results of any change, I recommend testing the final performance measures for a few years and polishing them where appropriate before considering whether to formally incorporate them into the grant agreement.

Thank you for this opportunity to comment.

Sincerely,



Lowrey Brown
Utility Analyst

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