

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 25, 2008**

REGULAR X CONSENT _____ EFFECTIVE DATE March 1, 2009

DATE: November 18, 2008

TO: Public Utility Commission

FROM: Lori Koho

THROUGH: Lee Sparling, Ed Busch, Bonnie Tatom and Julie Curry

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: Requests Commission approval to allow automatic extension of the Grant Agreement between the PUC and the Energy Trust of Oregon to March 1, 2011.

STAFF RECOMMENDATION:

Staff recommends that the Commission allow the automatic extension of the Grant Agreement between the Commission and Energy Trust of Oregon, Inc.

DISCUSSION:

Background

The Oregon Legislature passed ORS 757.612 in 1999, which established public purpose funding to be used for new cost-effective local energy conservation, new market transformation efforts, and the above-market costs of new renewable energy resources. ORS 757.612(3)(d) authorizes the Public Utility Commission of Oregon (PUC) to direct the manner in which these public purpose funds are collected and spent, and further provides the PUC with authority to direct the funds collected, be paid to a nongovernmental entity for investment in the public purposes. The Energy Trust of Oregon, Inc. (Energy Trust or Trust) was formed as a tax-exempt nonprofit corporation to act as the nongovernmental entity.

The Grant Agreement between the Energy Trust of Oregon, Inc. and the Public Utility Commission of Oregon (Grant Agreement) is a contract that defines the guidelines and responsibilities the nonprofit organization must meet in order to act as the administrator of the conservation and renewables funds pursuant to ORS 757.612(3)(d). The Grant Agreement was accepted and approved by the Commission on December 12, 2001, in

Order No. 01-1053 (Docket No. UM 1042). On March 24, 2003, the Commission approved revisions to the Grant Agreement between the Commission and the Energy Trust of Oregon to change the accounting and reporting period from a fiscal year to a calendar year. An amended Grant Agreement, that clarified the Commission's reporting and performance expectations, was approved by the Commission on November 8, 2005, and is the current Grant Agreement.

A year ago, Staff alerted the Commission that amendments to the Grant Agreement might be necessary in order to be in alignment with provisions in Senate Bill 838 from the 2007 legislative session. After working with its attorney, Staff concluded that no amendments are necessary.

Section 4.a. of the Agreement states that, "[u]nless written notice that a party does not wish to automatically extend the term of this Agreement is provided to the other party on or before the date that is 90 days prior to each anniversary of the Effective Date, the parties agree that the term of this Agreement will be automatically extended for one additional year on each anniversary of the Effective Date."

Performance Measures

The Energy Trust's performance, relative to the Performance Measures set by the Commission, is the primary factor Staff considers in recommending renewing this Grant Agreement. Staff informally solicits input from interested parties about the Trust's performance throughout the year and formally solicits input prior to this annual recommendation to the Commission.

The Trust provides quarterly updates to the PUC on its performance, and copies of all reports to the PUC are available in the "library" area of the Trust's website. The Trust exceeded those minimum performance targets in all areas except for acquisition of small scale renewables (see Table 1). Staff is not asking the Commission to issue a Notice of Concern relative to this performance measure because the Trust's performance in 2007 was associated with mitigating factors and not with the Trust's efforts. Quarterly reports for the first two quarters of 2008 indicate the Trust is on track for this year.

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 %

Comments from Interested Parties

In response to Staff’s formal request for input on the renewal of the Grant Agreement, Northwest Energy Coalition and Weatherization Industries Save Energy (WISE) were the only parties to comment and both were in favor of continuing the Grant Agreement. WISE has requested that Staff and the Commission take a more active role in facilitating interactions between the Trust and industry. Staff believes these issues are best resolved by staff from the Trust and will ask the Trust to report back to Staff on progress in this area.

WISE, and the trade allies it represents, continues to assert that the Trust should direct more of its budget towards incentives. Staff believes this concern can and will be explored through the budget review process.

National and Regional Recognition

Nationally and regionally, the Energy Trust is viewed as a model to be emulated. For example:

- In February of 2008, the American Council for an Energy Efficient Economy (ACEEE), rated the Trust’s Commercial New Buildings program as “exemplary” and rated the Industrial Production Efficiency program as “honorable mention.”
- In October of 2008, ACEEE ranked Oregon second in the nation on its annual scorecard. Oregon’s standing is a result of the efforts of the Energy Trust as well as policies and programs implemented through the Oregon Department of Energy.

- NW Natural has approached the Trust to operate its energy efficiency programs in the Clark County Washington area.
- Energy Trust staff are routinely asked to speak at conferences because they are highly regarded for the programs they deliver.

PROPOSED COMMISSION MOTION:

No action under Section 4.a. of the Grant Agreement be taken and the automatic extension of the Grant Agreement between the PUC and the Energy Trust of Oregon to March 1, 2011, be allowed.