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Final Report

Process Evaluation of SB 838 Supplemental Funding Activities

Funded By:



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November 20, 2009



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PROCESS EVALUATION OF SB 838 SUPPLEMENTAL FUNDING ACTIVITIES



ACKNOWLEDGEMENTS

Many people contributed their time in order that SB 838 funding and activities might be understood from diverse perspectives. Energy Trust, Lockheed Martin, utility, and PUC staffs gave generously of their time. We would like to thank the contribution of Phillip Degens of Energy Trust of Oregon for his direction and insight as Evaluation Manager. We especially appreciate the patience and quick response with which Portland General Electric staff and Pacific Power staff answered our repeated requests to clarify aspects of SB 838 funding and activities, and to verify the facts we were seeking to report.



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ACKNOWLEDGEMENTS



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EXECUTIVE SUMMARY

In 2007, a provision of SB 838 enabled a substantial increase to the public purpose funding collected by utilities serving Oregon electric customers. With their SB 838 funds, Pacific Power created a staff position to be the company's liaison with Energy Trust, and to develop and deliver marketing and outreach activities to support Energy Trust's programs throughout Pacific Power's service territory in Oregon. PGE has used its SB 838 funds for portions of five staff positions. These staff positions include two individuals to serve as Energy Trust liaisons and direct outreach staff for commercial and industrial customers, and three staff who primarily engage in, or are supportive of mass marketing and public relations activities. Energy Trust, with its SB 838 funding, has increased the budgets for its programs directed at hard-to-reach residential, commercial, and industrial customers.

Overall, the electric utilities and Energy Trust view SB 838 funding as beneficial and positive, and see value in the mutual collaboration fostered by SB 838 funding. In addition to the benefit of greater funding to increase Energy Trust program savings, specific opportunities offered by SB 838 include the possibility:

- ➔ To leverage the utilities' relationships with their customers;
- ➔ To leverage Energy Trust's relationships with electric utility customers;
- ➔ To leverage Energy Trust's experience and expertise with energy efficiency program development and delivery; and
- ➔ For Energy Trust to be more deeply engaged in the utilities' integrated resource planning processes.

In pursuit of this collaborative endeavor, communication has been good, but improvements can be made. Energy Trust communications with one utility, PGE, have an added level of complexity because of the presence of multiple individuals as SB 838 contacts for that utility.

There are barriers to the assessment of the energy conservation results of SB 838-funded activities. One barrier is the absence of necessary baseline data for commercial and industrial customers. Such data might include these customers' awareness of Energy Trust and of opportunities to improve their energy efficiency, as well as the process by which they arrive at a decision to undertake an energy efficiency project. Determination of appropriate data for a baseline can be facilitated by articulation of the theory and logic underlying expenditures of SB 838 funds.

Other barriers to the assessment of the results of SB 838 funding include the unknown effects of the economic decline that occurred between 2007 and late 2008, and the typical lag between the



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time of program expansion in 2008 and the time program results will appear, as customers move their projects from inception through implementation to completion.

In addition to difficulties in measuring the performance of SB 838 activities, other challenges for the activities underwritten by the new funding included common program start-up circumstances. One of these circumstances was the availability of SB 838 funding for only a portion of the first year of activity (2008), diminishing both the amount of activity and the time in which results could occur. Other challenges have been the normal learning curves associated with reaching new markets, developing and delivering new programs, and working collaboratively in the new way called for by the funding.

- ➔ **Recommendation: Articulate an explicit description of the theory and logic underlying SB 838 expenditures** to identify the most useful data to measure the effectiveness of SB 838-funded marketing and outreach activities.
- ➔ **Recommendation: To obtain a baseline for the data identified by the SB 838 theory and logic**, future evaluations of Energy Trust's Multifamily Residential, Existing Buildings, and Production Efficiency programs should incorporate questions about sources and time of program awareness, questions to shed light on decision-making and free-ridership issues, and other issues as indicated by the theory and logic.
- ➔ **Recommendation: Staff of all three organizations should strive for early and frequent collaboration with staff from other organizations in the creation and development of all SB 838-funded marketing and outreach.** This may be neither simple nor easy. It may require additional staff time and, as plans unfold, differences in corporate preferences or even objectives may become apparent that will require more additional time and effort to resolve.
- ➔ **Recommendation: The two utilities and Energy Trust should each designate one staff person to serve as liaison to the other organizations for all of their SB 838 activities.**



MEMO

Date: February 2, 2010
To: Board of Directors
From: Amber Cole, Director of Marketing and Communications
Steve Lacey, Director of Operations
Philipp Degens, Evaluation Manager
Subject: Staff Response for the Process Evaluation of SB838 Supplemental Funding Activities

The evaluation provided a high level documentation of SB 838 funding activity as well as the coordination between the three organizations involved in this process, Energy Trust, PGE and PacifiCorp. Energy Trust staff agree with the recommendations and plan to:

- Have ongoing discussions with the partnering utilities on linking utility SB 838 marketing and outreach activities to specific Energy Trust programs and initiatives and developing metrics to improve these activities.
- Meet regularly with utility liaisons to plan and coordinate activities and discuss outcomes.
- Coordinate Energy Trust resource assessments with Utility IRPs to help identify cost effective energy efficiency opportunities that can be funded through SB 838.
- Continue evaluating SB 838 on an annual basis.

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INTRODUCTION

In June 2009, Energy Trust of Oregon (Energy Trust) commissioned Research Into Action, Inc. to conduct an evaluation of activities funded by the supplemental public purpose funds authorized by Senate Bill 838 (SB 838). The scope of the evaluation includes a review of the SB 838-funded activities of Portland General Electric (PGE) and Pacific Power, as well as related Energy Trust activities.

EVALUATION GOALS

The goals of this evaluation are to:

- Document the history of SB 838-funded utility and Energy Trust activities
- Review SB 838 performance goals, as well as utility and Energy Trust data collection and reporting processes, to identify gaps and make recommendations for any needed changes
- Analyze SB 838-funded activities and their alignment with performance metrics
- Identify challenges, barriers, and opportunities to meeting SB 838 goals

EVALUATION APPROACH

To address these goals, this process evaluation is based in part on in-depth interviews with Energy Trust, utility, and public agency staffs, as well as on follow-up interviews with some of these contacts and with staff of Energy Trust's program management contractors (PMCs). These interviews were conducted in-person and by telephone during July and August 2009 (Table 1.1).

Table 1.1: Interview Goals and Interviews Achieved

TARGET GROUPS	INTERVIEWS	
	GOAL	ACTUAL
Energy Trust Staff (Includes 3 Program Management Contractor Staff)	6 to 9	12
Portland General Electric (PGE) Staff	1 to 3	3
Pacific Power Staff	1 to 2	2
Oregon Public Utility Commission (OPUC) Staff	2	2
TOTAL	10 to 16	17



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The evaluation also employed a document review of relevant Energy Trust, utility, and other public records and data, including: quarterly and annual reports and planning documents; supplemental funding agreements between Energy Trust and the utilities; job descriptions for staff positions supported by SB 838 funding; utility tariff filings; Oregon Public Utility Commission (OPUC) orders; and the enabling legislation itself.

Confidentiality of sources is fundamental to obtaining candid, fully informative responses from contacts. Because of the small number of individuals interviewed for this project and the even smaller number of organizations represented by the contacts, the requirement to maintain confidentiality made reporting the data gathered during these interviews especially challenging. The challenge was to report meaningful information at a level that is sufficiently abstract to mask the respondent's identity. In striking this balance, it was sometimes necessary for the report to be less specifically detailed than is optimally desirable. Nonetheless, the report presents a complete picture of the activities and issues arising from the new energy conservation funding authorized by SB 838.

ORGANIZATION OF REPORT

Chapter 2 of this report recounts the history of SB 838 supplemental funding and describes the activities undertaken by the two electric utilities and Energy Trust with that funding. The chapter concludes with a discussion of performance measures for determining the results and effectiveness of those activities. Chapter 3 begins with a description of conditions affecting the startup of SB 838 incremental energy efficiency initiatives and includes assessments of the supplemental funding's impact on the various organizations' administrative processes. Communication is at the heart of any new collaboration, such as the one between Pacific Power, PGE, and Energy Trust that is required by SB 838 funding. Related communications are also assessed in Chapter 3. The chapter closes with a description of the benefits contacts see from the funding and of the changes they believe would improve its effectiveness. Chapter 4 provides our conclusions and recommendations.



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SB 838 SUPPLEMENTAL FUNDING HISTORY AND ACTIVITIES

This chapter describes the history of SB 838 supplemental funding, the activities undertaken by each utility and by Energy Trust with those funds, and performance measures to determine the effectiveness of those activities.

HISTORY OF SB 838 SUPPLEMENTAL FUNDING

In response to the combination of utility integrated resource plans showing demand-side management as a necessary and growing component of their resource portfolios, and the insufficiency of existing public purpose funding to capture all cost-effective energy conservation measures, a bill introduced in the Oregon Legislature in 2006 would have authorized the OPUC to raise utility rates to augment public purpose funding created in 1999 by SB 1149. The 2006 bill did not move forward. However, late in the same legislative session, an alternative approach to supplementing the SB 1149 public purpose funds was added through an amendment to the Renewable Energy Act of 2007 (SB 838), which passed and was signed into law on June 6, 2007. Instead of allowing the OPUC to raise utility rates on its own initiative, the alternative approach required utilities to file tariffs to augment the existing public purpose funds. The legislation also distinguished utility customers who use more than 8,760 megawatt hours (one average megawatt – 1 aMW) as ineligible to receive the benefits of the supplemental funding.

Pursuant to SB 838, both PGE and Pacific Power duly filed tariffs. Pacific Power's tariff was effective January 25, 2008; PGE's tariff was effective June 1, 2008. Thus, at the time of these evaluation activities, Pacific Power had roughly 18 months of experience with SB 838 activities and PGE had about 12 months of experience. However, both utilities had ramped up energy efficiency activities in the latter half of 2007, in anticipation of approval of the tariffs. Beyond the legislative distinction prohibiting expenditure of SB 838 funds to benefit large customers (>1 aMW),¹ the tariffs added a further condition on the supplemental funding. Both utilities requested a portion of the funding be retained by them to be used to support programs administered by Energy Trust. OPUC orders confirmed this dual revenue allocation, capping the

¹ This prohibition is consistent with the provision of SB 1149 that allows such large customers to "self direct" for energy conservation projects, the portion of their utility bill that is public purpose funds, rather than to pay the funds to their utility.



utilities' retained SB 838 funds at \$500,000 (PGE)² or at 5% of the funding generated by the new tariff (Pacific Power).³

SB 838 ACTIVITIES

There are commonalities regarding SB 838 supplemental funding that are shared by PGE, Pacific Power, and Energy Trust. First, they share common views of the purpose and goal of the funding. They view the purpose of the funding, and of their incremental activities underwritten by the funding, as to “go deeper” with existing energy efficiency programs, that is, to increase the number of their customers who have heard of Energy Trust, and to bring more of their customers into Energy Trust programs, with the ultimate goal of increasing kWh savings. Additionally, all three organizations have focused their SB 838 activities predominantly upon their small- and medium-sized commercial customers.

There are other commonalities that apply only to the two utilities. The supplemental funding is a new revenue stream for both utilities, and both utilities have generally used their retained SB 838 funds for staff salaries and for marketing and outreach activities. However, each utility has adopted its own tactics to pursue the funding goal.

Key differences between the service territories of PGE and Pacific Power at least partially explain the utilities' different tactics. PGE's customer base is almost exclusively urban and is geographically concentrated in the northern half of the Willamette Valley. Pacific Power's service territory in Oregon is predominantly small-town and rural, and is fragmented and geographically far flung – extending from Astoria on the northern Oregon coast to Lakeview in southeastern Oregon's high desert, and from Cave Junction in the mountains of southwestern Oregon to Joseph and Wallowa in the mountains of northeastern Oregon. As one contact observed, “Hard-to-reach is both a customer segment and geography for Pacific Power.”

This difference partially explains the different emphases on the roles of marketing and public relations versus direct outreach activities in the utilities' approach to their customers. The following describes Energy Trust's and the two utilities' changes in staffing and activities resulting from SB 838 funding.

Pacific Power

Pacific Power has expended its retained SB 838 funds in two general ways: to fund a new, full-time staff position, and to fund marketing and outreach activities. The staff position is the company's liaison with Energy Trust, and also develops and delivers marketing and outreach

² PGE's tariff is structured to acquire 42 aMW from 2008 through 2012. The estimated cost is \$69.6 million.

³ PacifiCorp is proposing to acquire an incremental savings of 36 aMW, at an estimated cost of \$55 million from 2008 through 2012.



activities to support Energy Trust's programs throughout Pacific Power's service territory in Oregon. A reported early activity of this new staff person was to meet with Energy Trust staff to discuss possible outreach activities, which were subsequently organized and coordinated by that person. In that way, the new Pacific Power staff position is essentially an additional staff resource in the field for Energy Trust.

Activities of Pacific Power's full-time staff person have included direct mail to targeted categories of commercial customers (foodservice, automobile, lodging, commercial office, and the faith community), as well as to residential and industrial customers, and the promotion of specific programs to targeted customers through Pacific Power's call center and to its regional community managers. Other outreach activities have included meetings with trade associations, trade allies, and government officials, and hosting local and regional conferences for key customers and community leaders throughout the state to present information on energy efficiency and Energy Trust programs. Bill inserts, newsletter articles, website updates and links, email communications with certain customers, direct support of Energy Trust's refrigerator recycling program, and targeted television and radio advertising in local community markets round out Pacific Power's SB 838 activities.

In addition to filling the staff position, specific activities were undertaken, and specific customers and programs targeted by Pacific Power with SB 838 funding as described below.

Broadcast Media

- ➔ A television, radio, and print campaign aimed at residential customers in southern Oregon was conducted.
- ➔ During Trail Blazers' games, statewide radio spots aimed at residential customers were broadcast.
- ➔ Refrigerator recycling was promoted with television ads in Bend, Medford, and Portland.

Direct Mail

- ➔ Tailored program information was mailed to foodservice, congregations, auto, lodging, and office customer segments.
- ➔ Information was mailed to Klamath Basin irrigators encouraging them to participate in Energy Trust programs.
- ➔ Heat pump incentive information was mailed to a targeted group of 40,000 customers.
- ➔ An offer for free Energy Saver Kits was mailed to 73,000 customers; 11,000 customers requested the kits.
- ➔ Energy Trust program information and case studies were included in various newsletters:



- *Energy Insights*, a newsletter for community leaders and managed accounts
- *Energy Connections*, a newsletter for mid-sized business and government customers
- All issues of the customer newsletter, *Voices*
- An issue of *Forecast*, a newsletter for renewable energy participants

➔ Bill Inserts were used:

- An Energy Trust heat pump insert was included in residential customer bills.
- Energy Trust's refrigerator recycling was promoted with a bill insert in Bend, Medford, and Portland.

Staff Outreach

- ➔ Staff hosted regional conferences for key customers and community leaders in Albany, Portland, Roseburg, Grants Pass, Klamath Falls, Bend, and other communities that featured participants in Energy Trust programs as speakers.⁴
- ➔ Staff engaged the utility's regional community managers in outreach to school administrators on behalf of Energy Trust's *Living Wise* energy education kits for sixth graders and its *Change a Light, Change the World* fundraising package.
- ➔ Staff met with Oregon Restaurant Association executives to encourage promotion of energy efficiency opportunities.
- ➔ A meeting was coordinated with City of Medford staff to review energy and sustainability options for the city and its residents.
- ➔ Staff worked with the *Oregon Main Street* program to integrate energy-efficiency and renewable-energy information with downtown revitalization efforts.

Other

- ➔ Energy Trust program information and case studies were included in *Welcome Aboard* kits for new business and residential customers.
- ➔ The utility communicated by email about Energy Trust incentives to all managed industrial accounts.

⁴ The outreach events in Grants Pass, Klamath Falls, and Bend were held during the summer of 2009; each drew an attendance of approximately 100 customers and community leaders.



- ➔ A training webinar was held for the utility’s call center on energy efficiency and managing energy costs for low-income households.
- ➔ The utility’s call center and local chamber of commerce media were used to solicit participation in outreach activities directed at commercial customers (including multi-family residential owners) in Grants Pass, Klamath Falls, and Bend.
- ➔ An online Home Energy Analyzer was promoted.

Portland General Electric

Like Pacific Power, PGE used its retained SB 838 funds for staff positions and for marketing and outreach activities. However, specific PGE expenditures with the funds differ from Pacific Power’s approach. Rather than fund a single staff position, PGE has sprinkled SB 838 funds among five staff positions, for a total FTE of between 1.5 and 2.0. These staff positions include two individuals – whose combined SB 838 salaries equal 1.0 FTE – to serve as Energy Trust liaisons and “feet on the street” for PGE commercial and small industrial customers. Like Pacific Power’s staff position, these feet-on-the-street activities bring new, proactive staff-outreach resources to Energy Trust. In fact, with the SB 838 funding, that staff sees itself as Energy Trust “surrogates.”

PGE also uses SB 838 funds to pay portions of salaries of three additional staff who are primarily engaged in, or supportive of mass marketing and public relations activities. Thus, overall, PGE’s funding of staff positions differs from Pacific Power’s approach not only quantitatively, by nearly doubling the staff resources supported by SB 838 funding, but also functionally, by using those funds to support staff whose positions are primarily marketing and public relations functions.

PGE has undertaken numerous marketing, outreach, and program development activities with its SB 838 funding. In addition to communicating energy efficiency messages and Energy Trust information to its customers through an array of media comparable to those employed by Pacific Power, the additional staff resources underwritten by PGE’s retained SB 838 supplemental funding have allowed PGE to develop new energy efficiency initiatives. These initiatives include a customized mailing campaign (three mailings and follow-up responses) to eight groups of business customers (ranging in size from 600 to 8,500 customers per segment) and the fall 2008 *Save More, Matter More*[™] campaign. The latter campaign included five pre-campaign and campaign breakfast meetings, open to all of PGE’s small-to-medium commercial and industrial customers in Portland and Salem, at which the customers were asked to pledge to undertake specific energy efficiency behaviors or projects.

In addition to funding portions of staff positions, specific activities were undertaken and specific customers and programs targeted by PGE with SB 838 funding, as described below.



Broadcast Media

- ➔ Energy efficiency was promoted on television and other media, featuring tips on programmable thermostats, turning off electronics, CFLs, and low-flow showerheads.
- ➔ Three efficiency ads were published, with information about lighting, HVAC, and computers.

Direct Mail

- ➔ The utility mailed information on its *Save More, Matter More*[™] campaign to all business customers.
- ➔ Energy Trust program information, energy efficiency information, case studies, and information about a utility SB 838 initiative were included in various newsletters:
 - *Energize*, a business newsletter
 - *Business Connection*, a business email newsletter
 - Eight of 12 monthly *Updates*, a residential newsletter
 - *Home Connection*, a residential email newsletter, including two issues with links to Energy Trust's website
- ➔ Information on the utility's *Save More, Matter More*[™] campaign was provided on inserts included in business customers' bills.

Staff Outreach

- ➔ Staff fielded the *Save More, Matter More*[™] campaign, targeted at small- and medium-sized commercial and industrial customers; approximately 260 companies made energy efficiency pledges, ranging from small behavioral changes to large investments.⁵
- ➔ Staff made more than 50 presentations to business and community organizations.
- ➔

Other

- ➔ The utility co-sponsored with Energy Trust a program on efficient building techniques for homebuilders.

⁵ *Save More, Matter More*[™] included five breakfast meetings, with an average attendance of 10 to 11 customers each. Thus, a majority (>80%) of the campaign's pledges occurred through its website.



- ➔ Follow-up telephone calls were made to all customers making pledges during the *Save More, Matter More™* campaign.
- ➔ A manufacturing case study, incentive information, and links to Energy Trust's website were added to the business energy-efficiency pages of the utility's website.
- ➔ New energy efficiency webpages were launched.
- ➔ An online Home Energy Analyzer with bill download capability was launched.

Energy Trust

Like the two electric utilities, Energy Trust has directed most of its SB 838 funding to the commercial sector. A particular use by Energy Trust of SB 838 funding was to add some new program incentives, as well as to increase some already existing, with the largest increases in the commercial sector.

However, because SB 838 funding is an *increased* rather than *new* funding stream for Energy Trust, its SB 838 activities appear predominantly as increases in funding for existing programs, rather than as specific staff increases or as specific program initiatives. For example, program funding received by Lockheed Martin, Energy Trust's program management contractor for the commercial sector, has more than doubled from 2006-2007 levels. Lockheed Martin's energy savings goals and program staff have increased correspondingly as well, but the new staff positions are not broken out as being funded specifically by the SB 838 funds, or by the pre-existing public purpose (SB 1149) funds. Staff reported that in practice, "838 efforts are undifferentiated from 1149 efforts," either by Energy Trust or by its program management contractors.

In addition to augmenting funding for commercial programs, Energy Trust has also allocated SB 838 funds to its residential and industrial programs. Although SB 838 excludes the benefits of its supplemental funding from customers whose energy use exceeds 1 aMW (typically industrial customers), the ongoing nature of the relationship between Energy Trust program staff and industrial customers has created a sufficient understanding of these customers to allow Energy Trust to identify and to avoid the use of SB 838 funds for projects by larger industrial customers.

SUPPLEMENTAL FUNDING METRICS

An OPUC criterion for allowing utilities to retain SB 838 funding was certainty that the retained funds would increase the likelihood that electric customers would pursue cost-effective conservation. However, metrics to determine the effectiveness of SB 838 expenditures are problematic. One Energy Trust contact reported, "There are no metrics." This is not precisely correct, but it does indicate the difficulty, and some frustration, regarding the attribution of energy savings to SB 838 expenditures and activities. A utility contact expressed a variation on this sentiment saying, "[Our utility] owns no performance metrics for SB 838."



While there are metrics for the activities undertaken by the utilities with this new funding – such as numbers of outreach meetings, numbers of attendees, numbers of website hits, numbers of mailings, and numbers of exposures from media buys – direct attribution of savings to a given activity, based on these metrics, is not possible. There are no data describing the pre-SB 838 level of awareness of energy efficiency among customers of the two electric utilities, or describing those customers’ awareness of opportunities to improve their energy efficiency. Nor are there data that describe the process by which electric utility customers arrive at a decision to undertake an energy efficiency project. Without such baselines, there is nothing against which to measure the effects of particular SB 838 marketing and outreach activities.

Other metrics – such as the number of qualified leads referred to Energy Trust and the number of program projects completed by these leads – have been modest to date, and share the same missing-baseline limitation regarding their significance.⁶

A remaining measure of program effectiveness is simply to compare changes in funding with changes in kWh savings for corresponding time periods. Roughly 95% of the supplemental funding is passed through by the utilities to Energy Trust. As described in the previous section, SB 838 funds are increased, not new, funds to Energy Trust, and are not distinguished from SB 1149 public purpose funding as they are spent to expand existing energy efficiency programs. The result is, as one contact reported, “The most meaningful thing, which is unsatisfying, is the money went up, the savings went up, but that’s as meaningful as all sorts of details.”

The OPUC recognized the difficulty in attributing savings to SB 838 funding. In the public meetings for both the Pacific Power and PGE tariffs, OPUC staff reported, “Both Staff and [the electric utilities] agree that the most efficient and cost-effective way for the Trust to administer these funds is to help expand, and improve the penetration of, existing programs....However, this construct will make it more challenging for the Trust to attribute specific energy savings to specific funding sources. Staff, the Trust, and both electric utilities have agreed that having the Trust track and report an estimate of the incremental savings acquired, considering the projection of savings that would have been acquired using only public purpose funds, is adequate granularity for review.”⁷

Given the short time SB 838 funds have been available, a simple comparison of electric energy efficiency expenditures and savings is not conclusive. A comparison of relevant performance measures from Energy Trust’s 2007 and 2008 annual reports to the OPUC shows electric energy efficiency expenditures for commercial programs (that is, for the programs on which Energy Trust and the two electric utilities expended the bulk of SB 838 funding) increased by 73.9% in 2008 over 2007, and commercial electric energy efficiency savings increased by 25.8%. During

⁶ Contacts reported that “three or four” customers who had been directly touched by the utilities’ SB 838 activities had undertaken projects through an Energy Trust energy efficiency program at the time of these interviews.

⁷ *Public Utility Commission of Oregon Staff Reports*, January 22, 2008, p.3, and May 20, 2008, p. 4.



that same period, overall electric energy efficiency program expenditures increased by 38.6%, while total electric energy efficiency savings declined by 8.3% (Table 2.1).

Table 2.1: Energy Trust Electric Energy Efficiency Performance Measures for 2008 and 2007

PERFORMANCE MEASURE	2007	2008	PERCENT CHANGE
Electric Efficiency Expenditures for Commercial Programs	\$9,462,730	\$16,458,487	73.9%
Total Electric Efficiency Expenditures	\$36,399,342	\$49,797,276*	36.8%
Total Electric Efficiency Savings**	35.0 aMW	32.1 aMW	-8.3%

* Includes Energy Trust expenditures of both SB 1149 public purpose funds and SB 838 supplemental funding, and electric utility expenditures of retained SB 838 funds.

** Includes transmission and distribution savings.

Complicating this comparison is the presence of other variables with unknown effects on the results of SB 838 funding. Notably, a major decline in economic conditions occurred between 2007 and late 2008, the typical time of year when Energy Trust books the majority of projects. Additionally, there is typically a lag between expenditures of funds to expand programs and the appearance of program results as customers pursue the normal course of moving their projects from inception to implementation. No simple comparison can readily account for these circumstances. As respondents' comments at the beginning of this section suggest, all three organizations share dissatisfaction with the uncertainties about the results of SB 838 expenditures.



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3

SB 838 PROCESSES

This chapter discusses the administrative processes of SB 838. Specific topics include funding start-up issues, communication and collaboration between the two electric utilities and Energy Trust, and tracking and accounting for SB 838 funds. The chapter also discusses the benefits of SB 838 funding, and changes to the supplemental funding suggested by the contacts.

START-UP

Typically, the first year of funding for new energy efficiency initiatives is a ramp-up year. That is, results from new programs often do not appear during their first, or even their second year. The process of moving from energy efficiency project awareness to project fruition – and the learning curves associated with new markets, new programs, or new partners – can all contribute to delayed results. The first year in which SB 838 supplemental funding became available was not an exception. Further circumstances limiting first-year SB 838 activities were the funding’s availability for only a portion of 2008, and the overall decline in economic conditions that occurred at the end of that year.

A common reason for limited results by new programs is the learning curve associated with their development and delivery. Such a learning curve is evident in the development and delivery of SB 838 outreach and marketing activities. In this situation, where three organizations were required to work together in a new way, the learning curve also extended to understanding the communication channels and expectations of the other organizations, and to becoming acquainted with the personalities of the other organizations and their staffs.

These learning curves are entwined. By definition, the most effective methods of reaching the hard-to-reach customers targeted by SB 838 funding are not fully understood, so development of effective new marketing approaches is not obvious. Additionally, some early activities were undertaken without full understanding and recognition of the unique knowledge of, or experience with hard-to-reach customers that other organizations possessed.⁸ This resulted in perceptions of overlap with existing customer relationships and in misunderstandings that unintentionally added unnecessary burdens to other staffs.

⁸ As an example, the experience of Energy Trust’s award-winning program for restaurants was not considered during the design of an early utility marketing initiative addressed to all commercial customers.



COMMUNICATION

Formal communications between the parties in the form of reports of activities have been timely. The two utilities report SB 838 activities quarterly to Energy Trust. In turn, Energy Trust reports quarterly and annually to the OPUC. Energy Trust also reports energy efficiency project activity monthly to the utilities.

Communication between Energy Trust and each utilities' SB 838 liaisons was uniformly described as "good" and "easy to manage," and both liaisons have worked closely with the staffs of Energy Trust and its program management contractors. One of the liaisons is in such frequent contact with Energy Trust's program management contractors she described herself as sometimes feeling "like one of their employees."

Nonetheless, communicating with PGE was described by Energy Trust contacts as more challenging than communicating with Pacific Power. This was primarily attributed to PGE's use of multiple staff to work with Energy Trust for SB 838 purposes. By contrast, Pacific Power has a single point-of-contact for SB 838 activities.

In another respect, there is an appearance of symmetry in concerns about communications expressed by the three organizations. Contacts from both utilities mentioned difficulties in obtaining information from Energy Trust (although Energy Trust was praised for its responsiveness to ad hoc queries), and Energy Trust staff reported both utilities were late in bringing plans to them. All of these comments suggest incomplete clarity of expectations as an underlying issue. In part, the lack of clarity about expectations reflects the new relationship between these entities, and in the case of information sharing between Energy Trust and PGE, PGE's multiple contact points also contribute to communication difficulties.

There are some remaining barriers to communication as well. Comments by contacts from two organizations suggested the presence of an attitude that can limit full communication and collaboration. In particular, these comments indicated a sense of being more capable in certain ways than staff of other organizations. Each organization has unique sets of relationships with electric customers, providing the organizations with unique insights about, and ways of communicating with those customers. Further, the organizations are not accustomed to working with each other in the way required by the dual allocation of SB 838 funding. To maximize the opportunities provided by the supplemental funding, the organizations must learn new ways of communicating with each other, both in terms of being more receptive to others' ideas, and in terms of communicating earlier and more fully regarding SB 838 plans and activities.

In closing this section, it is noteworthy that since these interviews were conducted, there has been anecdotal evidence of efforts by the parties to improve communications and organizational collaboration.



ADMINISTRATIVE COSTS AND BENEFITS OF SB 838 FUNDING

Fulfilling the requirements of SB 838 has both imposed additional administrative costs and created benefits for the two electric utilities and Energy Trust.

The terms of SB 838 and the OPUC's implementing orders created two new distinctions that have had an administrative impact. One distinction is a customer class distinction arising from the prohibition against the use of SB 838 supplemental funding to benefit customers whose energy use exceeds 1 aMW. The second new distinction is the allocation of a portion of SB 838 funds to the two electric utilities to be used to support Energy Trust's programs.

These distinctions have increased Energy Trust's administrative tasks. The customer class distinction was reported to require two sets of numbers for Energy Trust's tracking and accounting systems – one set to track customers who use more than 1 aMW and another set of numbers for smaller customers. This tracking and accounting requirement has been felt by the utilities as well.

The allocation of SB 838 funding to the electric utilities created a new relationship between them and Energy Trust. Management of these new relationships with the utilities – and they are two separate relationships for Energy Trust to manage – has come with a cost. At least a dozen Energy Trust staff, not including staff of program management contractors, is involved in SB 838 activities. This staff includes staff of the commercial and residential programs, and marketing, planning, accounting, and evaluation staff. Inasmuch as Energy Trust does not distinguish between expenditures of pre-existing public purpose funds and expenditures of SB 838 funds, the time for these staff to be involved in SB 838 activities is not directly charged to those funds.

Another example of the administrative cost of SB 838 supplemental funding is related to Energy Trust's changed relationship with the utilities' integrated resource planning processes. These planning processes identify lowest-cost resources for the utilities, among which energy conservation is an increasingly important resource. SB 838's intent to capture all cost-effective conservation, combined with the identification of conservation as a critical resource by the utilities' integrated resource plans, have drawn Energy Trust more deeply than before into those utility planning processes. One contact estimated Energy Trust's increased participation in utility integrated resource planning requires approximately .75 FTE of staff time. However, that cost also comes with a benefit. Energy Trust's deeper participation in the utilities' integrated resource planning was viewed positively by both Energy Trust and utility staff.

Another unplanned benefit of the funding is the new collaboration between the two electric utilities and Energy Trust that the funding facilitates. In particular, the value of the collaboration is recognized as being broader than the ability to combine resources in the pursuit of more difficult-to-reach energy conservation. A utility contact captured this by saying, "SB 838 funds the opportunity to use utility channels and utility connections. It leverages utility relationships, and brings additional resources to the utility on an IRP basis." This latter comment parallels



Energy Trust staff's positive view of the closer involvement with the utilities' integrated resource planning.

Interviewed contacts also described a number of other benefits from SB 838 supplemental funding. The most commonly reported benefit of the funding is the opportunity "to go deeper," "to do more efficiency projects," and "to get more savings." These positive, but vague, sentiments reflect the overall positive attitudes of the contacts about the supplemental funding. The comments also suggest the vagueness of measuring the results of the funding to date.

Specific opportunities offered by the funding and the new collaboration it fosters include the opportunities:

- ➔ To leverage utilities' relationships with their customers;
- ➔ To leverage Energy Trust's relationships with electric utility customers;
- ➔ To leverage Energy Trust's experience and expertise with energy efficiency program development and delivery; and
- ➔ For Energy Trust to be more deeply engaged in the utilities' integrated resource planning processes.

Another benefit of the funding mentioned by Energy Trust staff is the establishment of a single point-of-contact at Pacific Power for coordinating energy efficiency efforts between the two organizations. Implied by this comment is the desire for a similar single point-of-contact with PGE.

SUGGESTED CHANGES

The contacts also described changes they believe would enhance the value of the funding, or they believe would bring additional benefits to the collaboration of the three organizations. Suggested changes included: greater involvement and collaboration between Energy Trust and the utilities (mentioned both by Energy Trust and by utility contacts); elimination of the greater than 1 aMW distinction, and of the distinction between SB 1149 public purpose funds and SB 838 supplemental funding (mentioned by Energy Trust contacts to avoid the administrative costs related to managing and tracking those distinctions); and the ability to hire more staff with the SB 838 funding (mentioned by utility contacts).



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FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

In 2007, a provision of SB 838 enabled a substantial increase to the public purpose funding collected by utilities serving Oregon electric customers. The purpose of the supplemental funding is to obtain additional cost-effective energy conservation from traditionally hard-to-reach customers. OPUC orders created a dual allocation of this new revenue stream by allowing PGE and Pacific Power to retain a portion of the funding for their own conservation activities. Energy Trust, PGE, and Pacific Power have focused their SB 838 activities predominantly upon their small- and medium-sized commercial customers.

The approaches of the two utilities have additional commonalities. Both utilities have generally used their retained SB 838 funds for staff salaries and for marketing and outreach activities. However, each utility has adopted its own tactics to pursue the funding goal of increasing kWh savings. Tactical differences include a greater emphasis by PGE than by Pacific Power on marketing and public relations, and on new initiatives.

With SB 838 funds, Pacific Power created a single staff position to be the company's liaison with Energy Trust, and to develop and deliver marketing and outreach activities to support Energy Trust's programs throughout Pacific Power's service territory in Oregon. In contrast, PGE used SB 838 funds for portions of five staff positions. These staff positions include two individuals (whose combined SB 838 salaries equal 1.0 FTE) to serve as Energy Trust liaisons and "feet-on-the-street" for commercial and industrial customers, and three staff who are primarily engaged in, or supportive of mass marketing and public relations activities. Energy Trust, with its SB 838 funding, increased the budgets for its programs directed at hard-to-reach residential, commercial, and industrial customers.

FINDINGS

There are barriers to the assessment of the energy conservation results of these activities. One barrier is the absence of necessary baseline data for commercial and industrial customers. Other barriers are the unknown effects of the decline in economic conditions that occurred between 2007 and late 2008, and of the lag between the time of program expansion in 2008 and the time program results will appear as customers move their projects from inception through implementation to completion.

In addition to difficulties in measuring the performance of SB 838 activities, other challenges for the activities underwritten by the new funding included common program start-up circumstances. One of these circumstances was the availability of SB 838 funding for only a portion of the first year of activity (2008), diminishing both the amount of activity and the time in which results could occur. Other challenges have been the normal learning curves associated with reaching



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new markets, developing and delivering new programs, and working collaboratively in the new way called for by the funding.

Elements of the learning curve associated with the new collaboration include understanding other organizations' expectations and identifying the most effective ways to utilize the unique strengths of each. Ultimately, communication is at the heart of addressing such issues. Overall, communication has been good, but improvements can be made. Energy Trust communications with one utility, PGE, have an added level of complexity because of the presence of multiple individuals as SB 838 contacts for that utility.

Finally, SB 838's prohibition against benefitting large customers with its funded activities, and the collaboration created by the dual allocation of SB 838 funds between Energy Trust and the utilities have added administrative costs for the three organizations to manage and track those funding classifications.

In spite of these challenges, the electric utilities and Energy Trust view SB 838 funding as beneficial and positive, and see value in the mutual collaboration fostered by SB 838 funding. Specific opportunities offered by this new relationship include the possibility:

- ➔ To leverage the utilities' relationships with their customers;
- ➔ To leverage Energy Trust's relationships with electric utility customers;
- ➔ To leverage Energy Trust's experience and expertise with energy efficiency program development and delivery; and
- ➔ For Energy Trust to be more deeply engaged in the utilities' integrated resource planning processes.

CONCLUSIONS AND RECOMMENDATIONS

- ➔ **Conclusion: Performance metrics for the utilities' SB 838 activities and for Energy Trust's expanded program efforts are unsatisfactory to the parties.** Given the short time SB 838 funds have been available and the uncertain effects of other external influences, a simple comparison of electric energy efficiency expenditures and savings is not conclusive. Further, while there are metrics for the activities undertaken by the utilities with this new funding, direct attribution of savings to a given activity based on these metrics is not possible. There is no baseline data on commercial customers' attitudes, awareness, and decision-making against which to measure the effects of increased outreach and marketing. Determination of appropriate data for a baseline is best done through articulation of the theory and logic underlying expenditures of SB 838 funds.

Recommendation: Articulate an explicit description of the theory and logic underlying SB 838 expenditures to identify the most useful data to measure the effectiveness of SB 838-funded marketing and outreach activities.



Recommendation: To **obtain a baseline for the data identified by the SB 838 theory and logic**, future evaluations of Energy Trust’s Multifamily Residential, Existing Buildings, and Production Efficiency programs should incorporate questions about sources and time of program awareness, questions to shed light on decision-making and free-ridership issues, and other issues as indicated by the theory and logic.

- ➔ **Conclusion: Communication and collaboration regarding SB 838-funded activities have been good, but not perfect.** The concerns about communication suggest a lack of clarity about other parties’ expectations. The concerns also reflect the organizations’ inexperience in working together on energy conservation activities and programs. Communication has been made more complex by the presence of multiple PGE staff designated to work on SB 838 activities.

Recommendation: Staff of all three organizations should strive for early and frequent collaboration with staff from other organizations in the creation and development of all SB 838-funded marketing and outreach. This may be neither simple nor easy. It may require additional staff time and, as plans unfold, differences in corporate preferences or even objectives may become apparent that will require more additional time and effort to resolve.

Recommendation: The two utilities and Energy Trust should each designate one staff person to serve as liaison to the other organizations for all of their SB 838 activities.





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APPENDIX: SURVEY INSTRUMENTS

SB 838 SUPPLEMENTAL FUNDING INTERVIEW GUIDE FOR ENERGY TRUST STAFF

Name: _____ Organization: _____

Interviewer: _____ Date: _____

Role and Activities

1. What is/was your role with matters related to SB 838 supplemental funding? [Probe: Has role changed? Is role ongoing?]
2. Who else at Energy Trust works with SB 838-funded matters? [Probe: What activities? How do you interact with those other Energy Trust staff?]

SB 838 Administration

3. How are SB 838 activities tracked and reported by the Energy Trust? [Probe: How does it mesh with utility reporting of SB 383 activities? Are you satisfied with the tracking system? If not, why not? And what can be done about that?]
4. Has there been an administrative impact on Energy Trust from SB 838? [Probe: Do the utilities' activities place a new administrative burden on Energy Trust? What is Energy Trust's role in coordinating the activities of the utilities with those of Energy Trust? Are you satisfied with that coordination? Are you satisfied with the utilities' management of SB 838 activities? If not, why not? What can be done about that?]

SB 838 Communications

5. Please describe the communications between Energy Trust and the utilities about SB 838 supplemental funding activities. [Probe: What topics? What frequency? Are you satisfied with this level of communication? If not, how can it be improved?]
6. [If not addressed] How do the utilities' and Energy Trust coordinate SB 838 activities? [Probe: Who does that? When is it done? Who are the utility coordinators? How does the communication occur?]



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7. [If not clear] Do other Energy Trust staff communicate with the utilities about SB 838 activities? Who does that? What topics? What frequency?]
8. [If multiple parties communicate with the utilities] How do the various Energy Trust staff coordinate their utility communications with each other?
9. How does Energy Trust communicate internally regarding SB 838 activities? [Probe: Are those communications satisfactory? If not, how can they be improved?]

Delivery and Implementation of Utility SB 838 Activities

10. Please describe Energy Trust's SB 838 activities. [Probe: Which "core programs" have been scaled up? What services and/or device installations have been added?]
11. Why were those activities selected?
12. [If not clear] Do you know at whom those activities are targeted?
13. Do you know why those customers were targeted?
14. What results does Energy Trust expect to see from SB 838-funded activities? [Probe: Distinguish between utility activities and Energy Trust activities.]
15. When do you expect to see those results?
16. How will you know when or whether those results have occurred?
17. [If results have already been seen] What results have occurred? [Probe: How many projects? How many customers?]
18. [If not addressed] How well do SB 838 funded utility activities mesh with Energy Trust programs and activities? [If problematic] How could the utilities' activities be better integrated?
19. [If not already addressed] What impact have SB 838 utility activities had on Energy Trust energy efficiency programs or activities?
20. [If not addressed] What kinds of things seem to, or may, limit the impact of SB 838 funding or activities? [If any] What do you think can be done about them?
21. Is SB 838 funding sufficient? [If not] What would be adequate funding?
22. [If not addressed] How does Energy Trust avoid spending Supplemental Funds on ineligible (large) customers?

Conclusion

23. What has worked best about the expenditures of SB 838 supplemental funding?



24. What has not worked well about SB 838 supplemental funding?
25. [If not addressed] What do you think most needs to be changed about SB 838 funding or activities?
26. What would you like to learn from this evaluation?
27. Do you have any other thoughts or comments about SB 838 supplemental funding?



SB 838 SUPPLEMENTAL FUNDING INTERVIEW GUIDE FOR OPUC STAFF

Name: _____ Organization: _____

Interviewer: _____ Date: _____

Role and Activities

1. What is/was your role regarding SB 838 supplemental funding? [Probe: What role regarding the utilities' portion of SB 838 funds? Has role changed? Is role ongoing?]

SB 838 History and Goals

2. Please describe your understanding of the history of SB 838 supplemental funding.
3. What is your understanding of the goals for the utilities' portion of SB 838 supplemental funding?
4. How is progress toward those goals determined?
5. Where are the utilities in reaching those goals? [If not addressed] How was that measured?
6. What has worked best about SB 838 supplemental funding?
7. What, if anything, do you think most needs to be changed about SB 838 supplemental funding? [Probe: Why do you think those changes should be made? In response to the identification of additional opportunities? To programmatic shortcomings? Other reasons?]
8. What would you like to learn from this evaluation?
9. Do you have any other thoughts or comments about SB 838 supplemental funding?



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SB 838 SUPPLEMENTAL FUNDING INTERVIEW GUIDE FOR PACIFIC POWER STAFF

Name: _____ Organization: _____

Interviewer: _____ Date: _____

Role

1. What is/was your role with SB 838 supplemental funding activities?
2. Who else at Pacific Power works with SB 838 activities?

SB 838 Goals

3. What are Pacific Power's goals for its SB 838 supplemental funding activities?
4. How will you know when those goals have been achieved?
5. Where is the program in moving toward those goals?

SB 838 Activities

6. Please describe Pacific Power's activities that are funded by SB 838.
7. How were those activities identified and selected?
8. Why were those activities selected?
9. At whom are those activities targeted?
10. What are your objectives for your SB 838 activities?
11. Where are you in reaching those objectives?
12. Are there particular customer segments with whom SB 838 activities are especially effective?
13. Are there customer segments that are especially challenging to reach?
14. What kinds of things do you see that limit or discourage response to your SB 838 activities?
15. In what ways are utility account reps involved in SB 838 activities?



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SB 838 Administration

16. How are SB 838 activities managed?
17. How are SB 838 activities and their effects tracked?

SB 838 Communications

18. How are Pacific Power's SB 838 activities coordinated with the Energy Trust?
19. What other communication with, or reporting to, the Energy Trust occurs?
20. What other reporting requirements, if any, are there for Supplemental Funding activities or expenditures?
21. Please describe any other Pacific Power communications with entities other than customers and the Energy Trust, about SB 838 supplemental funding activities.

Overview

22. Is the Supplemental Funding adequate?
23. What has worked best about SB 838 supplemental funding?
24. What do you think most needs to be changed about SB 838 funding or activities?
25. What changes, if any, are actually being contemplated for Pacific Power's SB 838 activities?
26. What would you like to learn from this evaluation?
27. Do you have any other thoughts or comments about SB 838 supplemental funding?



SB 838 SUPPLEMENTAL FUNDING INTERVIEW GUIDE FOR PGE STAFF

Name: _____ Organization: _____

Interviewer: _____ Date: _____

Role

1. What is/was your role with SB 838 supplemental funding activities?
2. Who else at PGE works with SB 838 activities?

SB 838 Goals

3. What are PGE's goals for its SB 838 supplemental funding activities?
4. How will you know when those goals have been achieved?
5. Where is the program in moving toward those goals?

SB 838 Activities

6. Please describe PGE's activities that are funded by SB 838.
7. How were those activities identified and selected?
8. Why were those activities selected?
9. At whom are those activities targeted?
10. What are your objectives for your SB 838 activities?
11. Where are you in reaching those objectives?
12. Are there particular customer segments with whom SB 838 activities are especially effective?
13. Are there customer segments that are especially challenging to reach?
14. What kinds of things do you see that limit or discourage response to your SB 838 activities?
15. In what ways are utility account reps involved in SB 838 activities?



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SB 838 Administration

16. How are SB 838 activities managed?
17. How are SB 838 activities and their effects tracked?

SB 838 Communications

18. How are PGE's SB 838 activities coordinated with the Energy Trust?
19. What other communication with, or reporting to, the Energy Trust occurs?
20. What other reporting requirements, if any, are there for Supplemental Funding activities or expenditures?
21. Please describe any other PGE communications with entities other than customers and the Energy Trust, about SB 838 supplemental funding activities.

Overview

22. Is the Supplemental Funding adequate?
23. What has worked best about SB 838 supplemental funding?
24. What do you think most needs to be changed about SB 838 funding or activities?
25. What changes, if any, are actually being contemplated for PGE's SB 838 activities?
26. What would you like to learn from this evaluation?
27. Do you have any other thoughts or comments about SB 838 supplemental funding?

