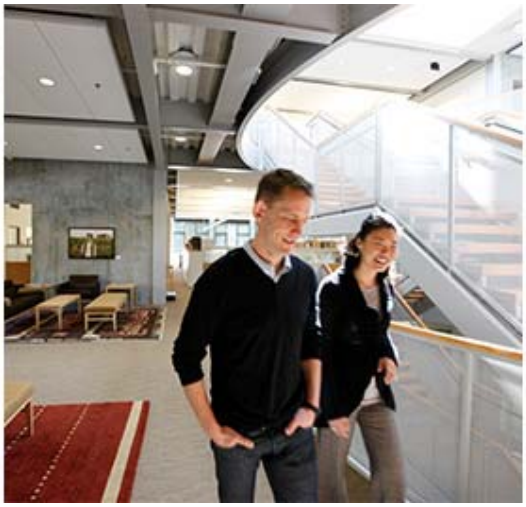




Energy Trust of Oregon

2015-2019 Strategic Plan

October 1, 2014

Energy Trust of Oregon

Introduction

Who We Are

Energy Trust of Oregon is an independent nonprofit organization dedicated to helping 1.5 million customers of four investor-owned utilities save energy and generate renewable power. Created in response to 1999 Oregon legislation, Energy Trust is overseen by a volunteer board of directors with input from two advisory councils, and reports to the Oregon Public Utility Commission (OPUC). Energy Trust began operation in March 2002, charged by the OPUC with investing in cost-effective energy efficiency[1], helping to pay the above-market costs of renewable energy resources and transforming markets to higher efficiency products and services.

Energy Trust programs are funded by Portland General Electric and Pacific Power customers under a 1999 Oregon law (SB 1149) and a 2007 Oregon law (SB 838). Programs are also funded by Oregon natural gas customers pursuant to agreements with NW Natural (2003) and Cascade Natural Gas (2006), as well as Washington customers of NW Natural (2009). Energy Trust administers these utility customer funds and delivers services and programs to help all types of customers invest in electric efficiency, natural gas efficiency and renewable energy systems. Program offerings undergo detailed planning and analysis that weigh economic and environmental costs and benefits to ensure broad benefit for all customers.

Each year, Energy Trust brings energy savings and renewable generation to more households, commercial businesses, industries and public buildings. These services are delivered to customers by leveraging and supporting nearly 2,700 independent Oregon and southwest Washington businesses and through collaboration with Portland General Electric, Pacific Power, NW Natural and Cascade Natural Gas. Since 2002, Energy Trust has provided cash incentives, services and information to help businesses and residents save energy and generate renewable power at more than half a million locations.

Energy Trust's work provides the cheapest, cleanest energy for utilities and customers, and far-reaching benefits for the economy. Investment in Oregon's clean energy economy over the past 12 years totals $968 million. That investment will produce energy bill savings of $4 billion over time for participating customers. It also provides the most affordable energy available for all customers by helping utilities avoid investment in new and more expensive energy resources. Independent economic analysis shows an additional $3 billion in benefit to Oregon's economy to date from activity related to Energy Trust investments.

Role of the Strategic Plan and Planning Process

Energy Trust programs are guided by a series of five-year strategic plans, required by a grant agreement with the OPUC. These plans establish broad goals and strategies, which are then implemented through two-year action plans and annual budgets.

The strategic planning process is an open and transparent process. Energy Trust presents and invites public engagement and comment on the draft strategic plan at board and advisory council meetings, at public outreach events in communities across the state and through

[1] In this document, the phrase energy efficiency is used throughout and is inclusive of energy-efficient equipment, energy conservation activities and energy management strategies.

Energy Trust's website, www.energytrust.org. Public comments are considered by the board and help shape the final strategic plan. This process gives Energy Trust stakeholders and interested citizens an opportunity to guide the organization's broad direction.

In this plan, Energy Trust describes its long-term vision, goals and strategies, building on the results and success of the last 12 years.

Context

This draft strategic plan for the 2015-2019 timeframe emerges from a specific context.

The pace at which Energy Trust energy-efficiency programs delivered savings changed significantly after 2008. In 2013, Energy Trust programs saved twice as much electric energy (58 average megawatts) as they did in 2009 (27 aMW). This doubling in annual savings was made possible by the passage of SB 838, which allowed the electric utilities to supplement funding for electric efficiency, beyond the 3 percent charge established in Energy Trust's enabling legislation, to acquire all cost-effective energy efficiency identified in their long-term planning processes.

Natural gas savings also increased from 2.7 million annual therms in 2009 to 5.3 MMTh in 2013 as Energy Trust programs matured and expanded to address the needs of more customers and closely align with utility long-term planning. Also, in 2009 Energy Trust and NW Natural entered into agreements to provide program offerings for a portion of NW Natural industrial demand-side management customers and for NW Natural customers in southwest Washington.

With the passage of SB 838 and the expanded gas efficiency agreements, Energy Trust's goals were set to acquire cost-effective energy efficiency as determined within utility long-term planning. Prior to that, goals were limited by funding and not by opportunity. Achieving this higher level of performance required a focused effort to diversify and refine Energy Trust programs, generate faster feedback from participants on program effectiveness, process more incentives and serve more customers with strategies tailored to meet their needs. It also required a larger annual budget and expenditures, bringing Energy Trust's expenditures for energy efficiency to $117 million in 2013, as compared to $63 million in 2008.

The context for renewable energy is different. SB 838 redirected renewable energy funds to projects of 20 megawatts (MW) and less in size, and shifted responsibility for larger renewable project investment into the realm of the utilities, requiring them to meet a mandatory renewable energy standard. The law also adopted a goal for the state to meet at least 8 percent of retail electrical load from small-scale renewable energy projects. Though the focus was modified, Energy Trust funding for renewable energy was unchanged. It continued to be an increment of the 3 percent charge required by SB 1149, equal to a budget of approximately $13 million per year.

From 2009 through the end of 2013, Energy Trust supported small and mid-scale renewable energy project installations generating 15.27 aMW. While significant, this falls short of meeting Energy Trust's 2010-2014 strategic goal of 23 aMW for renewable energy and reflects significant market challenges facing renewable project development in recent years. In 2011, the State of Oregon significantly trimmed its longstanding renewable energy tax credits. Since most renewable generation projects leveraged both Energy Trust incentives and state tax credits, the absence of the tax credits significantly reduced Energy Trust's market leverage. After the reduction in state energy tax credits, Energy Trust re-geared its renewable energy

programs to provide more early-stage support for smaller projects. Helping these projects to launch continues to hinge on a combination of Energy Trust programs, government programs and subsidies, and larger economic and market forces.

Participants in Energy Trust energy efficiency and renewable energy programs have magnified the economic impact of Energy Trust investments. For example, in 2013 $117 million in Energy Trust efficiency investment leveraged an additional $125 million in investment by home and business owners. Every dollar of Energy Trust investment in renewable projects leveraged an additional $5 investment by home and business owners. These investments have helped expand private-sector businesses—a network of delivery contractors and trade ally contractors that delivers efficiency and renewable energy projects directly to customers.

As markets have changed and new opportunities have emerged, Energy Trust and its trade allies have made significant adjustments—emphasizing customer focus, innovation, productivity gains, quality assurance and collaboration. Energy Trust has built and leveraged important relationships, working closely and strategically with its affiliated utilities to communicate to their customers, and has engaged in collaborative efforts with local, state, regional and national entities to achieve goals.

The result, now rooted in many years of practice, is an approach widely supported by government, utilities, business and interest groups that produces clean, reliable and affordable energy. Energy Trust has been repeatedly recognized by the U.S. Environmental Protection Agency, U.S. Department of Energy, American Council for an Energy-Efficient Economy, Clean Energy States Alliance, Oregon Business and others for program design innovation and organizational leadership. This proven approach and the organization's culture of continuous improvement are the basic assets leveraged in this strategic plan.

2015-2019 Strategic Plan

Vision

Energy Trust envisions a high quality of life, a vibrant economy and a healthy environment and climate for generations to come, built with renewable energy, efficient energy use and conservation.

Purpose

Energy Trust provides comprehensive, sustainable energy efficiency and renewable energy solutions to those we serve.

Goals

1. Energy Efficiency

Long-term energy-efficiency goal

- Acquire all achievable, cost-effective energy efficiency for utility customers.

Five-year energy-efficiency goals

- Between 2015 and 2019, save 240 average megawatts (aMW) of electricity.
- Between 2015 and 2019, save 24 million annual therms (MMTh) of natural gas.

To derive 2015-2019 energy-efficiency goals, Energy Trust first projected the amount of electricity and natural gas Energy Trust programs could be expected to save between 2015 and 2019 given current funding, known technologies and projected energy costs. The result of this initial calculation was five-year savings of 218 aMW and 22 MMTh. These are ambitious figures but these initial estimates assumed essentially no new energy-efficient technologies, no new large energy-efficiency projects and no regulatory adjustment under current cost-effectiveness criteria.

However, if several promising technologies become cost-effective in the next five years, one or more large electric efficiency opportunities[2] emerge, and the OPUC reinterprets or revises cost-effectiveness criteria, Energy Trust estimates that a total of 243 aMW and 26.5 MMTh could potentially be saved.

Further, none of these estimates account for opportunities that may emerge from external policy changes or market developments. For example, energy efficiency and renewable energy play an important role in proposals relating to achievement of state, regional and national energy, climate and carbon reduction goals. Recently proposed federal rules on carbon emissions from power plants, as an example, envision that energy efficiency will not only be achieved at high savings levels, but that these savings rates will be sustained over the long term. Energy Trust's vision, purpose and funding are not explicitly tied to these

[2] These opportunities are not reflected in current resource assessment modeling, which is not focused on identifying site-specific large energy-efficiency projects (i.e., projects that use over 1 aMW and/or require more than $500,000 in Energy Trust incentives).

policy goals. Nevertheless, such policies are likely to influence demand for energy efficiency and renewable energy, helping push innovation in clean energy and creating new opportunities for Energy Trust to reach and serve customers through collaborative efforts with others.

Given these considerations, Energy Trust proposes 2015-2019 energy-efficiency goals of 240 aMW and 24 MMTh. To reach these goals, Energy Trust assumes that additional energy savings will be found from some combination of new technology, unforeseen large energy-efficiency projects, regulatory cost-effectiveness adjustments and opportunities driven by external policy changes.

Energy Trust manages risk associated with these goals in several ways: Monitoring and evaluation help programs to adjust if performance falls short and/or unexpected opportunities emerge. A portfolio of programs offers diverse ways to make these adjustments. New market, legal or regulatory developments are factored into annual utility funding discussions and Energy Trust budgets.

Energy Trust believes these goals and risk mitigation tools balance opportunity and risk reasonably. Strategic goals should push Energy Trust and others to maximize savings for customers and utilities and help Oregon achieve state energy and resource goals, and the organization believes these goals will do so.

The following graphs show Energy Trust's accumulated annual historic savings and projections for annual savings for 2014 and over the 2015-2019 Strategic Plan period based on the goals the organization will aspire to reach. These goals are each 12 percent less than 2010-2014 accomplishments, which reflect the increased complexities in acquiring savings. Over the five-year period, these goals are expected to meet 80 percent of projected PGE and Pacific Power load growth. Combined, Energy Trust electric and gas savings are expected to deliver 25 percent of the reduction in carbon dioxide needed to meet Oregon's 2020 emissions reduction goal.

Figure 1. Cumulative Electric Savings

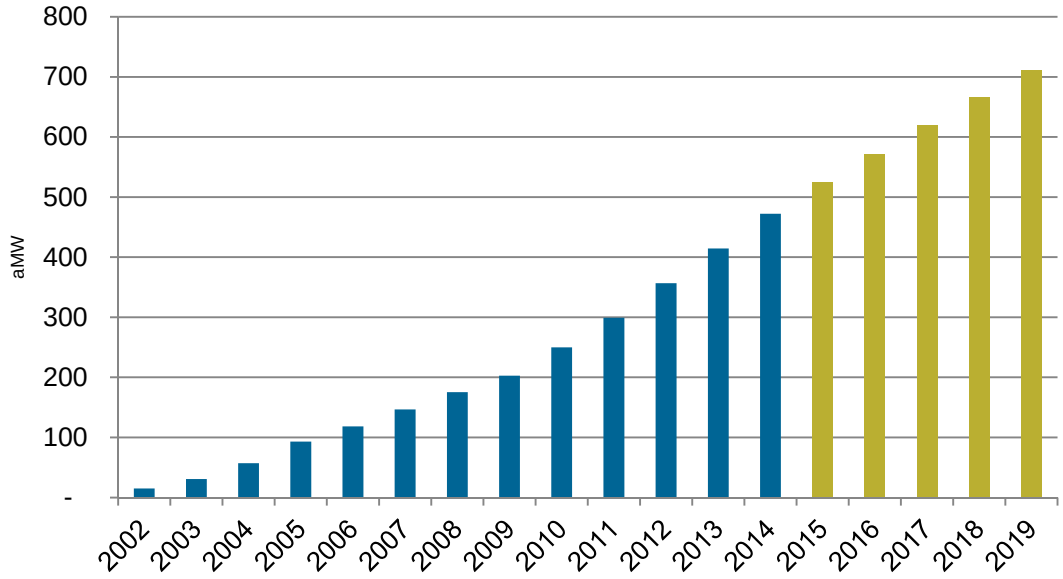
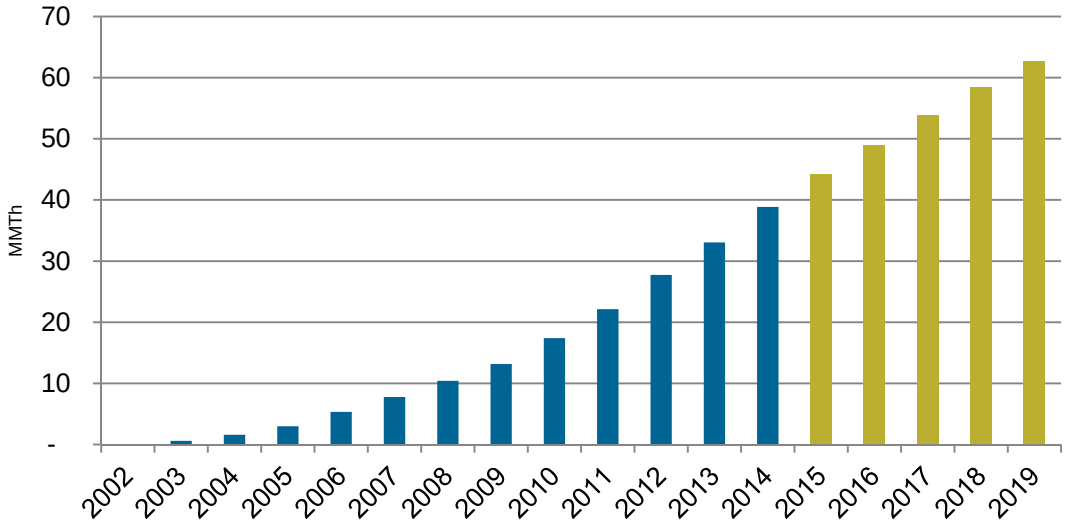


Figure 2. Cumulative Natural Gas Savings



2. Renewable Energy

Long-term renewable energy goal

- Accelerate the pace at which new, small and mid-scale renewable energy projects (20 MW or less in size) are completed to help Oregon achieve its 2025 goal of meeting at least 8 percent of retail electrical load from small-scale renewable energy projects.

Five-year renewable energy goals

- Sustain a vibrant small and mid-scale renewable generation market that produces continual growth in project installations across all five eligible technologies.
- Between 2015 and 2019, install 10 aMW of renewable energy.

To derive 2015-2019 renewable energy goals, Energy Trust referenced goals and strategies detailed in the 2010-2014 Strategic Plan and subsequent adjustments made in 2012 and 2013 based on changes in state and federal policy affecting renewable market dynamics. In addition, by the end of 2013 Energy Trust's accumulated renewable energy funding due to lower expenditures in earlier program years had been spent down to support projects, effectively reducing annual budgets. The 2015-2019 goals reflect the projected funding and rebalance the focus of renewable energy programs from primarily emphasizing project incentives at operation to a greater role in market support and development. This rebalance is reflected in a lower numeric goal for installed generation and greater emphasis on technical support to lower the cost of renewable energy development and leverage new sources of capital from other sources.

3. Operations

Five-year operations goals

- Align internal operations and management to efficiently support Energy Trust strategic goals and objectives, optimizing resources and systems and maintaining an effective, open, transparent and accountable business.
- Sustain a culture of highly engaged staff.

To derive the 2015-2019 operations goals, Energy Trust identified cross-cutting, high-level principles for Energy Trust operations and management. The goal emphasizes the efficient and effective investment of utility customer funds to achieve energy efficiency and renewable energy goals and uphold high standards for operational productivity and stewardship. It drives a responsible, transparent and accountable organization, one adaptable to new approaches and ways of conducting business in support of the overall strategic vision and purpose.

Strategies

During the early stages of the strategic planning process, Energy Trust explored how to build on accomplishments and strengths. These early discussions, along with ongoing input from Energy Trust staff, helped identify strategies to ensure strategic goals are met. The utility of these strategies will be tracked against metrics that will be established once the plan is approved.

1. Energy Efficiency

- Continuously improve program designs and services to meet customer needs and provide excellent customer service
    - Invest in market research necessary to better understand current and evolving needs of specific market segments
    - Leverage low-cost metering and data analysis to allow customers to better manage their energy use
    - Help build and support a strong delivery market infrastructure to best serve customer needs with energy-efficiency options
    - Foster relationships with repeat customers, achieving deep, cost-effective savings over time
    - Manage energy-efficiency services for large energy users to make best use of available funding
    - Effectively communicate the value of energy efficiency to customers
- Manage the total cost of delivering energy efficiency to maintain and improve the supply of cost-effective measures
    - Identify and optimize cost efficiencies in Energy Trust internal delivery costs and costs for trade allies in working with Energy Trust programs
    - Employ alternative supply chain incentives: motivate retailers, distributors and contractors to promote efficient products by providing incentives to them directly, taking advantage of better leverage of wholesale prices
    - Increase participants' awareness of the financial case for efficiency investments
- Expand customer participation
    - Invest in research necessary to understand where participation gaps exist
    - Focus first on groups with significant savings potential and strong opportunities to increase uptake

    - Explore new delivery approaches to meet needs cost effectively, leveraging trade, program and lending allies to work in local communities
    - Increase awareness and engagement, working with communities, representative organizations and utilities to help identify and reach new markets
- Replenish the energy-efficiency resource in the mid- to-long-term through a portfolio of new technologies and product development strategies:
    - Incorporate Northwest Energy Efficiency Alliance work on emerging technology and product development into Energy Trust program delivery strategies, and stay engaged to save energy as technologies evolve
    - Identify, test, cull and refine new technologies, innovative measures and approaches with longer-term energy-saving potential of five years and beyond, e.g., advanced water heaters, condensing commercial rooftop furnaces, more advanced windows
    - Accelerate and refine exploration of behavioral strategies, building on successful strategies
    - Lower the cost of promising approaches that are now too costly and work to achieve persistent savings

Balancing strategies

These energy-efficiency strategies have different implications for different sectors and the role of any given strategy is likely to vary with changes in markets, cost-effectiveness policies and other developments. For example, the strategies of continuously improving program designs and services to meet customer needs and provide excellent customer service may at times be difficult to sustain while also implementing the strategy of managing the total cost of delivering energy efficiency. Moreover, Energy Trust does not assume additional revenues for the coming five years, and some of these strategies can be expected to compete for funding.

To balance these potentially conflicting directions, we need to evaluate tradeoffs and find innovative ways to continue supporting customers while reducing delivered costs of programs. To account for these factors, Energy Trust will use ongoing planning, budgeting and management processes to balance and make adjustments among and between strategies. Sector managers will develop plans adapting the strategies for industrial, commercial and residential sectors. Planning staff will bring the strategies into utility Integrated Resource Planning, and annual budgets will allocate funding to specific programs and activities. At each point, current information, professional judgment and stakeholder input will help balance strategies.

2. Renewable Energy

- Support all eligible renewable energy technologies, including hydropower, geothermal, biopower, wind and solar
    - Maintain flexibility to shift resources from or between technologies to capitalize on market opportunities
- Emphasize market and project development support for renewable energy projects
    - Focus on improving project performance, for example:
        - Reduce solar soft costs such as customer acquisition and permitting
        - Reduce operations and maintenance costs for biopower projects
        - Utilize experience gained and lessons learned from completed projects to help future projects

    - Collaborate with other organizations, potential investors or lenders to attract and facilitate supplemental funding, new financing models and assistance
    - Engage with key market actors, utilities and other organizations to find additional opportunities for providing market assistance and building the pipeline of projects
- Use competitive approaches to identify and fund new projects and market solutions for those projects receiving non-standard incentives

3. Cross-Cutting Strategies for All Energy Programs

- Continuously improve program delivery efficiencies
    - Continue focus on customer service and delivering customer benefits
    - Effectively support and leverage Program Management Contractors, Program Delivery Contractors and trade and program allies to efficiently achieve strategic energy goals
    - Capture opportunities for program delivery efficiency gains through automation and ongoing Information Technology systems development and support
    - Align outreach activities to support program strategies and strategic opportunities
- Continue to employ an open, transparent annual budget and two-year action planning process, engaging utilities, the OPUC, the board of directors, advisory councils and other stakeholders
- Maintain flexibility to pursue government, utility and other relationships and carry out complementary initiatives
    - Remain poised and ready to respond to new state and national policy initiatives that could promote and complement clean energy development
    - Track and report Energy Trust contribution to achieving state and federal greenhouse gas emission goals
    - Collaborate as appropriate with utility-led peak load management programs
- Formulate and establish effective strategic partnerships and relationships with community leaders and organizations in support of energy efficiency and renewable energy goals. Focus such collaborations on organizations with:
    - Common interests and mutual benefits
    - Resources with which to support collaborative investments
    - Demonstrated ability to jointly collaborate and deliver mutual benefits and results
- Explore projects with benefits that align with the priorities of governments and other organizations, e.g., projects with energy and water benefits, biopower projects that help manage waste streams, and projects that save energy and transportation fuel

4. Operations

- Continuously improve internal operations
    - Employ and improve efficient business practices and systems to free up resources to achieve strategic energy efficiency and renewable energy goals
    - Where possible, establish benchmarks and measurement tools to evaluate business and operations efficiency and productivity gains and reflect these in annual budgets and two-year action plans
    - Manage risks flexibly and sensibly by hedging significant operational and program design risks
      Optimize planning and evaluation processes, services and communications to support program strategies

- Address key recommendations of the most current Management Review and capitalize on other opportunities to strengthen operational effectiveness, particularly related to administrative costs, staffing, organization structure and enhancements to the budget process and reporting
    - Establish metrics for strategies and evaluate progress toward goals, to be reflected in annual reports
    - Establish and implement a succession plan for executive and senior management
- Maintain flexibility in operations to help programs leverage local, state and national policy initiatives spurring activity in energy efficiency and renewable energy