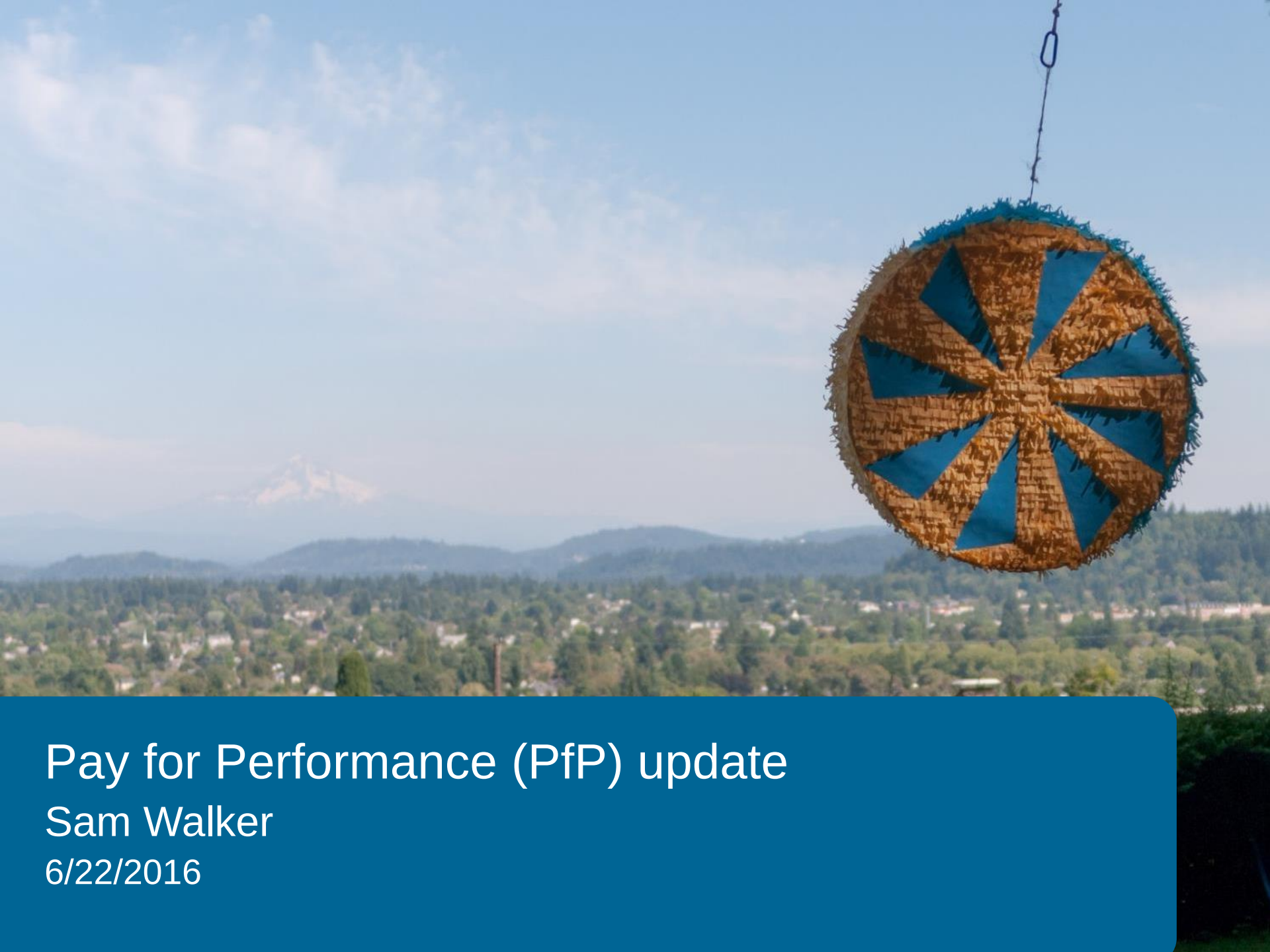


Pay for Performance (PfP) update

Sam Walker

6/22/2016

Presentation Overview

- PfP history and context
  - Forecasted savings – ex-ante versus ex-post
  - OPUC public process
  - PfP request for proposals development
- PfP RFP process and pilot results
  - RFP development
  - Pilot project overview and update
  - Initial learnings
  - Evaluation recommendations (high level)
- Plans to expand the offering
  - Additional enrollments by Q4 2016
  - Offering design in development

PfP History & Context

- Custom and prescriptive offerings – Ex-ante
- Limited O&M and behavioral offerings
- 2011 Oregon Legislature directs OPUC to submit report on Energy Efficiency PPAs by 12/1/2012
- March 2012 OPUC opens Docket UM 1573
  - Public process to gather information and comments
  - April 2012 OPUC held daylong workshop
  - November 2012 OPUC submits report
  - 'Energy Trust and PUC will continue to explore opportunities for pilots where relevant aspects of EE PPAs could be tested.'

PfP RFP Process

- Request for proposal development
  - December 2013 Energy Trust submits request to OPUC
  - December 2013 OPUC opens Docket UM 1678
  - January 2014 OPUC receives comments, petitions
  - January 2014 Energy Trust files revised draft RFP
  - February 2014 OPUC adopts staff recommendation to approve RFP for Energy Trust's PfP pilot
  - February 2014 Energy Trust issues RFP
  - May 2014 Proposals received

Pilot Objectives

- Does PfP approach encourage:
  - Broader participation
  - Deeper retrofits
  - Greater persistence of savings
- Gain knowledge of:
  - Whole building analysis tools
  - Implementation and verification costs
  - O&M and behavioral strategies that enhance SEM
  - How to administratively manage this approach
  - Long term potential for acquiring additional savings

Pilot Overview

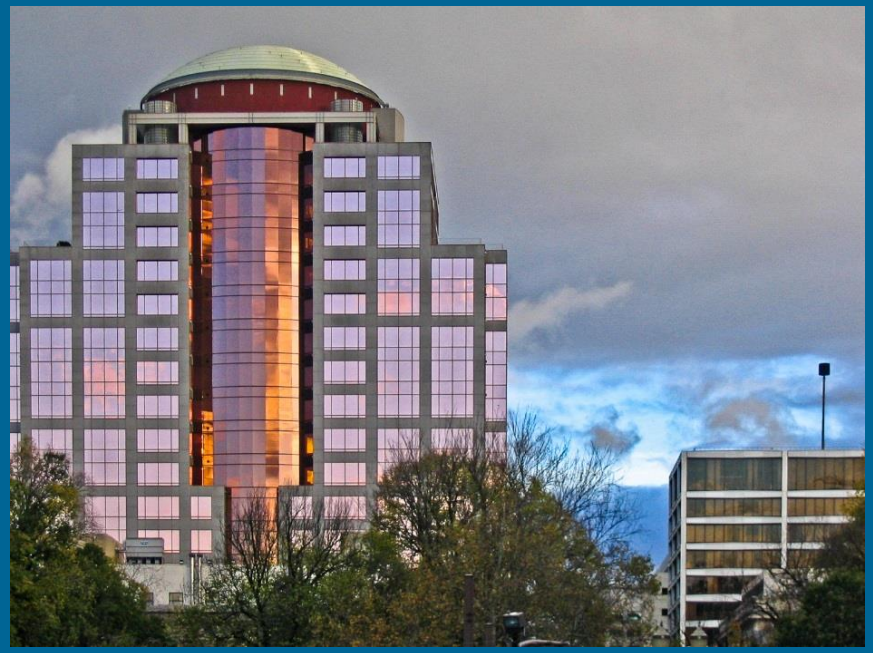
- Performance-based incentives paid annually for 3 years
- Encouraged blend of O&M, behavioral and capital
- Negotiated incentive rates based on measure mix
  - With cost-effectiveness considerations
- Required whole building modeling approach
- Respondent-proposed modeling platform
  - Transparent to evaluators (algorithms, inputs, assumptions, etc)
  - Negotiated baseline

Not ‘Pay for Performance’

-LeBron James paid $71 million in 2016
(‘Represents ~270 MW of efficiency potential at $30/MWh’ – T. Eckman)

PfP Pilot Selection

- One pilot participant selected
  - Energy Star certified
  - Electric only
  - Customer agreement
  - Measure mix
  - Incentives, cap
- Energy 350
  - Customer relationship
  - Past experience
  - Modeling: CDD & HDD
  - Contract with customer

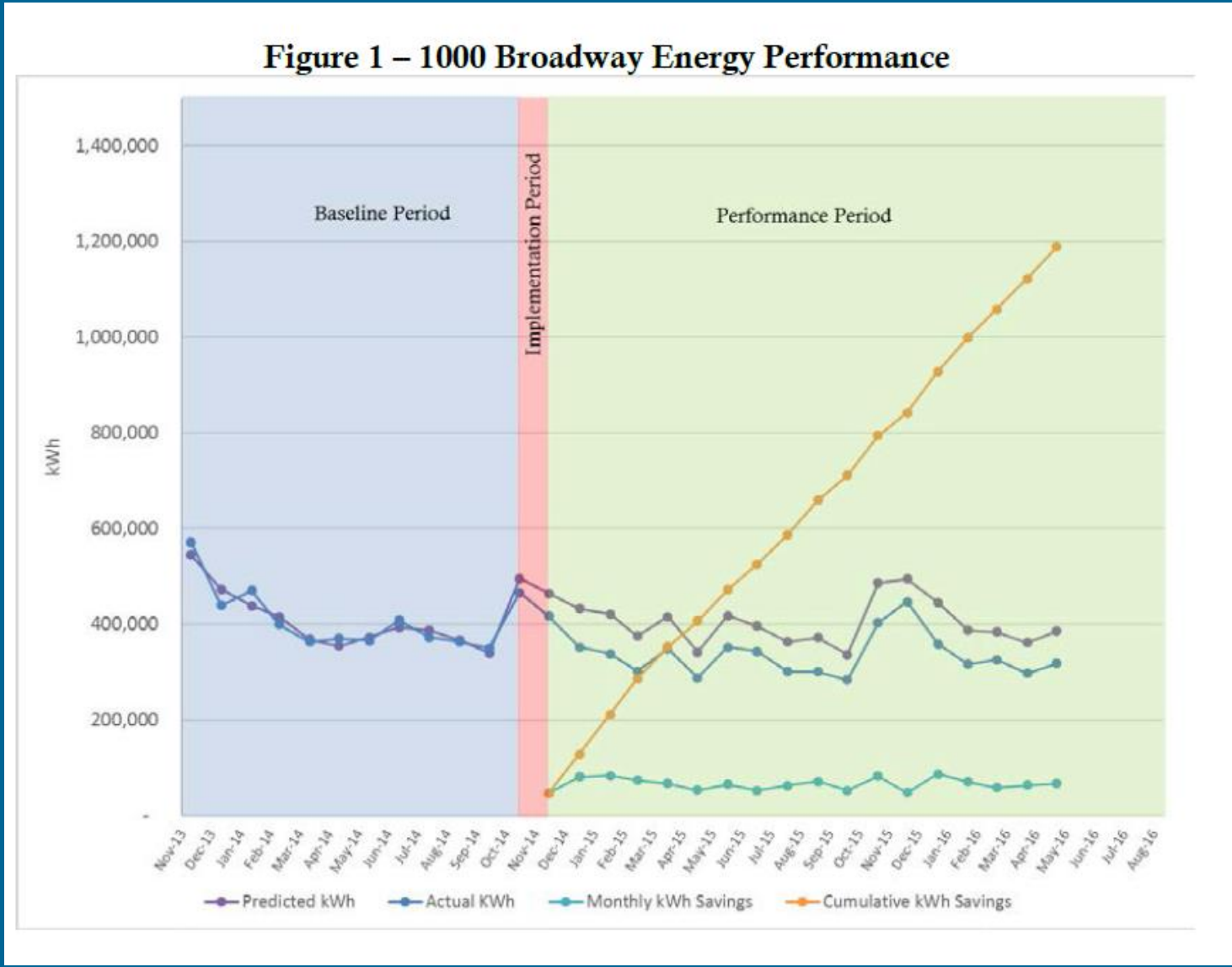


1000 Broadway Building, Portland, OR

PfP Pilot – Year 1 Results

- Savings exceeded estimates
  - Estimated: 550,000 kWh
  - Achieved: 778,000 kWh, 16% total reduction
  - Incentives: $29,000
  - $0.037/kWh; $0.11/kWh over 3 years
- Project costs less than estimated

PfP Pilot – Year 1 Results (updated)



PfP Initial Learnings

- The approach appears to work
- The market is interested
- Negotiated incentives add complexity
  - O&M measure life versus capital
  - Incentive caps reduce exposure
- Significant effort developing customer agreement
- Savings claiming should be carefully considered
- Similar offerings should be aligned
- Additional learnings with time
  - What is the measure life with 3 years of visibility?
  - What is a typical blended measure mix?

Evaluation Recommendations (high level)

- Expand potential building market by reducing savings targets and including other building types
- Reduce reporting frequency (quarterly vs monthly)
- Consider making RFP and contracting language more transparent and use layman's terms where possible
- Cross-market the incentive program for capital measures through Pay-for-Performance
- Involve the PMC for project and savings review, customer communications, etc.

PfP Expansion Plans

- Limited recruitment in late 2016
- Program Management Contractor (PMC) approach
- Prequalified service providers
- ‘Simple’ regression analysis required
  - Leveraging SEM modeling guidelines in-development
- Incentive rate(s) established by Energy Trust
- Alignment with other offerings
- *Measures limited to O&M and behavioral*

PfP Expansion Plans

- PMC Responsibilities
  - Service provider outreach
  - Customer outreach
  - Application review
  - Measure review
  - Model review to Energy Trust requirements
  - Post installation verification
- Service Provider Responsibilities
  - Customer recruitment
  - Identification of measures
  - Modeling (Energy Trust requirements)
  - Implementation of measures
  - Quarterly reporting; annual savings report

Blended Measures Discussion

- Measure life requires more attention
- Incentive rate calculation more complicated
- More restrictive incentive cap likely
- More upfront work to ensure measure level cost-effectiveness
- Engagements no more than 3 years
- Administration today, savings later
- Whole building provides simplified blended approach
- Administrative efficiencies gained
- Risk is reduced

Thank You

Sam Walker

Sr. Project Manager – Commercial

Sam.Walker@energytrust.org

503-445-2959