Management Responses
TKW Management Review and Evaluation Report

March 26, 2010

Talbot Korvola & Warwick (TKW) completed a Management Review and Evaluation Report for Energy Trust of Oregon, in which a number of recommendations were made. All recommendations and corresponding management responses appear, as follows:

1. Energy Trust should work with the Oregon Public Utility Commission (OPUC) to eliminate the opt-in and opt-out provisions of the current information transfer policy.

   Response: We agree with the review's analysis and recommendation, and have been actively encouraging that next steps be taken with the utilities and OPUC to address these concerns. OPUC staff concur that this is a high priority project for 2010. We expect these issues to be fully resolved through a staff-led OPUC public workshop process engaging the utilities, Energy Trust and all interested parties.

2. Energy Trust, after its completed redesign is in place, should conduct an administrative support staffing level needs assessment.

   Response: Energy Trust agrees that an assessment of staffing should be conducted. The organization conducts workload capacity assessments on a regular basis as part of its formal individual annual performance work plan development process. The mid-year work plan check-in process and other recurring meetings between staff and managers provide opportunities to reassess priorities, revise workload demands, and develop alternatives, as needed. Any requests for additional staffing, both administrative and operational, result from such assessments. Detailed justifications and position descriptions for any new positions are provided as part of the annual budget process and subject to board consideration for approval. This process will occur this fall after the structure of the redesign has been in place for several months and will include an assessment of administrative staffing levels. In the interim, managers have been asked to identify any administrative needs currently unmet that could potentially be addressed in other ways between now and the next budget preparation cycle.

   Energy Trust agrees that additional staff will likely be required should Energy Trust become the recipient of ARRA or other federal funds related to our mission. However, until the specific nature and scope of such potential work is better known and evaluated in more detail, it is not clear whether the impact would be on administrative staff only and/or impact other tasks and responsibilities throughout the organization. Until Energy Trust actually pursues and receives direct ARRA funding, we continue to collaborate with other organizations who are direct funding applicants and recipients and to monitor compliance requirements, which appear to be different for different

opportunities. We understand that there may be a time when the benefits of federal or other opportunities outweigh the costs associated with administrative or other requirements and a deeper assessment would then be warranted and completed.

3. Energy Trust should develop a formal process to document and report how and why specific strategies and approaches are selected for the annual budget and corresponding action plan.

Response: Energy Trust's strategies and approaches to achieve savings and generation goals are currently informed by regional resource assessments, utility integrated resource plans, funding levels and State policies. Energy Trust's strategic plan guides overall direction and specific actions at the customer and technology levels. The two-year action plan and budget details the allocation of resources to implement the strategic plan and achieve shorter term savings and generation targets. This process is both formal and highly transparent.

Over the course of the year, we utilize Energy Trust's Conservation and Renewable Advisory Councils to share evaluation and research findings, vet new ideas and re-define actions. The advisory councils consistently provide key input for sector strategies and help identify and shape alternative and new approaches.

As part of targeted annual outreach to a variety of interested parties, individual presentations are made to the officers and staff of each utility regarding the status of our accomplishments, planned strategies, draft budget and action plan. A public hearing is sponsored each year by the OPUC to ensure opportunities for other stakeholders to comment on Energy Trust draft plans and budget. Feedback received and staff responses is summarized each year as part of the budget and action plan development process and provided to the board for their consideration prior to adoption of the final budget and plan.

After a comprehensive and transparent process with significant input from stakeholders, the Advisory Councils and the public, Energy Trust's board adopted a new five-year strategic plan in December, 2009 and a corresponding two-year action plan and budget for its initial implementation.

In response to this recommendation, Energy Trust will more thoroughly document the selection criteria used to evaluate and adopt major budget initiatives.

Also in response to this recommendation, Energy Trust will consider other ways to engage stakeholders as part of our annual budget and action plan development process to improve the communication of those decisions, such as:

- Summarize and review information presented at the Advisory Committees during the year, highlighting changes

- Provide summary program-specific information on relative cost per kWh and cost per therm of savings acquired
- Provide technology specific information on renewable energy program achievements
- Specifically link proposed actions to the strategic plan
- Continue to invite and respond to public comments received

4. Energy Trust should consider allocating resources to efficiency programs to achieve the greatest overall saving with the lowest overall cost.

Response: Energy Trust's Board of Directors has adopted an equity policy to guide the allocation of resources among energy efficiency programs. As a result, Energy Trust makes programs available to all electricity and gas customer classes by implementing programs in the residential, commercial, and industrial sectors. Within this policy, Energy Trust strives to obtain the greatest savings with the lowest cost. When presented with opportunities to enhance the amount of low cost savings through special projects, the organization takes advantage of those opportunities where reasonable. Energy Trust believes this allocation of resources creates a healthy tension between short-term and long-term goals and between achievable and cost-effective savings. The equity policy is reviewed on a regular basis by a subcommittee of the board of directors. The allocation of resources among programs is also considered by the full board in its approval of the annual action plan and budget.

Energy Trust is charged with acquiring *all* cost-effective efficiency measures that reduce the overall costs to utilities of providing electricity and natural gas. As part of meeting ambitious Integrated Resource Plan targets for each utility, we are committed to accelerating acquisitions at an already challenging rate. We are attempting to do so at the lowest possible overall cost.

Questions of minimizing cost vs. achieving equity between different ratepayer groups were more meaningful when Energy Trust funding was a fixed percentage of electric revenues. Over time efficiency funding has been distributed nearly equally across residential, commercial and industrial/agricultural sectors, corresponding to the opportunities for cost-effective savings acquisition proven in each sector. Such choices are made consciously to balance opportunities to acquire savings with OPUC performance measures such as levelized costs, anticipated industrial "mega-projects", the economy, the status of projects in the pipeline and other factors.

Industrial customers continue to receive benefits far greater than their direct public purpose fund contributions given that such savings are often at the highest volume and lowest cost and benefit all ratepayers. For example in 2007, revenue and expense by electric efficiency sector were:

	Revenue		***Expenses***	
Commercial	$15.2	37.5%	$9.5	26.0%
Industrial	$5.2	12.9%	$12.2	33.6%
Residential	$20.1	49.6%	$14.7	40.4%

There are also initiatives for harder-to-reach consumers, some of which have lower costs and some of which have higher costs per kWh or therm. Reaching these markets is an integral part of achieving the overall objective. This overall approach has not prevented Energy Trust from reaching its annual goals at a very reasonable cost.

5. Energy Trust should consider increasing utility involvement in strategic discussions by providing a greater opportunity for input and dialogue on issues relating to energy efficiency and renewable energy.

Response: Beginning in the spring of 2009, the board policy committee led an effort to analyze and discuss different options to further engage utility representatives in joint discussions and planning opportunities of a strategic nature. In December, 2009, the board formally adopted guidelines for a Strategic Utility Roundtable to focus utilities and other stakeholder interests on strategic Energy Trust issues. The Roundtable met for the first time in January, 2010, and is scheduled to meet again in April. Utilities are also expected to be key participants in the board of directors' annual strategic planning meeting in June.

Energy Trust and the utilities remain committed to this approach for a two-year period, to determine if it is an effective way to promote strategic communications. In addition, Energy Trust has recommended individual joint planning sessions with each utility to further build upon existing efforts and strengthen both coordination and collaboration. This suggestion was met with enthusiasm and the first such meeting has taken place in March 2010 with others to follow.

6. Energy Trust should reassess its current approach to evaluations to identifying opportunities to improve timeliness.

Response: Energy Trust agrees with this recommendation and has taken several steps to improve both performance and timeliness. Those steps include:

- Work with utilities to streamline procedures to receive energy use data from utilities in a readily usable format.
- Develop a more production-oriented process to clean and analyze data.
- Through training and experience, enhance staff evaluation capabilities, enabling staff to overcome significant technical difficulties in evaluation.
- Developed a new process to provide portions of evaluation findings and corresponding documentation available to program staff sooner, allowing them to incorporate results faster.
- Completed the "Fast Feedback" pilot to provide more timely information on customer satisfaction and free rider statistics; this approach will be implemented for all programs where applicable.

Energy Trust's standard process for review of evaluation results allows for the Board Evaluation Committee and technical review of preliminary results with time to incorporate relevant feedback. We recognize this vetting process may

sometimes result in delays in the finalization of evaluations. However, it also provides earlier Board and staff access to draft evaluations which we believe is valuable to continue.

Energy Trust welcomes further, specific suggestions to improve the timeliness and maximize the effectiveness of evaluations.

7. Energy Trust should:

- include, as appropriate, detailed action plans and timeframes as they pertain to specific evaluation recommendations, and

Response: Energy Trust agrees that appropriate actions should and will be incorporated into program management plans. Higher level structural or financial changes are reflected in the annual budget and action plan. More detailed responses, where appropriate, are addressed through program operations and are documented in operations manuals.

- develop a follow-up plan for evaluation findings and recommendations.

Response: As noted in our response to item #6, where possible, Energy Trust is moving toward iterative evaluation reporting to programs based on draft and Fast Feedback evaluation products. Program staff will incorporate the most important findings in response memos and include corresponding timeframes for completion of tasks.

Previous work preparing point-by-point response memos, as recommended by the Management Reviewer, resulted in detailed documents attempting to address too many issues, many of which were not strategic. This created more debate than action and did not prove to be productive for stakeholders, staff or the board.

Since then, response memos were revised to focus on the major lessons learned from evaluations and to emphasize key plans going forward. We rely on the evaluation committee to review this document and ensure that important evaluation points are addressed. We also rely on the subsequent evaluation to confirm the key findings and assess progress. Experience has demonstrated that this system provides more effective communication and is more efficient for stakeholder staff and board alike.

With regard to this evaluation, Energy Trust agrees and will create an action plan and timeline for addressing the recommendations provided in this document.

8. Policy makers should consider pursuing modifications to existing legislation concerning funding limitations and requirements.

Response: Energy Trust agrees with the analysis underlying this recommendation. The Energy Trust strategic plan specifically points to one such issue:

> The electric utilities' integrated resource plans include energy savings for sites that use more than one average megawatt per year. Because the 2007 Oregon Renewable Energy Act restricts energy efficiency funding for these large energy users, it is unclear whether all of the energy savings shown in Figures 1 and 2 (page 7) can be achieved, or whether the same goals can be achieved with increased energy savings from smaller customers. (Energy Trust Strategic Plan, Dec. 18, 2009, p. 5)

Energy Trust also agrees that the various requirements associated with different funding streams increase the cost of providing energy efficiency programs and will look for valid avenues to clarify and amend appropriate regulations.

At the same time, however, Energy Trust's grant agreement with the OPUC provides:

> No part of the Funds may be expended by the Energy Trust for lobbying or for any other political purpose, such as endorsing or opposing candidates for public office or ballot measures.

Because of this provision, Energy Trust will provide information to legislators about these issues only upon request, and does not intend to urge or take positions on any such legislation.