

MEMO

Date: October 2, 2024
To: Board of Directors
From: Michael Colgrove, Executive Director
Subject: Summary of Market Intelligence

This memo summarizes input and insights gleaned from customers, community leaders, stakeholders and experts in recent years, including through surveys and interviews in the first half of 2024 to inform Energy Trust's strategic planning process and in 2023 to inform Energy Trust's budgeting process. The following groups were asked about market trends, customer and community needs, opportunities and strategic priorities for Energy Trust:

- Conservation Advisory Council (CAC)
- Diversity Advisory Council (DAC)
- Renewable Energy Advisory Council (RAC)
- Utilities
- Oregon Public Utility Commission
- Oregon Department of Energy
- Businesses and industry groups
- Community-based organizations
- Trade allies

Notes from their interviews are included in this memo in italics. Information about market conditions was sourced from the most recent versions of Oregon Office of Economic Analysis' Oregon Economic and Revenue Forecasts from March and June 2024.¹

What's happening in the market?

- **Increasing energy costs are putting a strain on customers.** Utility rates—nationally and here in the Northwest—are increasing for several reasons including market volatility, rising transmission costs, and costs related to wildfire mitigation, decarbonization and increased demand. Coupled with higher prices for goods and services since the pandemic, some customers are frustrated and feel powerless against rising costs. While Energy Trust investments can help customers lower their bills and help the system mitigate future rate increases, some customers conflate Energy Trust's work with utilities and blame Energy Trust for their raising rates. Energy efficiency is more valuable for customers than ever, but not everyone can see that.
 - *High costs will be a new normal. This makes energy efficiency essential. – Northwest Energy Coalition representatives*
- **New funding opportunities hitting the market require coordination to be effective.** Programs authorized by the federal Inflation Reduction Act (IRA) and other recent legislation are beginning to hit the market and creating significant new opportunities. But a lack of coordination and communication among public agencies, nonprofits and community-based organizations threatens to delay getting dollars into the hands of customers. This year in Portland, implementation of the Portland Clean Energy Community Benefits Fund's Climate Investment Plan is creating additional opportunities. Collaboration is needed to maximize these benefits and achieve timely results.
 - *Managing all the programs out there and maximizing what customers are getting is important. – Citizens' Utility Board representatives*
- **There is a lack of expertise and capacity at the community level to take advantage of new funding.** With new funds becoming available, some communities lack the skills and capacity to take

¹ <https://www.oregon.gov/das/oea/Documents/OEA-Forecast-0324.pdf>
<https://www.oregon.gov/das/oea/Documents/OEA-Forecast-0624.pdf>

advantage of time-sensitive grant opportunities. Rural and tribal communities and smaller cities and counties may not have the capacity to apply for funding or the understanding of how to administer funds. Community-based organizations lack the staff time and skills to be involved in program design and implementation. Energy Trust is receiving more and more inquiries from groups asking for help so they can be involved in these new offers.

- *Pursuing funding requires significant time and technical knowledge. This is a huge barrier for smaller communities, especially those without a community organization supporting them. – Wallowa Resources representative*

- **Customers need more information and resources to make sense of clean energy opportunities.** People are confused and overwhelmed about all the new technology and incentive programs becoming available; this is true for residential customers, businesses and communities. Customers need education and guidance through marketing and outreach that is relevant to them. This is especially true for renters, people of color, people living in rural areas and those experiencing lower incomes who are traditionally less aware of Energy Trust's programs.
 - *Make programs easier for customers to digest. – Business Oregon representatives*
- **The industry doesn't have enough workers to keep up with new opportunities.** Labor shortages remain a major issue for the clean energy industry, especially as new funding creates more opportunities and more demand. There are not enough qualified contractors to meet this growing demand, especially in rural areas, which can lead to project delays and higher prices for customers. While this has been a challenge for years on the residential side, it is now increasingly an issue on the commercial side. In a 2023 survey of Energy Trust trade allies, nearly half reported facing internal bottlenecks with projects and workflow due to challenges in hiring, while half said they expect demand to increase in the next year. Contractors need more training to understand how to install new technology and help customers choose the right equipment for their needs.
 - *The biggest issue has been hiring and finding people who are qualified and ready to work. – Energy Trust trade ally*
- **The economy is improving, but many people don't feel it.** The U.S. economy is in an inflationary economic boom, with strong growth as measured by real GDP and consumer spending and a lower risk of national recession. Oregonians have experienced strong income growth in recent years, and the share of working-age Oregonians with a job is at a record high, according to the Oregon Office of Economic Analysis. Inflation has cooled but lingering high costs—including higher energy costs—mean many people aren't feeling the healthy economy in their daily lives.
 - *Households report being pessimistic about the economy, and consumer confidence is low. – Oregon Economic and Revenue Forecast, June 2024*
- **Equity remains a top concern in the energy transition.** Energy Trust, its partners and the state have all made strides in prioritizing equity and service to historically underserved customers, including communities of color, rural and tribal communities, small business and people with low and moderate incomes. But major barriers to participation remain, including low awareness, unaffordable upfront costs and deferred home maintenance that makes further upgrades impossible. New federal funding offers are focused on serving many of these customer groups.
 - *There are major underserved communities who will require more work.... to serve these customers. It's critical that programs figure out how to reach those folks. – Northwest Energy Coalition representatives*
- **Climate change means people are using energy differently.** In recent years, Oregon has seen catastrophic wildfires, deadly heat waves and winter storms that knock out power for days. These events are changing the way people think about and consume energy. Air conditioning is now a necessity to stay cool in the summer and breathe clean air during wildfire season. Rural customers who experience frequent and prolonged electric outages need backup energy sources like solar plus storage. Resilience is a priority for communities seeking help with climate and energy planning.
 - *Climate variability, uncertain weather patterns and increased frequency in natural hazards will drive interest in decarbonization, clean tech, the energy system and personal energy use. – Joint meeting of CAC, DAC and RAC*

- **Utilities are challenged to balance decarbonization, reliability, resilience and affordability.** Utility partners and the OPUC are looking to energy efficiency to help meet decarbonization goals. Electrification, new technologies, increasing costs and peoples' changing relationship to energy present challenges and opportunities. Both electric and natural gas utilities say Energy Trust is a valued partner in their work to meet decarbonization goals, and there is potential to coordinate more and employ new methods to reach traditionally underserved customers.
 - *Energy Trust's partnership is foundational to meeting decarbonization and equity goals. – Natural gas utility representatives*
- **Electric utilities are focused on managing increased demand and peak load.** Projected load growth from electrification, data centers and other trends means electric utilities are looking for new ways to meet growing demand and manage peak loads cost effectively.
 - *Working interconnectedly, even co-deployment, ensures optimal success for programs such as small-scale community-based renewables, demand response and others. – Electric utility representatives*
- **Many are eager for more collaboration.** In addition to the utilities, state agencies, industry groups and community-based organizations want to work with Energy Trust to develop solutions and serve more customers.
 - *It's an era of unprecedented need for collaboration. We all need to work together and not step on each other's toes. – ODOE representatives*

What should Energy Trust prioritize given these market factors?

- **Support collaboration and partnerships amid new opportunities.** Effective partnerships are essential to fully realize opportunities driven by new funding. As more community-based organizations get involved, they need education and relationships in the industry. Energy Trust should play a larger role in convening and educating them.
- **Help customers navigate new offers and technology.** Similarly, customers need resources and support to find the best incentive offers and technology solutions to meet their needs. Energy Trust should design services and work with partners to eliminate barriers, removing jargon and streamlining the customer experience.
- **Support workforce development for contractors and capacity building for delivery partners.** Workforce development and training is crucial to deliver on all the available new funding and ensure quality installations, especially in rural areas. Training is important for contractors as well as community-based organizations that deliver services.
- **Combine funding sources to help bridge gaps in funding.** Energy Trust needs to be creative and find ways to bridge the gaps for parts of a project that our funding may not cover; these gaps can be barriers to participation for priority customers. Federal, state and other funds can be combined with Energy Trust incentives to minimize customer costs.
- **Support equity- and resilience-focused outcomes.** In designing efficiency and renewable energy programs, Energy Trust should prioritize equity-based offers that serve priority customers and offers that promote resilience at the individual and community level.
- **Communicate in ways that resonate with all customers.** Some customers are motivated to save energy to combat climate change. Others want to save on their utility bills, or make their business work better, or make their home more comfortable or their communities more resilient. Energy Trust should communicate the benefits of its programs in ways that reflect this variety of needs.
- **Help customers save in the short and long term through energy efficiency.** As energy costs increase, energy efficiency becomes more valuable. Energy Trust should work to achieve as much energy efficiency as possible in the short term to lower customers' bills and in the long term to mitigate future utility rate increases.

- **Help utilities achieve their emissions reduction targets and manage demand.** This could include targeting locations facing grid constraints and population growth and exploring new offers that address peak demand.

MEMO

Date: October 2, 2024
To: Board of Directors
From: Michael Colgrove, Executive Director
Subject: Benefit Cost Ratios for Draft 2025 Budget

This memo provides Energy Trust’s analysis of forecast benefit cost ratios for our draft 2025 budget and demonstrates that all programs are expected to be cost-effective. Cost-effectiveness tests are commonly used by energy-efficiency programs to determine whether and how much to invest in a project that saves electricity or natural gas.

In Oregon, Energy Trust is required by legislation to invest in cost-effective energy efficiency. The Oregon Public Utility Commission (OPUC) oversees Energy Trust’s implementation of the cost-effectiveness requirement and determines what can be counted as a benefit and cost in the cost-effectiveness tests. The OPUC has directed Energy Trust to apply the Total Resource Cost Test benefit cost ratio and Utility Cost Test benefit cost ratio to ensure that Energy Trust is responsibly investing ratepayer funds.

Energy Trust is permitted to invest in some measures that are not cost-effective, if they meet the commission’s cost-effectiveness exception criteria and are approved by the OPUC. However, programs must still achieve overall cost-effectiveness when measured at the program and fuel level. See Measure Exceptions Memo for more information.

The results of our benefit cost ratio analysis indicate that all program and fuel combinations are forecasted to be cost effective in the 2025 draft budget. All programs are also forecasted to be cost effective when measured at the individual utility level.

Avoided Costs

One of the main drivers of forecasted cost effectiveness in 2025 is updated avoided costs. For 2025, electric avoided costs increased by 37.6% and gas avoided costs increased by 13.0%, compared to 2024 avoided costs. These increases represent the increased value of energy savings for ratepayers and utilities.

Methodology

To forecast benefit cost ratios based on the draft 2025 budget, Energy Trust assumed that 2025 savings will follow the same distribution of measure types and measure lives (i.e., measure mix) that was recorded in the 2023 program year, which is the most recent full year of program data available. The 2025 avoided costs were applied to 2023 program year savings to calculate the average avoided cost, incremental cost and non-energy benefits per unit of energy (kilowatt hours and therms). These averages were then applied to draft 2025 budget savings and expenditures to calculate forecasted benefit-cost ratios at the program, utility and fuel levels.

Use of the 2023 program year measure mix is necessary to forecast 2025 budget benefit-cost ratios because not all program budgets are developed at a measure level. So, a representative measure mix from a recently completed program year is assumed instead of using specific measure level budget build-ups. The assumed measure mix is a key determinant of forecasted benefit-cost ratios since the avoided cost of energy savings—which is the primary benefit in benefit-cost ratio calculations—varies significantly according to the timing of when measures save energy (i.e., the savings shape) and the useful life of measures. If the actual measure mix for 2025 savings ends up being dramatically different than the 2023 measure mix, or if incremental measure costs change significantly from 2023 to 2025, the forecasted benefit cost ratios presented here may not be representative of actual 2025 benefit-cost ratios.

Energy Trust uses two primary cost-effectiveness tests: the Total Resource Cost (TRC) test and Utility Cost Test (UCT). The TRC measures cost effectiveness from the total utility system perspective and includes costs and benefits incurred by both participants and non-participants. The UCT measures costs and benefits from the perspective of the utility only and does not consider the non-energy benefits or incremental measure costs experienced by program participants. The equations for these cost-effectiveness tests, and definitions of their individual components, are described below:

$$UCT = \frac{\text{Avoided Costs}}{\text{Incentives} + \text{Program Costs}}$$

$$TRC = \frac{\text{Avoided Costs} + \text{NEBs} + \text{PV (Unclaimed Savings)} + \text{PV (Interactive Effects)}}{\text{Incremental Costs} - \text{Cofunding Incentives} + \text{Program Costs} - \text{Tax Credits}}$$

Avoided Costs are the marginal value to a utility of saving one unit of energy consumption. Avoided costs vary by the timing of when measures save energy, as represented by their load shape, since measures that save more during times when the utility system is constrained are more valuable to the utility. The avoided cost of electric savings reflects costs savings for energy commodity purchases, generation capacity, transmission and distribution deferral, reduced price risk, and a 10% Power Act adder. The avoided cost of gas savings reflects cost savings for energy commodity purchases, supply and distribution capacity expansion/maintenance, state CO2 policy compliance, reduced price risk, and a 10% Northwest Power Act adder.

Non-Energy Benefits (NEBs) represent the additional benefit to program participants that install energy efficiency measures and can be either positive or negative. Non-energy benefits must be quantifiable to be included in Energy Trust's benefit-cost ratio calculations. Common examples of non-energy benefits calculated for Energy Trust programs and measures include water savings, increased productivity, and reduced operations and maintenance costs.

Incentives are payments made directly to customers, installers, distributors, manufacturers or other participants to encourage an action or purchase that would not have been made otherwise.

Program Costs are the non-incentive costs of delivering Energy Trust's programs and include administrative costs, staff salaries and program delivery contractor costs.

Unclaimed Savings are the result of a measure that saves both natural gas and electricity for a customer that has only gas or electric service with one of Energy Trust's five funding utilities. Since Energy Trust serves customers of all three gas utilities operating in the state of Oregon, in practice, unclaimed savings are electric savings that are realized at a site in a non-investor owned electric utility service territory as a result of installing a measure that primarily saves natural gas. Since the typical electric avoided cost structure does not apply to these out-of-service area electric savings, the value of these kilowatt hours is included in the numerator of the TRC test as the present value of the lifetime bill savings, akin to how non-energy benefits are treated.

Interactive Effects are a side-effect of certain efficiency measures where increased energy usage of one fuel type is realized as a result of installing a measure that saves energy of a different fuel type. A common, although somewhat dated, example is LEDs replacing incandescent lighting, where the more efficient LEDs produce less waste heat than the replaced incandescent lighting, thereby increasing the heating needs of the space and requiring the heating system to run more frequently and consume more energy. Interactive effects are valued at the avoided cost rate when in-service area or at the retail rate of energy when out-of-service area.

Co-funding Incentives, also referred to as Complementary Funding, are funds Energy Trust receives from contracts and grants, as opposed to funding from ratepayers of Oregon's investor-owned utilities through Energy Trust's agreement with the OPUC. The OPUC has directed that Energy Trust may subtract the value of co-funding incentives from the incremental cost of measures used in cost-effectiveness testing. A common example of co-funding is HOMES and HEAR rebates from the Inflation Reduction Act.

Complementary funding from the Oregon Department of Energy Connected Communities Grant (SALMON), PGE Flexible Feeder, ODOE HOMES and HEAR, Community Heat Pump Deployment Programs was integrated into forecasted draft budget benefit-cost ratio calculations. The ratepayer contribution associated with delivering these sources of complementary funding was added to total program expenditures, for both the TRC and UCT tests, to capture the ratepayer cost of delivering incentives through complementary funding. Forecasted

complementary funding incentives were subtracted from incremental measure costs in the TRC calculations for the programs where those incentives will apply (Residential and Existing Buildings).

Tax Credits, both at the federal and state level, are deducted from the incremental cost of measures in the TRC test since they have the effect of reducing the cost of measure installation for program participants, like co-funding.

Forecasted 2025 BCR Results

Total Resource Cost Test (TRC)

Program	PGE	Pacific Power	NW Natural	Cascade	Avista	Total	Electric	Gas
Residential	1.1	1.0	2.6	2.7	2.6	1.4	1.1	2.6
Existing Buildings including multifamily	1.3	1.5	1.6	1.4	1.2	1.4	1.4	1.5
New Buildings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Production Efficiency	2.7	2.1	4.3	3.7	3.2	2.5	2.4	4.0
Total Portfolio*	2.1	1.9	2.5	2.3	2.2	1.7	1.6	2.2

*Total portfolio TRC values shown here exclude both benefits and costs from the New Buildings Program and NEEA. TRC benefit-cost ratios are not calculated for the New Buildings Program, per direction from the OPUC, due to the difficulty in accurately assessing the incremental cost of new commercial construction measures.

Utility Cost Test (UCT)

Program	PGE	Pacific Power	NW Natural	Cascade	Avista	Total	Electric	Gas
Residential	1.3	1.2	2.5	2.2	2.2	1.6	1.2	2.4
Existing Buildings including multifamily	1.7	1.7	2.2	2.4	2.2	1.8	1.7	2.2
New Buildings	4.7	6.2	3.2	3.3	4.1	5.2	5.4	3.3
Production Efficiency	2.6	2.4	2.8	2.3	2.5	2.6	2.5	2.8
Total Portfolio	2.1	2.1	2.5	2.4	2.3	2.2	2.1	2.4

MEMO

Date: October 2, 2024
To: Board of Directors
From: Michael Colgrove, Executive Director
Subject: Complementary Funding in Draft 2025 Budget

This memo describes Energy Trust's approach to complementary funding in our draft 2025 budget. Complementary funding is defined as funds Energy Trust receives from contracts and grants, as opposed to funding from ratepayers of Oregon's investor-owned utilities through Energy Trust's agreement with the OPUC. Complementary funding helps us increase savings and generation, improve equitable access for customers and deliver greater value to ratepayers. Over the life of the contracts, complementary funding included in the draft 2025 budget will deliver an estimated 10 times return on ratepayer investment.

The organization's budget includes more complementary funding in 2025 than it has in the past. Energy Trust has administered a few small complementary funding contracts for several years, but the number and magnitude of these contracts will increase in 2025. However, complementary funding remains a relatively small part of our funding at less than 3% of overall budget revenue. (This memo focuses on a subset of contracts and grants; it excludes contracts for delivering services to NW Natural customers in Washington and serving transport customers of NW Natural and Avista because those are existing and established programs.)

A significant portion of the 2025 complementary funding will be used to develop and design several large programs that are expected to launch in 2026: Solar for All and the Home Energy Rebate programs (HOMES and HEAR). Due to this, program delivery and resulting savings and generation will be minor in 2025 and will increase more significantly starting in 2026.

The revenue, expenditures, savings and generation for complementary funding included in the budget are our best estimates at this time. For many complementary funding sources, details and timelines are still being worked out by the entity administering or overseeing the grants. Even though information may change, we think that including estimated information in our budget best prepares the organization to manage new contracts and grants and gives the board of directors, OPUC, utilities and stakeholders transparent information so they can offer guidance and make public comment.

Benefits of Complementary Funding

Leveraging complementary funding enables us to acquire additional energy savings and generation and provide direct bill-reduction and other benefits to low-income customers without relying solely on ratepayers to pay the costs.

The vast majority of the complementary funds included in the 2025 budget will be directed to low-income customers. These customers can only participate through fully or mostly funded upgrades. To date, we have had great success engaging customers with limited no-cost measures that we support with ratepayer dollars under measure exceptions. Complementary funding allows us to scale up those no-cost offers and continue this momentum at a much larger scale.

Benefits of complementary funding over time include:

- Increased savings and generation through:
 - Increased participation by customers who require no- or nearly no-cost offers to participate
 - Acquiring savings that would otherwise be inaccessible without funding that pays for other non-energy improvements such as electrical upgrades, mold removal or roof repair
 - Addressing other gaps and unmet needs that prevent participation
- More equitable access to programs and services by overcoming barriers to participation for communities of color, customers experiencing low or moderate incomes and/or rural communities

- Reduced costs for ratepayers by serving more customers or acquiring more savings, generation or other benefits for the same or lower ratepayer cost than would otherwise be required
- Reduced energy burden for customers with low incomes by directly reducing their energy consumption

Criteria for Including Complementary Funding in the 2025 Budget

Complementary funding is included in the 2025 budget if it was awarded prior to July 1, 2024, and we are under contract with the funding entity or have high confidence that we will be under contract and begin implementation in the coming year.

In the case of the U.S. EPA Climate Protection Pollution Reduction Grant, we received an award just after the July 1 cutoff date. As a result, revenue, expenditures and savings associated with this funding source are not included in the 2025 budget. However, we have included it in the contracts and grants action plan, budget presentations and charts included in this memo for awareness and transparency. For the Climate Pollution Reduction Grant, revenue of \$3.1 million is expected in 2025.

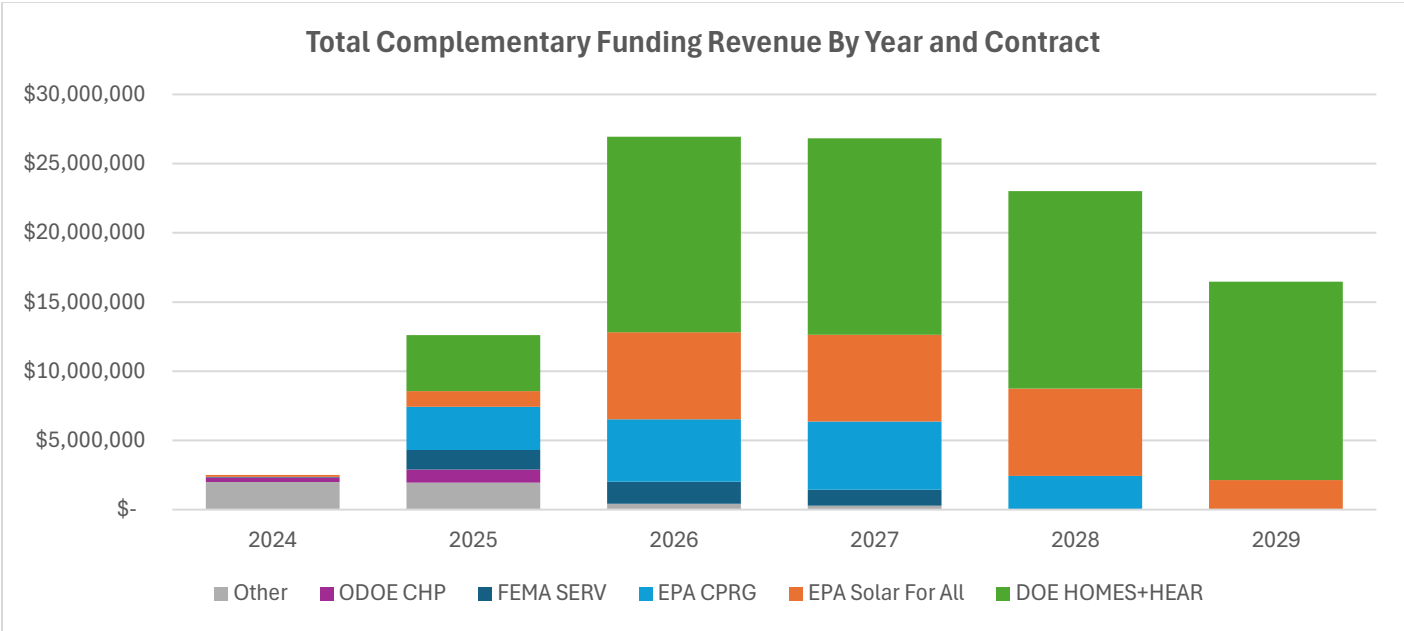
Estimated Complementary Funding Included in 2025 Budget

The 2025 budget includes a total of \$9.3 million from the contracts and grants listed below, 2.8% of total organizational revenue. Descriptions of each contract and grant are included in the contracts and grants action plan.

Contract or Grant	Total Revenue (Life of Contract in millions)	Status	2025 Revenue (in millions)
ODOE HEAR	\$ 30.6	New - Contract Pending	\$ 3.2
ODOE HOMES	\$ 29.9	New - Contract Pending	\$ 0.9
Oregon Solar for All	\$ 23.0	New - Contract Pending	\$ 1.0
EPA Climate Pollution Reduction Grant	\$ 15.0	New - Award Announced	Not Included
FEMA Community Energy Resilience Grant	\$ 4.2	New - Contract Pending	\$ 1.4
Oregon Community Solar Program	\$ 3.0	Existing Contract	\$ 0.6
ODOE Landlord Provided Cooling Spaces	\$ 2.0	Existing Contract	\$ 0.8
Smart Grid Test Bed Collaboration (SALMON)	\$ 1.4	Existing Contract	\$ 0.4
PGE Smart Battery Pilot	\$ 1.0	Existing Contract	\$ 0.1
ODOE Community Heat Pump Deployment Program (Southern Oregon)	\$ 0.8	New - Active	\$ 0.6
PGE Flexible Feeder	\$ 0.8	Existing Contract	\$ 0.1
ODOE Community Heat Pump Deployment Program (South Coast)	\$ 0.4	New - Active	\$ 0.3
PGE Smart Solar Study	\$ 0.3	Existing Contract	\$ 0.0
Total Contracts and Grants			\$ 9.3

Estimated Complementary Funding Revenue over the Lifetime of Contracts

In addition to what is included in the 2025 budget, we estimate the following revenues in future years:



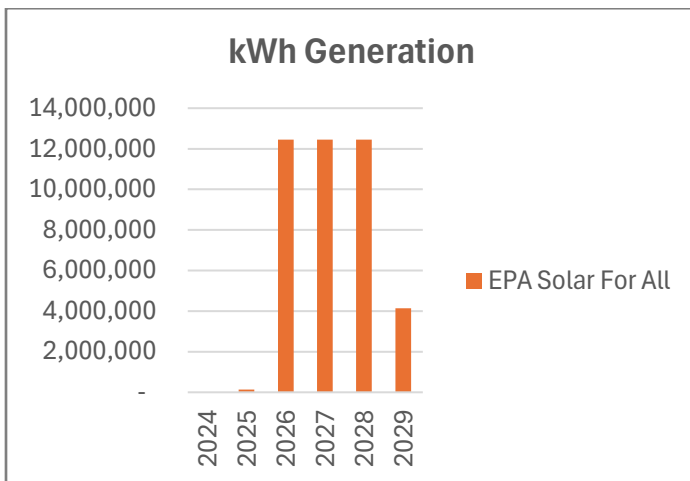
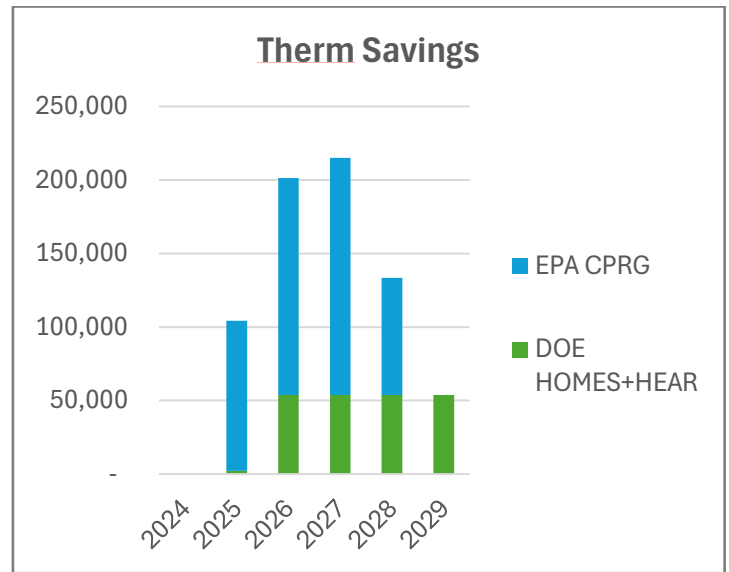
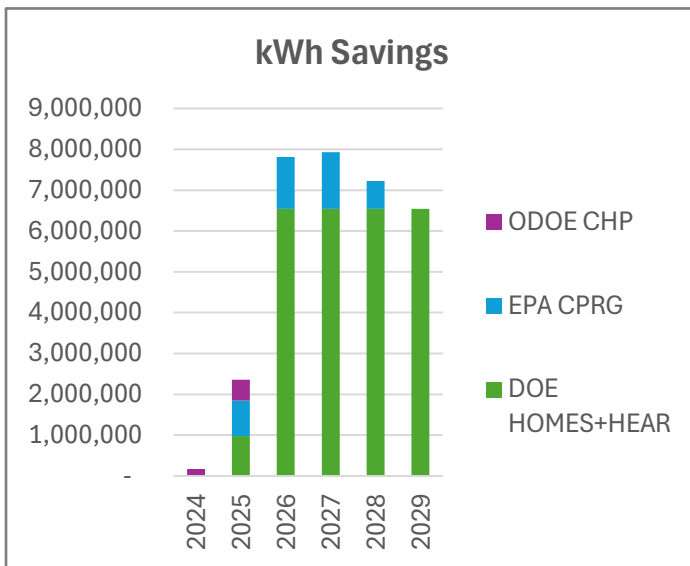
**Includes funding for EPA Climate Pollution Reduction Grant which is not included in the table above or in the 2025 Draft Budget*

Estimated Results

Over the life of these contracts, we expect to serve more than 20,000 priority customers, the majority of whom will be low-income households. This includes an estimated 5,800 natural gas customers.

Below are estimated energy savings and generation by year and contract. These are savings and generation made possible due to complementary funding but are not fully attributable to complementary funding. We lack the information to differentiate savings supported by co-funding (where ratepayer and complementary funding are stacked to pay for a measure) from savings uniquely enabled solely by complementary funding (because it paid for enabling repairs or exclusively paid for upgrades that result in savings). What we do know is that complementary funding will enable us to achieve more savings and generation and to reach customers, largely with low-income customers, who we wouldn't otherwise be able to serve.

Estimated Energy Savings by Year and Contract (All Utilities)



Multiple Ways Complementary Funding Can Be Applied

Complementary funding can be applied in two ways:

1. To secure additional savings and generation: In some cases, complementary funding will help secure additional energy savings or generation that would not be possible without these funds. Energy Trust intends to identify and claim incremental savings and generation.
2. To displace ratepayer dollars: In some cases, complementary funding can be used to reduce the ratepayer funds needed to achieve savings or generation from certain measures, allowing these funds to be conserved or redeployed to achieve more impact. Energy Trust is learning how to appropriately account for these impacts and will provide more details when these complementary funding sources are developed.

Leveraging Ratepayer Dollars

For the largest complementary funding contracts, such as HOMES and HEAR and Solar for All, the funders require the funding to primarily be used for incentives paid directly to customers; more than 80% of the revenue from these new sources must be spent as incentives. The funders cap the funding available to support staffing costs, delivery and program administration; less than 20% of the revenue can be used for these costs. Due to these restrictions, and because the activities associated with the complementary funding are aligned with the scope of our ratepayer-funded

programs and will result in substantial benefit to ratepayers, we plan to leverage ratepayer funding to support the delivery of these programs.

In these cases, we are leveraging a relatively small amount of ratepayer funding to gain access to a much larger amount of project incentive dollars that will benefit ratepayers. **Over the life of the contracts, complementary funding will deliver an estimated 10 times return on ratepayer investment.**

Energy Trust will track costs separately for each funding source, and ratepayer contributions will be allocated according to the amount of benefit received from each complementary funding source. Gas ratepayer dollars will not be used to support programs that exclusively benefit electric customers.

MEMO

Date: October 2, 2024
To: Board of Directors
From: Michael Colgrove, Executive Director
Subject: Investments in Workforce and Community-based Organization Delivery Partners

In 2025, Energy Trust will continue efforts started in 2024 to support and expand the network of delivery partners needed to deliver on new complementary funding opportunities and achieve ambitious savings goals by 2030. From our early days of operation, Energy Trust has played a key role in market creation and this is a natural evolution of our work.

This memo provides an update on three major work areas underway in 2024, and summarizes how we will maintain momentum in 2025. The three focus areas are: building our Trade Ally Network of contractors; boosting workforce development opportunities to build a pipeline of new contractors who can install clean energy upgrades; and building partnerships and support for community-based organizations who can also deliver programs and services.

Investments to develop and expand the Trade Ally Network

Energy Trust's Trade Ally Network is the backbone of the state's clean energy contractor infrastructure. We have been working for years in communities around the state to educate contractors, bring new contractors into our network and connect contractors with customers. Trade ally development activities include training and development for existing trade ally contractors to increase participation and number of projects completed, diversifying the Trade Ally Network and ensuring high quality standards for energy efficiency projects. Working with more contractors in rural areas and those that are women- and minority-owned will help us reach segments of the market we have not yet served.

To expand and accelerate savings, we believe Energy Trust must grow our network of trade allies delivering clean energy projects. So far in 2024, we have added 171 trade allies, growing our network by more than 10% and bringing our total network of active trade allies to 1,757. (Active trade allies are defined as completing one or more projects per year.)

Contractor Development Pathway

Launched in 2022 for Existing Buildings trade ally contractors, Energy Trust's Contractor Development Pathway helps contractors in the Trade Ally Network that are Black-owned, Indigenous-owned, person of color-owned, women-owned and/or Certification Office for Business Inclusion and Diversity (COBID) certified firms and those located in rural communities grow their businesses and complete more energy efficiency projects. Participants receive training workshops, individual business support services and a network of support.

Progress in 2024: We launched the third cohort for Existing Buildings trade allies—our largest yet with 16 applicants. We also hired and onboarded a new Workforce Development Manager, who will develop and implement Energy Trust's trades workforce development strategy over the next few years. The strategy is focused on ensuring a strong pipeline of available trade professionals as well as helping existing trade ally contractors develop capacity.

Plan for 2025: We will expand our trade ally Contractor Development Pathway to provide training and support for residential and commercial contractors. In rural areas, often the trade allies serving residential customers are also serving multifamily and small commercial customers. This will be the first time we offer Contractor Development Pathway for residential trade allies and will help prepare those trade allies for complementary funding coming and new programs launching in the market in the next one to two years, such as HOMES and HEAR.

Contractor Mentorship Pathway

In 2023, we launched our Contractor Mentorship Pathway for Residential and Existing Buildings trade allies, which matches new trade ally contractors with experienced ones to receive support to build capacity in their businesses.

Progress in 2024: So far in 2024, 11 contractors are receiving one-on-one mentorship from experienced trade allies. This is an increase from seven in 2023.

Plan for 2025: We will continue to offer the Contractor Mentorship Pathway in 2025.

Expansion of trainings

Progress in 2024: We are offering an increasing variety of trainings, education, pre-apprenticeships and internships to help participants develop competency and skills in residential building science and HVAC concepts.

This includes a two-day introduction to green construction training for pre-apprenticeship programs across the state, including Heart of Oregon Corp, Oregon Tradeswomen and LatinoBuilt. Other examples include expansion of work with the Oregon Solar Education Fund, a 12-week pilot water heater academy for pre-apprenticeship program graduates, and expansion of work with Girls Build.

Energy Trust also delivered two contractor-facing virtual training courses in 2024. The first was an extended capacity heat pump training designed to expand trade ally awareness of the equipment and technical requirements. Outreach for the training focused on rural regions with lower rates of extended capacity heat pump installations. The second training was on ductless heat pump testing protocol. Each training had more than 60 participants, indicating high demand from trade ally contractors. Energy Trust will continue delivering equipment and training through multiple venues including annual in-person Trade Ally Forums and virtual engagements.

Plan for 2025: Energy Trust will continue to expand training and support for trade allies in 2025. The training content will focus on both technical information (such as equipment installation best practices) and business operations. This will support contractors in installing upgrades and in growing and strengthening their businesses.

We will also further expand trade ally awareness of extended capacity heat pump requirements through outreach and training, with a focus on regions with lower rates of participation and higher use of bulk fuels.

Investments in workforce development

Investments in workforce development help build a pipeline of qualified contractors, home energy auditors, trades people, designers, architects and other professionals who can design and implement clean energy solutions to help meet Oregon's decarbonization goals. There is a continued labor shortage of contractors, tradespeople and auditors skilled and interested in energy efficiency and renewable energy, and growing the number of qualified contractors who can complete projects is critical to accelerating energy savings.

Workforce development training centers

Progress in 2024: Through a series of conversations, Energy Trust is exploring partnerships with EnerCity Collaborative, National Association of Minority Contractors Oregon, and other organizations to support the potential creation of a clean energy workforce training center to address gaps in the workforce training currently available. We are also exploring opportunities for partnerships and potentially support additional training centers outside of the Portland metro area.

To support these efforts, Energy Trust also invested in EnerCity Collaborative's organizational capacity and curriculum development that centers Black, Indigenous, and People of Color (BIPOC) experiences and perspectives.

Plan for 2025: We plan to partner with EnerCity Collaborative to support a new home-based Building Performance Institute training center for residential energy contractors and professionals in the Portland metro area. The training center would educate contractors on the Building Performance Institute's rigorous standards and testing protocols, which require on-site performance testing. With support from Energy Trust, EnerCity Collaborative is now qualified as a Building Analyst Technician training and testing delivery partner, having developed their own curriculum for this course. We also plan to support funding for EnerCity Collaborative to hire a person of color as an additional Building Performance Institute trainer.

The new training center would be the first of its kind in Oregon focused on serving BIPOC professionals. Although it is an industry standard, there are very few locations in Oregon and Washington offering Building Performance Institute certifications, and no locations developed specifically for contractors of color. We anticipate this center being a hub for local contractors, plus a destination for contractors and professionals from rural areas.

Centralized workforce development website resource

Plan for 2025: We plan to develop a centralized website resource for contractors featuring workforce development training and resources in Oregon. Energy Trust would convene partners, create a website with information on featured partners and training resources for all dimensions of workforce development, and promote the resource through marketing. Early conversations are happening in 2024 with EnerCity Collaborative and National Association of Minority Contractors.

Clean energy education with licensed pre-apprenticeship programs

Progress in 2024: We collaborated with Earth Advantage and Oregon Solar Energy Education Fund to increase investments in clean energy training modules that can be incorporated into existing trainings delivered by licensed pre-apprenticeship programs such as Constructing Hope and Oregon Tradeswomen. Later in 2024, the pre-apprenticeship clean energy curriculum will be translated into Spanish and delivered by bi-lingual instructors from LatinoBuilt.

Plan for 2025: We will continue to expand and increase reach of clean energy training modules, with the goal of making the training accessible to pre-apprentice programs across the state. EnerCity Collaborative will become trained to deliver the Building Performance Institute Healthy Homes certification. They will also host a Community Block Party to connect community-based organizations and new professionals in the clean energy space. We plan to research regional workforce partners and clean energy training activities and convene a partner roundtable event to plan for effective programming and information sharing.

To further support mentorship and scholarship funding provided to new industry professionals, we plan to pilot payments to contractors who volunteer to host full- or half-day job shadows.

Other activities in 2025 will focus on exploring other training center opportunities, collaborating with others, prioritizing engagement with BIPOC and women, and ensuring access to these resources in rural communities.

Earth Advantage partnership

Progress in 2024: In addition to partnering with Earth Advantage to develop the pre-apprenticeship clean energy training modules, we invested in the development and launch of Earth Advantage's new Residential Career Hub website, an online training and career resource for potential contractors.

Plan for 2025: We will support improvements to the Residential Career Hub website and sponsor the purchase of new hands-on engagement tools to support Earth Advantage's community event tabling and training opportunities.

Investments in partnerships with community-based organizations

To increase participation of customers we have underserved, we need to reach and serve them through partners they know and trust. Energy Trust invests in partnerships with community-based organizations who can provide insight into their communities, act as clean energy ambassadors and deliver targeted offers and incentives.

Community Partner Funding

Through Community Partner Funding launched in 2020, community-based organizations deliver incentives to the communities they serve for installing energy-efficient upgrades, including customers experiencing low incomes, customers of color and customers in rural areas. These community-based organizations understand their community's needs and act as a trusted connector between Energy Trust and the customer. Building trust and relationships are long-term efforts that take multiple years to pay off in customer engagement and savings.

Since many of these partner community-based organizations weren't previously involved in clean energy, Energy Trust offers technical advice, contractor connections and support and training to community-based organizations to build their capacity to be active in this space.

Progress in 2024: Through quarter two, Energy Trust has 21 partners enrolled to deliver incentives to residential and multifamily customers, up from 19 enrolled through quarter two 2023. Those partners delivered no- and low-cost offers to 5,000 customers through midyear. We expect the volume of projects and incentives delivered to grow over time.

One of those new partners is LatinoBuilt. To support their capacity as partners, we supported training and development for its member contractors and are providing funding for 4-6 members to take a sustainable homes development course.

In addition, Energy Trust increased contracts with two community-based organization partners, Wallowa Resources and Lake County Resources Initiative, to support their capacity development, administration and project support for clean energy projects, including new no-cost offers for customers experiencing energy burdens. These organizations are providing in-home energy assessments and delivering offers to residents of Wallowa, Klamath and Lake counties.

Plan for 2025: We will expand the Community Partner Funding offer and increase support for new and existing partnerships with community-based organizations to help them build capacity. This includes increasing investments in partner organizations by establishing direct funding agreements; providing more technical training; improving and streamlining recruiting, onboarding, and support resources; actively facilitating networking across organizations; and supporting referrals across organizations. We will also provide tailored technical training opportunities for community-based organizations focused on whole-home approaches with follow-up support, continued education and certification opportunities. For LatinoBuilt, we plan to support them in hiring an additional staff person so they can scale their Community Partner Funding work to reach more contractors and customers.

Community Partner Network

Progress in 2024: Energy Trust is developing a new Community Partner Network to expand the services and support available for community-based organizations who work with us through Community Partner Funding and other offers. Like our Trade Ally Network, the Community Partner Network will ensure a consistent and positive experience for partners and their customers.

Plan for 2025: We will launch some components of a new Community Partner Network. Through the network, all community-based organizations working with Energy Trust will receive information, benefits and training. In 2025, we plan to build out infrastructure to support these partners, including a website.

Working Together Grants

Working Together Grants are a competitive funding opportunity to help nonprofit organizations reach and serve their customers and communities with clean energy solutions. With these grants, Energy Trust seeks

to extend the benefits of energy efficiency and clean, renewable energy to more customers and create awareness for our programs and services.

Progress in 2024: We supported the third round of 12 grantees around the state who were awarded up to \$5,000 or up to \$10,000 each at the end of 2023. In the Portland Metro area, grantees included the Ethiopian and Eritrean Cultural Resource Center, Community Service Network, Catalyst Partnerships NW, Metropolitan Family Services and the Rebuilding Center. Grantees around the state were The Environmental Center in Bend, NeighborWorks Umpqua and Illinois Valley Community Development Organization in Southern Oregon, Seeds for the Sol in Corvallis and Common Connections in Grants Pass. Additional grantees were the Northwest Native Chamber and Small Business Utility Advocates that operate statewide.

Plan for 2025: In 2025, we plan to release a fourth round of grants with continued flexibility for funding at two levels. Grant funding will support organizational capacity building and community-based organization activities that help diverse customers and communities save energy or use clean, renewable energy. In addition to activities supported in previous rounds, costs related to energy specific training for community-based organization staff is expected to be a priority area for funding.

MEMO

Date: October 2, 2024
To: Board of Directors
From: Michael Colgrove, Executive Director
Subject: Staffing for 2025 Budget and Action Plan

This memo describes a staffing plan and budget to support the 2025 Budget and Action Plan. Energy Trust’s proposed staffing budget balances the cost of the staffing resources needed to accomplish 2025 goals and compliance with Oregon Public Utility Commission (OPUC) performance measures.

This memo provides background and information about staffing planning and considerations in 2025, staffing cost drivers, and compliance with the OPUC performance measure for applicable staffing costs.

Background

The 2025 staffing budget is our final annual budget before transitioning into multiyear planning in 2026 which will contain a multiyear staffing plan to accomplish strategic plan goals. This 2025 budget reflects the staffing needed to develop a multiyear planning approach that maximizes clean energy acquisition, reduces the cost of ambitious utility decarbonization, accelerates energy savings, creates greater impact for priority customers, motivates next level customer participation, and supports community resilience by 2030. As articulated in our 2024 Budget and 2024-2025 Action Plan, the staffing levels reflected in the 2025 budget balance our current needs with the demands of an evolving strategy, with particular focus on expanding the market infrastructure for serving customers, adapting program design and delivery, and pursuing aggressive energy savings targets while staying within the projected budget. The 2025 budget reflects our ongoing efforts to align staffing levels with the increasing complexity of program design and infrastructure needed to meet savings and generation goals, addressing the persistent understaffing since inception that has contributed to staff burnout and unsustainable workloads.

Efficiency is a key solution to support utilities in meeting decarbonization goals, and the staffing levels in 2025 reflect the necessary resources to accelerate savings. Expanding our market reach to achieve increased savings goals and meet renewable energy investment requirements is a priority reflected in the budget. This includes a continued focus on underserved communities and supporting the adoption of clean energy by customers with low and moderate incomes, communities of color and rural communities through strategic investments in new delivery channels, expanding community outreach, workforce development, and growing our Trade Ally Network. Achieving these goals will require a cultural shift toward nimble, proactive action and aligning our staffing and resources accordingly. These factors contribute to the anticipated staffing costs as we evolve to meet both immediate and long-term objectives.

Total Staffing Costs and Staffing Cost Drivers for the 2025 Budget

Staffing cost drivers include investments in personnel to manage Oregon ratepayer funded programs, as well as additional staffing required to support complementary funding opportunities anticipated in 2025, such as Solar for All and HOMES and HEAR. The table below illustrates the breakdown of staffing costs by funding source:

Program	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget
OPUC Programs	\$ 15,265,717	\$ 16,926,312	\$ 19,484,725	\$ 25,495,474	\$ 29,098,859
NWN Washington	\$ 392,518	\$ 427,319	\$ 527,838	\$ 540,814	\$ 616,778
Contracts/Grants	\$ 280,276	\$ 464,284	\$ 744,834	\$ 791,517	\$ 3,357,727
Development	\$ 13,577	\$ 20,574	\$ 214,441	\$ 38,515	\$ 102,928
Gas Transport	\$ -	\$ -	\$ -	\$ 69,563	\$ 47,636
Total	\$ 15,952,088	\$ 17,838,489	\$ 20,971,839	\$ 26,935,883	\$ 33,223,928

Benefits and Healthcare Costs

We are anticipating no more than a 5% overall increase in benefits costs for 2025, though current projections show we may come in under that target. Specifically, we expect a 2.5% increase in medical costs, a 7.5% increase in dental costs, and minimal to no changes to all other benefits.

Staff Compensation

Energy Trust reserves a pool of funds in our annual budget for performance-based compensation adjustments, promotions, and other adjustments to maintain pay equity compliance and market competitiveness. The final proposed 2025 staffing budget includes a pool of funds equivalent to 5% of employee salaries for these types of adjustments.

New Staff

Energy Trust is proposing 35 new FTE staff in 2025, bringing the total staff to 235.1. Of the new staff, 25 support Oregon ratepayer-funded programs and 10 are funded by other, complementary funding sources. All proposed positions will help the organization successfully acquire additional energy savings and generation, accomplish strategic objectives, and continue to address persistent understaffing from inception. In the table below, new positions are listed by whether they are primarily supporting Oregon ratepayer-funded programs or complementary funding (contracts and grants). Position impacts and energy impacts are captured in the descriptions.

Functional Area	Staffing Allocation (FTE)		Description
	Oregon ratepayer-funded	Complementary funded	
Planning, program design, management, marketing and evaluation	12	5	These positions help Energy Trust create, market and deliver innovative programs that meet customer and community needs. The programs focus on existing, new and underserved customers across all sectors, aiming to accelerate energy efficiency and renewable energy to support policy goals. These roles also provide engineering support for developing new measures, designing pilots and addressing utility system priorities. Additionally, they enable us to tap into new funding from federal, state and local climate initiatives, helping utilities achieve their decarbonization and resource planning goals. Program operations roles support data management, targeting and reporting for all programs.
Community Outreach and Engagement	5	4	These positions contribute to long-term savings by expanding outreach to more regions in our service area, increasing awareness and access to program information for customers and community organizations, especially those we have yet to engage. They help create connections that lead to program delivery opportunities, link tribal entities to Energy Trust programs, and coordinate with workforce groups to strengthen the trade worker pipeline. Additionally, they support efforts to recruit and diversify trade allies,

			improve performance on OPUC Equity Metrics, and ensure stakeholder involvement in the organization's planning and budgeting processes.
Organizational and Systems Enhancements	8	1	These positions develop the human, systems and process infrastructure needed to achieve key priorities in Energy Trust's evolving and expanding organization. They enhance our capacity to focus on strategic initiatives, support contract development and RFP processes, invest in staff cultural competency, and provide project management for key initiatives. All these resources contribute to supporting and accelerating program acquisition over time.
TOTAL	25	10	

Investments in Learning and Development

To achieve our long-term strategic objectives, in 2025 Energy Trust will increase our investment in learning and development for staff and prioritize training initiatives that will equip our staff to thrive in a culture of innovation, learning and development. Our management training will focus on leadership through the lens of innovation, while also ensuring managers are skilled in emotional intelligence-based coaching and feedback. These sessions will emphasize the importance of fostering an inclusive workplace, empowering our leaders to contribute to a culture that values diversity and equity.

Additionally, we will offer diversity, equity and inclusion and cultural competency training designed to help staff engage more effectively with the communities we serve. This training will provide practical tools for understanding different perspectives and will enable employees to better serve our communities.

To further develop a culture of nimbleness, agility and innovation needed to achieve goals in a more dynamic landscape, Energy Trust is introducing training that encourages staff to shift from a mindset of perfect planning to one more focused on rapid and iterative implementation. Supporting our staff to focus on the concept of minimum viable products where they will suffice will help employees prioritize learning over perfection, enabling Energy Trust to move forward faster and more iteratively. This approach accelerates decision-making and ensures that we can adapt to changing needs and conditions in real-time, ultimately providing more responsive and efficient services to ratepayers. Through this expanded investment in learning and development, Energy Trust will cultivate an environment where growth and adaptation are at the core of our work.

Compliance with the OPUC Performance Metric

The current OPUC performance metric limits Energy Trust's OPUC staffing costs to 9.5% of OPUC expenditures. In 2025, OPUC staffing costs are budgeted to be 8.9% of expenditures.

OPUC Staffing Costs in 2025 Budget	\$29,098,859
Total OPUC Expenditures in 2025 Budget	\$326,117,628
OPUC Staffing Costs as a Percent of Total OPUC Expenditures	8.9%

	2025 Draft OPUC Programs OPUC	2025 Draft Total Company All Funding Sources
Salaries	22,250,348	25,368,669
Payroll Taxes	1,711,335	1,950,544
Benefits	3,637,785	4,206,531
401k Expense	1,335,021	1,522,120
Vacation Expense	54,710	61,064
Benefit Administrative Fees	90,588	95,000
Employee Recognition/Acknowledgment	19,071	20,000
Employee Salaries & Fringe Benefits	29,098,859	33,223,928

MEMO

Date: October 2, 2024
To: Board of Directors
From: Michael Colgrove, Executive Director
Subject: Program Delivery Efficiency and Administrative Costs for Draft 2025 Budget and Action Plan

This memo provides information about the nature and purpose of Energy Trust’s administrative and program support costs. As part of the Oregon Public Utility Commission’s oversight of Energy Trust, each year it sets an annual performance measure for program delivery efficiency related to administrative costs.

In Order No. 24-079, the Oregon Public Utility Commission (OPUC) adopted revised administrative cost performance measures for the Energy Trust of Oregon (Energy Trust) for 2024. The performance measures are:

- Administrative costs must be at or below 6.5% of expenditures
- Report the year-over-year increase in administrative costs in comparison with the increase in expenditures

These revised performance measures implemented two primary changes compared to the prior performance measures. First, they utilize the standard definition of administrative costs, according to generally accepted accounting principles for nonprofit entities, as opposed to a custom measure that included aspects of program costs. Second, they measure administrative costs as a percentage of total expenditures, as opposed to total revenues. As a result of these changes, Energy Trust’s organizational performance can be directly calculated from our audited financial statements and compared transparently to peer nonprofit entities.

What is considered to be a reasonable level of administrative costs as a percentage of total expenditures varies by industry, organization size, complexity and development stage. While there is no one right answer, there are benchmarks published by nonprofit watchdog organizations. An example is Charity Navigator’s 15% threshold for nonprofits categorized as “general.” One component of Charity Navigator’s financial health rating methodology is administrative cost as a percent of total cost, and “general” nonprofits are awarded a 10/10 score for this component if the ratio is below 15%.

Energy Trust’s draft budget level of 5.8% is within the performance measure and represents an increase of \$2.6 million or 15.4% over its 2024 budget. The composition of Energy Trust’s budgeted administrative costs, and the drivers of change from previous years, are discussed further below.

Draft 2025 Budget Statement of Functional Expenses

	Total Programs	Fund Development	Total Administrative	Total Company
Incentives	\$ 182,797,035	\$ -		\$ 182,797,035
Program Delivery Contractors	\$ 96,660,208	\$ -		\$ 96,660,208
Employee Salaries & Fringe Benefits	\$ 20,155,164	\$ 102,928	\$ 12,965,836	\$ 33,223,928
Agency Contractor Services	\$ 446,413	\$ 977	\$ 1,107,015	\$ 1,554,405
Planning and Evaluation Services	\$ 4,486,697	\$ -	\$ 46,200	\$ 4,532,897
Advertising and Marketing Services	\$ 3,698,487	\$ -	\$ 2,188,000	\$ 5,886,487
Other Professional Services	\$ 9,940,453	\$ 1,869	\$ 1,462,607	\$ 11,404,928
Travel, Meetings, Trainings & Conferences	\$ 572,070	\$ 1,749	\$ 492,671	\$ 1,066,491
Dues, Licenses and Fees	\$ 634,079	\$ 16	\$ 109,054	\$ 743,149
Software and Hardware	\$ 1,060,080	\$ 3,134	\$ 399,862	\$ 1,463,076
Depreciation & Amortization	\$ 789,790	\$ 3,515	\$ 442,388	\$ 1,235,693
Office Rent and Equipment	\$ 851,901	\$ 4,364	\$ 549,682	\$ 1,405,947
Materials Postage and Telephone	\$ 79,148	\$ 379	\$ 57,275	\$ 136,802
Miscellaneous Expenses	\$ 2,123	\$ 11	\$ 5,416	\$ 7,550
Expenditures	\$ 322,173,648	\$ 118,942	\$ 19,826,007	\$ 342,118,596

Historical View of Administrative Costs

	2021 Actual	2022 Actual	2023 Actual	2024 Budget	2025 Budget
Total Expenditure	183,711,515	182,250,587	225,377,458	305,647,844	342,118,596
Administrative costs	9,180,770	10,961,677	12,727,035	17,180,235	19,826,007
As a percent of total expenditure	5.0%	6.0%	5.6%	5.6%	5.8%
Increase from prior year	510,115	1,780,907	1,765,358	4,453,200	2,645,772
Increase percentage	4.5%	19.4%	16.1%	35.0%	15.4%

To understand 2025 administrative expenditure levels, it is important to first understand the trajectory from prior years. The growth in administrative cost as a percent of total expenditure from 2021 to 2022 was driven by significant reductions in certain cost categories in 2021 below what had been budgeted. The decreases were related to factors described in the 2021 Amended Budget Briefing Paper; namely, bonus incentives offered in 2020 in response to unprecedented pandemic conditions drove unexpectedly high levels of participation in early 2021, which required mid-year corrective actions. These actions included reductions in administrative cost to minimize planned spend. Those actions were not repeated in 2022, which reverted to a more typical trendline for administrative cost as a percent of total expenditure.

The decrease in administrative cost as a percent of total expenditure from 2022 to 2023 and 2024 is driven by a lag in the rate in which staffing and other components of administrative costs increase relative to incentives and program delivery costs, which are significant components of Energy Trust's acceleration investments in 2024 and 2025. New staff members take time to onboard in a high-quality way whereas costs such as incentives can be ramped up more quickly. This lag effect is something that Energy Trust leadership is actively seeking to manage, since if left unchecked it can lead to staff burnout and attrition issues that we have experienced in the past. We rigorously prioritize our administrative investments, including staffing, to ensure we are bringing the most urgently needed hires on board first.

Administrative cost as a percent of total expenditure moves back towards our more typical trend line at 5.8% for 2025. This reflects some "catch up" after the earlier lag effect with regards to staffing and other administrative investments. As we prepare Energy Trust's first multiyear plan next year, additional administrative investments, including staffing, may be identified as necessary to achieve our future savings and generation targets. In developing our first multiyear plan, Energy Trust leadership will seek to achieve administrative economies of scale while ensuring that Energy Trust programs are sufficiently and sustainably supported by administrative staff, systems, facilities and processes.

MEMO

Date: October 2, 2024
To: Board of Directors
From: Michael Colgrove, Executive Director
Subject: Energy Efficiency Levelized Cost Trends and Managing Future Costs

Levelized cost of savings is defined by Energy Trust as a measure of the average net present value of the cost of the savings from an energy efficiency resource over the lifetime of the respective resource. Energy Trust’s portfolio-wide levelized costs vary over time due to changes in the mix of efficiency measures and relative expenditures and due to revisions to estimates of energy savings and measure lives.

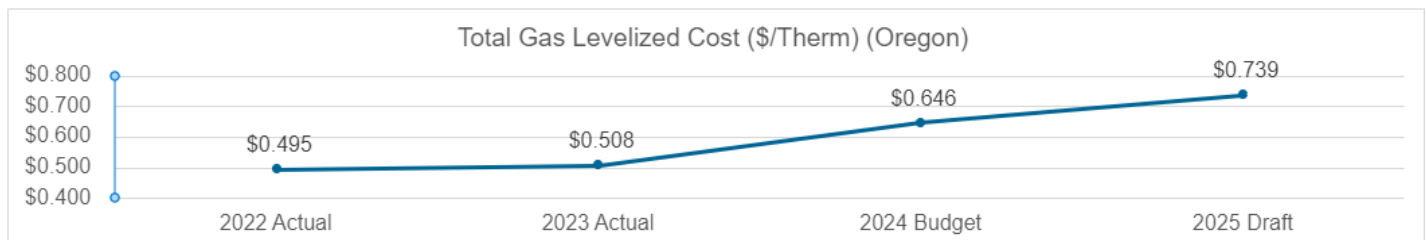
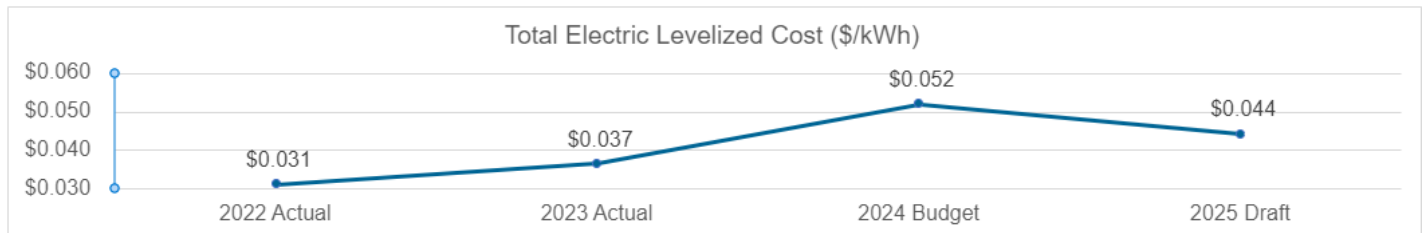
Levelized costs reflect the cost of acquiring energy efficiency normalized to a single unit of energy (kWh or therms) and account for the time value of money. Levelized cost is a useful indicator of cost trends which is of increasing interest to stakeholders as Energy Trust’s savings portfolio evolves and new strategies and approaches are developed.

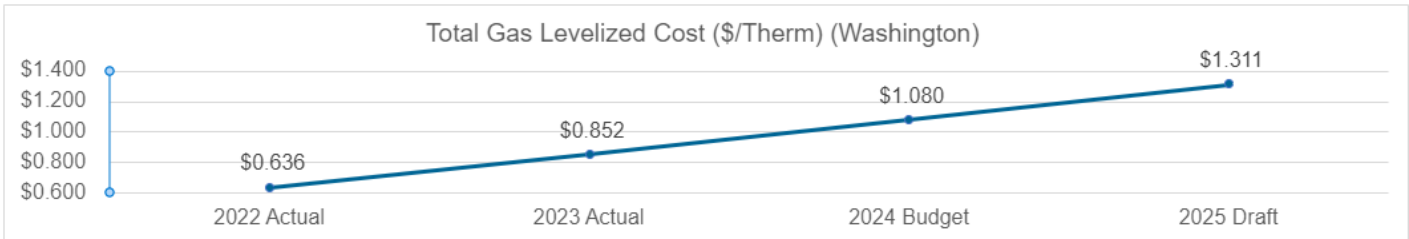
This memo provides detail on historical and projected levelized costs and identifies actions to manage levelized costs over time.

Levelized Costs in 2025 Budget and 2025 Action Plan

The 2025 budget delivers electric savings at a cost of 4.4 cents per kilowatt hour (kWh) and gas savings at a cost of 73.9 cents per therm (Oregon only) levelized. This is an 18% decrease (0.8 cents/kWh) compared to 2024 budgeted electric levelized costs and a 14% increase (9.3 cents/therm) over 2024 budgeted gas levelized costs. Both electric and gas portfolios remain cost-effective.

Levelized cost for NW Natural Washington programs in 2025 is \$1.31 per therm, a 21% increase (23 cents/therm) over 2024 gas levelized costs. Nevertheless, the savings Energy Trust acquires for Southwest Washington natural gas customers in 2024 are expected to remain cost-effective.





Electric Levelized Cost Drivers

The decrease in budgeted electric levelized costs is primarily driven by an increase in highly cost-effective savings expected in 2025 from commercial and industrial programs, including business lighting projects and some large commercial projects. These are some of the lowest-cost savings across our portfolio of offers. NEEA savings, which are relatively inexpensive, are also expected to increase.

Our 2025 budget includes a modest increase in electric weighted average measure life across programs from 13.8 years to 14.1 years, which reflects more lifetime savings from measures and effectively decreases the levelized cost of programs, all else equal. In addition, Energy Trust’s discount rate, which reflects the time value of money, changed from 4.6% in 2024 to 4.1% for 2025. A decrease in the discount rate lowers the levelized cost of programs, since savings realized in the future from measures installed in 2025 will retain a higher value to the utility system. Energy Trust uses a single organization-wide blended discount rate. This is calculated using individual discount rates provided directly by each of the five funding utilities, blended according to each utility’s projected 2025 expenditures from the Final 2024 Budget and 2024/2025 Action Plan.

Gas Levelized Cost Drivers

The biggest driver of the increase in Oregon gas-levelized costs is a reduction in the amount of residential new construction market transformation savings that Energy Trust expects to claim for residential code compliance. This reduction is the result of fewer expected residential construction starts; a significant reduction in savings from these homes due to new Oregon residential building code that mandates more energy-efficient construction; and lower realization rates from the most recently completed New Homes evaluation. These evaluation findings were integrated into updated New Homes program assumptions for implementation on a forward-looking basis. Energy Trust also expects to claim less gas savings from commercial new construction projects due to general market trends of customers moving away from natural gas in favor of electricity to comply with carbon regulations.

In addition to a reduction in gas savings, the market requires more compelling offers and higher incentives to drive customer participation in Energy Trust programs. Anecdotal information from Program Management Contractors and trade allies indicates growing customer interest in electrification in pursuit of their own corporate carbon-reduction targets.

For programs serving NW Natural customers in Southwest Washington, the 2025 levelized costs increases significantly. Primary influences include a shrinking residential portfolio with the conclusion of the New Homes EPS offering following introduction of new Washington energy code; reduced demand for gas furnaces as customers choose to install heat pumps; and a decrease in commercial savings including a cyclical decrease in Strategic Energy Management. Commercial and residential incentive and delivery costs are also increasing, which exerts upward pressure on levelized costs. Energy Trust’s portfolio in Washington only serves residential and commercial customers, so levelized costs are not moderated by the relatively lower-cost savings from industrial customers as they are in Oregon. Lastly, per direction for NW Natural, Energy Trust updated the discount rate used for 2025 planning in Washington, from 3.4% to 3.85. A higher discount rate has the effect of increasing levelized costs, all else equal.

Strategies to Manage Levelized Costs

Managing levelized costs over time requires us to continuously find new sources of savings, adjust program design and delivery methods, and ensure efficient and effective operations.

1. **Finding new sources of savings**—by conducting and evaluating pilots, participating in the Northwest Power and Conservation Council’s Regional Technical Forum, and investing in emerging technology through NEEA—helps us manage leveled costs in the long-term. While these investments may add cost per unit of savings in the short term, the resulting future measures are expected to contribute to a portfolio of reasonably priced, cost-effective savings over time.
2. **Adjusting program design and delivery methods** enables Energy Trust to find more efficient methods of reaching and serving customers and unlocks new pathways to acquiring savings from customers, either from customers we have not yet served or those who can invest again for the next increment of savings. Energy Trust periodically solicits proposals for major program delivery contracts to identify new approaches to serve customers and ensure delivery efficiencies for ratepayers. Additionally, Energy Trust is currently investing in and expanding partnerships with community-based organizations and other community entities, such as cities and counties, because they can help engage new customers we have historically underserved. While these partnerships require an investment of time and resources, we believe they will unlock savings that, over time, will contribute to a portfolio of reasonably priced savings. The organization is also exploring unique marketing approaches such as micro market segmentation, behavioral science, and gamification to reach late adopters to the clean energy journey. Further, Energy Trust is investing in expanding its Trade Ally Network of qualified contractors who can install upgrades, which—like partnerships with community-based organizations—will result in additional long-term savings.
3. **Ensuring efficient and effective operations** enables us to continue processing a high volume of transactions, maintain strong customer service, adapt quickly to changing market conditions, and maintain transparency and accountability through public reporting. Every year we identify and complete system and process enhancements for these purposes.

We will continue to invest in ongoing improvements to organizational processes for planning, prioritization, budgeting, decision-making, and innovation. These changes help us address challenges, explore new ideas, develop new program approaches, and implement them more efficiently.

4. **Leveraging other sources of funds.** Energy Trust is investing in relationships and partnerships that leverage complementary sources of funds, particularly to address the efficiency needs of customers with low incomes, communities of color, and rural customers. See the Complementary Funding memo for more information.

Energy Trust also hopes to expand co-investment with utilities in programs that save energy and create demand-response opportunities for utilities. Thus far, successes have included co-funding of low-income weatherization with one community action agency (a second has agreed to work with us); a manufactured home replacement pilot and offer; PGE receiving a significant research grant with Energy Trust as a subcontractor; and coordination with PGE on the installation of smart thermostats in homes. Energy Trust also hopes to work with utilities to explore additional co-deployment opportunities to bring more clean energy solutions to the table where utilities, Energy Trust and customers have shared goals. This includes working with Income Qualified Bill Discount data or integrating utility demand response programs with Energy Trust’s energy efficiency and renewable energy offers.

MEMO

Date: October 2, 2024
To: Board of Directors
From: Michael Colgrove, Executive Director
Subject: Measure Cost-Effectiveness Exceptions Status as of August 28, 2024

In response to the Oregon Public Utility Commission's request to provide the status of Energy Trust requests for cost-effectiveness exceptions, this memo summarizes energy efficiency measures that have received exception approval from the OPUC.

Background

Commission Order No. 94-590 in Docket UM 551 specifies that the Total Resource Cost (TRC) test and Utility Cost Test (UCT) must be used to determine if energy efficiency measures and programs are cost-effective. The same order allows for measures that are not cost-effective to be included in utility programs if it is demonstrated that at least one of the following conditions is met:

- A. The measure produces significant non-quantifiable, non-energy benefits. In this case, the incentive payment should be set at no greater than the cost-effective limit (defined as present value of avoided costs plus 10%) less the perceived value of bill savings, e.g., two years of bill savings.
- B. Inclusion of the measure will increase market acceptance and is expected to lead to reduced cost of the measure.
- C. The measure is included for consistency with other demand-side management programs in the region.
- D. Inclusion of the measure helps to increase participation in a cost-effective program.
- E. The package of measures cannot be changed frequently, and the measure will be cost-effective during the period the program is offered.
- F. The measure or package of measures is included in a pilot or research project intended to be offered to a limited number of customers.
- G. The measure is required by law or is consistent with commission policy and/or direction.

Summary of Measures with Exceptions That Will Be Offered in 2025

The OPUC has granted exceptions for 16 measures that will be offered in 2025 in Existing Buildings (including multifamily) and Residential programs. Six more exception requests are pending.

Exceptions that will be active in 2025 are summarized in Table 1.

Table 1 List of Measure Exceptions That Will Be Active in 2025

Program	Measures	Order Number	Date Granted	Expiration Date
All	Pilots	15-029	01/29/201	N/A
Residential	Clothes Washers (Gas Only Territory)	N/A	09/2/2015	N/A
Products	Manufactured Home Early Replacement	21-312	09/21/202	03/15/25
Residential	No Cost Ductless Heat Pump Pilot	22-024	01/25/202	03/31/25
Residential	Ductless Heat Pump With Supplement Fuels in Residential	22-024	01/25/202	03/31/25
Existing Buildings	Ductless Heat Pump Zonal Heat HZ1 in Multifamily	22-024	01/25/202	03/31/25
Residential	Ductless Heat Pumps Zonal Heat HZ1 in Residential	22-024	01/25/202	03/31/25
Existing Buildings	Windows in Multifamily Buildings Retrofitting from Double Pane	N/A	10/7/2022	1/31/2026
Residential	Windows In Residential Homes	22-482	12/13/202	3/31/2026
Residential	Windows In Small Multifamily Buildings	22-482	12/13/202	3/31/2026
Residential	All Residential Insulation	22-482	12/13/202	3/31/2028
Existing Buildings	All Multifamily Insulation	22-482	12/13/202	3/31/2028
Residential	Low Income Insulation	22-482	12/13/202	3/31/2028
Existing Buildings	Low Income Multifamily Insulation	22-482	12/13/202	3/31/2028
Residential	Fixed Price Promotion Of Heat Pump In Manufactured Homes	N/A	08/1/2023	12/31/2026
Residential	New Gas Heated Neem+ Manufactured Homes	N/A	09/19/202	12/31/2026
Existing Buildings	Ducted Heat Pumps In Small And Medium Businesses	pending	pending	pending
Existing Buildings	Ductless Heat Pumps In Small And Medium Businesses	pending	pending	pending
Residential	Manufactured Homes Early Replacement	pending	pending	pending
Residential	Ductless Heat Pumps In Residential All Configurations	pending	pending	pending
Existing Buildings	Ductless Heat Pumps In Multifamily All Configurations	pending	pending	pending
Existing Buildings	Ducted Heat Pumps In Large Multifamily	pending	pending	pending

Portion of Energy Trust Savings from Measures with Exceptions in 2023 and 2024

The following table represents the portion of total Energy Trust savings from measures with exceptions for 2023 and 2024 (year-to-date through August 28, 2024).

Table 2 Savings and Incentives from Measures with Exceptions in 2023 and 2024 Through August 28, 2024

Program Year	Electric savings (kWh)	% of total electric savings	Gas savings (therms)	% of total gas savings	Incentives (\$)	% of total incentives
2023	13,98,054	2.93%	98,216	1.36%	\$5,817,770	6.15%
2024 year to date	9,793,455	4.38%	55,881	1.61%	\$5,531,970	9.02%

Exception History

There are 142 granted measure exceptions on record granted by the OPUC since 2012 when counted per measure group and per program. Past memos reported this value differently.

Of the 142 measure exceptions, 59 are considered minor. A minor exception is one where the total dollars and savings associated with the measure are less than 5% of total annual program activity and TRC is greater than 0.8. Minor exceptions do not require commission approval and are approved by OPUC staff.

Measure exceptions were approved by the OPUC according to the criteria outlined in the Background section above. Table 3 identifies how many exceptions were granted based on each criterion. Some measures meet multiple criteria.

Table 3 Number of All-Time Exceptions Granted Based on Measure Exception Criteria

Exception Criteria	Number of Instances
A	48
B	28
C	64
D	55
E	9
F	8
G	16