

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1158

In the Matter of

ENERGY TRUST OF OREGON,

Recommendations for 2016 Performance  
Measures.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED WITH AMENDMENT**

At our February 9, 2016 Public Meeting, Staff recommended adoption of performance measures to evaluate the Energy Trust of Oregon during 2016. The Staff Report containing the recommendation is attached as Appendix A.

This order memorializes our decision, made and effective at the February 9, 2016 Public Meeting, to adopt Staff's recommendation with one amendment. We eliminate Measure 9 relating to the Northwest Energy Efficiency Alliance (NEEA), and instead direct the ETO to evaluate NEEA's performance and report to the Commission: (1) the metrics that ETO uses to measure success; and (2) how NEEA performed under those metrics.

Dated this 9 day of February, 2016, at Salem, Oregon.

**Susan K. Ackerman**  
Chair



**John Savage**  
Commissioner

**Stephen M. Bloom**  
Commissioner

ORDER NO.

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.



PUBLIC UTILITY COMMISSION OF OREGON  
 STAFF REPORT  
 PUBLIC MEETING DATE: February 9, 2016

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

DATE: January 25, 2016

TO: Public Utility Commission

FROM: Elaine Prause <sup>EP</sup>

THROUGH: Jason Eisdorfer and Aster Adams <sup>MH  
GC  
AD</sup>

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:  
 (Docket No. UM 1158) Recommendations for Performance Measures for  
 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) in 2016.

**DISCUSSION:**

Issue

Should the Commission adopt the proposed performance measures for evaluating the performance of Energy Trust in 2016?

Applicable Law

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 Energy Trust's performance. Previously, the Commission adopted performance measures for Energy Trust 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), in 2013 (Order No. 13-070), in 2014 (Order No. 14-103) and in 2015 (Order No. 15-127).

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### Analysis and Recommendation

#### **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, signal that 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.

#### **Methodology**

Energy Trust performance measures consist of nine categories of measures that cover a wide range of operational aspects as follows;

- Electric Energy Efficiency
- Natural Gas Energy Efficiency
- Renewable Energy
- Financial Integrity
- Program Delivery Efficiency
- Staffing
- Customer Satisfaction
- Benefit/Cost Ratios
- NEEA and Market Transformation

Since 2004, Energy Trust, utility and PUC staff have worked together to adjust and refine the goals with Commission consent. For 2016, PUC Staff is not recommending any changes to methodologies used to determine each performance measure. What follows is a brief explanation of each measure along with reasoning to justify retention of the same methodology that was used for 2015 performance measures for 2016 where applicable and to show the resulting measure values for 2016.

### Measures 1 and 2: Electric and Natural Gas Efficiency

In Order No. 12-094 the Commission approved a systematic approach to developing Energy Trust efficiency performance measures. In years past, Energy Trust goals were established for two savings targets for each utility; a conservative goal and a stretch goal. In 2014, with Order No. 14-103, the Commission adopted Staff's recommendation to move from a stretch and conservative savings goal per utility to a single savings goal for each utility calculated as 85 percent of the Energy Trust Board approved savings goal, as follows:

- PUC savings performance measure = Energy Trust savings goal x 0.85

Similarly, the levelized cost performance measure for each utility is calculated based off the cost of achieving the single savings goal, as follows:

- PUC savings levelized cost performance measure = Energy Trust levelized cost x 1.15

The Energy Trust savings and levelized cost goals noted in each equation above are closely aligned with, if not equal to, each utility's Integrated Resource Plan (IRP) targets. Table 1 shows the total electric and gas efficiency Energy Trust Board approved budget goals compared to the IRP targets for 2015 and 2016. In both years, there are differences. This occurs when late breaking market intelligence presents cost effective, achievable, energy savings opportunities that were not identified in the two-year utility IRP review cycle.

**Table 1. Energy Trust 2015-2016 Efficiency Goals and IRP Targets**

		Energy Trust Goal	IRP Target
<b>2015 Electric</b>	Savings (aMW)	53.1	49.2
	Levelized Costs (\$/kWh)	\$0.031	\$0.034
<b>2016 Electric</b>	Savings (aMW)	55.1	44.1
	Levelized Costs (\$/kWh)	\$0.030	\$0.037
<b>2015 Gas</b>	Savings (million therms)	5.6	5.1
	Levelized Costs (\$/therm)	\$0.33	\$0.36
<b>2016 Gas</b>	Savings (million therms)	5.7	4.4
	Levelized Costs (\$/therm)	\$0.33	\$0.43

Table 2 shows the efficiency performance measures for 2015 by utility alongside the proposed performance measure for each utility for 2016.

**Table 2. 2015 Efficiency Performance Measures and Proposed 2016 Performance Measures**

Utility	2015 Performance Measure	Proposed 2016 Performance Measure
Portland General Electric (PGE)	Obtain at least <b>28.2</b> aMW Levelized cost not to exceed <b>3.6</b> cents/kWh	Obtain at least <b>28.6</b> aMW Levelized cost not to exceed <b>3.4</b> cents/kWh
PacifiCorp (PAC)	Obtain at least <b>16.9</b> aMW Levelized cost not to exceed <b>3.6</b> cents/kWh	Obtain at least <b>18.2</b> aMW Levelized cost not to exceed <b>3.5</b> cents/kWh
Northwest Natural (NWN)	Obtain at least <b>4.4</b> million annual therm savings Levelized cost not to exceed <b>37</b> cents/therm	Obtain at least <b>4.5</b> million annual therm savings Levelized cost not to exceed <b>37</b> cents/therm
Cascade (CNG)	Obtain at least <b>0.41</b> million annual therm savings Levelized cost not to exceed <b>41</b> cents/therm	Obtain at least <b>0.40</b> million annual therm savings Levelized cost not to exceed <b>47</b> cents/therm

**Measure 3: Renewable Energy**

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 small scale renewable energy development;

- 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 that 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.

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This general construct of renewable energy performance measures was approved in Order No. 13-070 for assessing 2013 performance. At that time, the annual dollar per allocated MWh value against which the non-solar custom projects' three-year rolling average of project incentives divided by the total number of renewable energy certificates delivered to Energy Trust over the contract life was set at \$40/allocated MWh. In Order No. 13-070, the Commission directed Staff to report back whether the \$40/allocated MWh was appropriate or whether it should be reduced. Upon review with Energy Trust staff, this value was reduced to \$29/allocated MWh for 2014 performance measures in Order No. 14-103 and reduced once again for 2015 performance measures to \$25/allocated MWh in Order No. 15-107.

Reporting Year	\$/Allocated MWh Cap Performance Measure	3 year Average \$/Allocated MWh
2013	\$40	\$15.71
2014	\$29	\$15.24
2015	\$25	tbd ~ April 2016
2016	\$25 (proposed)	tbd

Since Energy Trust staff is planning to provide just one small non-solar custom incentive in 2016, the three year average \$/allocated MWh result for 2016 will be most heavily weighted by 2014 and 2015 \$/allocated MWh results.

PUC Staff proposes to maintain the current value of \$25/allocated MWh for 2016 but reassess the value for 2017 once the longer term outlook for above market costs for custom projects is known. A change to the benchmark might be warranted if there is a significant change to market conditions. Market conditions have not significantly changed in the past two to three years and it is not clear whether they will do so over the next year. The federal Production Tax Credit was extended so that projects under construction by the end of this year can claim the credit. However, any impact to project completions will be felt in 2017 and beyond rather than this year because of the long development cycle for non-solar projects.

Although the actual three-year average has been consistently much lower than the performance measure for the first two years, 2015 results are not yet known and it's Staff's assessment that making an adjustment now only to need to re-adjust next year seems premature.

#### **Measure 4: Financial Integrity**

Energy Trust engages a third party annually to conduct a financial audit once the calendar year has closed. PUC 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 consistently.



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**Measure 5: Program Delivery Efficiency**

The program delivery efficiency measure is a maximum threshold for administrative and program support costs as a percentage of total annual revenues. In 2004 with the establishment of Energy Trust's performance measures, Order No. 04-593 set a target of 11 percent for this program delivery efficiency measure.

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

Historically, Energy Trust has maintained percentages ranging between 4.6 percent and 6.9 percent. In 2012 under Order No. 12-094, the measure was adjusted down to 9 percent. In the 2014 docket, electric utilities commented that a tighter threshold should be considered given Energy Trust's impressive track record.

Energy Trust did state that they could manage costs so that they did not escalate significantly and could support lowering the performance measure from 9 percent to 8 percent. Energy Trust believes a performance measure below 8 percent may stifle innovation and promote a conservative approach to acquiring paths to more conservation at a time when traditional resources are approaching saturation. In Order No. 15-127, the Commission approved lowering performance measure from 9 percent to 8 percent.

The forecast for 2015 estimates this percentage to be 6.3 percent. PUC Staff recommends maintaining the measure at 8 percent through 2016 to provide more time to assess if further reduction is appropriate.

**Measure 6: Staffing**

This performance measure pertaining to Energy Trust's staffing costs was established by the PUC for 2015 performance measures through Order No. 15-127. 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. The result is not to exceed 7.75 percent. For 2015, Energy Trust is forecasting the three-year average of staffing costs relative to expenditures to be 6.5 percent. Final results for 2015 will be available in April 2016.



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Since this is a new measure, Staff recommends no adjustment to the cap or methodology in order to provide more time to assess if a modification is appropriate.

**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, and b) overall satisfaction. PUC Staff proposes to keep the customer satisfaction performance measure the same as it was in 2015.

**Measure 8: Benefit/Cost Ratios**

PUC Staff proposes to maintain the current performance measures for benefit/cost ratios as shown in Attachment A.

**Measure 9: 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. Through Order No. 15-127, a new performance measure for NEEA and market transformation was added for 2015. Specific information reported to the Commission includes responses to the following five questions:

1. What new opportunities have surfaced in the previous 12 months and what has NEEA done in response to those opportunities?
2. What projects have been rejected by NEEA's Regional Portfolio Advisory Committee (RPAC) and how many votes were for and against each measure?
3. What is the uptake on identified emerging, promising technologies?
4. What are the results of the take-stock analysis of the budget and the opt-in programs?
5. What mid-course corrections have occurred in any of the NEEA initiative?

Because this performance measure was just recently added and the first results with these measures will be available in summer 2016 with NEEA's 2015 annual report, Staff recommends continuing this measure as is for 2016 before recommending any adjustments be made.

**Proposed 2016 Performance Measures**

Attachment A contains the approved 2015 performance measures adopted for Energy Trust compared with the proposed 2016 measures.

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**PROPOSED COMMISSION MOTION:**

The Commission use the performance measures as stated in Attachment A to evaluate the performance of Energy Trust of Oregon during calendar year 2016.

UM 1158 - ETO Performance Measures Update

## Attachment A

## Proposed 2016 Performance Measures

## ETO Performance Measures Comparison and Proposal

Category	Previous Performance Measure	Proposed 2016 Performance Measure
Electric Energy Efficiency	<p>Annual utility savings and levelized cost measure:</p> <ul style="list-style-type: none"> <li>PGE: Obtain at least <b>28.2</b> aMW Levelized cost not to exceed <b>3.6</b> cents/kWh</li> <li>PAC: Obtain at least <b>16.9</b> aMW Levelized cost not to exceed <b>3.6</b> cents/kWh</li> </ul>	<p>Annual utility savings and levelized cost measure:</p> <ul style="list-style-type: none"> <li>PGE: Obtain at least <b>28.6</b> aMW Levelized cost not to exceed <b>3.4</b> cents/kWh</li> <li>PAC: Obtain at least <b>18.2</b> aMW Levelized cost not to exceed <b>3.5</b> cents/kWh</li> </ul>
Natural Gas Energy Efficiency	<p>Annual utility savings and levelized cost measure:</p> <ul style="list-style-type: none"> <li>NWN: Obtain at least <b>4.4</b> million annual therm savings Levelized cost not to exceed <b>37</b> cents/therm</li> <li>CNG: Obtain at least <b>0.41</b> million annual term savings Levelized cost not to exceed <b>41</b> cents/term</li> </ul>	<p>Annual utility savings and levelized cost measure:</p> <ul style="list-style-type: none"> <li>NWN: Obtain at least <b>4.5</b> million annual therm savings Levelized cost not to exceed <b>37</b> cents/therm</li> <li>CNG: Obtain at least <b>0.40</b> million annual therm savings Levelized cost not to exceed <b>47</b> 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 <b>1.1</b> 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 <b>\$25/allocated MWh</b></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 <b>1.6</b> 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 <b>\$25/allocated MWh</b></li> <li>For innovative and custom solar projects, report sources of funding for projects and the selection criteria</li> </ul>

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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 <b>8%</b> of annual revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative and program support costs must be below <b>8%</b> of annual revenues</li> </ul>
Staffing	<ul style="list-style-type: none"> <li>• Total staffing expenditures will not exceed <b>7.75%</b> of total organization expenditures calculated on a 3 year rolling average for public purpose funded activities in Oregon</li> </ul>	<ul style="list-style-type: none"> <li>• Total staffing expenditures will not exceed <b>7.75%</b> 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 <b>85%</b> satisfaction rates for:                             <ul style="list-style-type: none"> <li>• Interaction with program representatives</li> <li>• Overall satisfaction</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Greater than <b>85%</b> 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>• 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>• Uptake on emerging, promising technologies</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>	<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>• Uptake on emerging, promising technologies</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>