

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 14, 2015**

REGULAR  CONSENT  EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: March 30, 2015

TO: Public Utility Commission

FROM: Jason R. Salmi Klotz *JRS*

THROUGH: Jason Eisdorfer and Aster Adams *JE* *AA*

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:  
(Docket No. UM 1158) Recommendations for Performance Measures for the Energy Trust of Oregon.

**STAFF RECOMMENDATION:**

Staff recommends the Oregon Public Utility Commission (Commission or PUC) adopt the proposed performance measures as stated in Attachment A for evaluating the performance of Energy Trust of Oregon (Energy Trust or ETO) in 2015. Staff further recommends the Commission direct Staff and Energy Trust to work collaboratively with parties during 2015 to determine the appropriate program delivery efficiency percentage target for 2016.

**DISCUSSION:**

**Purpose of the Performance Measure**

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 signals intervention may be required. Energy Trust sets specific goals, collaboratively developed with utilities and Staff, in its annual budget and action plan. The performance measures are not intended as substitutes for Energy Trust annual goals. Energy Trust provides annual reports to the Commission highlighting the organization's performance relative to current Commission performance measures, in addition to providing detailed results and performance against goals set during its budget process.

### **History**

The Energy Trust operates under a grant agreement with the Commission. The grant agreement requires the PUC to establish quantifiable performance measures that clearly define its expectation of the Energy Trust's performance. Previously, the Commission adopted performance measures for the ETO in 2004 (Order No. 04-593), in 2005 (Order No. 05-920), in 2006 (Order No. 06-679), in 2007 (Order No. 07-123), in 2008 (Order No. 08-529), in 2012 (Order No. 12-094), and in 2013 (Order No. 13-070).

### **Methodology**

In Order No. 12-094 the Commission approved a systematic approach to developing ETO performance measures. Staff and Energy Trust established a formula that ties performance measures to utility Integrated Resource Plan (IRP) targets and Energy Trust's goals for energy efficiency. In 2014, with Order No. 14-103, the Commission approved a modification to the methodology whereby a new approach to expressing yearly electricity and gas savings targets was put in place. In years past, Energy Trust established two targets, a conservative goal and a stretch goal. In 2014 the Commission adopted Staff's recommendation to move from two goals, to a single goal for each utility. Goals are derived from individual utility IRP targets. The IRP target consists of the full resource potential and does not include a 15 percent "safe size" reduction as had been the practice in the past. In Order No. 14-103 the Commission approved a new savings goal methodology whereby performance measures are expressed by the utility as a 15 percent variance from the ETO board approved goals, as follows:

1. PUC savings performance measure = ETO savings goal x 0.85
2. PUC savings levelized cost performance measures = ETO levelized cost x 1.15

In the above equations, the ETO savings goal is derived from individual utility IRPs.

### **Electric and Natural Gas Efficiency Performance Targets**

Table 1 shows the total electric and gas efficiency goals as compared to the IRP targets for 2014 and 2015. Under normal circumstances, the Energy Trust aligns utility IRP targets with its goals. In 2015, there are slight differences between the electric efficiency goals and IRP targets, as shown in Energy Trust's Board Approved Budget goals and utility IRP targets in Table 1. This occurs when late breaking market intelligence presents energy savings opportunities that were not identified in the two-year utility IRP review cycle. Utilities are presented the opportunity to fund above the IRP target for that year during the annual funding agreement meetings. Typically, the utilities agree to fund to the higher level and acquire the cost effective conservation resource.

**Table 1. ETO 2014-2015 Efficiency Goals and IRP Targets**

		<b>Efficiency Goal</b>	<b>IRP Target</b>
<b>2014 Electric</b>	<b>Savings (aMW)</b>	<b>57.7</b>	<b>55.9</b>
	<b>Levelized Costs (\$/kWh)</b>	<b>\$0.029</b>	<b>\$0.030</b>
<b>2015 Electric</b>	<b>Savings (aMW)</b>	<b>53.1</b>	<b>49.2</b>
	<b>Levelized Costs (\$/kWh)</b>	<b>\$0.031</b>	<b>\$0.034</b>
<b>2014 Gas</b>	<b>Savings (aMW)</b>	<b>5.8</b>	<b>5.8</b>
	<b>Levelized Costs (\$/kWh)</b>	<b>\$0.40</b>	<b>\$0.40</b>
<b>2015 Gas</b>	<b>Savings (aMW)</b>	<b>5.6</b>	<b>5.1</b>
	<b>Levelized Costs (\$/kWh)</b>	<b>\$0.33</b>	<b>\$0.36</b>

Table 2 shows the efficiency goals for 2015 by utility with the proposed performance measure for each utility.

**Table 2. 2014 Energy Trust Savings Goals and Proposed 2015 Performance Measures**

<i>Category</i>	<i>2014 Energy Trust Goal</i>	<i>Proposed 2015 Performance Measure</i>
PGE electric efficiency	Obtain at least 32.0 aMW Levelized cost not to exceed 3.2 cents/kWh.	Obtain at least 28.2 aMW Levelized cost not to exceed 3.6 cents/kWh
PacifiCorp (PAC) electric efficiency	Obtain at least 17.1 aMW Levelized cost not to exceed 3.7 cents/kWh	Obtain at least 16.9 aMW Levelized cost not to exceed 3.6 cents/kWh
Northwest Natural (NWN) gas efficiency	Obtain at least 4.53 million annual therm savings Levelized cost not to exceed 45.3 cents/therm	Obtain at least 4.4 million annual therm savings Levelized cost not to exceed 37 cents/therm
Cascade (CNG) efficiency	Obtain at least 0.40 million annual therm savings Levelized cost not to exceed 52 cents/therm	Obtain at least 0.41 million annual therm savings Levelized cost not to exceed 41 cents/therm

### **Renewable Resource Development**

For renewable programs, the performance measure is a four-part measure that aligns with the four funding priorities for Energy Trust's current strategy for renewable;

- 1) Project and market development assistance
  - Report annual results, including number of projects supported, milestones met, and documentation or results from market and technology perspective.
- 2) Standard net-metered program projects
  - Obtain at least 85 percent of the installed generation goal.
- 3) Non-solar custom projects
  - Set a three-year rolling average of projects incentives divided by the total number of renewable energy certificates delivered to Energy Trust over the term of the contracts to not exceed the PUC agreed upon annual dollar per allocated MWh. This category includes qualifying facility projects which receive the standard avoided cost contract price from utilities as well as custom net metered projects.
- 4) Innovative and custom solar projects
  - Report sources of funding for projects and the criteria for selection

### **Program Delivery Efficiency**

In 2004 with the establishment of Energy Trust's performance measures, UM 1158 set a program delivery efficiency measure with a target of 11 percent. The program delivery efficiency measure is a maximum threshold for administrative and program support costs as a percentage of total annual revenues.

Program support costs were defined in coordination with the PUC to enable comparison with other recipients of public purpose funding. For the purposes of this measure definition, program support costs are defined as program costs, except for direct program costs as reflected in the following areas: program management, program delivery, program incentives, program payroll and related expenses, outsourced services, planning and evaluation services, customer service management, and trade ally network management.

Administrative costs adhere to generally accepted accounting practices for nonprofit organizations.

These performance measures were effective for the 2005 calendar year and the program delivery measure remained at 11 percent through 2011. In 2012 under Order No. 12-094 the measure was adjusted down to 9 percent. This aligns with PUC administrative cost legislative Key Performance Indicators.

Historically, Energy Trust has maintained percentages ranging between 4.6 percent and 6.9 percent. The 2015 budget projects this percentage to be 6.3 percent. In the 2014 docket hearing comments were made by the electric utilities that a tighter threshold should be considered given Energy Trust's impressive track record. Staff did not recommend reducing the measure but was open to exploring an adjustment in 2015. Energy Trust analyzed its prior operating costs and future projections per utility IRP savings targets, potential new initiatives and pilots such as a Salem natural gas pipeline deferral project, and administrative tasks associated with such increased reporting requests. Energy Trust believes there is a likelihood that program delivery costs as defined may increase over the next succeeding years due to increased efforts to acquire harder to reap savings, as well as revenues coming down per declining IRP conservation targets. However, Energy Trust did state that they could manage costs from escalating significantly to support lowering the performance measure from 9 percent to 8 percent. Beyond the 8 percent cap Energy Trust believes a lower performance measure may stifle innovation and promote a conservative approach to acquiring paths to more conservation at a time when traditional resources are approaching saturation. Staff supports lowering the performance measure from 9 percent to 8 percent and will continue to monitor whether negative implications arise.

### **Customer Satisfaction**

PUC Staff proposes to keep the customer satisfaction performance measure the same as it was in 2014. Energy Trust should maintain a minimum of 85 percent of customers indicating they are satisfied or very satisfied with a) interaction with program representatives, and b) overall satisfaction.

### **Financial Integrity and Benefit/Cost Ratios**

PUC Staff proposes to maintain the current performance measures for financial integrity and benefit/cost ratios as listed in Table 3 below and shown in Attachment A.

### **New Measures for 2015**

- A performance measure pertaining to Energy Trust's Oregon public purpose funding based staffing costs will be established and reviewed annually by the PUC. The performance measure will be determined by calculating a three-year rolling average of total staffing costs divided by total annual expenditures for Oregon public purpose funding related activities. The three years comprising the average will include the proposed next year budget, current year budget forecast and prior year actual costs. This percentage performance measure was set in this docket UM 1158 and will remain unchanged unless the Commission orders a change. Below is listed a proposed schedule related to development and adoption of the performance measure:

1. Late October: Budget staffing expenditures, total expenditures and annual performance metric will be determined as a part of the annual budget process and the calculation of the three-year rolling average percentage.
2. Early November: Energy Trust board reviews the draft annual budget and draft two-year action plan inclusive of staffing resources.
3. Mid-November: Proposed staffing levels, related costs and percentage expenditures will be previewed by PUC staff as draft budget presentation meeting and input solicited.
4. Late November: Staff expenditures, total expenditures and this performance metric will be presented to Commissioners at the public meeting on the draft budget and draft action plan.
5. Late November: During budget comment period, PUC provides feedback and direction on the staffing metric and any request for variance to the performance measure if applicable.
6. Mid-December: Energy Trust board acts on proposed final annual budget and proposed final action plan, accounting for PUC comments on the budget and staffing performance metric.
7. Early January: Energy Trust provides PUC staff with recommendations for all performance measures including the new staffing performance measure.
8. Early February: PUC adopts annual performance measures.
9. Spring 2016 and thereafter: Energy Trust annual report highlights actual performance compared to all adopted performance measures.

This process establishes the initial staffing performance measure. In subsequent budget years, Energy Trust will endeavor to maintain this metric at or below the established performance measure level. If circumstances require, a request to seek a waiver due to extenuating circumstances or to potentially amend the measure will be proposed during the annual budget adoption cycle as described, above.

- **Northwest Energy Efficiency Alliance (NEEA) and market transformation.**

During the 2015 budget review process Commissioners commented that they would like Energy Trust to provide information regarding NEEA activities funded by Energy Trust public purpose dollars. Specific information that will be reported in Energy Trust's annual report include:

1. **What new opportunities have surfaced in the previous 12 months and what has NEEA done in response to those opportunities?** NEEA maintains a database of unsolicited opportunities that come in through their website. New ideas are also identified through staff scanning activity and from utilities, ETO and other stakeholders. All new ideas under consideration are included in the NEEA new opportunity database and the status is reported to the NEEA board. Energy Trust will provide this

information to the Commission. New opportunities beyond emerging technologies that surface will be gathered through various venues including ETO advisory councils, board meetings, and ETO direct interactions between their program and planning teams and NEEA.

2. **What projects have been rejected by NEEA's Regional Portfolio Advisory Committee (RPAC) and how many votes were for and against each measure?** Under NEEA's new engagement policy, the RPAC formally votes on new ideas as part of the Initiative Portfolio. A second vote is required to approve initiatives before they go to full-scale market development. These decisions and corresponding votes for and against are documented, included in formal minutes of the RPAC meetings, and provided in annual summary form. The process also requires the NEEA executive director to pursue solutions where the RPAC has not supported an initiative and to take matters to the board if they cannot otherwise be resolved at the RPAC level. Energy Trust is represented on the RPAC and will provide a status report of any rejected ideas and corresponding voting.
3. **What is the uptake on identified emerging, promising technologies?** For all opportunities within the formal NEEA portfolio, NEEA tracks all key market progress indicators including market adoption rates. These are collected in NEEA's quarterly reporting system and provided in summary form. ETO will work with NEEA to calculate the actual uptake on specific technologies and represent that as a percentage and/or number of total technologies considered.
4. **What are the results of the take-stock analysis of the budget and the opt-in programs?** The current NEEA business plan includes resources to conduct a review of the new opt-in approach to programs and local delivery of some market transformation services. The review is slated to occur in early 2016 and will be made publically available when complete. Energy Trust will work with the Commission Staff on the scope of the review and present the result. Note that only 1 of the 4 optional initiatives – the Industrial Technology Training – may not proceed as of this time.
5. **What mid-course corrections have occurred in any of the NEEA initiative?** NEEA's market progress and evaluation reports document major findings with each program that might require a major change or shift in program design. These recommended changes are reviewed internally at NEEA and responses documented in internal milestone documents. NEEA plans to create a year-end summary of major, high-level changes across the portfolio, including a significant adjustment to the

fundamental market transformation theory or key strategic intervention changes. ETO will use these documents to report correction activities.

**Proposed 2015 Performance Measures**

Attachment A contains the approved 2014 performance measures adopted for the ETO compared with the proposed 2015 measures.

**PROPOSED COMMISSION MOTION:**

The performance measures, as stated in Attachment A, be used in evaluating the performance of the Energy Trust of Oregon during calendar year 2015. Staff and Energy Trust work collaboratively with parties during 2015 to determine the appropriate program delivery efficiency percentage target for 2016.



**Attachment A**

**Proposed 2015 Performance Measures**

**ETO Performance Measures comparison and proposal**

Category	Previous Performance Measure	Proposed 2015 Performance Measure
Electric Energy Efficiency	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> <li>• PGE: Obtain at least 32.0 aMW Levelized cost not to exceed 3.2 cents/kWh</li> <li>• PAC: Obtain at least 17.1 aMW Levelized cost not to exceed 3.7 cents/kWh</li> </ul>	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> <li>• PGE: Obtain at least 28.2 aMW Levelized cost not to exceed 3.6 cents/kWh</li> <li>• PAC: Obtain at least 16.9 aMW Levelized cost not to exceed 3.6 cents/kWh</li> </ul>
Natural Gas Energy Efficiency	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> <li>• NWN: Obtain at least 4.53 million annual therm savings Levelized cost not to exceed 45.3 cents/therm</li> <li>• CNG: Obtain at least 0.40 million annual term savings Levelized cost not to exceed 52 cents/term</li> </ul>	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> <li>• NWN: Obtain at least 4.4 million annual therm savings Levelized cost not to exceed 37 cents/therm</li> <li>• CNG: Obtain at least 0.41 million annual therm savings Levelized cost not to exceed 41 cents/therm</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• For project and market development assistance, report annual results, including number of projects supported, milestones met and documentation of results from market and technology perspective</li> <li>• Obtain at least 0.70 aMW of installed generation of net-metered standard projects including solar and small wind</li> <li>• For non-solar custom projects, the 3-year rolling average incentive is not to exceed \$32/allocated MWh</li> <li>• For innovative and custom solar projects, report sources of funding for projects and selection criteria</li> </ul>	<ul style="list-style-type: none"> <li>• For project and market development assistance report annual results, including number of projects supported, milestones met and documentation of results from market and technology perspective</li> <li>• Obtain at least 1.1 aMW of installed generation of net-metered standard projects including solar and small wind</li> <li>• For non-solar custom projects, the 3-year rolling average incentive is not to exceed \$25/allocated MWh</li> <li>• For innovative and custom solar projects, report sources of funding for projects and the selection criteria</li> </ul>

Financial Integrity	<ul style="list-style-type: none"> <li>• Unmodified financial opinion</li> </ul>	<ul style="list-style-type: none"> <li>• Unmodified financial opinion</li> </ul>
Program Delivery Efficiency	<ul style="list-style-type: none"> <li>• Administrative and program support costs must be below 9% of annual revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative and program support costs must be below 8% of annual revenues</li> </ul>
Staffing	<ul style="list-style-type: none"> <li>• New</li> </ul>	<ul style="list-style-type: none"> <li>• Total staffing expenditures will not exceed 7.75% of total organization expenditures calculated on a 3 year rolling average for public purpose funded activities in Oregon</li> </ul>
Customer Satisfaction	<ul style="list-style-type: none"> <li>• Greater than 85% satisfaction rates for:               <ul style="list-style-type: none"> <li>• <i>Interaction with program representatives</i></li> <li>• <i>Overall satisfaction</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Greater than 85% satisfaction rates for:               <ul style="list-style-type: none"> <li>• Interaction with program representatives</li> <li>• Overall satisfaction</li> </ul> </li> </ul>
Benefit/Cost Ratios	<ul style="list-style-type: none"> <li>• Report both utility system and societal perspective annually</li> <li>• Report significant mid-year changes as warranted in quarterly reports</li> </ul>	<ul style="list-style-type: none"> <li>• Report both utility system and societal perspective annually</li> <li>• Report significant mid-year changes as warranted in quarterly reports</li> </ul>
NEEA and Market Transformation	<ul style="list-style-type: none"> <li>• New</li> </ul>	<ul style="list-style-type: none"> <li>• Report annually:               <ul style="list-style-type: none"> <li>• New opportunities that have surfaced in last 12 months and what was the response</li> <li>• Ideas rejected by RPAC in last 12 months</li> <li>• Results of the take-stock analysis of the budget and opt-in programs</li> <li>• Mid-course corrections that occur in programs</li> </ul> </li> </ul>