MEMO

TO: ETO
FM: John A. Charles, Jr.
RE: *Comments on draft Strategic Plan*
DT: August 25, 2014

Energy Efficiency: ETO is mandated by law to invest in projects so long as they are cost-effective. This has become increasingly more difficult due to low natural gas prices. However, consumers should be rewarded for low gas prices, not penalized by PUC waivers to C-E criteria.

ETO should cease its efforts to gain more exemptions by withdrawing its current petition to the PUC. If the B/C ratio for certain measures is less than one, it is not in the public interest to implement those measures.

Renewable Energy: ETO's renewable energy program became redundant the moment SB 838 passed into law, due to the RPS mandate. This was something that the drafters of SB 1149 probably never anticipated happening. Given that this program has been an under-performer for years, ETO should advise legislative leaders to amend the law to get Trust out of the renewable energy business.

If ETO is unwilling to take this step, the Board should at least focus future efforts on projects that produce dispatchable power. Intermittent sources require spinning reserve, which increases costs to consumers while decreasing the reliability of the regional grid. There is nothing left to prove in the solar/wind arenas; ETO should move on to projects that have the potential to generate reliable electricity on a 24/7 basis.

Operations: The long-time PUC metric for keeping admin/management costs below nine percent is useless, given the narrow PUC definition of administrative cost. The ETO board should consider using a different metric: the amount of money spent each year on incentives, as a percent of total annual revenue, not expenses. It's possible that this metric would also prove to be meaningless, but it would highlight how much ratepayer money flows directly back to ratepayers, which they may find of value.

Other Metrics: ETO should only claim credit for energy saved or generated in proportion to the percent of funds put into specific projects. The long-time practice of taking 100% of the credit even when ETO funding was immaterial is misleading to the public.