

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 7, 2017

REGULAR X CONSENT EFFECTIVE DATE February 8, 2017

DATE: January 30, 2017

TO: Public Utility Commission

FROM: JP Batmale *JPB*

THROUGH: *J* Jason Eisdorfer and *Jc* John Crider

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1158) 2017 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 Attachment A for evaluating the performance of Energy Trust of Oregon (Energy Trust) in 2017.

DISCUSSION:

Issue

Whether the Commission should adopt the proposed performance measures for evaluating the performance of Energy Trust in 2017.

Applicable Law

Energy Trust operates under a grant agreement with the Commission. The grant agreement requires the Commission 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

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.¹

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

Analysis

Purpose

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 the Commission determines the effectiveness of Energy Trust's programs. The measures are meant to provide early indicators of poor program performance, which if not met, signal that Commission intervention may be required. Energy Trust sets specific goals, collaboratively developed with the regulated utilities and Staff, in its annual budget and action plan.

The performance measures are not intended as substitutes for the annual goals which Energy Trust sets for itself. Energy Trust provides annual reports to the Commission highlighting the organization's performance relative to the Commission's performance measures, in addition to providing detailed results and performance against goals set during its budget process.

¹ See Commission's grant agreement with Energy Trust @ http://www.puc.state.or.us/electric_restruc/purpose/grant_agreement.pdf

Performance Measure Categories

Energy Trust's 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, staff from Energy Trust, the utilities and the OPUC have adjusted and refined Energy Trust's performance measures with Commission consent. In 2012, the Commission approved a more systematic approach to developing Energy Trust's annual performance measures.² For each category, a formula links the performance measures to Energy Trust's own goals and/or references the Energy Trust's annual Integrated Resource Plan (IRP) targets for energy efficiency.³

For 2017, Staff is not recommending any changes to the performance measures or their methodologies. Staff will be working with Energy Trust in 2017 to update the Renewable Energy and Staffing performance measures for 2018. It should also be noted that in 2017 Energy Trust will not have a performance metric related to its partner agency the Northwest Energy Efficiency Alliance (NEEA). In 2016 this measure was eliminated in favor of the Energy Trust reporting on NEEA's results, as if it were a subcontractor, in the course of Energy Trust's regular communications with the Commission.⁴ Energy Trust was directed to communicate the metrics it uses for assessing NEEA's success in market transformation and how NEEA performed under those metrics in Energy Trust's normal annual reporting.

What follows is a brief explanation of each performance measure for this year. It also includes a description of the current methodology for the performance measure and, where available, the results from 2016.

² See Commission Order No. 12-094

³ SB 1149 transferred administration of energy efficiency programs to Energy Trust. As the administrator of energy efficiency programs, Energy Trust submits biennially an estimate of cost-effective energy efficiency resource potential that Energy Trust staff believes is achievable in each utility's territory. This estimate is used in each utility's IRP.

⁴ See Commission Order No. 16-055 and Commissioner comments from the February 9, 2016 Public Meeting at http://oregonpuc.granicus.com/MediaPlayer.php?view_id=1&clip_id=69&meta_id=3410

Overview Performance Measure Categories

Measures 1 and 2: Electric and Natural Gas Efficiency

In 2014, the Commission adopted Staff’s recommendation to move Energy Trust to a single savings performance measure for each utility that is 85 percent of Energy Trust’s Board-approved savings goal at a levelized cost ceiling.⁵

Table 1 below compares Energy Trust’s board-approved savings goals with Energy Trust’s IRP targets for 2016 and 2017.⁶ Variance in these savings totals and in the levelized costs are due to differences in the timing cycles of the two processes. Energy Trust’s board-approved savings goals benefit from more up-to-date market intelligence and opportunities identified by Energy Trust staff. This information was not necessarily known or identified during the two-year cycle when Energy Trust develops an estimate of the cost-effective energy efficiency resource potential achievable for each utility’s IRP.

Table 1 – Energy Trust’s 2016-2017 Board-Approved Goals and IRP Targets

		Board-Approved Savings Goal and Cost Ceiling	IRP Target
2016 Electric	Savings (aMW)	55.1	44.1
	Levelized Costs (\$/kWh)	\$0.030	\$0.037
2017 Electric	Savings (aMW)	56.4	51.8
	Levelized Costs (\$/kWh)	\$0.030	\$0.032
2016 Gas	Savings (million therms)	5.7	4.4
	Levelized Costs (\$/therm)	\$0.33	\$0.43
2017 Gas	Savings (million therms)	7.1	5.1
	Levelized Costs (\$/therm)	\$0.30	\$.43

Next, Table 2 compares the 2016 and 2017 OPUC’s efficiency performance measures by each utility. These are the measures to which the OPUC will hold Energy Trust accountable in 2017

⁵ 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).

⁶ See footnote 3 for further explanation of the Energy Trust’s relationship with the utility IRP process.

Table 2 – Comparison of Efficiency Performance Measures by Utility

Utility	2016 Performance Measure (Minimum aMW & Levelized Cost)	2017 Performance Measure (Minimum aMW & Levelized Cost)
Portland General Electric (PGE)	28.6 aMW @ no greater than \$0.034/kWh	29.7 aMW @ no greater than \$0.034/kWh
PacifiCorp (PAC)	18.2 aMW @ no greater than \$0.035/kWh	18.2 aMW @ no greater than \$0.033/kWh
Northwest Natural (NWN)	4.5 M therms @ no greater than \$0.37/therm	5.3 M therms @ no greater than \$0.35/therm
Cascade (CNG)	0.40 M therms @ no greater than \$0.47/therm	0.48 M therms @ no greater than \$0.39/therm
Avista	n/a	0.27 M therms @ no greater than \$0.23/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 as explained below:

- 1) Project and market development assistance
 - Report annual results, including number of projects supported, milestones, 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 project- incentives divided by the total number of renewable energy certificates delivered to Energy Trust over the term of the contracts not to exceed the OPUC 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.

The renewable energy performance measure structure was approved in 2013.⁷ It sets the maximum incentive at the non-solar custom projects' three-year rolling average of project incentives divided by the total number of renewable energy certificates delivered to the Energy Trust over the contract life. In 2013 it was set at \$40/allocated MWh. It was most recently lowered to \$25/allocated MWh in 2015.⁸

Reporting Year	\$/Allocated MWh Cap Performance Measure	3 year Average \$/Allocated MWh
2013	\$40	\$15.71
2014	\$29	\$15.24
2015	\$25	\$15.82
2016	\$25	Tbd
2017	\$25 (proposed)	Tbd

Since Energy Trust provided just one, small, non-solar custom incentive in 2016, the three year average \$/allocated MWh result will be most heavily weighted by the previous years.

Staff proposes to maintain the current value of \$25/allocated MWh for 2017 and to reassess the value for 2018. The actual three-year average has been consistently much lower than the performance measure. Work between Staff and Energy Trust was not conducted to reassess the value for 2017, as promised in last year's memo. Staff will ensure this happens for 2018.

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

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.⁹

⁷ See Order No.13-070 for assessing 2013 performance.

⁸ See Order No. 15-107.

⁹ See Order No. 04-593.

Administrative costs adhere to generally accepted accounting practices for nonprofit organizations. Program support costs were defined in coordination with the Commission to enable comparison with other recipients of public purpose funding. For the purposes of this measure, 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.¹⁰ Three years later the Commission approved lowering the performance measure down again, from 9 percent to 8 percent.¹¹

The forecast for 2017 estimates this percentage will be approximately 5.24 percent. Staff recommends maintaining the measure at 8 percent.

Measure 6: Staffing

This performance measure pertaining to Energy Trust's staffing costs was established in 2015.¹² 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 2017, Energy Trust is forecasting the three-year average of staffing costs relative to expenditures to be 6.6 percent. While final results for 2016 will not be available until April 2017, Energy Trust is projected to be below the 7.75 percent threshold.

In its comments on Energy Trust's 2017 budget, Staff recommended that Energy Trust work with Staff to revise the 7.75 percent staffing metric for 2018. This is because in terms of absolute dollars, Energy Trust's staffing costs continue to grow at a steady pace.

Staff will work with Energy Trust in 2017 to explore and revise this performance metric so it reasonably bounds total annual staffing expenditures and/or staffing expenditure growth. Staff will also work with Energy Trust to explore how to stabilize overall funding

¹⁰ See Order No. 12-094.

¹¹ See Order No. 15-127.

¹² See Order No. 15-127.

against disruptive year-to-year fluctuations that could negatively impact the program delivery infrastructure Energy Trust has worked to build over the past 15 years.¹³

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

Measure 8: Benefit/Cost Ratios

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

Summary of Proposed 2017 Performance Measures

Attachment A contains the proposed 2017 performance measures adopted for Energy Trust compared, along with the 2016 performance measures for comparison.

Conclusion

Staff finds the proposed 2017 performance measures thorough and in keeping with past performance measures. They clearly define the Commission's minimum expectations for Energy Trust in 2017 and will serve as good indicators for monitoring and evaluating performance.

PROPOSED COMMISSION MOTION:

Adopt Staff's recommendation to use the performance measures set forth in Attachment A to evaluate the performance of Energy Trust of Oregon during calendar year 2017.

¹³ See the Staff memo on Energy Trust's 2017 budget from the November 22, 2016 public meeting for more information on all the activities Staff plans to undertake with Energy Trust in 2017
http://oregonpuc.granicus.com/MetaViewer.php?view_id=1&clip_id=138&meta_id=6944

Attachment A

Category	2016 Performance Measure	Proposed 2017 Performance Measure
Electric Energy Efficiency	For each utility: <ul style="list-style-type: none"> • PGE: Obtain at least 28.6 aMW Levelized cost not to exceed 3.4 cents/kWh • PAC: Obtain at least 18.2 aMW Levelized cost not to exceed 3.5 cents/kWh 	For each utility: <ul style="list-style-type: none"> • PGE: Obtain at least 29.7aMW Levelized cost not to exceed 3.4 cents/kWh • PAC: Obtain at least 18.2 aMW Levelized cost not to exceed 3.3cents/kWh
Natural Gas Energy Efficiency	For each utility: <ul style="list-style-type: none"> • NWN: Obtain at least 4.5 million annual therm savings at levelized cost not to exceed \$0.37/therm • CNG: Obtain at least 0.40 million annual term savings at a levelized cost not to exceed \$0.47/therm • Avista (AVI): N/A 	For each utility: <ul style="list-style-type: none"> • NWN: Obtain at least 5.3 million annual therm savings at a levelized cost not to exceed \$0.35/therm • CNG: Obtain at least 0.48 million annual therm savings at a levelized cost not to exceed \$0.39/therm • AVI: Obtain at least 0.27 million annual therm savings at a levelized cost not to exceed \$0.23/therm
Renewable Energy	<ul style="list-style-type: none"> • 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 • Obtain at least 1.6 aMW of installed generation of net-metered standard projects including solar and small wind 	<ul style="list-style-type: none"> • 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 • Obtain at least 1.6 aMW of installed generation of net-metered standard projects including solar.

Category	2016 Performance Measure	Proposed 2017 Performance Measure
	<ul style="list-style-type: none"> • For non-solar custom projects, the 3-year rolling average incentive is not to exceed \$25/allocated MWh • For innovative and custom solar projects, report sources of funding for projects and selection criteria 	<ul style="list-style-type: none"> • For non-solar custom projects, the 3-year rolling average incentive is not to exceed \$25/allocated MWh • For innovative and custom solar projects, report sources of funding for projects and the selection criteria
Financial Integrity	<ul style="list-style-type: none"> • Unmodified financial opinion 	<ul style="list-style-type: none"> • Unmodified financial opinion
Program Delivery Efficiency	<ul style="list-style-type: none"> • Administrative and program support costs must be below 8% of annual revenues 	<ul style="list-style-type: none"> • Administrative and program support costs must be below 8% of annual revenues
Staffing	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
Customer Satisfaction	Greater than 85% satisfaction rates for: <ul style="list-style-type: none"> • Interaction with program representatives • Overall satisfaction 	Greater than 85% satisfaction rates for: <ul style="list-style-type: none"> • Interaction with program representatives • Overall satisfaction
Benefit/Cost Ratios	<ul style="list-style-type: none"> • Report using two BCR's at the measure, program, sector and organization levels: utility cost and total resource cost tests • Report significant mid-year changes as warranted in quarterly reports 	<ul style="list-style-type: none"> • Report using two BCR's at the measure, program, sector and organization levels: utility cost and total resource cost tests • Report significant mid-year changes as warranted in quarterly reports