Appendix M: Contracting Information

Energy Trust Budget and Savings Goals Process

A. Annual Contract Funding: Energy Trust has an annual budget and program planning cycle where annual savings targets are determined at a certain levelized cost and supporting program plans are developed. This is an iterative and public process that results in setting organizational goals tied to specific utility Integrated Resource Plan targets, Energy Trust's board-approved budget and action plans and OPUC performance measures. Achieving annual targets is vital to Energy Trust's mission and will be implemented through a performance-based contract. Energy Trust sets annual budgets and tracks expenses and energy savings by the Oregon service territories of Portland General Electric, Pacific Power, NW Natural including NW Natural DSM (Schedule 360), Avista, and Cascade Natural Gas, and the Southwest Washington service territory of NW Natural. Energy Trust history and funding sources are described in detail at www.energytrust.org/about/.

Contract funding and energy savings goals are established annually in coordination with Energy Trust's budget approval process. Energy Trust uses a January 1 to December 31 fiscal year. Budgets are typically developed in quarter three of the prior year with submittal to Energy Trust's Board of Directors for review by November and final approval in December. Although a new budget will be created every year, each budget plans for the upcoming two years. Savings, also included in the budget, are established at the program and utility level and are measured in kWh and therms. Any remaining unspent amount from the program budget from each year does not automatically rollover into the following year. Future year project commitments need to be accounted for in the future year's budget when the expenses will occur.

Typically, the Existing Buildings PMC and Business Lighting PDC agreements have been established with a term of three years with the potential for a subsequent extension period of up to two additional one-year periods if certain established objectives are satisfactorily met. For example, a three- to five-year PMC/PDC contract would cover the distinct budget periods outlined below:

- August/September – December 2020 – Transition contract, if needed
- January – December 2021 – First year of PMC/PDC contract
- January – December 2022 – Second year of PMC/PDC contract
- January – December 2023 – Third year of PMC/PDC contract
- January – December 2024 – Optional fourth year of PMC/PDC contract
- January – December 2025 – Optional fifth year of PMC/PDC contract

The incoming PMC/PDC will work closely with Energy Trust during the transition to develop the 2021 budget. New information may become available between now and then that could

cause the scope of work as generally described in this RFP to change. Energy Trust has limited funding available to cover coordination with the existing PMC and PDC for transition activities during 2020. Respondents will be required to include a separate budget in the Price Proposal for the transition period.

B. Energy Savings Goals: As part of its oversight of Energy Trust, the OPUC has adopted annual performance measures against which to benchmark Energy Trust's performance, including but not limited to, meeting certain energy savings and levelized cost targets. PMC/PDC contracts, therefore, establish annual energy savings goals.

For the purpose of determining whether a PMC/PDC meets established energy savings goals, Energy Trust typically uses “reportable savings,” which are the recognized estimated energy savings (the “working savings”) as adjusted by a savings realization adjustment factor. This adjustment factor is informed and determined by Energy Trust's annual reporting and true up process, program evaluations or other research. It adjusts the working savings assumptions using such factors as spillover effects, measure impacts and reported transmission and distribution line loss savings.

C. Compensation / Annual Not-to-Exceed Contract Payments: The PMC/PDC portion of the budget for the program is available for contracted program management, delivery, marketing, and outreach services. Each year, Energy Trust will work with the PMC/PDC to establish a not-to-exceed contract payments amount. During the term of the contract, the PMC will bill for fully loaded labor costs and other direct costs of performing the services at actual cost, on a monthly time and materials basis.

D. Retainage Compensation: In addition to performance compensation amounts that Energy Trust may make available to the PMC/PDC, Energy Trust also typically withholds and retains up to 5% from PMC’s submitted monthly invoices with all or a portion of retained amounts payable upon energy savings goals achievement.

E. Performance Compensation/Milestone Compensation: Energy Trust may make some amount of performance compensation available to the PMC for achieving certain established annual energy savings goals or key deliverables identified in the annual scope of work.

F. Annual Incentive Budget / Service Incentive Funding: In addition to the annual contract payments amounts, Energy Trust may also authorize PMC/PDC to utilize funding available in the program’s annual incentive budgets to make payments directly to PMC/PDC or to PMC/PDC subcontractor(s) for delivery of certain qualifying services to participants. For example, Energy Trust incentive budget funding is currently utilized to:

- Pay a fixed-fee amount to both the Existing Buildings and Existing Multifamily PMCs’ Allied Technical Assistance subcontractors for development and delivery of technical analysis studies of potential measures for eligible participant sites;

- Pay a fixed per-unit price to the Existing Buildings PMC, and - in the case of Existing Multifamily - to the PMC's installation subcontractor, for purchase and delivery of qualifying instant savings measures provided to property managers or installed in-unit at eligible Existing Buildings and Existing Multifamily properties; and

- Pay PMC for monthly invoiced (labor + expenses) amounts payable to its Commercial Strategic Energy Management (SEM) energy coach subcontractors for delivery of SEM services to enrolled participants.