

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1158

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON,

2018 Performance Measure  
Recommendations for Energy Trust of  
Oregon.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at our February 27, 2018 Regular Public Meeting, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

Dated this 27 day of February, 2018, at Salem, Oregon.



**Lisa D. Hardie**  
Chair



**Stephen M. Bloom**  
Commissioner



**Megan W. Decker**  
Commissioner

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 Circuit Court for Marion County in compliance with ORS 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 27, 2018**

REGULAR  CONSENT  EFFECTIVE DATE February 28, 2018

DATE: February 21, 2018

TO: Public Utility Commission

FROM: JP Batmale *JP*

THROUGH: Jason Eisdorfer *J E m MS*

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:  
(Docket No. UM 1158) 2018 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 2018.

**DISCUSSION:**

Issue

Whether the Commission should adopt the proposed performance measures for evaluating the performance of Energy Trust in 2018.

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. On page 3 of the grant agreement the following statement can be found:

*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*

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*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

The remainder of this memo provides: (1) an overview of the performance measure development; (2) descriptions of each performance measure being used for 2018; (3) a summary of the 2018 performance measures; and, (4) a brief performance trends analysis. It is worth noting that Energy Trust has met nearly every measure, every year since launching.

## Analysis

### **Purpose & 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 IRP targets and market studies.

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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.<sup>1</sup> This year Energy Trust presented its 2018 budget and action plan to the Commission at a special public meeting on November 16, 2017.<sup>2</sup>

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 consist of eight categories of measures that 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

Since 2004, Energy Trust, the utilities and PUC Staff have worked together to adjust and refine Energy Trust's performance measures. In 2012, the Commission approved a more systematic approach to developing Energy Trust's annual performance measures.<sup>3</sup> Each performance measure is explicitly linked to either Energy Trust's annual budget goals and/or references Integrated Resource Plan (IRP) targets for a specific utility.

For 2018, PUC Staff did not recommend any additions to the performance measure structure or methodologies. However, Staff did recommend modifying two performance measures for 2019. The first is the staffing performance measure. Staff recommended changing this for 2019 because the 2018 budget contained the highest ever total for

<sup>1</sup> For more information on Energy Trust's budget process please see <https://www.energytrust.org/about/reports-financials/budget-action-plan/>

<sup>2</sup> For more information on this special public meeting please go to [http://oregonpuc.granicus.com/GeneratedAgendaViewer.php?view\\_id=1&clip\\_id=251](http://oregonpuc.granicus.com/GeneratedAgendaViewer.php?view_id=1&clip_id=251)

<sup>3</sup> See UM 1158, Commission Order No. 12-094

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staffing costs and nearly the greatest year-over-year increase ever. The second is the administrative performance measure. Staff recommended changing this for the 2019 budget because Energy Trust's administrative costs have risen at a much greater rate than overall revenues since 2015. It is worth noting that in both cases Energy Trust budget's was in compliance with long-standing performance measures, but Staff wanted to further refine the measures nonetheless. The Commission adopted both of Staff's recommendations for Energy Trust's 2019 budget.<sup>4</sup>

### 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.<sup>5</sup> 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.<sup>6</sup> The Board-approved savings goals are close to, if not equal to, each utility's IRP targets. The table below compares the 2017 and 2018 savings and levelized cost performance measures by each utility.

Table 1 – Efficiency Performance Measures by Utility, 2017 and 2018

Utility	2017 Performance Measure (Minimum aMW & Levelized Cost)	2018 Performance Measure (Minimum aMW & Levelized Cost)
Portland General Electric (PGE)	29.7 aMW @ no greater than \$0.034/kWh	30.9 aMW @ no greater than \$0.033/kWh
PacifiCorp (PAC)	18.2 aMW @ no greater than \$0.033/kWh	17.2 aMW @ no greater than \$0.036/kWh
Northwest Natural (NWN – Oregon Only)	5.3 M therms @ no greater than \$0.35/therm	4.8 M therms @ no greater than \$0.37/therm
Cascade (CNG)	0.48 M therms @ no greater than \$0.39/therm	0.47 M therms @ no greater than \$0.43/therm
Avista	0.27 M therms @ no greater than \$0.23/therm	0.30 M therms @ no greater than \$0.25/therm

<sup>4</sup> See UM 1158, Commission Order No. 17-050

<sup>5</sup> See Commission Order No. 14-103. Previously Energy Trust had two annual savings performance measures: a *stretch* (100% of annual goal) and a *conservative* (85% of annual goal).

<sup>6</sup> The OPUC's levelized cost ceiling for Energy Trust is 115% of the Board-approved levelized cost goal for that year.

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Measure 3: Renewable Energy

Over the course of 2017 Staff and Energy Trust met several times make improvements to the renewable energy performance metric. The four-part measure will most likely be revised further this year for the 2019 budget. Most notably the three year rolling average for non-solar custom projects has been eliminated. This measure divided the total number of renewable energy certificates delivered to Energy Trust over the term of the contract. There was a boom-bust cycle with the market and technology that caused the performance metric to not provide meaningful insights for OPUC oversight. 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. Regardless, this year's performance measure aligns with the priorities for Energy Trust's current strategy for small scale renewable energy development.

- 1) Deploy \$1.72 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 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 perspective.
- 3) For the standard net-metered, solar program obtain at least 1.6 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.

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. In 2004 with the establishment of Energy Trust's performance measures a target of 11 percent was set.<sup>7</sup>

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<sup>7</sup> See Order No. 04-593.

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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 delivery efficiency percentages ranging between 4.6 percent and 6.9 percent. In 2012 the measure was adjusted down to 9 percent.<sup>8</sup> Three years later the Commission approved lowering the performance measure down again, from 9 percent to 8 percent.<sup>9</sup>

The forecast for 2018 estimates this percentage will be approximately 6.7 percent. PUC Staff recommends maintaining the measure at 8 percent for 2018. However, Staff did suggest one change for 2019: an absolute cap in year-over-year growth.

Since 2015, Energy Trust's budgeted administrative costs have steadily risen, even when compared to revenues.<sup>10</sup> Staff understands that much of the 2018 increase can be attributable to a rise in health care costs and Energy Trust's several strategic projects and initiatives. Staff suggested and the Commission agreed that the 2019 budget should include a 10 percent cap on the absolute growth in administrative costs year-over-year. This will constrain absolute growth in administrative costs to an approximate, maximum of \$1.25 million in 2019. Staff believes Energy Trust should be able to meet this target, especially as its current budget projection for administrative costs is less than this amount. Staff is also requesting that it be easier to find administrative costs in the 2019 budget. As it stands now, determining applicable costs for this OPUC performance measure from Energy Trust's filed annual budget documents can be difficult to do accurately without assistance from Energy Trust staff.

#### Measure 6: Staffing

This performance measure pertaining to Energy Trust's staffing costs was established in 2015.<sup>11</sup> 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. Currently, the performance measure is to not exceed 7.75 percent.

<sup>8</sup> See Order No. 12-094.

<sup>9</sup> See Order No. 15-127.

<sup>10</sup> See Staff Report at Special Public Meeting on Energy Trust's 2018 Budget, November 16, 2018, pg. 12

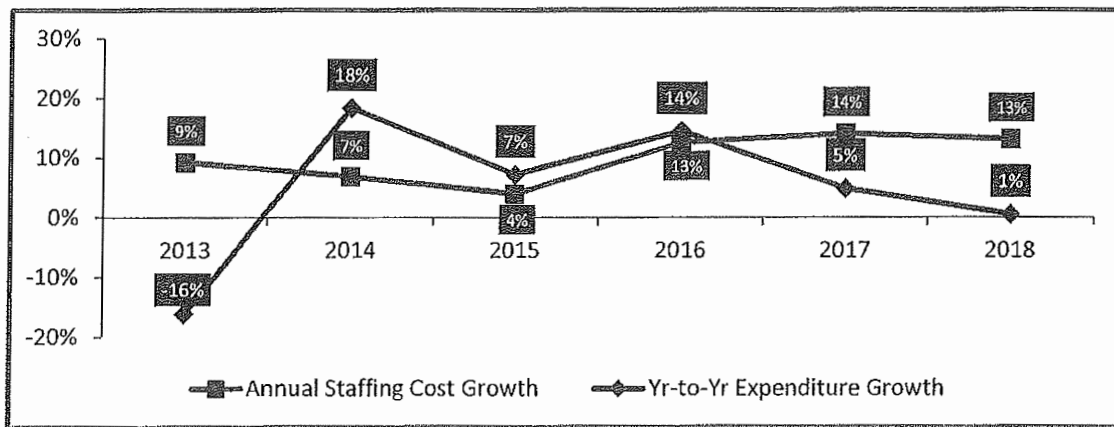
<sup>11</sup> See Order No. 15-127.

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Staff has been working with Energy Trust since 2017 to revise this performance measure as the dollar amounts for staffing costs have been growing significantly in absolute terms since 2014. This year's staffing costs represented 7.8 percent of the total budget. While projected to remain below the OPUC 3-year average performance metric, the single-year 2018 percent was nevertheless above the 3-year rolling average 7.75 percent mark and significantly raised Energy Trust's three year rolling average for staffing costs above the 7 percent mark. This is the highest level since this performance metric was established. See the table below:<sup>12</sup>

	Total Staffing Cost	3 year Rolling Average used in OPUC Metric
2014 actual	\$ 10,323,052	6.55%
2015 actual	\$ 10,728,978	6.83%
2016 actual	\$ 12,076,244	6.56%
2017 R2 budget	\$ 13,774,959	6.66%
2018 R1 budget	\$ 15,578,685	7.10%

Further, 2018 will be the second year that increases in projected annual staffing costs outpace overall expenditure growth. It is also the third year in a row that staffing costs increased over 10 percent.<sup>13</sup>



Staff suggested and the Commission agreed that Energy Trust must take steps to reduce the pace of growth in overall staffing costs for the 2019 budget, especially given forecasted savings reductions in 2019.<sup>14</sup>

<sup>12</sup> See Staff Report at Special Public Meeting on Energy Trust's 2018 Budget, November 16, 2018, pg. 12

<sup>13</sup> See Staff Report at Special Public Meeting on Energy Trust's 2018 Budget, November 16, 2018, pg. 13

<sup>14</sup> See Energy Trust's Approved 2018 Annual Budget and 2018-2019 Action Plan, December 15, 2017, pg. 215



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It is important to note that Energy Trust's 2018 initial budget proposal included no new staff. Instead, a mixture of factors led to the staffing costs increases in 2018. Those factors were:

- 11 percent increase in healthcare premiums.
- 6 percent increase in staff compensation due to merit adjustments and coming into compliance with Oregon's new pay equity law.
- 157 percent increase in the cost of agency contractors.

The large, year-over-year rise in agency contractors is due to the launching of several IT initiatives and partial backfill for extended employee leave in 2018. The table below shows the historic use of agency contractors to augment Energy Trust staff.<sup>15</sup>

	Total Staffing Cost	Agency Contractors	Agency Contractors as % of Staffing Costs
2014 actual	\$ 10,323,052	\$720,378	6.98%
2015 actual	\$ 10,728,978	\$493,337	4.60%
2016 actual	\$ 12,076,244	\$613,067	5.08%
2017 R2 budget	\$ 13,774,959	\$466,000	3.38%
2018 R1 budget	\$ 15,578,685	\$1,256,006	8.06%

OPUC Staff asserted and the Commission agreed that Energy Trust's current approach to combining employee costs with agency contractor costs in a single, cost category makes it difficult to accurately monitor, track and report Energy Trust's actual overhead related to direct employees.

To increase transparency and accountability, Energy Trust will begin to report employee (staffing) costs and agency contractor costs separately *in the 2019 budget*. Agency contractors will become a new line item in the budget and their total, budgeted cost and percent of 2019 expenditures will be clearly reported in the 2019 budget for monitoring and tracking purposes.

To support this, the OPUC staffing performance measure will be revised in 2019 in two ways. First, it will focus only on the actual staffing costs of Energy Trust's direct employees and the cap will be reduced from 7.75 to 7.25 percent. Second, the OPUC staffing metric will include a 10 percent cap on year-over-year increases. Staff will be working with Energy Trust in 2018 to have this performance measure fully adopted and enmeshed into the 2019 budget.

<sup>15</sup> See Staff Report at Special Public Meeting on Energy Trust's 2018 Budget, November 16, 2018, pg. 13

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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. PUC Staff proposes to keep the customer satisfaction performance measure the same as it was last year.

Measure 8: Benefit/Cost Ratios

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

**Proposed 2018 Performance Measures**

The proposed 2018 performance measures for Energy Trust are detailed below. They include the previous year's performance measures for comparison purposes. The 2018 performance measures generally reflect the Commission adopted direction given to Energy Trust at the special public meeting on their budget in November 2017.<sup>16</sup>

Category	2017 Performance Measure	Proposed 2018 Performance Measure
Electric Energy Efficiency	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> <li>• PGE: Obtain at least 29.7 aMW; Levelized cost not to exceed 3.4 cents/kWh</li> <li>• Pacific Power: Obtain at least 18.2 aMW; Levelized cost not to exceed 3.3 cents/kWh</li> </ul>	Annual utility savings and levelized cost measure: <ul style="list-style-type: none"> <li>• PGE: Obtain at least 30.9 aMW; Levelized cost not to exceed 3.3 cents/kWh</li> <li>• Pacific Power: Obtain at least 17.2 aMW; Levelized cost not to exceed 3.6 cents/kWh</li> </ul>

<sup>16</sup> See Special Public Meeting, November 16, 2017 for more information at [http://oregonpuc.granicus.com/GeneratedAgendaViewer.php?view\\_id=1&clip\\_id=251](http://oregonpuc.granicus.com/GeneratedAgendaViewer.php?view_id=1&clip_id=251)

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<p>Natural Gas Energy Efficiency</p>	<p>Annual utility savings and levelized cost measure:</p> <ul style="list-style-type: none"> <li>NW Natural: Obtain at least 5.3 million annual therm savings; Levelized cost not to exceed 35 cents/therm</li> <li>Cascade Natural Gas: Obtain at least 0.48 million annual therm savings; Levelized cost not to exceed 39 cents/therm</li> <li>Avista: Obtain at least 0.27 million annual therm savings; Levelized cost not to exceed 23 cents/therm</li> </ul>	<p>Annual utility savings and levelized cost measure:</p> <ul style="list-style-type: none"> <li>NW Natural: Obtain at least 4.8 million annual therm savings; Levelized cost not to exceed 37 cents/therm</li> <li>Cascade Natural Gas: Obtain at least 0.47 million annual therm savings; Levelized cost not to exceed 43 cents/therm</li> <li>Avista: Obtain at least 0.30 million annual therm savings; Levelized cost not to exceed 25 cents/therm</li> </ul>
<p>Renewable Energy</p>	<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 1.6 aMW of installed generation of net-metered standard projects including solar.</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>	<ul style="list-style-type: none"> <li>For project and market development assistance (part 1), deploy at least \$1.72 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.</li> <li>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.</li> <li>Obtain at least 1.6 aMW of installed generation of standard net-metered Solar program projects.</li> </ul>

		<ul style="list-style-type: none"> <li>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.</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 8% 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>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>	<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>Interaction with program representatives</li> </ul> </li> <li>Overall satisfaction</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> </ul> </li> <li>Overall satisfaction</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	<p>Report annually:</p> <ul style="list-style-type: none"> <li>Savings and costs</li> <li>Savings strategies</li> <li>Show Energy Trust direction to NEEA through committee membership</li> <li>Summary of Energy Trust direction to NEEA</li> <li>Summary of NEEA initiatives Energy Trust opts out of and why</li> </ul>	<p>Report annually:</p> <ul style="list-style-type: none"> <li>Savings and costs</li> <li>Savings strategies</li> <li>Show Energy Trust direction to NEEA through committee membership</li> <li>Summary of Energy Trust direction to NEEA</li> <li>Summary of NEEA initiatives Energy Trust opts out of and why</li> </ul>

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Conclusion

The updated Energy Trust performance metrics above reflect the guidance given by the Commission in Order No. 17-050 and should be adopted.

**PROPOSED COMMISSION MOTION:**

Adopt the proposed performance measures as stated in this memo for evaluating the performance of Energy Trust in 2018.

UM 1158 - 2018 ETO Performance Measures Update