

Table 1: 2007 Energy Trust Performance

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

2008 – 2009 Proposal

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

- The Trust is moving up the efficiency potential supply curve.
 The Trust has been funding energy efficiency since 2002 and the average annual levelized cost for electricity efficiency has never exceeded 1.5 ¢/kWh. The Trust has kept the levelized costs low by targeting the most cost-effective (cheapest) energy efficiency it can acquire. Over time, the Trust has and will continue to move up the supply curve where costs to acquire efficiency will be higher. Increasing the levelized cost limits allows the Trust to target efficiency measures that are more challenging to achieve but are still cost-effective.
- There is increased funding from SB 838 (2007 session).
 Utilities are now able to collect in tariffs the money to fund all achievable cost-effective energy efficiency and these funds are administered by the Trust. Now the Trust has to develop programs that penetrate the market up to the cost-effectiveness level and can't focus only on the "low hanging fruit." The last study of conservation potential in the Oregon IOU's territory used a screening level of 5.5 ¢/kWh. The Trust and utilities are currently working with a consultant to perform updated potential analysis and the screening level in this study will be in the range of 6 to 6.5 ¢/kWh.

- State and Federal policy discussions promote urgency.
Climate legislation is imminent and energy efficiency is a supply side resource without emissions. Climate legislation will impact not only future resource decisions a utility may make but also existing generating resources. Therefore, efficiency is needed both to offset as much load growth as possible and to reduce the dependence on current high carbon emitting generation resources.
- Larger than expected rate increases are now predicted.
The recent indication from both the gas and electric companies is that rates will increase because fuel prices are increasing. NW Natural has officially requested a 20-25% rate increase, although that number may be modified downward in the next week. Ratepayers will likely respond with renewed interest in the Trust's programs. Rate increases also mean more measures will be cost-effective pushing the Trust even further up the supply curve in its partnership with the utilities to acquire all of the cost-effective efficiency.

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

The target that staff is proposing for electricity energy efficiency savings is lower than what it has been for the past years for the same reasons we have proposed increasing the levelized cost targets. When it costs more to acquire energy efficiency savings, the amount that can be acquired will be less, unless funding is increased proportionately. Therefore, the savings target is a straight calculation based on the current funding levels and proposed levelized cost of 4 ¢/kWh.

The target that staff is proposing for gas efficiency savings is considerably higher than the 2007 performance measure. The new target was determined similarly to the new electricity efficiency savings. It was based on the current funding levels and the proposed levelized cost of 60 ¢/therm. The new target is also justified by the Trust's 2007 actual performance of 2 million therms.

Staff is suggesting no changes to the renewables targets other than to remove the utility scale target in 2009. The Trust is in transition from funding both utility scale and small scale renewable projects, to funding only those projects less than 20 MW, as a result of 2007 legislation. The majority of the Trust's previous financial commitments to utility scale projects will be fulfilled by the end of 2008.

Staff is proposing to maintain 3 MWa as the minimum target for small scale renewables in 2009. Staff initially considered raising that target because all of the renewables

dollars going to the Trust would now go towards these smaller projects. However, the impact of the following factors indicated that 3 MWa would be an appropriate target through 2009:

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

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

<u>Performance Measure</u>	<u>Proposed 2008 - 2009</u>	<u>2007</u>
Electricity Efficiency Savings (3 year rolling average)	2008 - 26 MWa* 2009 – 25 MWa	20 MWa
Average Lifecycle Levelized Cost	< 4 ¢/kWh	< 2 ¢/kWh
Gas Efficiency Savings (3 year rolling average)	>1.3 M therms	>700 K therms
Average Lifecycle Levelized Cost	< 60 ¢/therm	< 40 ¢/therm
Renewables – Utility Scale (3 year rolling average)	2008 – 9 MWa 2009 - eliminate	9 MWa
Renewables – Small Scale (3 year rolling average)	3 MWa	3 MWa
Program Delivery Efficiency	< 11 %	< 11 %

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

Public Comments

Staff solicited comments on this proposal and received input from three parties. Renewable Northwest Project is supportive of the proposal. Weatherization Industries Save Energy (WISE) is supportive but stated that they would prefer to see more money going to incentives than to administrative or delivery costs. The Northwest Energy Coalition stated they believed the electricity levelized cost limit should be higher by 1 – 2 ¢/kWh to recognize the impact of CO₂ savings on

costs. Staff maintains that the value of CO₂ savings is captured in the utility's avoided costs. The appropriate time to validate the cost of CO₂ savings is during the integrated resource planning process when the risks and costs associated with different CO₂ regulatory scenarios is evaluated.

PROPOSED COMMISSION MOTION:

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

Attachment A
Proposed 2008 - 2009 Performance Measures for the
Energy Trust of Oregon
October 7, 2008

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

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

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

Electric Efficiency Performance Targets:

The Commission expects the Trust to obtain electricity efficiency savings of at least 26 MWh in 2008 and 25 MWh in 2009, computed on a three-year rolling average.

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

Natural Gas Efficiency Performance Targets:

The Commission expects the Trust to obtain natural gas efficiency savings of at least 1,300,000 therms, computed on a three-year rolling average.

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

Renewable Resource Development Targets:

The Commission expects the Trust's Utility-Scale Program to achieve 9 MWa of new renewable resource development annually, computed on a three-year rolling average, by funding projects consistent with each utility's acknowledged Integrated Resource Plan. (This target will be eliminated in 2009)¹

Performance is expected to vary year by year due to tax policies, energy policies, utility acquisition activities and market prices. Therefore, the Commission expects the Energy Trust to submit with its draft action plan and budget each year projected Utility-Scale Program achievements for the coming year for Commission and public comment.

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

Financial Integrity:

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

Program Delivery Efficiency:

The Commission expects the Trust to demonstrate program delivery efficiency by keeping its administrative and program support costs² below 11 percent of annual revenues.

Customer Satisfaction:

The Commission expects the Trust to demonstrate reasonable customer satisfaction rates by surveying its customers as part of its program evaluations. Preferably, the surveys will provide a scale showing the

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

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

degree of satisfaction with Trust services and allow for open-ended responses. In addition, the Trust will report salient statistics regarding complaints it receives directly, or from utility customer services. Findings are to be reported to the Commission.

Benefit/Cost Ratios:

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

Other Considerations:

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

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