11. OREGON

(1999 Utility Statistics from www.eia.doe.gov)

Population (2001 Census Estimate): 3,472,867
Net Summer Capability (MW) 11,192
Electricity Consumption (MWh) 48,066,498

	Investor-Owned	Public	Federal	Coop-erative	Total
Number of Utilities	3	17	1	19	40
Percentage of Retail Sales	71.5	18.9	0.4	9.3	100.0

Mechanism:	Public Purpose Charge, 3% of electric IOU retail sales revenue
Creation:	legislative
Duration:	10 years, beginning 3/1/02. Renewal report due January 2011
Administration:	independent non-profit third party "Energy Trust of Oregon, Inc."
Budget:	$45-50million/year for the Trust's EE and RE programs
Program Name:	Energy Trust of Oregon, Inc.
Benefit Measure:	Societal Benefit Test and Utility Test
Specific Incentives:	No lost revenue; no performance incentives for Trust or utilities

Survey Questions

1. Process and timeline

   Restructuring legislation, SB 1149 (the "Act"), passed in July 1999. The Public Utilities Commission (PUC) approved the concept of a non-profit administrator in October 2000, and appointed a board of directors in February 2001. Final agreement between the PUC and the Energy Trust of Oregon, Inc. (the "Trust") became effective March 1, 2002; and utility-run transition programs and pilot programs began. First new, full-scale Trust program was launched in February 2003.

2. Organizational structure

   The Trust is a tax-exempt, non-profit, non-government corporation with a volunteer citizen board of directors. The Trust administers most energy conservation and renewable energy programs funded by the public purpose charge (PPC), under contract with the PUC, for all customers of the two major investor-owned electric utilities (IOUs) that contribute to the fund, Pacific Power and Portland General Electric. These two IOUs serve about 70% of the electric customers in Oregon.

   The Trust develops plans with input from advisory councils and other public processes. The Trust submits two-year action plans and five-year strategic plans to their Board for approval, and to the PUC for review and comment. The Trust updates action plans and budgets annually. Present plans call for competitively-selected contractors to manage major programs with a broad range of contractors implementing program elements.

The PUC hired legal, financial, organizational and planning consultants to assist in creating the Trust. It created a search committee to find potential board members and appointed the initial board of directors. The PUC determines the collection and expenditure of PPC funds. The PUC contracts with the Trust, and reviews strategic and action plans. The PUC appoints an individual to oversee the contract with the Trust. The PUC appoints a non-voting ex-officio Trust board member.

The Trust's board of directors (the "Board's") first responsibilities were to incorporate, develop a strategic plan, develop a contract with the PUC and hire an executive director. As a 501(c)(3) organization the Board has fiduciary and legal responsibilities for management of the Trust.

The Final Agreement between the PUC and the Trust calls for the Board to have the "skills and demographics to be effective and the diversity to support the mission." Members must avoid financial conflicts of interest. Present board members have experience in law, finance, utility site management, renewable resources, communication, utility/energy management, public interest advocacy, regulation, policy-making and other areas. As a new organization, the decision-making process is evolving, as is the power-sharing between Board and staff.

The Trust has two advisory councils, the Conservation Advisory Council and the Renewable Resources Advisory Council. The role of both advisory councils is to provide consultation, not decision-making.

The Board and the Trust strive for a very open process. Plans, agendas, minutes, and reports are all posted on the web site. The public may attend advisory committee meetings or provide input through the website or other means.

According to the most recent organizational chart, the Trust employs 20 FTE, including the Executive Director, 5 Program Directors and various program managers, coordinators, and support personnel.

In the final agreement between the PUC and the Trust there are general guidelines for administrative costs. They are supposed to be "reasonable." They must balance the lowest possible administrative costs with overall organizational effectiveness. The Trust should also avoid cross-subsidizing administrative costs between programs supported by the PPC and those that are not.

3. Funding mechanisms

The Act required the IOUs to collect a PPC of 3% of their revenues from generation, transmission and distribution for five public purpose funds. The Trust administers almost three-quarters of these funds. Initially the utilities advanced the Trust $750,000 for start up costs to be paid back with PPC funds. The Trust took out a $400,000 loan, and the Energy

Foundation paid the interest. The Trust took on a $4million line of credit for cash flow. The PUC ensures that the appropriate PPC funds collected are paid directly to the Trust, not less than monthly, except as otherwise provided in laws or regulatory agreements.

By statute, the PPC funds are to support programs in the following proportions:

New Cost-effective Conservation and market transformation	56.7%
Above-market costs of new Renewable Energy	17.1%
New Low Income Weatherization	11.7%
Energy Conservation in Schools	10.0%
Low Income Housing	4.5%

The Trust administers the first two programs under a contract with the PUC. The last three programs are administered by existing agencies.

Expenses plus dedicated funds, including carryover funds in CY 2003 are expected to be $56,621,027 with the following expenditure breakout:

Management and general administration:	2.4%
Communication and outreach	2.1%
Renewable Programs	10%*
Energy Efficiency Programs	90%
Within the Energy Efficiency Programs:	
Utility Transition Programs	30%
Energy Trust-designed Residential Programs	29%
Energy Trust-designed C&I Programs	37%

* Many renewables are paid for as savings are delivered; therefore requiring significant dedication of future funds.

4. Degree of association with a long run resources plan

The electric IOUs are still required to complete least-cost planning and Transmission and Distribution planning. The Trust's Action plan calls for the Trust to provide input to the electric IOUs' resource planning, and to integrate information about utility load forecasts in planning Trust programs. The Trust Action plan also calls for the Trust to "work with utilities to identify where projects could reduce or delay T&D expenditures and improve power reliability."

5. Guidelines for program effectiveness and success

The mission of the Energy Trust is "to change how Oregonians produce and use energy by investing in efficient technologies and renewable resources that save dollars and protect the environment." (from the Trust's Final Action Plan for 2003-2004)
Guidelines for program funding under an agreement with the Public Utility Commission include:

- Coordinate with existing local, state and regional programs with related purposes.

- Provide benefits to all classes of electricity users and their geographic areas.
- Competitively bid work unless circumstances warrant an alternative approach.
- Encourage the development of competitive markets for energy efficiency services and renewable resources.
- Design efficiency programs to be cost-effective and independently evaluate them on a regular basis.
- Use funds for new renewable resources to offset all or a portion of their above-market costs and provide benefits to funding customers.
- Spend or commit the majority of funds in the year received.

The Trust's goals, as laid out in the Final Strategic Plan for 2002-2007, are to:

- Invest in programs to help consumers save 300 aMW of electricity by 2012. (An aMW indicates 8760 MWh/year, from 24 hours/day x 365 days = 8760 hours.)
- Provide 10% of Oregon's electric energy from renewable resources by 2012. (Anticipate 35aMW by October 2004; 115aMW by October 2007).
- Extend energy efficiency and on-site renewable energy programs and benefits to underserved consumers. (Strategic Plan: The Trust will pay up to 10% more per kWh of energy saved to increase participation by historically underserved consumers.)
- Contribute to the creation of a stable environment in which businesses that promote energy efficiency and renewable energy have the opportunity to succeed and thrive.
- Encourage and support Oregonians to integrate energy efficiency and renewable resources into their daily lives.

6. Pre-implementation program evaluation guidance

The Trust Board has adopted the Societal Benefit test and the Utility test as important measures of program cost-effectiveness and effective utilization of Trust funds. The Action Plan calls for an evaluation plan and tracking system to be designed into every program to track energy saved/produced, market development and other goals.

Results will be summarized annually by service territory for overall energy and peak savings and, where significant, other environmental, economic and participant benefits. Issues of load shape, diversity, reliability, availability and power quality will be addressed when critical to determining the value of savings. Evaluations regarding these issues will be developed in cooperation with the utilities.

The Act requires the PUC and the Office of Energy to jointly choose an independent nongovernmental entity to report to the legislature on proposed modifications to the public purpose programs. The report is due on January 1, 2007. A report regarding program renewal is due on January 1, 2011. The Trust must contract for independent management review at least every 5 years, with the first review within 3 years of March 1, 2002.

7. Results of program evaluation

The Trust's programs are just beginning to be implemented. Several pilot programs and utility transition programs have been evaluated. An evaluation contractor pool has been created. The Action Plan indicates that most evaluations will be contracted out.

8. Financial and performance incentives

   The utilities had a negotiated agreement with the Trust that included an incentive payment of $150,000/aMW for legacy programs during the transition. Once transition contracts are completed, the utilities will have no regulatory or statutory incentives based on the conservation and renewable programs of the Trust.

   The Trust deliberately does not have performance based incentives in their contract with the State. They are a non-profit formed to achieve the State's goals in energy conservation, market transformation and renewable energy acquisition. The incentive is that the Trust keeps the contract with the State if the Trust performs the job.

Energy Efficiency Programs

- Pilot Programs:
  - Mobile home duct sealing
  - Green light-emitting diode (LED) traffic lights
  - Restaurant energy management programs
  - Small-scale energy loan program rate buy-down
- Long-term Programs
  - Existing Commercial and Industrial Buildings, launched 2/1/03
  - New Commercial and Industrial, expected 8/03
  - Existing Residential, launched 4/03
  - New Residential, expected Summer '03
  - Industrial Process, expected 5/03
  - Efficient Home Products, expected Fall '03
  - Building Operation and Maintenance, expected Fall '03
  - Support Programs (e.g. training, community-based cross sector programs)

Issues and Special Situations

Agreement between the Trust and the PUC

The agreement between the PUC and the Trust recognizes that the Trust was formed to act as the nongovernment entity envisioned by the Act. This responsibility was not put out to bid, like in Vermont. The agreement is a contract between equals, with provisions for either party to formally express a "notice of concern" or terminate the agreement early. The agreement is effective for three years, after which automatic extension procedures are available. The agreement will continue to be renewed every year on the anniversary of the effective date of the agreement, absent written notice from a party.

Administrative model

In order to get programs running quickly, the Trust chose to have a very "lean" staff, while outsourcing much program management to contractors. The Trust will be examining this model closely during the first two years to see if it is truly the most efficient, effective and economical way to go. This model will be reviewed and refined.

The Trust decided, in most cases, not to use performance incentives when designing the contractor RFPs. They are clear about goals and principles, and expect them to be met. They negotiate for low contractor overhead. Keeping in mind the goal for market transformation, the contracts for major program administrators are written in such a way that they will have to solicit a variety of qualified subcontractors.

Equity

The residential sector will pay ~ 43% of the PPC, but there are more potential savings in the commercial and industrial sectors, and the cost of savings is less in those sectors. So, there are competing goals: maximizing cost-effective savings vs. providing benefits to all customers who contribute to the fund. The Trust is finding more cost-effective opportunities in residential efficiency (e.g. lighting, duct sealing, heat pump tune-ups) which may improve the balance.

Gas Utilities

Natural gas utilities in Oregon must file least-cost plans with the PUC, including energy conservation budgets and programs. They must offer statutorily mandated conservation programs. NW Natural, which serves most of the state's population of gas customers, completed a partial decoupling settlement with the PUC and proposed a PPC for conservation programs. NW Natural is close to finalizing a contract with the Trust to administer new or enhanced energy efficiency programs for all NW Natural's non-industrial customers.

Publicly-Owned Electric Utilities

Oregon's publicly-owned electric utilities do not collect a PPC as a result of the Act or file least-cost plans with the PUC. They fund efficiency and renewables with their own funds and funding from the Bonneville Power Administration. In addition, the Oregon Office of Energy Resources administers an extensive series of residential and business efficiency tax credits that are available to customers of the publicly-owned utilities and the IOUs that contribute to the Trust. The Trust expects to work with interested publicly owned utilities to expand program offerings.

Self-directed Large Customers

Customers with >1MW loads may "self-direct" and offset up to 68% of their related portions of the PPC for their own expenditures on new EE measures and/or up to 19% of the PPC for above-market costs of new RE, less administrative costs. These credits must be pre-certified through the Oregon Office of Energy. There are credit provisions if an independent auditor determines there are no available conservation measures with a simple payback of 1-10 years. The Trust has elected to offer efficiency and renewable programs to self-directing energy users, but with reduced financial assistance compared to other customers.

Northwest Energy Efficiency Alliance (NWAlliance)

The Trust is providing $13million over four years to the NWAlliance, to continue market-change programs formerly supported by the utilities. This will "emphasize opportunities to save energy through more efficient household appliances, lighting, equipment, operations, maintenance, and other Alliance market-change efforts." (Action Plan)

Portland General Electric for sale

Portland General Electric is for sale on the open market by Enron. If PGE loses its status as a regulated IOU, there is some question as to whether the public purpose charge would be assessed. Interested parties are attempting to assure that the Trust's work would continue under new ownership.

Resources

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At this website:
Final Strategic Plan for 2002-2007, Final Action Plan for 2003-2004, CY03 Final Budget, Organization Chart, Board of Directors and Advisory Council information

Oregon Public Utilities Commission
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The Final Agreement between the Trust and the PUC can be seen at
www.puc.state.or.us/erestruc/indices/finlagre.pdf

Oregon Office of Energy
www.energy.state.or.us
Energy Conservation and Renewable Resource Programs in Oregon

SB 1149 ("The Act") available on the web at:
www.leg.state.or.us/99reg/measures/sb1100.dir/sb1149.en.html