

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 13, 2020**

REGULAR X CONSENT _____ EFFECTIVE DATE February 14, 2020

DATE: February 3, 2020

TO: Public Utility Commission

FROM: Anna Kim

THROUGH: Michael Dougherty and JP Batmale **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1158)
2020 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 2020.

DISCUSSION:

Issue

Whether the Commission should adopt the proposed performance measures for evaluating the performance of Energy Trust in 2020.

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
2019	19-072, amended 19-292

Analysis

The remainder of this memo provides: (1) an overview of the performance measure development; (2) descriptions of each performance measure proposed for 2020; and (3) a table summary of the 2020 performance measures.

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 Integrated Resource Plan (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 2020 budget and action plan to the Commission at a special public meeting on November 7, 2019.²

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. NEEA and Market Transformation
10. 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. Below, Staff reviews each metric and identifies any proposed changes for 2020.

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 https://oregonpuc.granicus.com/GeneratedAgendaViewer.php?view_id=2&clip_id=437.

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

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 table below compares the 2019 and 2020 savings and proposes a levelized cost performance measure for each utility.

Table 1 – Efficiency Performance Measures by Utility, 2019 and 2020

Utility	2019 Performance Measure (Minimum aMW/therm & Levelized Cost)	2020 Performance Measure (Minimum aMW/therm & Levelized Cost)
Portland General Electric (PGE)	28.5 aMW @ no greater than \$0.035/kWh	23.3 aMW @ no greater than \$0.041/kWh
PacifiCorp (PAC)	16.8 aMW @ no greater than \$0.037/kWh	15.3 aMW @ no greater than \$0.043/kWh
Northwest Natural (NWN – Oregon Only)	4.4 M therms @ no greater than \$0.44/therm	4.7 M therms @ no greater than \$0.43/therm
Cascade (CNG)	0.43 M therms @ no greater than \$0.48/therm	0.46 M therms @ no greater than \$0.55/therm
Avista	0.30 M therms @ no greater than \$0.43/therm	0.33 M therms @ no greater than \$0.41/therm

The Board-approved savings goals are usually close to each utility’s IRP targets. Due to the lag between when Energy Trust submits data to utilities for their IRP planning and the annual budget process, there is a notable difference between IRP targets and Energy Trust’s 2020 budget goals. Savings goals are lower than projected in the IRPs for all utilities except Avista. During the budget process, Energy Trust identified indications of decreased potential that led to lower estimates of energy efficiency potential than were initially provided for IRP forecasting.

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 2 – IRP Targets vs. Budget Goals⁶

Utility	2020 IRP Target	2020 Board Approved Budget Goal	2020 Performance Metric (85% of goal)
Portland General Electric (aMW)	30.45	27.4	23.3
PacifiCorp (aMW)	19.22	17.98	15.3
Northwest Natural (MMth)	6.02	5.59	4.7
Cascade (MMth)	0.62	0.55	0.46
Avista (MMth)	0.31	0.39	0.33

Measure 3: Renewable Energy

In 2018, the Commission adopted Staff’s recommendation to modify the renewable energy performance metric. Staff proposes minor adjustments within the metric for 2020. 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.

- 1) Deploy \$1.99 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 1.9 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 third year of this performance metric, and the renewables industry continues to experience changes, this metric may be revisited in future years.

⁶ See Energy Trust’s Approved 2020 Annual Budget and 2020-2021 Action Plan, December 13, 2019, pg. 34.

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.⁷

Historically, Energy Trust has maintained actual delivery efficiency percentages ranging between 4.6 percent and 6.9 percent. In 2012, the measure was adjusted from 11 percent down to 9 percent.⁸ Three years later, the Commission approved lowering the performance measure down again, from 9 percent to 8 percent.⁹

The forecast for 2020 estimates this percentage will be approximately 7.8 percent.¹⁰ Staff recommends maintaining the measure at 8 percent for 2020. 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 it is in consideration of the foregoing that Staff recommends maintaining this measure.

Since the 2019 budget cycle, Energy Trust has updated its annual budget documents to make it easier to determine applicable costs for this OPUC performance measure.¹¹

Administrative costs fall under the following categories:

- 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

⁷ See Order No. 04-593.

⁸ See Order No. 12-094.

⁹ See Order No. 15-127.

¹⁰ See Energy Trust's Approved 2020 Annual Budget and 2020-2021 Action Plan, December 13, 2019, pg. 36.

¹¹ See Order No. 18-076.

- Office Rent and Equipment
- Materials Postage and Telephone
- Miscellaneous Expenses¹²

Measure 6: Staffing

This performance measure pertaining to Energy Trust's staffing costs was established in 2015.¹³ 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.¹⁴

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.

In August 2019, in Order No. 19-292, the Commission adopted the following changes to staffing metrics:

1. For the next two years (2020-2021), reduce the annual growth in staffing costs from 10 percent to no more than 9 percent from year to year.
2. Remove the rolling average of staffing costs as a percent of total costs as the relationship between the two cost categories is continuing to evolve.
3. Report to the Commission on staffing trends and provide a recommendation for 2022 performance measures.¹⁵

These changes were enacted in response to the combination of declining savings projections and steeply increasing healthcare costs, which indicated that the existing performance metric was not providing the information the Commission sought.

As part of Staff's ongoing oversight of staffing costs, Energy Trust provided updates to the information reviewed in August 2019. Please note that, beginning with the 2020 budget, Energy Trust has begun reporting numbers specifically related to the OPUC grant agreement, excluding Energy Trust's activities in Washington and its contract for Community Solar. For comparability, these costs have also been removed from past

¹² See Staff Report at Special Public Meeting on Energy Trust's 2019 Budget, November 8, 2018, pg. 10-11.

¹³ See Order No. 15-127.

¹⁴ See Order No. 18-076.

¹⁵ See Order No. 19-292 pg. 6.

budgets so that all budget numbers represent the OPUC grant only, resulting in differences between these tables and those found in Order No. 19-292.

The following table shows staffing costs by category as was represented in past budgets and estimated projections.

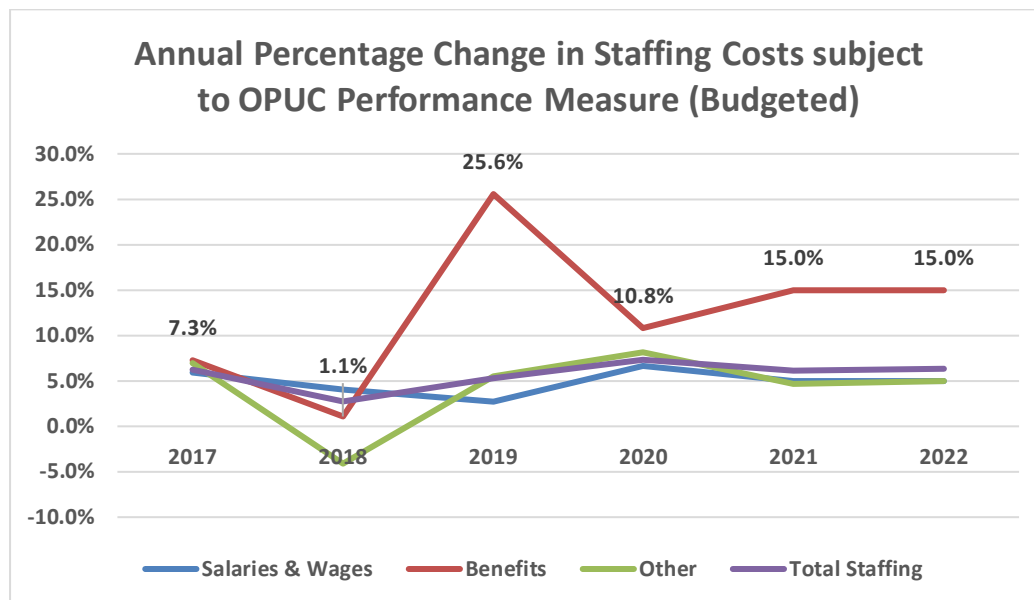
Table 3 – Budgeted staffing costs by category

	2016 Budget	2017 Budget	2018 Budget	2019 Budget Amended	2020 Budget Final	2021 Projection	2022 Projection
Salaries+Wages	\$9,443,445	\$10,004,082	\$10,411,710	\$10,694,487	\$11,405,458	\$11,970,766	\$12,569,304
Benefits	\$1,235,502	\$1,325,735	\$1,340,126	\$1,682,802	\$1,864,944	\$2,143,799	\$2,465,369
Other	\$1,524,264	\$1,630,707	\$1,563,739	\$1,649,684	\$1,784,153	\$1,867,309	\$1,960,674
Total Staffing	\$12,203,211	\$12,960,524	\$13,315,575	\$14,026,973	\$15,054,555	\$15,981,874	\$16,995,348

The “other” category contains:

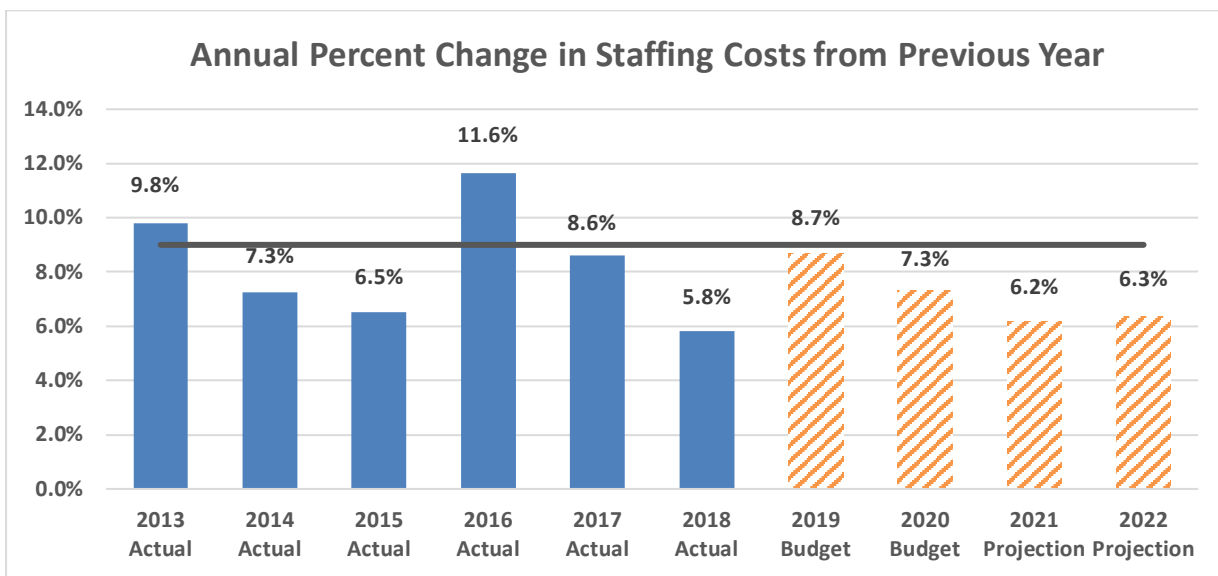
- Payroll taxes;
- 401k;
- An accounting for net change in accrued vacation liability;
- Fees the organization pays to the 401k and savings plan providers; and
- Employee recognition.

The next graph shows the percentage change from year to year of budgeted costs. The main driver in the high percentage change in benefits is healthcare costs.



Healthcare cost increases are expected to remain high for multiple years, but not as high as predicted in August 2019. The expected projection is similar, just not as pronounced as before.

The following graph shows the percentage change in total staffing costs from year to year, including both historic numbers and the current budget forecast. The line represents 9 percent, which is the current ceiling for annual growth.



Some of the projected staffing cost increases were shifted from what was planned for 2020 and years forward, back to 2019 as Energy Trust was able to hire a DEI Lead in late 2019, ahead of schedule.

On January 31, 2020, Staff held a workshop to provide an update on Energy Trust's activities related to controlling staffing costs and collect feedback on information to pursue in 2020. Some of the highlights of these updates include:

- Implementation of new planning software is on target for completion in 2021, which will reduce time spent on budgeting and also increase flexibility in planning for staffing needs.
- Began reporting staffing costs for public purpose charge-funded investments (as derived from SB 1149 and SB 838) separately from staffing costs for activities supported by other funding sources (such as Community Solar and NW Natural programs in Washington).

- A number of changes to consolidate and redistribute work and more effectively deploy key staffing resources. One of these changes is estimated to annually save \$60,000 in staffing costs and \$100,000 in administrative costs.

Additionally, Energy Trust has identified a list of indicators that affect staffing costs and staffing needs to watch in 2020. These lists were discussed with stakeholders and will continue to be refined as new opportunities are identified. Staff plans at least one additional workshop in Q3 2020 to report on any notable information gathered through these indicators in advance of Energy Trust's 2021 budget process, as well as overall achievements towards controlling costs.

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 in Table 4 below.

Measure 9: NEEA and Market Transformation

Staff proposes to maintain the current performance measures for work with the Northwest Energy Efficiency Alliance (NEEA) as shown in Table 4 below.

Measure 10: Diversity, Equity, & Inclusion

In Order No. 19-292, the Commission established a new category of performance measures to support and monitor Energy Trust's work in diversity, equity, & inclusion (DEI) and adopted 2020 performance measures. These goals were identified through a collaborative effort with interested stakeholders.

Since the Commission issued Order No. 19-292, Energy Trust has set aside funds specifically to support DEI activities, including \$590,000 for support through staffing, training, and engagements. This includes the new DEI Lead. Energy Trust has additionally budgeted for DEI program and operations activities supporting its DEI efforts.

For updates on specific performance measures, Energy Trust has:

- Begun work on a number of data enhancement projects and delivered its first report to the Diversity Advisory Council (DAC).

- Scheduled time with DAC to review the “DEI Lens”.
- Expanded outreach and membership with trade and professional organizations to help reach trade ally targets.
- Energy Trust anticipates running more than one rural-focused workshop and is targeting Q2.

Staff has scheduled a workshop later this month to update interested stakeholders on Energy Trust’s progress and efforts towards these goals. Staff plans at least one additional workshop in Q3 2020 to report on progress in advance of Energy Trust’s 2021 budget process.

Proposed 2020 Performance Measures

The proposed 2020 performance measures for Energy Trust are detailed below. They include the previous year’s performance measures for comparison purposes.

Table 4 – Performance Measures 2019 and 2020

Category	2019 Performance Measure	Proposed 2020 Performance Measure
1. Electric Energy Efficiency	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 	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> • PGE: Obtain at least 23.3 aMW; Levelized cost not to exceed 4.1 cents/kWh • Pacific Power: Obtain at least 15.3 aMW; Levelized cost not to exceed 4.3 cents/kWh
2. Natural Gas Energy Efficiency	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 	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> • NW Natural: Obtain at least 4.7 million annual therm savings; Levelized cost not to exceed 43 cents/therm • Cascade Natural Gas: Obtain at least 0.46 million annual therm savings; Levelized cost not to exceed 55 cents/therm

	<ul style="list-style-type: none"> • Avista: Obtain at least 0.30 million annual therm savings; Levelized cost not to exceed 43 cents/therm 	<ul style="list-style-type: none"> • Avista: Obtain at least 0.33 million annual therm savings; Levelized cost not to exceed 41 cents/therm
3. Renewable Energy	<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 progress through development stages. • 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. 	<ul style="list-style-type: none"> • For project and market development assistance (part 1), deploy at least \$1.99 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 progress through development stages. • 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 1.9 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.
4. Financial Integrity	Unmodified financial opinion	Unmodified financial opinion
5. Program Delivery Efficiency	<ul style="list-style-type: none"> • Administrative and program support costs must be below 8% of annual revenues (no more than \$14,675,399). 	<ul style="list-style-type: none"> • Administrative and program support costs must be below 8% of annual revenues (no more than \$14,189,583).

	<ul style="list-style-type: none"> Administrative and program support cost growth is limited to 10% year-over-year increase (no more than \$1,309,717). 	<ul style="list-style-type: none"> Administrative and program support cost growth is limited to 10% year-over-year increase (no more than \$1,322,542).
6. Staffing	<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 Staffing cost growth is limited to 10% year-over-year increase. 	<ul style="list-style-type: none"> Staffing cost growth is limited to 9% year-over-year increase (no more than \$1,262,428).
7. Customer Satisfaction	<p>Greater than 85% satisfaction rates for:</p> <ul style="list-style-type: none"> Interaction with program representatives Overall satisfaction 	<p>Greater than 85% satisfaction rates for:</p> <ul style="list-style-type: none"> Interaction with program representatives Overall satisfaction
8. Benefit/Cost Ratios	<ul style="list-style-type: none"> Report both utility system and societal perspective annually. Report significant mid-year changes as warranted in quarterly reports. 	<ul style="list-style-type: none"> Report both utility system and societal perspective annually. Report significant mid-year changes as warranted in quarterly reports.
9. 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
10. Diversity, Equity, & Inclusion		<ul style="list-style-type: none"> Implement the data enhancement project as outlined in the 2020 Budget and Action Plan and deliver a minimum of four reports to the Diversity Advisory Council. Implement and publish the “DEI Lens” project as outlined in the 2020 Budget and Action Plan and approved by the Diversity Advisory Council.

		<ul style="list-style-type: none">• Complete 1,000 projects with trade allies that are minority-owned businesses in 2020.• Implement a rural-focused workshop as outlined in the 2020 Budget and Action Plan.
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Conclusion

Staff proposes adopting the performance measures listed in Table 4, which incorporate the modifications adopted in Order No. 19-292, and provide additional updates to specific numbers.

PROPOSED COMMISSION MOTION:

Adopt the proposed performance measures as stated in this memo for evaluating the performance of Energy Trust in 2020.