

BEFORE THE SENATE BUSINESS AND TRANSPORTATION COMMITTEE

Senate Bill 807

Testimony of Susan Ackerman

Commission Chair

Public Utility Commission of Oregon (PUC)

DATE: April 4, 2013

We are interested in all Legislation that affects the Energy Trust of Oregon. I'm going to talk to you about three things:

- Background on Energy Trust
- Energy Trust's accomplishments
- PUC's oversight of Energy Trust

Background: In 1999, the Legislature passed SB 1149 to introduce some elements of competition into the retail electricity markets of PGE and PacifiCorp. This allowed business customers to shop around for the cheapest source of power. There were concerns that energy efficiency investments by the utilities would be impacted. As a result, SB 1149 included a 3 percent charge on utility bills to go for energy conservation, renewable resources, and low income energy programs.

The dedicated public purposes charge stopped the decline of utility investment in energy efficiency caused by uncertainties due to threats of restructuring and it stabilized funding levels for energy efficiency by the utilities. Cost-effective energy efficiency by definition is a cheaper way to serve ratepayers than to build new power plants or buy energy on the market.

Following SB 1149, the Energy Trust of Oregon was formed as a contractor to the Public Utility Commission. In 2007, SB 838 passed which allowed for additional monies to be collected by utilities and passed to Energy Trust for more cost effective conservation. The Energy Trust now also acquires cost-effective energy efficiency for both Northwest Natural and Cascade Natural Gas.

The energy efficiency programs are not new activities or costs. Our utilities had been running conservation programs since the late 1970s. Prior to SB 1149 and SB 838 energy efficiency programs had been run by the utilities themselves with costs recovered through electricity rates. Now the utilities and the Energy Trust work in tandem through the utilities' Integrated Resource Plans to identify the potential for cost-effective energy efficiency and set yearly acquisition targets which are then translated into funding levels that the Commission approves.

Energy Trust Accomplishments:

With the money it gets, the Trust has been tremendously successful in delivering cost-effective conservation at a very low cost to ratepayers. Over the past two years, the Energy Trust has been able to save 878 million kilowatt-hours at costs of 2.75 cents per kilowatt-hour to utility ratepayers as compared to 6.7 cents per kilowatt-hour which would be the cost of a new gas plant. The amount of electricity saved through Trust programs in those two years is equivalent to the annual use of 77,693 average Oregon homes. These low costs of energy savings translate directly into lower overall costs for consumers.

The Trust has met every target we've set for them over the past ten years. In short, they are doing what they've been tasked with doing. Because the Trust runs programs for four utilities, it has the advantage of economies of scale, the benefits of a singular focus and can work with both gas and electric efficiencies in a single home in a way that individual utilities cannot.

PUC's oversight of Energy Trust

Energy Trust operates under a contract with the PUC. The PUC's oversight of Energy Trust is extensive. I'd like to summarize for you, the myriad ways the PUC manages Energy Trust operations:

- The PUC sets robust annual targets for the Energy Trust. The benchmarks aim to ensure that the Trust a) achieves high levels of conservation and renewable resource development at a reasonable cost; b) that they keep their overhead expenses low; c) that they provide a high level of customer satisfaction; and d) that they operate with financial integrity and control.
- The PUC may issue a "Notice of Concern" should the Energy Trust fail to meet performance measures or other contract conditions. If concerns are not sufficiently addressed, the PUC can cut off funding to the Energy Trust.
- Every year, Energy Trust is required to have an unqualified financial audit by an independent third-party and provide a copy of that audit to the PUC and make it available on their website.
- Every five years Energy Trust must undergo a detailed management audit. Management audits include an evaluation of administrative and operational costs, a benchmarking comparison between Energy Trust and similar organizations, and recommendations to improve efficiency and effectiveness. The Trust has undergone two management audits.
- The Secretary of State can review and audit the use and administration of the "public purpose charge." They did so in 2012.

- PUC has a dedicated staff member who provides active oversight of Energy Trust.
- A PUC representative serves as a nonvoting ex officio member of the Energy Trust Board of Directors. Currently that ex officio Board member is Commissioner John Savage. The PUC's dedicated staff member attends all Board meetings.
- Upper management of both the Energy Trust and the PUC meet every other month to discuss all aspects of Energy Trust operation.
- Energy Trust savings targets are set in each utility's 20-year "integrated resource plan" with the overall objective of planning to meet customer demand at the lowest cost and risk. The Trust works closely with utilities to identify the potential for cost effective energy efficiency and sets yearly targets for the amount of energy efficiency to be captured. The Commission must acknowledge these targets in the IRPs. The Trust and utilities then translate targets into funding levels the Commission approves.
- Energy Trust submits quarterly and annual reports to the Commission and presents those reports at open public meetings. All information is available to the public.
- The PUC reviews and comments on the Energy Trust's annual budgets, action plans, and strategic plans. Utilities and other stakeholders are given ample opportunities to hear and comment on these items as well.
- An independent third party submits to the legislature every other year a detailed report of all public purpose charge expenditures and achievements.

- All board, strategic plan, and budget meetings are open to the public. Extensive board materials are made available on Energy Trust's website.
- Energy Trust's program offerings are regularly subject to third-party and in-house evaluations to ensure cost-effectiveness and equity, to gather timely customer feedback and to verify equipment performance and energy savings. All evaluations are posted on the website.
- The Energy Trust has two large advisory groups that advise on all its energy efficiency and renewable resource programs. Advisory group members include representatives of the utilities, state agencies, trade associations and other stakeholder groups. All meetings are open to the public and PUC staff are actively involved in those meetings.

Attached to my testimony is a complete list of audits and points of oversight. All of the items proposed to be audited in SB807 are either already being reported or there are open and transparent avenues for addressing specific concerns if they were to arise. In summary, PUC oversight of Energy Trust is extensive and Energy Trust is accomplishing what it has been tasked to accomplish, and Oregon ratepayers are better off for it.

Listing of all applicable Energy Trust oversight documents

Audited Financial Statements with Independent Auditors' Report

- Financial Statements for the Years Ended December 31, 2011 and 2010, with Independent Auditors' Report, Perkins & Co.
- Financial Statements for the Years Ended December 31, 2010 and 2009, with Independent Auditors' Report, Perkins & Co
- Financial Statements for the Years Ended December 31, 2009 and 2008, with Independent Auditors' Report, Perkins & Co
- Financial Statements for the Years Ended December 31, 2008 and 2007, with Independent Auditors' Report, Perkins & Co
- Financial Statements for the Years Ended December 31, 2007 and 2006, with Independent Auditors' Report, Perkins & Co
- Financial Statements for the Years Ended December 31, 2006 and 2005, with Independent Auditors' Report, Perkins & Co
- Financial Statements for the Years Ended December 31, 2005 and 2004, with Independent Auditors' Report, Perkins & Co
- Financial Statements for the Years Ended December 31, 2004 and 2003, with Independent Auditors' Report, Perkins & Co
- Financial Statements for the Years Ended December 31, 2003, with Independent Auditors' Report, Perkins & Co
- Financial Statements for the Three Months Ended December 31, 2002, with Independent Auditors' Report, Perkins & Co

Energy Trust Management Audits

- Energy Trust of Oregon Management Review and Evaluation, February 2010, by Talbot, Korvola & Warwick, LLP
- A Management Audit of the Energy Trust of Oregon, January 31, 2005, by TecMarket Works

Secretary of State Audit

- Senate Bill 1149 Energy Surcharge: Unrealized Savings on Energy and School Utility Costs (May 2012) – can be found on SOS web site here:
http://www.sos.state.or.us/audits/pages/state_audits/full/2012/2012-15.pdf

Annual Reports to the Oregon Public Utility Commission

- 2012 Annual Report in progress; due on April 15 of this month
- [2011 Annual Report to the Oregon Public Utility Commission, April 16, 2012 \(Updated December 21, 2012\)](#)
- [2010 Annual Report to the Oregon Public Utility Commission](#)
- [2009 Annual Report to the Oregon Public Utility Commission](#)
- [2008 Annual Report to the Oregon Public Utility Commission](#)
- [2007 Annual Report to the Oregon Public Utility Commission](#)
- [2006 Annual Report to the Oregon Public Utility Commission](#)
- [2005 Annual Report to the Oregon Public Utility Commission](#)
- [2004 Annual Report to the Oregon Public Utility Commission](#)
- [2003 Annual Report to the Oregon Public Utility Commission](#)
- [2002 Annual Report to the Oregon Public Utility Commission](#)

Quarterly Reports to the Oregon Public Utility Commission

41 total to date; all posted on <http://energytrust.org/About/policy-and-reports/Reports.aspx>

- 2012 Quarter 4 Report to the Oregon Public Utility Commission
- 2012 Quarter Three Report to the Oregon Public Utility Commission
- 2012 Quarter Two Report to the Oregon Public Utility Commission
- 2012 Quarter One Report to the Oregon Public Utility Commission
- 2011 Quarter Four Report to the Oregon Public Utility Commission
- 2011 Quarter Three Report to the Oregon Public Utility Commission
- 2011 Quarter Two Report to the Oregon Public Utility Commission
- 2011 Quarter One Report to the Oregon Public Utility Commission
- 2010 Quarter Four Report to the Oregon Public Utility Commission
- 2010 Quarter Three Report to the Oregon Public Utility Commission
- 2010 Quarter Two Report to the Oregon Public Utility Commission
- 2010 Quarter One Report to the Oregon Public Utility Commission
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- 2004 Quarter One Report to the Oregon Public Utility Commission
- 2003 Quarter Four Report to the Oregon Public Utility Commission
- 2003 Quarter Three Report to the Oregon Public Utility Commission
- 2003 Quarter Two Report to the Oregon Public Utility Commission
- 2003 Quarter One Report to the Oregon Public Utility Commission
- 2002 Quarter Four Report to the Oregon Public Utility Commission

Reports to Legislature on Public Purpose Expenditures

- Report to Legislative Assembly on Public Purpose Expenditures for the period January 2011- December 2012, submitted March 29, 2013
- Report to Legislative Assembly on Public Purpose Expenditures for the period January 2009 – December 2010, submitted March 31, 2011
- Report to Legislative Assembly on Public Purpose Expenditures for the period January 2007 - December 2008, submitted April 30, 2009
- Report to Legislative Assembly on Public Purpose Expenditures for the period January 2005 - December 2006, submitted July 2007
- Report to Legislative Assembly on Proposed Modifications to the Public Purpose Charge, October 6, 2006

- Report to Legislative Assembly on Public Purpose Expenditures for the period January 2003 to December 2004, submitted March 3, 2005
- Report to Legislative Assembly on Public Purpose Expenditures for the period March 1-December 31, 2002, submitted March 18, 2003

Energy Trust Budget and Action Plans (OPUC reviews and comments)

- 2013-2014 Approved Final Budget and Action Plan
- 2012-2013 Approved Final Budget and Action Plan
- 2011-2012 Approved Final Budget and Action Plan
- 2010-2011 Approved Final Budget and Action Plan
- 2009-2010 Approved Final Budget and Action Plan
- 2008-2009 Approved Final Budget and Action Plan
- 2007 Approved Final Budget Summary / 2007-2008 Action Plan
- 2006 Approved Final Budget / 2006 Action Plan General / Efficiency Programs / Renewable Programs
- 2005 Approved Final Budget / 2005-2006 Action Plan / 2005 General / 2005 Efficiency / 2005 Renewables
- 2004 Approved Final Budget / 2004-2005 Two-Year Action Plan
- 2003 Approved Final Budget / 2003-2004 Final Action Plan

Energy Trust Strategic Plan (OPUC reviews and comments)

- 2010-2014 Strategic Plan
- 2007-2012 Strategic Plan
- 2002-2007 Strategic Plan

OPUC Performance Measures for Energy Trust

- 2013 Oregon Public Utility Commission Performance Measures for Energy Trust of Oregon
- 2012 Oregon Public Utility Commission Performance Measures for Energy Trust of Oregon
- 2008-2009 Oregon Public Utility Commission Performance Measures for Energy Trust of Oregon (applied to 2010 and 2011 per direction of the OPUC)
- 2007 Oregon Public Utility Commission Performance Measures for Energy Trust of Oregon
 - Updated 2007 Gas Performance Measures
- 2006 Oregon Public Utility Commission Performance Measures for Energy Trust of Oregon
- Brief explanation of 2006 OPUC Performance Measures for Energy Trust of Oregon

True Up Reports

- True Up 2012: Tracking Estimate Corrections and True Up of 2002-2011 Savings and Generation
- True Up 2011: Tracking Estimate Corrections and True Up of 2002-2010 Savings and Generation
- True Up 2010: Tracking Estimate Corrections and True Up of 2002-2009 Savings and Generation
- True Up 2009: Tracking Estimate Corrections and True Up of 2002-2008 Savings and Generation
- True Up 2008: Tracking Estimate Corrections and True Up of 2002-2007 Savings and Generation
- True Up 2007: Tracking Estimate Corrections and True Up of 2002-2006 Savings and Generation

Third Party Program Evaluations

- 23 Impact Evaluations posted at www.energytrust.org
- 50 Process Evaluations posted at www.energytrust.org