Oregon
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Senator Betsy Johnson, Co-Chair
Representative Bob Jenson, Co-Chair
Subcommittee on Transportation and Economic Development
900 Court St NE
Salem, OR, 97301

RE: HB 5043 Public Utility Commission Agency Budget

Co-Chair Johnson,

During yesterday's hearing on HB 5043, members of the committee asked for a response to several questions regarding the Public Utility Commission of Oregon (OPUC). This is to follow up on that inquiry.

Energy Trust of Oregon (ETO)

Question 1 - To what extent does the PUC scrutinize Energy Trust?
Please see attached document that outlines PUC oversight of the Energy Trust. Also see attached document Energy Trust Performance Measures for a list of the performance measures the PUC uses to monitor Energy Trust's performance. A grant agreement between Energy Trust and the PUC establishes clear expectations for Energy Trust and ground rules for operations and engagement. Here's a link to a copy of the Grant Agreement.

http://www.oregon.gov/puc/electric_restruc/purpose/grant_agreement.pdf

Attachments are attached to accompanying e-mail.

Question 2 – What records are up for review? Records of issues that come up
Energy Trust operates in a fully open and transparent way. All budgets, action plans, reports, records and meeting notes are open and available for public review, unless they contain confidential information about sensitive employment or legal issues, proprietary business processes or customer-specific data. All Energy Trust Board meetings are open to the public and board handouts and notes are available for review. All conservation and renewable energy advisory council meetings are also open to the public.

Energy Trust makes their budgets and action plans available for public comment and they actively solicit input from utilities and other stakeholders. Below is a link to a website that contains the 2013-2013 budget and action plan and a list of opportunities for parties to comment.

http://energytrust.org/about/budget/

All Energy Trust programs are evaluated for process and design improvements and to verify savings.

- The process and impact reports are posted here: http://energytrust.org/About/policy-and-reports/Reports.aspx

- The annual savings reports are posted here: http://energytrust.org/About/policy-and-reports/OPUCDocuments.aspx

The Energy Trust provides quarterly and annual reports to the OPUC.

- The OPUC reports are posted here: http://energytrust.org/About/policy-and-reports/Reports.aspx

Handouts from Energy Trust Board meetings and copies of Board minutes are available here: http://energytrust.org/about/public-meetings/BDMeetings.aspx

All conservation advisory council meeting materials and notes are available for review here: http://energytrust.org/About/public-meetings/CACMeetings.aspx

All renewable energy advisory council meeting materials and notes are available for review here: http://energytrust.org/About/public-meetings/REACouncil.aspx

PUC Staff reviews Energy Trust's yearly budget and action plans and provides written recommendations. Written recommendations are provided back to the Energy Trust and if possible discussed publicly at a Commission Public Meeting. Here is a link to the last Staff's memo comments on Energy Trust's 2013 Budget and Action Plan:

http://www.oregon.gov/puc/meetings/pmemos/2012/112012/reg3.pdf

When PUC Staff updates Energy Trust performance measures, a public memo is created and the measures are discussed openly at a public meeting. PUC Staff memos relative to Energy Trust performance measures are accessible through the PUC website filing center under docket number UM 1158. Below is a link to Commission Order 12-094 and Staff's memo addressing Energy Trust's performance measures for 2012.

http://apps.puc.state.or.us/orders/2012ords/12-094.pdf

Question 3 – Why continual escalating revenues, and what are they doing with – what is it accomplishing?

Energy Trust's revenues are escalating due to three main reasons:

1) Energy rates are going up. The public purpose charge is equal to 3% of utility bills, so as bills go up, the 3% also goes up.

2) Energy Trust began running programs for gas utilities (Northwest Natural in 2003 and Cascade Natural Gas in 2006).

3) In 2007, Senate Bill 838 was passed (ORS 757.689) to ensure that utilities capture all cost effective conservation through a designated energy efficiency tariff that is in addition to the 3% public purpose charge. This change caused Energy Trust revenues to jump. Utilities could now use Energy Trust to acquire more conservation at a lower price than building new power plants or buying energy on the market.

With additional revenues, Energy Trust is able to accomplish more. See attached files Energy Trust Accomplishments and Energy Trust Results for specifics.

Question 4 – Provide the management/review audits for 2005 and 2010. Is every five years adequate for the audits? Provide reports to the committee

Here is a link to the management review audit for 2010:
http://energytrust.org/library/reports/100201_Management_Review.pdf

Here's a link to the management review audit for 2005:
http://energytrust.org/library/reports/MgtAudRpt_Final_Full0.pdf

The Commission believes that given all the other checks and oversight in place, a management audit every five years is sufficient to identify areas of concern or areas that need improvement. Qualified financial audits are required every year.

Question 5 - How many people work for the ETO (Provide org chart, administrative costs, positions, salaries, contractors, consultants)
Energy Trust currently has 94.5 full-time equivalent (FTE) employees, 6 agency contractors and 2 interns. Please see the attached Energy Trust org chart. The attached file Energy Trust Compensation includes a summary of positions and salary information.

For 2012, Energy Trust issued 145 Form 1099's for non-employee compensation for people and businesses (not corporations) who earned more than $600 in 2012. In 2011 Energy Trust paid a total of 76 contractors more than $100,000. This is reported on the Annual Form 990 and is publicly available information. Information for 2012 has not yet been finalized. The Energy Trust works directly with or supports 2,400 energy businesses that provide direct services for customers.

Regarding administrative costs, based on the draft 2012 financial statements, administrative costs totaled $5.2 million. Of that, management and general accounted for $3.4 million; communications and marketing accounted for $1.8 million. Program support costs totaled $2.7 million. So for performance measure analysis, total administrative plus program support costs totaled $7.9 million or 5.4% of revenue in 2012.

Question 6 - Any records of memorials or constructive criticism, and examples
PUC Staff reviews and critiques Energy Trust's yearly budget and action plans. PUC Staff also constructively directs Energy Trust activities when performance measures are set. For example, see the attached file called 2012 Budget Letter for PUC Staff's critique and suggestions for Energy Trust's 2012 budget. In the letter, Staff indicates, among other things, that they cannot support one of the new positions being proposed.

Another example is Order Number 12-094:

http://apps.puc.state.or.us/orders/2012ords/12-094.pdf,

where the Commission amended Staff's recommendations relative to Energy Trust's performance measures in 2012, making them more stringent than what had been proposed.

In addition, there are multiple opportunities for stakeholders to provide feedback and critique on Energy Trust's policies and procedures. These include at Board meetings and advisory council meetings. Because of this collaborative process, most issues are worked out prior to needing direct intervention or disciplinary action by the Commission.

One instance where the Commission became involved was when Northwest Natural had a concern about Energy Trust incentives for home heating equipment. Northwest Natural was concerned incentives were promoting fuel switching. The concern was brought up in various forums in 2011 and early 2012. The issue could not be resolved through dialog between parties and so the Commission opened an investigatory docket (UM 1565) to evaluate the issue. The docket is currently in process with participation of Energy Trust, five utilities (2 gas and 3 electric), one customer group (CUB), and one trade association (Northwest Energy Coalition).

Governor's 10 Year Plan

1. How do you plan to support the Governor 10 year Energy plan?

The OPUC will support the Governor's 10-Year Plan concerning the following actions items. Additionally, Commissioners and Senior Staff are in frequent conversations with the Governor's Energy Policy Advisor.

Action Item: The state will analyze market barriers and work with stakeholders and the legislature to develop a new regulatory framework and financial mechanisms that allow for new consumer demand for energy to be me through energy efficiency and conservation.

- The PUC will continue to use the Integrated Resource Planning process to determine the maximum level of cost-effective energy efficiency and conservation in investor-owned utility service territories.
- The PUC will continue to develop a pilot program to test the effectiveness of Energy Efficiency PPAs as a tool for acquiring energy efficiency in large commercial buildings.
- The PUC will continue to monitor the implementation of EEAST legislation and evaluate the effectiveness of on-bill financing as a tool to acquiring cost-effective energy efficiency.

Action Item: Align the state's incentive programs to support meeting the state's energy generation goals. Through targeted investments not only will the state meet its energy goals, it will transform markets for existing and new technologies to help Oregon establish and fully realize a new resource mix that provides stable, reliable, and clean energy for Oregonians. In addition, the state will create a regulatory structure that removes market barriers and allows for investment in diversifying the state's future resource mix.

- The PUC will continue to use the Integrated Resource Planning process to identify resource actions for investor-owned utilities that will achieve the state's resource mix goals with the best combination of cost and risk for ratepayers.
- The PUC will continue to implement the Renewable Portfolio Standard for Oregon's investor-owned electric utilities.
- The PUC will continue to implement the Solar Capacity Standard for Oregon's investor-owned electric utilities.
- The PUC will continue to implement and test the Solar Feed-in Tariff Pilot Program for Oregon's investor-owned electric utilities.

- The PUC will continue to implement the net-metering in investor-owned utility service territories.
- The PUC will investigate new contracting and pricing structures for Qualifying Facilities that provide capacity and energy to Oregon's investor-owned electric utilities pursuant to the Public Utility Regulatory Policies Act of 1978.

Action Item: Through a statutory or administrative rule change the state will create a regulatory structure to allow right-sizing of transmission facilities while protecting ratepayers from bearing unnecessary financial burden.

- The PUC will continue to use the Integrated Resource Planning process to evaluate the long-run economics of right-sizing transmission facilities and to identify transmission facilities that meet future needs with the best combination of cost and risk for ratepayers.

Action Item: Based on successful programs elsewhere, Oregon should develop a comprehensive alternative fuel program that allows utility-ownership of refueling infrastructure and provides incentives, where appropriate, for vehicle conversions. Replacement vehicles include, but are not limited to, biodiesel, electric, CNG, propane and LNG vehicles for all vehicle types including heavy trucks and school buses. In promoting such conversions, the state will consider how smart grid technologies and practices could increase the value of the converted fleets to the overall energy infrastructure and grid operations. This process will inform the kind of regulatory framework and incentive structure that would be required to further accelerate the market of alternative fuel vehicles.

- The PUC has established criteria for investor-owned utility ownership of refueling infrastructure to promote vehicle conversions and will consider proposals for utility-ownership on a case-by-case basis.
- The PUC requires investor-owned electric utilities to file annual smart grid reports and will continue to consider how smart grid technologies and practices can increase the value of fleet conversion through better grid operations.

Intervenor Funding

ORS 757.072 allows energy utilities to enter into agreements for the financial assistance to organizations representing broad customer interests in Commission proceedings. The Commission must approve any agreement before any financial assistance is provided.

All energy utilities have entered intervenor funding agreements with three groups:

- Citizen's Utility Board (representing residential ratepayers);
- Industrial Customers of Northwest Utilities (ICNU) (representing industrial electric customers); and
- Northwest Industrial Gas Users (NWIGU) (representing industrial gas customers)

The agreements make monies available to these groups through three funds. First, there is a CUB fund that is available exclusively for use by CUB. Second, there is a Matching Fund that is available to either ICNU or NWIGU, depending upon whether the utility is an electric or natural gas utility. To qualify for a Matching Fund Grant, ICNU and NWIGU must demonstrate it has provided matching funds of its own. Third, there is an Issue Fund that is made available on a case-by-case basis. CUB, ICNU, and NWIGU are eligible to receive monies from the issue fund, as well as any other intervenor that is certified for that case as representing broad ratepayer interests.

The current funding levels for the various funds are as follows:

	PGE	PACIFICORP	NW NATURAL	CASCADE	AVISTA	IDAHO POWER
CUB Fund	$66,125	$66,125	$66,125	$34,500	$34,500	$30,000
Preauthorized Matching Fund	$66,125	$66,125	$66,125	$34,500	$34,500	
Issue Fund	143,750	$143,750	$66,125	$34,500	$34,500	$30,000

The Commission manages the intervenor funding process but does not actually receive or handle any of the monies. For matching fund grants, CUB, INCU, or NWIGU submits a request for payment along with supporting information. If the Commission approves the request, it orders the applicable utility to pay the intervenor directly and to allocate the expense to the rate class represented by the intervenor (residential or industrial). For issue fund grants, the intervenor submits a proposed budget to reserve funds then submits a request for payment at the end of the case with supporting information. Again, the Commission receives the request and will order the utility to directly pay the monies to the intervenor.

ARRA Funds

The broadband related projects dependent on ARRA funds are not completed. The NTIA's State Broadband Data and Development Grant Program (SBDD) provided an initial grant awarded December 20, 2009, and a Supplemental Grant award September

28, 2010. The four projects funded by the Grant are to be completed by December 19, 2014. The projects all relate to broadband and are:

1. Broadband Data Collection for mapping broadband service availability on the NTIA's national map and for forming the basis of Oregon's broadband service availability map. Started February 2010.

2. Application Usage and Development which provides software/hardware to counties for upgrades to their E-gov capabilities. Started July 2012.

3. Capacity Building which establishes a process to accelerate broadband adoption and utilization in communities that request participation. Started October 2011.

4. Technical Assistance which provides training and counseling to small business on strategic use of broadband and information technologies. Started July 2011.

Residential Service Protection Fund (Adequate and Affordable)

The 1987 Legislative Assembly through Section 2, chapter 290, Oregon Laws 1987 declared that it is the policy of this state to avail adequate and affordable residential telecommunication service to all citizens of this state. There is no definition of adequate and affordable in either Oregon statute or administrative rule. However, the Public Utility Commission established the following four (4) programs in response:

1. The Oregon Telephone Assistance Program (OTAP) is the state counterpart to the federal Lifeline program. The OTAP and Lifeline provide a combined subsidy of $12.75 to assist qualifying low-income Oregonians with their monthly phone bills. The state pays $3.50 and the Federal Communications Commission (FCC) picks up the remaining $9.25.

2. The Telecommunication Devices Access Program loans specialized telephone equipment to qualifying Oregonians who have a hearing, speech, vision, cognitive or mobility impairment.

3. The Oregon Telecommunications Relay Service is a telephone service that allows persons with hearing or speech disabilities to place and receive telephone calls in a manner that is functionally equivalent to the ability of an individual who does not have a hearing or speech disability.

4. The Emergency Medical Certificates protects a customer's local telephone service from disconnection if a qualified medical professional states it would significantly endanger the physical health of the customer or a member of the customer's household.

Residential Service Protection Fund (RSPF) and the State Library

The State Library's Newsline Service for the Blind, provides individuals who are blind or print disabled access to recorded news and information from newspapers and magazines. There were previously some discussions between the State Library and the OPUC as the State Library attempted sought funding from the RSPF for the Newsline Service the Blind in the past two biennia. Although the Newsline service is accessible by using a telephone or visiting a secure website, it does not appear to support the policy of affordable and adequate telecommunication residential service as required by existing Residential Service Protection law.

Oregon Universal Service Fund (OUSF)

In addition to wireline, OUSF are also distributed to wireless carriers.

Thank you,

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cc: Sen. Bill Hansell
Sen. Chip Shields
Rep. Caddy McKeown
Rep. Tobias Read