

# Briefing Paper

## Background on Factors Contributing to Amended 2021 Budget Proposal

May 10, 2021

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### Summary

This briefing paper summarizes factors contributing to Energy Trust of Oregon's proposed Amended 2021 Budget and 2021-2022 Action Plan, which includes additional revenues and expenditures that enable the organization to achieve more electric savings in 2021. The changes are the result of market conditions in 2020 and the success of Energy Trust's bonus incentives for commercial and industrial programs. The organizational goals and action plans have not changed.

### Background

- Beginning in early 2020, the COVID-19 pandemic created a climate of high anxiety for negative economic impacts on businesses—impacts that ultimately didn't materialize as anticipated for many businesses and instead resulted in unanticipated opportunities for energy efficiency investments.
- In spring 2020, Energy Trust offered bonus incentives to encourage customers and trade allies to proceed with clean energy projects in the face of market uncertainty and pandemic-related barriers and to help Energy Trust reach savings goals.
- Initially, bonus participation was low to moderate. In late 2020, a steep increase in electric bonus incentive reservations occurred, resulting in cost-effective savings in 2020 and an unusually high volume of commercial and industrial electric efficiency projects scheduled to complete in 2021.
- Meanwhile, Energy Trust completed its annual budget cycle in fall 2020 to identify savings, revenue and expenditures for 2021. Energy Trust's approved 2021 budget included carrying over some unspent commercial and industrial funds into 2021 to minimize rate impacts on utility customers. After the completion and board approval of the 2021 budget, a much higher volume of 2021 business projects emerged than predicted and carryover funds were lower than projected. Also, after completion of the budget, regulatory decisions reduced the available 2021 revenue for Pacific Power customers.
- As a result, a smaller portion of the approved 2021 budget is available for new commercial and industrial electric efficiency projects for 2021. Energy Trust has identified more cost-effective electric savings it can achieve in 2021 with additional revenues and expenditures through an amended 2021 budget.

### Management Tools

#### Funding Strategies in Amended 2021 Budget and 2021 Budget and Action Plan

In close collaboration with the Oregon Public Utility Commission, Portland General Electric and Pacific Power, supplemental funding strategies were identified to support new commercial and industrial electric projects and achieve more cost-effective electric savings than previously budgeted for 2021. Funding strategies include:

- Adjusting PGE and Pacific Power tariffs to bring in additional funding through rates

- Spending a portion of program and contingency reserves and adopting a line of credit to be used only in the case of an emergency
- Reducing spending in other areas of the organization by \$1.2 million and shifting those funds to commercial and industrial incentive budgets

These additional funding strategies, plus incentive reductions and caps already implemented, will allow Energy Trust to maintain incentives for commercial and industrial customers in 2021, but at reduced levels.

### **Incentive Changes**

To sustain incentives through 2021, Energy Trust implemented changes to incentive levels and requirements for commercial, multifamily, industrial and agricultural customers of Existing Buildings and Production Efficiency programs. Changes include reduced incentive levels and the addition of incentive caps and project caps. In addition, a small number of incentives are no longer available for Pacific Power customers.

### **Management Controls**

In 2020 and all prior years, program requirements and controls enabled the organization to meet budgeted goals within a narrow range of deviation, including during the 2008 recession. Today's market demands different strategies for managing energy savings and expenditures. Additional controls and program requirements are now in place to enable closer tracking and management of pipelines in the volatile and unpredictable market created by the pandemic.

In 2021, enhanced processes are being adopted across all programs. These changes provide more tools for program managers to carefully manage expenditures, while also allowing for more proactive communication with trade allies and the larger market. Program changes include:

- More frequent forecasting, monthly instead of quarterly
- Project and incentive caps
- A communication protocol to give trade allies more visibility into remaining available incentive funds for the year
- A requirement that all incentive applications over the original offer amount require prior written approval
- More conservative design of future bonus offers with frequent off-ramps to carefully manage demand

### **Amended Budget Schedule and Process**

The amended budget is available at [www.energytrust.org/budget](http://www.energytrust.org/budget) from May 3 to May 14, during which time Energy Trust is seeking public comments that will be shared with the board of directors.

After board consideration at a public meeting on May 19, the budget and action plan will be submitted to the OPUC and posted online at [www.energytrust.org/budget](http://www.energytrust.org/budget).