Cost-effectiveness policy and methodology

Summary

Adopt changes to the board policy on cost-effectiveness.

Analysis

The proposed changes have two main purposes:

- First, to focus the policy on cost-effectiveness, not investment considerations that are addressed in Energy Trust program design, action plans, the strategic plan or elsewhere. Over time, the current policy has acquired a variety of provisions that relate to broader investment considerations. With Energy Trust's strategic planning, action planning, budgeting and sector planning processes, these aspects of the policy are more confusing than useful.
- Second, to align the policy with current practice, which is much more closely tied to processes overseen by the OPUC: integrated resource planning, and the supplemental energy efficiency funding under the Oregon Renewable Energy Act of 2007 (SB 838).

Given these purposes, we propose the following specific changes. References are to the version of the policy with revision marks and marginal comments:

- Introduction:
  - Page 4, lines 15-19: eliminates "the consumer test," which is not a test of cost-effectiveness, but a judgment made in program design.
  - Page 4, lines 20-29: explains relationship to SB 838 and OPUC planning, utility avoided cost forecasts, etc.
- Policy:
  - Page 4, lines 31-34: in addition to the above, states how benefit-cost comparisons will be portrayed.
  - Page 4, lines 36-40: broader considerations are addressed in program design, action plans, and the strategic plan.
- Costs: Changes in "costs" are to simplify and eliminate duplication. In addition:
  - Page 5, line 4 and footnote 1 recognize that Energy Trust now offers services in Washington State.
  - Footnote 2 and accompanying text: for equipment ~~measures~~ that would be purchased regardless of Energy Trust efficiency actions, the incremental cost of upgrading the efficiency of the purchase beyond common practice is the cost considered in ~~focus of~~ cost-effectiveness screening.
  - Page 5, line 8 aligns policy with Energy Trust accounting terminology.
  - Page 5, lines 16-19: excluding program administration or management costs relates particularly to programs like Clean Energy Works. This exclusion has been proposed to the PUC. They have not yet responded.

- Benefits:
  - Page 5, lines 25-32: updates policy to reflect how utility avoided cost forecasts are managed.
  - Page 6, lines 1-3: Updated to reflect agreement with OPUC to use proxies where non-energy benefits are large and unquantifiable.
  - Page 6, lines 8-9: In lieu of existing policy not to consider capacity and delivery benefits, proposes to include them where significant and ~~un~~quantifiable.
  - Page 6, lines 21-23: reflects current OPUC approach to avoided carbon emissions.
- Discount rates: Page 6, lines 29-36: Aggregates approach to discount rates in one place, clarifies current practice.
- Methodology: Page 6, line 37: eliminates “methodology” section in favor of addressing all major considerations in foregoing sections.
- Conclusion: revised to reflect the foregoing.