ORDER NO. 08-529

ENTERED 11/04/08

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1158(5)

In the Matter of	)	
	)	
ENERGY TRUST OF OREGON	)	ORDER
	)	
Recommendation for 2008 – 2009 Performance Measures.	)	

DISPOSITION: PROPOSED PERFORMANCE MEASURES ADOPTED

The Public Utility Commission of Oregon (Commission) adopted 2007 performance measures for the Energy Trust of Oregon (the Trust) in Orders No. 06-679 and No. 07-123. The Trust exceeded those minimum performance targets in all areas except for acquisition of small scale renewables (See Appendix A, Table 1). Staff is not asking the Commission to issue a Notice of Concern relative to this performance measure because the Trust's performance in 2007 was associated with mitigating factors and not solely with the Trust's efforts. A description of the proposed 2008 - 2009 performance measures and targets, together with discussion of the procedural history, is contained in the Staff Report, attached as Appendix A and incorporated by reference.

At the October 21, 2008 Public Meeting, the Commission adopted Staff's Recommendation, and approved the proposed 2008 - 2009 performance measures and targets to assess the performance of the Energy Trust of Oregon.

ORDER

IT IS ORDERED that the proposed 2008 - 2009 performance measures and targets, as stated in Attachment A of Appendix A, to assess the Energy Trust of Oregon, are adopted.

Made, entered and effective NOV 0 4 2008.

Lee Beyer
Chairman

John Savage
Commissioner

Ray Baum
Commissioner

A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. 2A

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 21, 2008

REGULAR X **CONSENT** ____ **EFFECTIVE DATE** N/A

DATE: October 10, 2008

TO: Public Utility Commission

FROM: Lori Koho

THROUGH: Lee Sparling, Ed Busch and Bonnie Tatom

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: Recommendations for 2008 - 2009 Performance Measures for the Energy Trust of Oregon.

STAFF RECOMMENDATION:

Staff recommends that the Commission adopt the proposed performance measures and targets in its evaluation of the 2008 and 2009 performance of the Energy Trust of Oregon.

DISCUSSION:

The purpose of performance measures and targets is to clearly define the Commission's minimum expectations for the Energy Trust of Oregon (Trust). Should the Trust fail to meet the performance targets adopted by the Commission, the Commission would consider issuing a Notice of Concern pursuant to the Grant Agreement between the Commission and the Trust.

2007 Performance

The Commission adopted 2007 performance measures for the Trust in Order Nos. 06-679 and 07-123. The Trust exceeded those minimum performance targets in all areas except for acquisition of small scale renewables (*see* Table 1). Staff is not asking the Commission to issue a Notice of Concern relative to this performance measure because the Trust's performance in 2007 was associated with mitigating factors and not with the Trust's efforts.

Table 1: 2007 Energy Trust Performance

Performance Metric	Target	Actual
Electricity Efficiency Savings (3-year rolling average)	20 MWa	34 MWa
Average Lifecycle Levelized Cost	< 2 ¢/kWh	< 1.4 ¢/kWh
Gas Efficiency Savings (3-year rolling average)	>700,000 therms	2 M therms
Average Lifecycle Levelized Cost	< 40 ¢/therm	33 ¢/therm
Renewables – Utility Scale (3-year rolling average)	9 MWa	16 MWa
Renewables – Small Scale (3-year rolling average)	3 MWa	0.9 MWa
Program Delivery Efficiency	11 %	6 %

2008 – 2009 Proposal

Staff is proposing raising the minimum performance targets for levelized costs for gas and electric efficiency acquisition for the reasons discussed below:

- The Trust is moving up the efficiency potential supply curve.
  The Trust has been funding energy efficiency since 2002 and the average annual levelized cost for electricity efficiency has never exceeded 1.5 ¢/kWh. The Trust has kept the levelized costs low by targeting the most cost-effective (cheapest) energy efficiency it can acquire. Over time, the Trust has and will continue to move up the supply curve where costs to acquire efficiency will be higher. Increasing the levelized cost limits allows the Trust to target efficiency measures that are more challenging to achieve but are still cost-effective.

- There is increased funding from SB 838 (2007 session).
  Utilities are now able to collect in tariffs the money to fund all achievable cost-effective energy efficiency and these funds are administered by the Trust. Now the Trust must develop programs that penetrate the market up to the cost-effectiveness level and can't focus only on the "low hanging fruit." The last study of conservation potential, in the Oregon investor owned utilities' territory. used a screening level of 5.5 ¢/kWh. The Trust and utilities are currently working with a consultant to perform updated potential analysis and the screening level in this study will be in the range of 6 to 6.5 ¢/kWh.

- State and Federal policy discussions promote urgency.
  Climate legislation is on the agenda at both the state and federal level. Energy efficiency is a supply-side resource without emissions. Climate legislation will impact not only future resource decisions a utility may make but also existing generating resources. Therefore, efficiency is needed both to offset as much load growth as possible and to reduce the dependence on current high carbon-emitting generation resources.

- Larger than expected rate increases are now predicted.
  The recent indication from both the gas and electric companies is that rates will increase because fuel prices are increasing. NW Natural has officially requested a 20-25% rate increase, although that number may be modified downward in the next week. Ratepayers will likely respond with renewed interest in the Trust's programs. Rate increases also mean more measures will be cost-effective pushing the Trust even further up the supply curve in its partnership with the utilities to acquire all of the cost-effective efficiency.

Table 2 on the following page summarizes staff's proposed performance measures for 2008 and 2009.

The target that staff is proposing for electricity energy efficiency savings is higher than what it has been in the past because of the Trust's actual performance over the last years. As shown in the table above, the three-year rolling average for the years 2005, 2006 and 2007, was 34 MWa. The Trust acquired 35 aMW in 2007 alone. A 50% increase in the performance measure is reasonable based on the Trust's past performance and because of increased funding due to SB 838. This target allows the Trust to develop programs that target some of the more expensive, and yet cost-effective, measures while limiting them to an average levelized cost of 3.5 ¢/kWh.

The target that staff is proposing for gas efficiency savings is more than two times higher than the 2007 performance measure. The new target was determined similarly to the new electricity efficiency savings target. Using the current funding levels and the proposed levelized cost of 60 ¢/therm, a minimum annual savings was calculated to be 1.6 million therms. That minimum savings and the prior years actual performance were used to develop the new three-year rolling average target of 1.8 million therms.

Staff is suggesting no changes to the renewables targets other than to remove the utility scale target in 2009. The Trust is in transition from funding both utility scale and small scale renewable projects, to funding only those projects less than 20 MW, as a result of

legislation in 2007. The majority of the Trust's previous financial commitments to utility scale projects will be fulfilled by the end of 2008.

Staff is proposing to maintain 3 MWa as the minimum target for small scale renewables in 2009. Staff initially considered raising that target because all of the renewables dollars going to the Trust would now go towards these smaller projects. However, the impact of the following factors indicated that 3 MWa would be an appropriate target through 2009:

- The Trust had not been able to achieve the target for small projects previously. The utility scale projects had been the most cost effective and the easiest to obtain.
- Community Wind projects were the lowest-cost option and had been a substantial component of the previous target. These projects have been thwarted by the inability to acquire wind turbines.
- Costs for all projects have risen.

Table 2: Proposed Performance Metrics for Energy Trust for 2008 – 2009

Performance Measure	Proposed 2008 - 2009	2007
Electricity Efficiency Savings (3-year rolling average)	31 MWa*	20 MWa
Average Lifecycle Levelized Cost	< 3.5 ¢/kWh	< 2 ¢/kWh
Gas Efficiency Savings (3-year rolling average)	>1.8 M therms*	>700 K therms
Average Lifecycle Levelized Cost	< 60 ¢/therm	< 40 ¢/therm
Renewables – Utility Scale (3-year rolling average)	2008 – 9 MWa 2009 - eliminate	9 MWa
Renewables – Small Scale (3-year rolling average)	3 MWa	3 MWa
Program Delivery Efficiency	< 11 %	< 11 %

*Rolling average determined using previous years' actual performance and current year's minimum acceptable performance.

Public Comments

Staff solicited comments on this proposal and received input from three parties. Renewable Northwest Project is supportive of the proposal. Weatherization Industries Save Energy (WISE) is supportive but stated that it would prefer to see more money going to incentives than to administrative or delivery costs. The Northwest Energy Coalition stated it believed the electricity levelized cost limit

should be higher by 1 – 2 ¢/kWh to recognize the impact of CO_2 savings on costs. Staff maintains that the value of CO_2 savings is captured in the utilities' avoided costs. The appropriate time to validate the cost of CO_2 savings is during the integrated resource planning process when the risks and costs associated with different CO_2 regulatory scenarios is evaluated.

Policy Questions

It is wise to periodically question not only the target *value* of a performance measure but if the performance measure itself is appropriate. Specifically:

- Is a three-year rolling average the best metric for acquisition of savings? A rolling average smoothes the effects of the economy and the impact of large industrial projects. However, neither staff, nor the Commission, look at the three-year rolling average to the exclusion of the Trust's annual performance. Instead, the annual savings numbers are reviewed in terms of the projects, economy and any other mitigating circumstances. Any year where the annual targets are unmet, without justification, would be cause for concern.

- Should the performance measures be set as the minimum acceptable performance? Pursuant to the Commission's integrated resource plan (IRP) order, the Trust and the utilities for whom the Trust administers programs, must work together to determine the achievable energy efficiency potential in the utility's service territory. The utility is expected to treat cost-effective energy efficiency as a supply-side resource on par with any other supply-side resource and be included in the utility's energy action plan. If the Commission is holding the utility accountable for acquiring a resource, shouldn't the Commission hold the Trust accountable for the MWa or therms that are in the utility's action plan?

- What criteria should the Trust use to claim credit for renewable energy resources? Currently, the Trust can claim energy from projects that it may have enabled through feasibility studies or other technical assistance. With the state's renewable energy standard (RES), should the Trust only count the energy from projects where the renewable energy credits (REC) have been retired on behalf of ratepayers? Or possibly the Trust could also include any project where it's known that the RECs have been retired. Yet another option might be to have two metrics. One for projects with RECs that apply towards the utility's RES compliance and a second metric that recognizes the total number of renewable resources that have been enabled by the Trust's efforts.

- Should setting the performance metrics be linked to other planning processes? Ideally, metrics would be based on the most recent efficiency potential study and the utility's IRP. Is it possible to get any of these on a regular schedule? The most probable conclusion would be to set an update cycle for the potential study.

Staff will convene a workshop to explore these policy issues and bring recommendations back to the Commission prior to establishing performance measures for 2010.

PROPOSED COMMISSION MOTION:

The performance measures and targets, as stated in Attachment A, be used in evaluating the performance of the Energy Trust of Oregon during calendar years 2008 and 2009.

ETO 2008_2009 PerfMeasures PMMemo.doc

Attachment A
Proposed 2008 - 2009 Performance Measures for the
Energy Trust of Oregon
October 21, 2008

The following performance measures and targets are intended to clearly define the Commission's minimum expectation of the Energy Trust of Oregon (Energy Trust or the Trust) performance. Should the Trust fail to meet these performance targets, the Commission will consider issuing a Notice of Concern pursuant to the Grant Agreement between the Commission and the Trust.

Savings targets for energy efficiency programs and development targets for renewable resource programs are set at an aggregated level rather than at a sector level to allow the Energy Trust flexibility to pursue programs in different sectors as market forces and technological advances would dictate. Implicit in these target levels is the assumption that Energy Trust will provide programs for all customer sectors, including those that have historically been underserved.

As part of our ongoing oversight of the Energy Trust, the Commission will evaluate past utility performance and program performance by conservation and renewable resource programs across the country for use as a rough yardstick for Energy Trust activities.

Electric Efficiency Performance Targets:

The Commission expects the Trust to obtain electricity efficiency savings of at least 31 MWa, computed on a three-year rolling average.

The Commission expects the Trust to obtain electricity efficiency savings at an average levelized life-cycle Trust cost of not more than 3.5 cents per kWh.

Natural Gas Efficiency Performance Targets:

The Commission expects the Trust to obtain natural gas efficiency savings of at least 1,800,000 therms, computed on a three-year rolling average.

The Commission expects the Trust to obtain natural gas efficiency savings at an average levelized life-cycle Trust cost of not more than 60 cents per therm.

Renewable Resource Development Targets:

The Commission expects the Trust's Utility-Scale Program to achieve 9 MWa of new renewable resource development annually, computed on a three-year rolling

average, by funding projects consistent with each utility's acknowledged Integrated Resource Plan. (This target will be eliminated in 2009)[1]

The Commission expects the Trust to secure at least 3 MWa of new renewable resources per year, computed on a three-year rolling average, from a variety of small-scale projects.

Financial Integrity:

The Commission expects the Trust to demonstrate its financial integrity by obtaining an unqualified financial audit opinion annually.

Program Delivery Efficiency:

The Commission expects the Trust to demonstrate program delivery efficiency by keeping its administrative and program support costs[2] below 11 percent of annual revenues.

Customer Satisfaction:

The Commission expects the Trust to demonstrate reasonable customer satisfaction rates by surveying its customers as part of its program evaluations. Preferably, the surveys will provide a scale showing the degree of satisfaction with Trust services and allow for open-ended responses. In addition, the Trust will report salient statistics regarding complaints it receives directly, or from utility customer services. Findings are to be reported to the Commission.

Benefit/Cost Ratios:

The Commission expects the Trust to report the benefit/cost ratio for its conservation acquisition programs in its annual report based on the utility system perspective and societal perspective. The Commission expects the Trust to report significant mid-year changes in benefit/cost performance as necessary in its quarterly reports.

---

[1] Senate Bill 838 (2007 Session) prohibits the Energy Trust from providing funding to projects greater than 20 megawatts.

[2] For the purpose of these performance measures, program support costs are defined as all program costs except the following accounts: program management, program incentive, program payroll and related expenses, call center, and program outsource services.

Incremental Funding:

The Commission expects the Trust to report annually on the incremental funding and energy savings achieved as a result of Senate Bill 838 (2007 Session).

Other Considerations:

In addition to considering the results of the above-mentioned performance measures, the Commission will also consider the performance of other conservation and renewable resource programs and public comments when making its annual decision to renew its Grant Agreement with the Energy Trust. The Commission will seek comment from the public on such issues as the following:

- Is the Trust achieving good results in its conservation and renewable resource programs?
- Does the Trust conduct its business in an open and transparent way?
- Is the Trust receptive to public input?
- Does the Trust monitor program performance and make program adjustments effectively?
- Are the benefits of the Trust's programs reasonably spread among customer classes and geographic areas?
- Are the Trust's programs appropriately coordinated with related local, state, and regional programs?
- Is the Trust complying with the guidelines set forth in the Grant Agreement?
- Are there any significant issues that warrant the issuance of a Notice of Concern?
- Should the Grant Agreement be renewed for another year?