

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1158

In the Matter of

ENERGY TRUST OF OREGON

Recommendations for Performance Measures.

ORDER

DISPOSITION: MODIFIED PERFORMANCE MEASURES ADOPTED

At its Public Meeting on March 13, 2012, the Commission Staff recommended the Commission adopt proposed performance measures for the Energy Trust of Oregon. Staff's report and recommendations are contained in Appendix A.

At the meeting, the Commission adopted Staff's proposed recommendations with three modifications. The Commission increased the Electric and Natural Gas Efficiency Performance Targets, eliminated two Customer Satisfaction Performance Targets, and increased the expected measurement levels of the remaining two Customer Satisfaction Performance Targets. A copy of the performance measures as modified and adopted by the Commission is attached as Appendix B.

This order memorializes the decision of the Public Utility Commission of Oregon made and effective at a public meeting held on March 13, 2012.

Dated this 14th day of March, 2012, at Salem, Oregon.



BY THE COMMISSION:

Becky L. Beier

Becky L. Beier
Commission Secretary

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. 1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 13, 2012**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: March 5, 2012

TO: Public Utility Commission

FROM: Juliet Johnson

THROUGH: Bryan Conway and Maury Galbraith

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 Commission adopt the proposed performance measures, as stated in Attachment A, in its evaluation of the performance of the Energy Trust of Oregon for 2012.

DISCUSSION:

The purpose of the performance measures for the Energy Trust of Oregon (ETO or Energy Trust) is to clearly define the Commission's minimum expectations. Performance measures are not meant to be targets or goals. Rather performance measures reflect a threshold by which regulators can determine the health of ETO programs. They are meant to be early indicators of poor performance, that if not met signal that intervention may be required. The ETO sets goals, collaboratively developed with utilities and OPUC staff, in its annual budget and action plan. The performance measures are not meant to be substitutes for ETO's goals developed as part of their budget and action plans.

History

The Energy Trust operates under a grant agreement with the Oregon Public Utility Commission (PUC). In page 3 of the grant agreement it states:

The Energy Trust and the PUC recognize the need for having valid and quantifiable performance measures that clearly define the PUC's expectation of

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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 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.

Previously, the Commission adopted performance measures for the ETO in 2004 (Order 04-593), in 2005 (Order 05-920), in 2006 (Order 06-679), in 2007 (Order 07-123), and in 2008 (Order 08-529).

2012 Uncertainty

Since the ETO began offering programs, state tax credits have been offered by the Oregon Department of Energy (ODOE). Many customers (residential, commercial and industrial) have taken advantage of both ETO incentives and state tax credits when they invest in energy efficiency improvements. In 2011, major cuts were made to state tax credits. It is unknown how changes to the state tax credits will impact the savings ETO is able to achieve in 2012. For that reason, PUC staff will maintain a certain level of flexibility and understanding and will consider this uncertainty when making recommendations to the Commission with regards to evaluating the Trust's performance at the end of 2012. By 2013, the Trust and utilities should have a better idea of how changes to state tax credits impact savings, so the Trust's 2013 targets can be more firmly established accordingly, as can the PUC Performance Measures.

Methodology

Historically, the PUC established ETO performance measures through negotiations with the ETO, the utilities, and other stakeholders. These negotiations were time consuming and performance measures essentially needed to be recreated from scratch each time they were updated. Staff proposes a modified and more systematic approach to developing ETO performance measures. Staff proposes to establish a formula that ties performance measures to utility Integrated Resource Plan (IRP) targets for energy efficiency and Energy Trust's own targets.

A substantial amount of work and back and forth goes on each year between the utilities, Energy Trust, and the ETO's Program Delivery Contractors (PDCs) to develop yearly energy efficiency targets that go into the Trust's budget and action plan. Rate impacts to customers, IRP targets, maturity of programs, and cost and availability of savings in each sector are taken into account. The ETO sets conservative and stretch

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goals as part of their annual budget and action plans. These goals are tied directly to utility IRP targets. Under normal circumstances, the ETO attempts to align utility IRP targets with their conservative goals. In 2012, there are slight differences between the electric and gas conservative goal and IRP targets, as shown in the ETO's Board Approved Budget targets shown in Table 1.

Table 1. Energy Trust of Oregon efficiency targets from 2012 budget

		2012 Targets
Electric (aMW)	ETO Stretch	48.8
	ETO Conservative	41.5
	IRP	41.4
Gas (MM therms)	ETO Stretch	5.50
	ETO Conservative	4.67
	IRP	4.59

Savings

PUC Staff proposes tying the performance measure directly to the IRP target and the Trust's conservative goal. For 2012, Staff recommends that the performance measure be set at 10 percent below the IRP target. That is, the electric performance measures would be 10 percent below the sum of the IRP targets for Portland General Electric (PGE) and Pacific Power (PacifiCorp) combined. The gas performance measure would be 10 percent below the sum of the IRP targets for Northwest Natural Gas (NW Natural) and Cascade Natural Gas (Cascade). In future years, when there's not so much uncertainty associated with the impact of changes to state tax credits, PUC Staff may propose to set the performance measure closer to or at the conservative/IRP target. Table 2 shows the IRP savings targets and savings performance measures proposed for 2012. Historically, savings performance measures were established as three year rolling averages. Because performance measures are meant to be early indicators of poor performance, and because they are being set at less than the utility IRP targets, performance measures being proposed here are being changed from three year rolling averages to yearly annual savings. Electric savings are net and inclusive of transmission and distribution (T&D) losses of 6 percent for industrial and 10 percent for commercial and residential. A discount rate of 5.2 percent is used by the ETO in the annual IRP/conservative targets that are being used to calculate these performance measures for 2012.

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Table 2. Proposed electric and gas savings performance measure

	IRP Target for 2012	Proposed PUC Performance Measure
Electric (aMW)	41.4	37
Gas (MM therms)	4.59	4.1

Levelized Cost

Energy Trust's ability to meet the IRP target is a function of available savings, funding and the cost per unit saved. Energy Trust sets projections for the levelized cost of savings needed to meet IRP targets and their own goals. They set conservative and stretch goals for the levelized cost of savings. Because the PUC performance measures are meant to be *minimum standards* and early indicators of potential problems and not substitutes for Energy Trust's own conservative and stretch goals, PUC Staff propose to set the levelized cost performance measure 10 percent above the conservative levelized cost target.

Table 3 shows the ETO's 2012 Conservative levelized cost targets and the associated proposed PUC performance measure. The levelized cost performance measures are also being proposed as single year averages, as they have in past years.

Table 3. Proposed levelized cost performance measure

	ETO Conservative Goal for 2012	Proposed PUC Performance Measure
Electric (\$/kWh)	\$0.04	\$0.044
Gas (\$/therm)	\$0.47	\$0.52

Renewables

In the previous version of the performance measures, listed in Table 4, the Renewables target was broken into Utility Scale and Small Scale. The Utility Scale metric was eliminated in 2009 as a result of legislation in 2007 that stipulated ETO could only fund projects less than 20 MW. The ETO is currently re-evaluating their renewable energy programs in light of the major change in focus that happened in 2009, changes to available tax credits, and other unknowns. For this reason, the PUC Staff is recommending that for 2012, no renewable energy performance measure be established. Throughout 2012, PUC staff will work with the ETO staff on the mission

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and goals for Energy Trust's modified renewable energy programs and new performance measures may be proposed for 2013.

Program Delivery Efficiency

The previous performance measure for program delivery efficiency was that ETO's administrative and program support costs should be kept below 11 percent of annual revenues. The ETO has consistently shown administrative and program support costs well below the 11 percent of annual revenues. PUC Staff proposes to reduce this performance measure to administrative and program support costs below 9 percent of annual revenues. For the purpose of these performance measures, program support costs are defined as program costs, except for the more direct program costs as reflected in the following cost 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.

Customer Satisfaction

Historically, the OPUC has required ETO to present evidence of reasonable customer satisfaction rates. ETO reports customer satisfaction to the OPUC on an annual basis by presenting the percentage of customers "satisfied" or "very satisfied" as reported in program evaluations completed during the year. ETO collects customer satisfaction ratings through process evaluations conducted regularly on every program, and also through Fast Feedback phone surveys ETO conducts on a sampling of program participants within three months of project completion.

Fast Feedback began as a pilot in mid-2009 for participants in the Existing Buildings and Production Efficiency program. In the second quarter of 2010, Fast Feedback was extended to most ETO programs.

The previous ETO performance metric for customer satisfaction stated:

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.

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PUC Staff proposes to expand the customer satisfaction performance metric and make it more quantifiable. The new proposed customer service performance measure includes, in addition to overall satisfaction, satisfaction ratings for a) interactions with program representatives, b) ease of applying for incentives or generally for the incentive application form and c) turnaround time for processing incentives. These additional items were included because we consider these things to be core functions that the ETO has direct control over. A satisfaction level of 75 percent must be demonstrated for each. It is important to note that the 75 percent satisfaction is a *minimum standard*. Not all programs are evaluated using the same Fast Feedback questions, but results should be reported for all programs where the questions listed in the performance measure are asked. Attachment A contains the revised version of this performance measure.

Financial Integrity and Benefit/Cost Ratios

PUC Staff proposes to maintain the current performance measures for financial integrity, customer satisfaction, and benefit/cost ratios as shown in Attachment A.

Comments from Parties

PUC Staff provided copies of this memo to stakeholders in this proceeding on February 29, 2012. Staff received comments back from PacifiCorp, Northwest Natural, Cascade Natural Gas, and Energy Trust on March 5, 2012. Parties' comments are summarized below:

Energy Savings

PacifiCorp suggests savings performance measures be broken down by utility and be set at the IRP targets rather than 10 percent below. PacifiCorp also suggests it be made clear whether targets are net or gross and if they include line loss assumptions. Energy Trust suggests performance measures be linked to the conservative goals rather than IRP targets because conservative goals are updated yearly, whereas IRP targets are set every two years.

Staff reminds parties that performance measures are meant to be minimum standards of performance. Staff wants to keep them simple and doesn't see substantial benefit in the added complexity of breaking measures down by utility. Because performance measures are not meant to be targets, Staff suggests performance measures be maintained below, not at, IRP targets. Staff believes it is important to tie performance measures explicitly to IRP targets instead of conservative goals. In Attachment A, Staff included PacifiCorp's request for further annotation of savings targets.

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Levelized Costs

Northwest Natural questions why the levelized cost measure for natural gas was going down. PacifiCorp requests more clarity about what levelized cost was being used as the basis for the PUC performance measure and what discount rate and aggregate portfolio measure life was being used. Cascade asks whether the levelized costs being used as the basis for the PUC performance measures are the same as the total resource costs and whether they include administrative costs. PacifiCorp requests that, if the discount rate or aggregate portfolio measure life changes during a year, ETO performance be reported under both the new and old input assumptions.

Staff's performance measure target for gas levelized cost decreased because Energy Trust's levelized cost target for gas decreased based on their analysis of savings they believe can be achieved. The levelized cost performance measures are 10% above the conservative/IRP levelized cost target set by the ETO. The discount rate being used by Energy Trust is 5.2%. The levelized costs Staff are basing performance measures on are inclusive of all Energy Trust costs, but do not reflect participant costs. Staff agrees with PacifiCorp that if the discount rate or aggregate portfolio measure life changes during a year, the ETO performance should be reported under both new and old input assumptions.

Customer Service

Northwest Natural asks whether analysis of customer satisfaction will be limited to results of Fast Feedback surveys and suggests the ETO should start understanding the perspective of both program participants and non-participants. Energy Trust supports a minimum customer satisfaction rate of 75 percent but does not want to expand the existing Fast Feedback survey mechanism.

Staff appreciates NW Natural's point and, on a going forward basis, will work with parties to explore how feedback might be expanded beyond customers who complete ETO programs. Staff does not suggest the ETO change or expand Fast Feedback in any way to get at the information required for the updated customer service performance measures. Staff will work with the ETO to clarify the existing information from Fast Feedback that can be used to report on the expanded customer service performance measures proposed.

Administrative Costs

Energy Trust supports the proposed changes to the performance measure for administrative costs but requests the definition of administrative costs in the performance measures be modified to better represent what has been and

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continues to be reported to the ETO Board and the OPUC. NW Natural expressed concerns with the administrative cost metric and believes it may be more useful for parties to create an additional metric that defines annual administrative costs as they would be reviewed for a utility administered program.

Staff agrees with Energy Trust that the definition of administrative costs should be modified to better reflect what is being reported. Staff has updated the definition of administrative costs in this memo and in Attachment A. Staff notes that the calculation has not changed, nor has the costs that are included. Rather, the definition that Staff has been using was not correct and was inconsistent with what was being reported. Staff agrees with NW Natural that it would be good to explore with the ETO additional ways of expressing administrative costs that may be more comparable to utility administered energy efficiency programs. During 2012, Staff will work with parties to explore an additional metric for potential inclusion in the 2013 performance measures.

General Process

Cascade and NW Natural asked if, going forward, parties would be invited to collaborate in the process of updating performance measures. Cascade suggests the PUC consider waiting to develop annual performance measures until after ETO's results from previous year have been finalized in mid-April.

Staff intends that, for most years, a formulaic approach be used to update the performance measures and that an extensive stakeholder process will not be necessary. Because the key performance measures of savings and levelized costs are based on the ETO's annual budget and action plan process, interested parties should continue to be actively involved in that process and raise appropriate concerns there. Additionally, stakeholders will continue to have a chance to comment on the PUC's proposed performance measures. If stakeholders feel that something is not working well or something is out of alignment in the measures, they can bring that to Staff's attention and open up a dialog at any time. Staff believes that waiting until mid-April to develop performance measures pushes the whole process out too late in the year.

Summary

ETO typically issues a draft annual budget and action plan in October-November for the following year that is finalized in December. PUC Staff plans to update the performance measures each year in January, finalized by February or early March of each year.

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Table 4 contains the performance measures adopted for the ETO in November 2008 in Order No. 08-529 compared with those being proposed now. Electric savings target increased from 31 aMW (3-year average) to 37 aMW (yearly average). Gas savings target increased from 1.8 million annual therms (MM therms) to 4.1 MM therms. The electric levelized cost limit went from 3.5 cents/kWh to 4.4 cents/kWh, while the gas levelized cost limit went from 60 cents/therm down to 52 cents/therm. The maximum administrative and program support costs were reduced from 11 percent to 9 percent. New requirements were established for customer satisfaction.

All performance measures became more stringent in 2012, with the exception of levelized cost for electric efficiency measures. The increase in levelized cost of electric efficiency is largely due to less very inexpensive lighting savings available.

Table 4. ETO Performance Measures comparison

Category	Previous Performance Measure	Proposed Performance Measure
Energy Efficiency	<ul style="list-style-type: none"> Obtain at least 31 aMW computed on a three-year rolling average Levelized cost not to exceed 3.5 cents/kWh 	<ul style="list-style-type: none"> Obtain at least 37 aMW yearly savings Levelized cost not to exceed 4.4 cents/kWh
Natural Gas	<ul style="list-style-type: none"> Obtain at least 1.8 million annual therms computed on a three-year rolling average Levelized cost not to exceed 60 cents/therm 	<ul style="list-style-type: none"> Obtain at least 4.1 million annual therms yearly savings Levelized cost not to exceed 52 cents/annual therm
Renewable Energy	<ul style="list-style-type: none"> Secure at least 3 aMW computed on a three-year rolling average from small scale projects 	<ul style="list-style-type: none"> No renewable energy metric this year
Admin and Program Support costs	<ul style="list-style-type: none"> Administrative and program support costs below 11% of annual revenues 	<ul style="list-style-type: none"> Administrative and program support costs below 9% of annual revenues
Customer Satisfaction	<ul style="list-style-type: none"> Achieve reasonable customer satisfaction rates 	<ul style="list-style-type: none"> Greater than 75% satisfaction rates for: <ul style="list-style-type: none"> <i>Interaction with program representatives</i> <i>Ease of applying for incentive or incentive application form</i> <i>Turnaround time for processing incentives</i> <i>Overall satisfaction</i>

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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 2012.

UM 1158 - ETO Performance Measures Update

Adopted 2012 Performance Measures
for the Energy Trust of Oregon
March 13, 2012

The following performance measures and targets are intended to clearly define the Commission's minimum expectation of the Energy Trust of Oregon (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. In evaluating the Trust's performance against these standards, the Commission will consider mitigating circumstances and efforts made.

Savings targets for energy efficiency programs are set at an aggregate level rather than at a sector level to allow the Trust flexibility to pursue programs in different sectors as market forces and technological advances dictate. No renewable energy performance measure is being set for 2012.

Electric Efficiency Performance Targets:

The electric efficiency performance measure target shall be the same as the Energy Trust's combined electric conservative goal in their annual budget and action plan needed to meet utility Integrated Resource Plan (IRP) targets. For 2012, the Commission expects the Trust to obtain electricity efficiency savings of at least 41 aMW net, inclusive of transmission and distribution (T&D) losses.¹

The electric efficiency levelized cost performance measure target shall be 10% above the Energy Trust's annual conservative levelized cost goal in their yearly budget and action plan. For 2012, the Commission expects the Trust to obtain electricity efficiency savings at an average levelized life-cycle cost of not more than 4.4 cents per kWh.

Natural Gas Efficiency Performance Targets:

The natural gas efficiency performance measure target shall be the same as the Energy Trust's combined natural gas conservative goal in their annual budget and action plan needed to meet utility IRP targets. For 2012, the Commission expects the Trust to obtain natural gas efficiency savings of at least 4,500,000 therms.

The natural gas efficiency levelized cost performance measure target shall be 10% above the Energy Trust's annual conservative levelized cost goal in the yearly budget and action plan. For 2012, the Commission expects the Trust to obtain natural gas efficiency savings at an average levelized life-cycle cost of not more than 52 cents per therm.

¹ 2012 performance measures are based on T&D losses of 6 percent for industrial and 10 percent for commercial and residential.

Renewable Resource Development:

No renewable energy performance measure for 2012.

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 costs² below 9 percent of annual revenues.

Customer Satisfaction:

Based on Fast Feedback results, over the full calendar year, for applicable sectors and programs, Energy Trust should maintain a minimum of 85 percent of customers indicating they are satisfied or very satisfied with:

- Interaction with program representatives
- Overall satisfaction

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.

² For the purpose of these performance measures, program support costs are defined as program costs, except for the more direct program costs as reflected in the following cost 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