

# MEMO

**Date:** December 8, 2023  
**To:** Board of Directors  
**From:** Michael Colgrove, Executive Director  
**Subject:** Summary of Market Intelligence

This memo summarizes input and insights gleaned from customers, stakeholders and experts in 2023 and late 2022. Energy Trust sought and received input from the following groups, some of which were asked about market trends, customer and community needs, opportunities and strategic priorities for Energy Trust.

- Conservation Advisory Council (CAC)
- Diversity Advisory Council (DAC)
- Renewable Energy Advisory Council (RAC)
- Utilities
- Staff conversations with customers, partners and stakeholders
- Energy Trust's 2022 Customer Awareness and Participation Study<sup>1</sup>

Information about market conditions was also sourced from the Oregon Office of Economic Analysis' Oregon economic and Revenue Forecasts from March through September 2023<sup>2</sup>.

## What's happening in the market?

- **The Inflation Reduction Act is creating unprecedented funding opportunities.** The Federal Inflation Reduction Act, plus other federal legislation, will drive significant new opportunities in Oregon and Southwest Washington. But many of the details of how funds will be distributed are unknown, and there are challenges in figuring out how organizations should organize and partner to help this money flow through to the market and customers. This will require a lot of coordination and communication across organizations and agencies to be effective. (CAC, RAC, utilities)
  - *"There's so much potential. Everything is happening right at once and we don't want to miss out on the opportunity."* (RAC)
  - *"The biggest opportunity is around federal funding and figuring out how we work together to help customers access funds and services."* Avista
- **Portland Clean Energy Community Benefits Fund is a huge opportunity as well.** In Portland, there's a need for organizations to work together creatively to use the resources that are coming through PCEF. The Portland City Council just passed PCEF's Climate Investment Plan and implementation is expected to begin in 2024, which will create additional opportunities for collaboration. (CAC, RAC)
  - *"There are real huge major opportunities if we all work together and look at how to creatively use resources that are coming."* CAC member
- **The industry lacks capacity to keep up with the opportunities.** Labor shortage is a major issue for the energy efficiency industry, especially as new funding creates more opportunities. There is not enough capacity for community-based organizations and trade ally contractors to

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<sup>1</sup> [https://www.energytrust.org/wp-content/uploads/2023/04/Energy-Trust-of-Oregon\\_CAP-Study-Report-2022\\_Final-wSR.pdf](https://www.energytrust.org/wp-content/uploads/2023/04/Energy-Trust-of-Oregon_CAP-Study-Report-2022_Final-wSR.pdf)

<sup>2</sup> <https://www.oregon.gov/das/oea/Documents/forecast0923.pdf>,  
<https://www.oregon.gov/das/oea/Documents/forecast0523.pdf>,  
<https://www.oregon.gov/das/oea/Documents/forecast0323.pdf>

deliver new programs and opportunities. The challenge is not lack of funds, but rather how to distribute all the new funding to individuals. In addition, community action agencies are at capacity, especially because of a backlog of customers that accrued during the pandemic. (CAC, utilities, staff conversations)

- *“More funding is available but there’s not enough labor to keep up.” CAC member*
- **Communities lack expertise and bandwidth to capture new funding.** With new funds coming available, some communities lack the skills and time to take advantage of time-sensitive grant opportunities. Rural and tribal communities don’t have the capacity to apply for grants or incentives. Smaller cities and counties lack understanding of how to administer federal funds. All of these communities need help. (RAC, utilities)
  - *“We’re hearing from communities feeling like grant funding opportunities are flying right past them.” RAC member*
- **People need information and resources to make sense of new opportunities.** People are confused about all the funds and programs becoming available. Renters and people who are Latin and Indigenous, live in rural areas and experience lower incomes are less aware of Energy Trust’s programs. They need education and guidance through marketing and outreach that is culturally relevant and available in multiple languages. (DAC, utilities, Customer Awareness and Participation Study, staff conversations)
  - *“People are having a really tough time figuring out who to talk to, and organizations and agencies are having a hard time figuring out who to do a warm handoff to.” CAC member*
- **Costs are increasing for energy, goods, services and borrowing amid economic uncertainty.** Energy and equipment prices are increasing. People are shying away from borrowing money due to high interest rates. Small businesses are facing tighter cash flows or holding on to money because of uncertainty in the market. (RAC, utilities)
  - *“Interest rates have affected demand for solar installations.” RAC member*
  - *“Increasing costs of HVAC are driving people to repair rather than replace equipment.” NW Natural*
- **The economy remains uncertain.** The Oregon Office of Economic Analysis forecasts a soft landing to the recent inflationary boom. Remaining uncertainty means a recession cannot be ruled out in 2024, but easing inflation and a stabilizing labor market suggest any recession would likely be mild. The economy is expected to cool somewhat with the current high interest rates, but cooling inflation and a healthier labor market may allow the Federal Reserve to make cuts to the interest rate sooner in 2024 than previously expected. Some equipment prices are easing following pandemic-driven demand surges and overloaded supply chains. Housing affordability remains a risk to the economic forecast, but lower interest rates are expected to spur more construction of homes and buildings. Oregon maintains a strong labor market and high employment rates. (RAC, utilities, Oregon Office of Economic Analysis, staff conversations)
- **Affordability is a growing challenge.** Home prices and rents are rising faster than incomes. Amid rising costs of living, affordability is a significant concern for low- and moderate-income households. There are still many obstacles for these customers to participate in energy efficiency programs, such as upfront costs. Many of these customers can’t afford necessary home repairs, making deferred maintenance a barrier to participation. Reducing energy burden is a priority, and so is keeping rates as flat as possible. (CAC, DAC, utilities, Oregon Office of Economic Analysis, staff conversations)
  - *“Community Energy Project can’t serve 50% of homes with PCEF funding because the deferred maintenance is so bad.” CAC member*

- **Figuring out how to serve renters is an urgent problem that needs to be solved.** People who don't own their homes, including many Native American and Black people, aren't able to participate in clean energy programs and benefit directly from energy transformation. (CAC, DAC, staff conversations)
  - *"This is one of our biggest problems we talk about all the time, but nobody really knows how to solve it." CAC member*
- **People are more interested in clean energy.** Customers and communities are more aware of and interested in clean energy and climate change based on the weather events of recent years. An example: growth in residential solar projects was exponential in 2022. Some customers, including commercial and industrial businesses, are interested in electrification. (CAC, DAC, RAC, utilities, staff conversations)
  - *"People are interested in switching from liquid fuels to electricity due to cost and climate change." DAC member*
- **People and communities are using energy differently to stay safe and healthy during extreme weather and power outages.** Air conditioning is now a necessity to stay cool during heat waves and to breathe clean air during wildfire season. According to Energy Trust's 2022 Customer Awareness and Participation Study, 85% of households have some type of cooling. Rural customers experience frequent and prolonged electric outages, necessitating a backup energy source. Resilience is a priority for people and communities, and communities are seeking help with climate and energy planning. (DAC, utilities, Customer Awareness and Participation Study, staff conversations)
  - *"A lot of people in rural Eastern Oregon are switching to heat pumps but using alternative fuels as backup during outages, which may be needed 10-20 nights a year." DAC member*
- **Meeting greenhouse gas emissions reduction targets is a priority for the utilities.** Utility partners must meet ambitious emissions reduction targets set by the state. The utilities and the OPUC are relying on energy efficiency to help meet climate goals with minimal rate impacts on customers. While all utilities are focused on saving energy as a tool to reduce emissions, gas utility partners are interested in renewable natural gas, Energy Trust's hybrid HVAC pilot and the release of the first gas heat pumps expected in late 2023. Electric utility partners are interested in electrification and managing increased demand. Reducing peak demand is increasingly important. (RAC, utilities)
- **Partners and utilities are eager for more collaboration.** Utilities, community partners and community-based organizations want to deepen relationships with Energy Trust to build mutual understanding and trust. Utilities appreciate partnership on distribution system planning, clean energy planning and community outreach and see opportunity to increase and deepen this work over the coming year. (Utilities, staff conversations)
- **Policies continue to evolve and influence Energy Trust.** That includes policies at the federal, state and local level that could create additional opportunities and challenges. Some large commercial and industrial customers are postponing capital updates due to uncertainty around potential policies that could require electrification. (RAC, utilities, staff conversations)

#### **What should Energy Trust prioritize given these market factors?**

- **To meet growing opportunities and demand, Energy Trust could help develop new delivery partners.** With community-based organizations and community action agencies at

capacity, Energy Trust can identify and build capacity of new partners to distribute funds and deliver programs in underserved communities. (CAC)

- *“Energy Trust can help communities roll out energy programs so we don’t leave anyone behind in the energy transition.” CAC member*
- *“Energy Trust can expand beyond its traditional role and play a bigger part in building entities around the state that know the communities and can do this work.” CAC member*
- **Energy Trust could play a bigger role in convening partners.** Effective partnerships are essential to fully realize opportunities driven by new funding. As more community-based organizations get involved, they need education and relationships in the industry. We could play a bigger role in convening and educating them. The low-income solar working group is a successful example of how we’ve done this in the past. (CAC)
- **We could also support workforce development for contractors and delivery partners.** Workforce development and training is crucial to deliver on all the available new funding and ensure quality installations, especially in rural areas. Training is important not just for contractors (especially for BIPOC and women-owned companies) but also for community-based organizations that deliver services. Skill development is needed for contractors around HVAC, heat pump water heaters, weatherization, solar and battery storage, and it is also needed for energy assessors, electricians and roofers. There’s also an opportunity to help schools offer trade apprenticeships and information on energy careers. (CAC, DAC, staff conversations)
  - *“The market isn’t developed yet for the amount of money that’s coming in.” CAC member*
- **Energy Trust could help people navigate the increasingly complex array of funds and offers.** There’s no one place where people and organizations can go to figure out their options, and Energy Trust could be that place and help by providing resources and information. (CAC, DAC)
  - *“We need one place we can get information to relay to clients, business partners and customers.” DAC member*
  - *“There’s not a one-stop shop for questions.” DAC member*
- **We could braid multiple funding sources to help bridge gaps in funding for projects.** Energy Trust needs to be creative and find ways to bridge the gap for parts of a project that funding may not cover. Federal, state and other funds can be braided with Energy Trust incentives to minimize customer costs. (DAC, utilities)
- **We could do more to make programs accessible.** Reducing jargon and participation requirements will ensure more customers get access to clean energy. (CAC)
- **Prioritizing weatherization could maximize the value of other investments.** With so much funding on the way for HVAC upgrades, there could be an opportunity for Energy Trust to maximize the value of those investments by supporting weatherization and deferred maintenance. (CAC)
- **More work is needed to support equity- and resilience-focused outcomes for communities.** The connection between resilience and equity is an important consideration as resiliency provides an opportunity to connect people rather than focusing on individualized benefits. Energy Trust should prioritize resilience at a community level and support solar + storage incentives for low- and moderate-income houses. Additionally, more focus should be placed on the five-year goals of filling community solar carve-out capacity, increasing funding and participation in resiliency and renewables projects in low-income and underserved communities. (RAC)
  - *“Providing access to a resilience hub for every community is an important and reasonable long-term goal.” RAC member*

- **Utilities would like more help from Energy Trust to achieve their emissions reduction targets.** That could include targeting locations facing grid constraints and population growth and exploring new offers such as hybrid HVAC and new technologies for large industrial customers. (Utilities)

# MEMO

**Date:** December 8, 2023  
**To:** Board of Directors  
**From:** Michael Colgrove, Executive Director  
**Subject:** Budget Assumptions for Final Proposed 2024 Budget and 2024-2025 Action Plan

This memo provides an overview of the underlying assumptions that guided development of Energy Trust's Final Proposed 2024 Budget and 2024-2025 Action Plan.

Staff at the OPUC asked what it would take for Energy Trust to accelerate savings acquisitions by 2030 to help utilities meet their carbon goals and what the OPUC could do to enable that. Additional cost-effective energy efficiency will help utilities meet their greenhouse gas reduction targets at a lower cost while providing equitable benefits to customers and communities.

Oregon has established aggressive energy decarbonization goals for investor-owned utilities over the next three decades, including through the Climate Protection Program, which directs the natural gas utilities to reduce emissions 90% by 2050 and also through the 100% Clean Electricity Standard, which requires the electric investor-owned utilities to deliver 100% clean electricity to retail customers by 2040, starting with an 80% reduction in emissions by 2030.

Our electric utility partners are in the process of developing and finalizing Integrated Resource Plans (IRP) and Clean Energy Plans (CEP) describing how they will meet these carbon goals. Those proceedings (LC 80 and LC 82) occur at the same as the development of Energy Trust's 2024 Budget and 2024-2025 Action Plan. As a result of these processes occurring simultaneously, our response to accelerate savings is reflected in this budget but is ahead of typical process alignment with current utility IRPs.

While we're still determining exactly how much more electric efficiency we can achieve by 2030, our initial analysis indicates that more savings are available than what is currently represented in IRPs and that immediate additional investments and significant changes to programs and operations are needed to acquire those savings. These investments are needed to address key delivery bottlenecks in the market that hinder achievement of additional energy efficiency, regardless of the timeline for achieving them.

We have identified two major areas of need: 1) Investments to expand high-quality market delivery channels and 2) Improvements to program offers and approaches to broaden our reach equitably. Energy Trust has a long and successful history of investing in the delivery markets and in adapting program designs to meet customer needs cost effectively.

In the Final Proposed 2024 Budget and 2024-2025 Action Plan, we expand work to reach and serve people experiencing low to moderate incomes, customers living in rural areas, and customers who identify as Black, Indigenous and People of Color. While participation from large commercial and industrial customers is critical to achieving more savings, expanding our ability to serve customers who we have underserved will unlock significant sources of energy-savings that are currently stranded. We cannot achieve accelerated savings goals without participation from customers who face high barriers to participation. Serving these customers doesn't just result in more energy savings, it also relieves energy burden for those customers and ensures equitable distribution of benefits.

Serving these customers with high barriers to participation is also more expensive. It requires higher incentives to cover more or even all the costs of an upgrade, and it requires new delivery strategies like partnerships with community-based organizations, community outreach and more hands-on delivery models to serve these customers who may be reluctant to participate.

## Potential Changes to Policies and Processes

We worked with OPUC staff to identify current underlying policies and processes that shape how Energy Trust makes investments on behalf of utility ratepayers and potential changes that would enable us to invest in accelerated energy savings by 2030. Those potential changes include:

- **Updates to electric avoided costs** that reflect the true value that energy efficiency contributes to a reliable, decarbonized energy system
- **Different requirements for evaluating, tracking and reporting cost-effectiveness** at the portfolio rather than program level
- **New assumptions about complementary funding** for measures targeting customers experiencing low and moderate incomes
- **A new multi-year planning approach** that enables Energy Trust to develop strategies, make investments and realize benefits over multiple years instead of the current one-year time frame (with a second-year budget projection)

We performed a sensitivity analysis of the cost-effectiveness of the final proposed 2024 budget to test if these increased investments (in expanding market delivery channels and improving program offers and approaches) would challenge the cost-effectiveness of programs per our traditional approach to cost effectiveness. We also sought to understand how potential policy changes might enable these investments to be cost-effective.

This initial analysis will be revisited and updated in 2024 as we work closely with our utility partners on long-term planning for energy efficiency in support of their next IRPs. At that point, key assumptions addressed in this memo be updated as well.

**Based on this analysis, the following observations and decisions** were formed:

- **Energy Trust will continue to track and report cost-effectiveness at the program level** but will also evaluate the portfolio level cost-effectiveness to inform the assessment of value of the contribution of energy efficiency in total to the energy system.
- **Energy Trust plans to participate in future OPUC proceedings for implementation of HB 2475** legislation directed at reducing energy burden for priority customers.
- **Energy Trust will continue to coordinate closely with other organizations that are instrumental in administering complementary funds**, but we will not assume those funds are available in 2024 to co-fund savings. As the details about complementary funds become more clear, we will begin to reflect them in our future budgets. In 2024 and 2025, our investments in growing the capacity of the market to deliver more energy efficiency are critical to enabling Oregonians' access to those funds in 2025 and beyond.

**Additional assumptions underlying our budget include:**

- **Energy Trust used current avoided costs to develop our 2024 budget**, which are acknowledged to be out of date. Even with these current avoided costs, Energy Trust's budget is cost-effective at the portfolio level and for all programs except for Residential and Existing Buildings.
- **Energy Trust will adopt a multiyear planning approach** to meet the challenge of achieving Oregon's energy decarbonization goals by 2030.

The following describes our sensitivity analysis leading to the above decisions and observations on our final proposed 2024 budget.

## Cost-effectiveness Sensitivity Analysis

Staff assembled four independent scenarios to analyze a discrete change to a cost or benefit in the Benefit Cost Ratio (BCR) tests that would achieve individually cost-effective programs under either fuel: A baseline scenario of BCRs for the 2024 final proposed budget, BCRs for 2024 final proposed budget after electric avoided costs increase by 12%, BCRs for 2024 final proposed budget with low- and moderate-income customer deductions, and BCRs for 2024 final proposed budget after deducting an estimated amount of complementary funding.

The analysis used each program’s measure mix from 2022 to forecast 2024 avoided costs, incremental costs and non-energy benefits. In addition, we assumed that this measure mix is proportionally the same between the low- and moderate-income portfolio and program-wide portfolios for Residential and Existing Buildings programs.

### **Baseline: BCRs for 2024 Final Proposed Budget**

The analysis indicates that the combined portfolio for all programs is forecast to be cost-effective for electric and gas. Each program is forecast to be cost-effective with electric and gas combined for the Utility Cost Test (UCT) and Total Resource Cost Test (TRC). However, the electric portion of Residential program is not forecast to pass the UCT and TRC tests, and the electric portion of the Existing Buildings program is not forecast to pass the TRC test.

<b>2024 Final Proposed Budget</b>					<b>2024 Program Forecast</b>	
<b>Program</b>	<b>Forecast UCT Test (ELE)</b>	<b>Forecast UCT Test (GAS)</b>	<b>Forecast TRC Test (ELE)</b>	<b>Forecast TRC Test (GAS)</b>	<b>Combined Fuel UCT</b>	<b>Combined Fuel TRC</b>
Existing Buildings with MF	1.03	2.45	0.95	1.46	1.26	1.06
New Buildings	1.99	3.49			2.10	
Industry and Agriculture	1.92	2.60	2.32	3.35	1.99	2.41
Residential	0.89	2.40	0.95	2.45	1.34	1.37
<b>Total Portfolio</b>	<b>1.30</b>	<b>2.48</b>	<b>1.36</b>	<b>2.07</b>	<b>1.52</b>	<b>1.51</b>

### **Sensitivity 1: BCRs for 2024 Final Proposed Budget after Electric Avoided Costs Increase by 12%**

Avoided costs are the primary component of value in the numerator of both the UCT and TRC tests. Avoided costs represent the amount of money a utility would spend for the next increment of energy it would need to either produce or purchase if not for the reduction in demand due to energy efficiency savings.

Energy Trust and other stakeholders are anticipating that electric avoided costs will increase significantly to reflect recent outcomes of PGE and PacifiCorp Integrated Resource Planning processes. More specifically, the value of energy efficiency is expected to increase in relation to other options that the utilities have available to meet their resource needs.

Analysis of BCRs with various avoided costs indicates that electric avoided costs would have to increase by 12% for all programs to pass both the UCT and TRC tests individually for both electricity and gas.



### Resulting BCRs after 12% Increase in Electric Avoided Costs

Program	Forecast UCT Test (ELE)	Forecast UCT Test (GAS)	Forecast TRC Test (ELE)	Forecast TRC Test (GAS)	2024 Program Forecast	
					Combined Fuel UCT	Combined Fuel TRC
Existing Buildings with MF	1.15	2.45	1.05	1.46	1.37	1.14
New Buildings	2.23	3.49			2.33	
Industry and Agriculture	2.15	2.60	2.58	3.35	2.20	2.64
Residential	1.00	2.40	1.05	2.45	1.41	1.44
<b>Total Portfolio</b>	<b>1.46</b>	<b>2.48</b>	<b>1.51</b>	<b>2.07</b>	<b>1.65</b>	<b>1.62</b>

### Sensitivity 2: BCRs for 2024 Final Proposed Budget with Low- and moderate-income Customer Deductions

We estimated savings, delivery and incentive estimates for low- and moderate-income customers that could potentially be served in the future through House Bill 2475. Planning deducted these values from each program to quantify cost-effectiveness of the resulting market rate programs. Analysis indicates that deducting low- and moderate-income costs makes the Residential program cost-effective, but the Existing Buildings program still falls short of 1.0 on the TRC test.

### Resulting BCRs After Low- and Moderate-Income Customer Deductions

Program	Forecast UCT Test (ELE)	Forecast UCT Test (GAS)	Forecast TRC Test (ELE)	Forecast TRC Test (GAS)	2024 Program Forecast	
					Combined Fuel UCT	Combined Fuel TRC
Existing Buildings with MF	1.11	2.45	0.98	1.46	1.35	1.09
New Buildings	1.99	3.49			2.10	
Industry and Agriculture	1.92	2.60	2.32	3.35	1.99	2.41
Residential	1.28	2.40	1.11	2.45	1.76	1.59
<b>Total Portfolio</b>	<b>1.47</b>	<b>2.48</b>	<b>1.46</b>	<b>2.07</b>	<b>1.69</b>	<b>1.60</b>

### Sensitivity 3: BCRs for 2024 Final Proposed Budget after Deducting Complementary Funding

If Energy Trust receives complementary funding to achieve energy efficiency in 2024, it would impact the BCRs of programs and the portfolio. In this scenario, we estimated the potential complementary funding sources that could contribute to savings and calculated BCRs based on that complementary funding. Sourcing \$8.4 million of complementary funding allocated to electric savings would result in UCTs and TRCs above 1.0 for all programs for both fuels except for the Residential program, which would still fall short of the UCT for electric savings.

### Resulting BCRs After Deducting Complementary Funding

Program	Forecast UCT Test (ELE)	Forecast UCT Test (GAS)	Forecast TRC Test (ELE)	Forecast TRC Test (GAS)	2024 Program Forecast	
					Combined Fuel UCT	Combined Fuel TRC
Existing Buildings with MF	1.03	2.45	1.00	1.46	1.26	1.11
New Buildings	1.99	3.49			2.10	
Industry and Agriculture	1.92	2.60	2.32	3.35	1.99	2.41
Residential	0.89	2.40	1.00	2.45	1.34	1.42
<b>Total Portfolio</b>	<b>1.30</b>	<b>2.48</b>	<b>1.41</b>	<b>2.07</b>	<b>1.52</b>	<b>1.55</b>

## Complementary Funding

We believe that new funding for energy-related customer projects will begin to flow into the market beginning in late 2024, with significantly more in 2025, through the Inflation Reduction Act, Portland Clean Energy Benefits Fund, the DEQ's Climate Protection Program and other state and federal programs. We anticipate that most of this new funding will begin to enter the market in 2025.

We are proactively planning for the arrival of these funds, including by closely coordinating and collaborating with other agencies and organizations. The objective of our work with these outside entities is to bring this funding to customers in a way that maximizes energy savings for utilities. As the programs are developed and we better understand how they will interact with Energy Trust's existing programs, we will incorporate them into our planning.

These programs have other goals and are not optimized to deliver utility system benefits. While there is overlap with energy efficiency and renewable energy goals, not all of these funds will go toward energy efficiency and renewable energy upgrades. If they do, it is unclear to what extent the savings or renewable generation will be documented and reliable for utility planning purposes.

Energy Trust translates complementary funding into quantifiable energy savings and generation that utilities can plan on in their integrated resource plans. Our program standards, quality assurance, measure development, evaluation, marketing and reporting have been finely tuned over decades to deliver savings that are tracked, verified and counted toward utility IRPs. We work with community-based organizations to ensure savings from their efforts meet regulatory requirements for customer and utility system benefit. We do this by creating and maintaining market infrastructure like our Trade Ally Network, which is the backbone of the state's clean energy contractor infrastructure. We have been working for years to educate contractors, bring new contractors into our network and connect contractors with customers.

We are currently collaborating with other organizations on the following major funding programs:

### Oregon Department of Energy (ODOE)

- Points of collaboration:
  - Current Priorities (Nov 2023): Inflation Reduction Act Home Efficiency Rebates (HER), Home Electrification and Appliance Rebates (HEAR), Solar for All
  - Other: Home Energy Efficiency Contractor Training Grant, Energy Efficiency and Conservation Block Grant Program (EECBG), Climate Pollution Reduction Grant, Building Performance Standards program/incentives, community resilience hubs, one-stop shop, building energy codes grant, Infrastructure Investment and Jobs Act (IIJA) Grid Resilience and Grid Resilience and Innovation Partnerships (GRIP), ODOE Community Heat Pump Program, other existing ODOE programs
- How: Monthly coordination meetings, monthly strategic conversations, intensive collaboration on program design and planning for active applications of mutual interest, collaboration on community engagement and input gathering related to funding

### Portland Clean Energy Benefits Fund (PCEF)

- Points of collaboration: PCEF-funded projects and strategic programs focused on energy
- How: Regular coordination meetings, roundtable participation, direct collaboration on program design and market coordination for each strategic program area (coordination began in 2018), MOU under development

### Seeding Justice

- Points of collaboration: Climate Protection Program and Community Climate Investments (CCI) funding for energy projects
- How: expert input on proposal; deeper collaboration and coordination anticipated as Seeding Justice gets under contract as the CCI entity; MOU in place

### Craft3 and other Oregon and Washington stakeholders

- Points of collaboration: Greenhouse Gas Reduction Fund - Clean Communities Investment Accelerator (CCIA) and National Clean Investment Fund (NCIF) (green financing)
- How: regular collaboration meetings, sharing data and market expertise, convening and engaging stakeholders

### Oregon Department of Environmental Quality (DEQ)

- Points of collaboration: Climate Pollution Reduction Grant and development of Priority Climate Action Plan (also collaborating on this with METRO)

The following table shows complementary funding that Energy Trust is tracking and collaborating on with other agencies. This is not comprehensive and does not reflect all funding sources Energy Trust is engaged in.

Lead in Oregon	Funding	Status of Energy Trust Coordination	Possible In-Market*	Duration	In-Market Estimation								Sector	ASSUMPTIONS*	
					2023	2024	2025	2026	2027	2028	2029	2030			
ODOE	EPA Solar for All	Strategic partnership on application, MOA in place	Q3 2024	5 yr										Renewables (LMI Solar)	<b>Competitive</b> (Oregon has a very high chance of being awarded). \$130M over 5 years, 78% to financial assistance. <b>Award will be announced in March 2024.</b>
ODOE	Federal efficiency rebates (HER)	Active coordination and joint planning	Q4 2024 or Q1 2025	10 yr										Multifamily + Single Family	\$56M, statewide. At least 42% of rebates to low-income (<80% AMI) households, and 10% additionally to low-income multifamily households. Estimate around 80% of the funding will go to EE incentives. <b>ODOE aims to submit application for funding by Q1 2024.</b>
ODOE	Federal electrification and appliance rebates (HEAR)	Active coordination and joint planning	Q4 2024 or Q1 2025	10 yr										Multifamily + Single Family (LMI Only)	\$56M, statewide. LMI ONLY (<150% AMI). At least 42% of rebates to low-income (<80%AMI) households, and 10% additionally to low-income multifamily households. Estimate around 60% to EE incentives. <b>ODOE aims to submit application for funding by Q1 2024.</b>
PCEF	Single Family Strategic Program	Active coordination and joint planning; MOU in process	Q4 2024 or Q1 2025	5 yr										Single Family Residential (LMI)	\$140M over 5 years, PORTLAND ONLY. Estimate around 60% to EE incentives with some solar (funding will also support workforce, non-energy enabling upgrades and delivery/project management). <b>PCEF plans to issue RFP to procure administration team in Q1 2024 and complete contracting by Summer 2024.</b>
PCEF	Small Business Strategic Program	Active coordination and joint planning; MOU in process	Q1 2025	5 yr										Existing Buildings	\$25M over 5 years, PORTLAND ONLY. Estimate around 60% to energy incentives across the EE/RE program portfolio. <b>PCEF plans to issue RFP for administrator and other possible roles in 2024. In-market timing unknown.</b>
PCEF	Unregulated Multifamily Strategic Program	Active coordination and joint planning; MOU in process	Mid-2024	5 yr										Multifamily	\$50M over 5 years, PORTLAND ONLY. Estimate around 60% to EE incentives. <b>Piloted in 2024</b> with full program rolled out in 2025.
PCEF	Regulated Multifamily Affordable Strategic Program	Active coordination and co-funding; MOU in process	2023	5 yr										New Multifamily	\$60M over 5 years, PORTLAND ONLY. Estimate around 70% to EE incentives. Energy Trust is co-funding. <b>PHB began administering in 2023.</b>
Seeding Justice + DEQ	Climate Protection Program / CCI	Input and support; MOU in place	Q4 2025	11 yr										Mixed	<b>In-market timing highly speculative and subject to delay.</b> Funding very uncertain in early years (anywhere from \$5-\$40M). Once established, potentially \$100-150MM/yr. EE and RE expected to be a priority in early years when GHG impact is higher. Unknown what % will be for energy measures.
DEQ + Metro	Climate Pollution Reduction Implementation Grants	Active coordination and input	Q1 2025	5 yr										TBD - all sectors likely	<b>Competitive.</b> What will be eligible depends on what GHG activities the state includes in its Priority Climate Action Plan (PCAP), being developed by DEQ and Metro. Unknown funding amount between \$2-\$500MM. Unknown what % will be for energy measures. <b>PCAPs must be complete by March 1, 2024 with funding applications due April 1, 2024.</b>
Craft3	EPA National Green Financing (CCIA and NCIF)	Active coordination and joint planning	Q4 2025	10 yr										All sectors	\$20B+ funding <b>nationally</b> to capitalize green financing programs and products. Oregon community lenders and projects likely to benefit from around \$200-300M. This funding will be in the form of financing/loans for GHG-reducing projects -- NOT grants/incentives. Community lenders will need to stand up eligible financing products and obtain capitalization from national awardees. <b>Timing is highly uncertain and will depend on who is administering the funding at the national level and how engaged local/regional lenders are with the awardees.</b>
OHA	Healthy Homes Repair Fund	Task force participation and collaboration with community partners	Q4 2024	3 yr										Multi + Single-Family Residential (Low-income/EI)	\$10M program statewide. OHA will competitively award funding to up to 40 grantees that will provide financial assistance to eligible homeowners and landlords to make energy upgrades and repairs needed to maintain safe and healthy homes. <b>Funding expected to be awarded to grantees in Summer 2024, with in-market timing at some point thereafter.</b>
ODOE	Commercial BPS voluntary compliance	Pending	Q1/2 2025	5 yr										Existing Buildings w/ MF	\$10M incentive program, assumes 75% to incentives. <b>ODOE will begin designing this program in Q4 2024.</b>

## **Multiyear Budget and Action Planning**

Part of our strategy to accelerate and expand energy savings by 2030 is to shift to multiyear budgeting and planning.

Our annual planning process is not well suited to a sustained focus on making a larger impact over the long-term. The first multiyear plan will support Oregon achieving energy decarbonization goals by 2030 and will underpin Energy Trust's business planning, staffing strategy, financial planning and budget development.

Shifting to multiyear planning enables Energy Trust to establish goals, develop strategies, adjust to changing market conditions, make investments and realize benefits over multiple years. Work to design a new process and develop a multiyear plan is underway. Stakeholders will be engaged during all phases of multiyear plan development.

# MEMO

**Date:** December 8, 2023  
**To:** Board of Directors  
**From:** Michael Colgrove, Executive Director  
**Subject:** New Delivery Approaches to Accelerate Energy Savings in the Final Proposed 2024 Budget and 2024-2025 Action Plan

To expand and accelerate savings by 2030 and reach customers we have not yet served, Energy Trust proposes to invest in 2024 and 2025 in the capabilities, staffing and market support needed to deliver more savings in future years. We believe these investments will also maximize the impact of significant, new complementary funding expected to enter the market in 2025 (such as Inflation Reduction Act rebates and the Portland Clean Energy Communities Benefits Fund), ensuring that those funding sources result in measurable value to our utility systems as soon as possible.

Energy Trust's 2024 Budget and 2024-2025 Budget and Action Plan addresses key delivery bottlenecks by investing in increasing customer incentives and building out new approaches and delivery channels that will achieve savings and support the market from 2026-2030.

New approaches and delivery channels will be applied to multiple aspects of our work including: our network of contractors, cultivation of community-based delivery partners, measure development, program design, quality assurance and evaluation to validate the effectiveness of those offers, outreach, customer service, marketing and consumer education. All of these must grow and evolve to achieve savings as we seek to serve new customers, go deeper with returning customers, and enable the application of future funding from federal, state and local sources in ways that translate into reliable renewable generation, energy savings and flexible loads for utilities.

Energy Trust has played a key role in market creation and infrastructure development from our early days of operation, and this increased investment is a natural evolution of our work in response to state objectives that will provide benefits for all customers. We are proposing to increase funding in these areas to help fill critical gaps that are not currently being addressed and in ways that support and leverage the work of others. This portfolio of work is cost effective, meaning the benefits outweigh the proposed expenditures.

This memo provides examples of some of these delivery costs and associated objectives in 2024 and 2025; it does not include incentive costs. This memo represents a mix of new and expanded activities. Costs cited represent total proposed expenditures in 2024 and 2025 rather than incremental investments. The costs will appear in various expense categories including program delivery and other professional services.

## **Investments to develop and expand the Trade Ally Network**

Budget impact: \$2.6 million in 2024, \$2.8 million in 2025

Energy Trust's Trade Ally Network is the backbone of the state's clean energy contractor infrastructure. We have been working for years in communities around the state to educate contractors, bring new contractors into our network and connect contractors with customers. Trade ally development activities include training and development for existing trade ally contractors to increase participation and number of projects completed, diversifying the Trade Ally Network and ensuring high quality standards for energy efficiency projects. Working with more contractors in rural areas and those that are women- and minority-owned will help us reach segments of the market we have not yet served.

To expand and accelerate savings, we believe Energy Trust must grow our network of trade allies delivering clean energy projects that result in energy savings. At present, Energy Trust has roughly 1,000 active trade allies whose projects deliver 25-30% of Energy Trust's energy savings each year. Early estimates suggest an additional 300 to 600 active trade allies would be needed to substantially increase energy savings by 2030.

The following are examples of specific investments in 2024.

#### Contractor Development Pathway

Launched in 2022 for Existing Buildings trade ally contractors, Energy Trust's Contractor Development Pathway helps contractors in the Trade Ally Network that are Black-owned, Indigenous-owned, person of color-owned, women-owned and/or Certification Office for Business Inclusion and Diversity (COBID) certified firms and those located in rural communities grow their businesses and complete more energy efficiency projects. Participants receive training workshops, individual business support services and a network of support.

In 2024, we will launch the Contractor Development Pathway for Residential and Production Efficiency trade ally contractors.

#### Contractor Mentorship Pathway

In 2023, we launched our Contractor Mentorship Pathway for Residential and Existing Buildings trade allies. In 2024, we will add another cohort of mentors and mentees, and new trade ally contractors will be matched with experienced ones to receive support to build capacity in their businesses.

#### Small Business Resource Network

We will continue to support and grow our Small Business Resource Network to provide trade allies with access to services needed to help them grow their businesses. Consultation services are available for financial, accounting consulting and tax preparation services; project estimating; website design and support; and marketing consultation and development.

#### LatinoBuilt partnership

We will expand our partnership with the nonprofit LatinoBuilt to support training and development for its member contractors and develop a LatinoBuilt Community Partner Funding offer for 2025. Expected results include additional Latino-owned contractor businesses that can install energy efficiency measures, enroll in the Trade Ally Network and complete projects. We are also providing funding for 4-6 members to take a sustainable homes development course.

#### Expansion of trainings

We will develop and deliver trainings and coordinate with other training delivery entities (Portland Clean Energy Community Benefits Fund (PCEF), Bonneville Power Administration's (BPA) Comfort Ready Homes, Earth Advantage, Oregon Training Institute/Community Action Partnership of Oregon, Oregon Department of Energy (ODOE), manufacturers and distributors) to support trade ally contractors and Community Partner Funding community-based organization participants develop competency and skills in residential building science and HVAC concepts. Specifically, activities will be focused on developing and creating more opportunities throughout the state for more robust technical trainings focused on measures that are critical to achieving accelerated savings. The newer efforts focused on trainings will closely align with enhanced quality assurance activities (such as monitoring for refrigerant leaks, assessing duct treatment potential, supporting

higher inspection rates for increased incentive levels) that coincides with working directly with contractors on staff training plans to support optimal installation practices.

Examples of planned training development and delivery activities for residential trade allies and community partners include:

- Heat pump demonstrations that help fast track growth for junior technicians, including heat pump commissioning tools, installation training, ductless heat pump refrigerant charge testing and promotion of extended capacity heat pump requirements (especially in areas with lower customer participation and higher use of bulk fuels)
- On-site demonstrations of proper insulation installation techniques and props in collaboration with BPA's Comfort Ready Homes program
- Heat pump water heater installation and site screening training and field shadowing for current and prospective heat pump water heater installers
- Duct sealing trainings that were previously provided by BPA's Performance Tested Comfort Systems program, primarily to support manufactured home free service contractors
- Outreach and education training specific to 2023 residential energy code requirements (for EPS trade allies)

### **Investments in workforce development**

Budget impact: \$2.0 million in 2024, \$2.2 million in 2025

Investments in workforce development help build a pipeline of qualified contractors, home energy auditors, tradespeople, designers, architects and other field staff who can scope, identify and install clean energy upgrades. There is a continued labor shortage of contractors, tradespeople and auditors skilled and interested in energy efficiency and renewable energy, and growing the number of qualified contractors who can complete projects is critical to accelerating energy savings. In 2024, Energy Trust will continue to support clean energy workforce development, and the following are some examples of specific initiatives:

#### Workforce development training centers

Energy Trust plans to partner with the nonprofit National Association of Minority Contractors to secure, operate and provide trainings for a job training facility in Gresham. The center will be a resource for current and potential contractors in the Portland Metro area to learn how to install energy-efficient upgrades and complete energy efficiency projects. In addition, we will explore opportunities for and potentially support additional training centers in outside of the Portland metro area.

#### Clean energy education with licensed pre-apprenticeship programs

In collaboration with organizations like Earth Advantage and Oregon Solar Energy Education Fund, we will increase investments in clean energy training modules that can be incorporated into existing trainings delivered by licensed pre-apprenticeship programs like Constructing Hope and Oregon Tradeswomen with the goal of expanding the training to pre-apprentice programs across the state.

#### Youth energy assessments

Energy Trust plans to partner with a youth-focused community-based organization to offer trainings to youth who are Black, Indigenous, and/or persons of color (BIPOC). Participants will receive trainings to do energy assessments in commercial buildings. The effort aims to build a pipeline of new staff for future Existing Buildings staff and contract roles.



## **Investments in partnerships with community-based organizations**

Budget impact: \$4.6 million in 2024, \$6.0 million in 2025

To increase participation of customers we have underserved, we need to reach and serve them through partners that they know and trust. Energy Trust invests in partnerships with community-based organizations who can provide insight into their communities, act as clean energy ambassadors and deliver targeted offers and incentives.

### Community Partner Funding

Through Community Partner Funding launched in 2020, community-based organizations deliver incentives to the communities they serve for installing energy-efficient upgrades, including customers experiencing low incomes, customers of color and customers in rural areas. These community-based organizations understand their community's needs and act as a trusted connector between Energy Trust and the customer. Building trust and relationships are long-term efforts that take multiple years to pay off in customer engagement and savings.

Since many of these partner community-based organizations weren't previously involved in clean energy, Energy Trust offers technical advice, contractor connections and support and training to community-based organizations to build their capacity to be active in this space.

In 2022, 16 community-based organizations participated in Community Partner funding and delivered nearly \$1 million in incentives. That number has grown to 24 community-based organizations in 2023. We expect the volume of projects and incentives delivered to grow over time.

In 2024 and 2025, we will expand the Community Partner Funding offer and increase support for and the number of participating community-based organizations. This includes increasing investments in partner organizations by establishing direct funding agreements; providing more technical training; improving and streamlining recruiting, onboarding, and support resources; actively facilitating networking across organizations; and supporting referrals across organizations. We are also increasing our investments in offers that can be delivered at no cost to the participant.

In addition, Energy Trust has increased contracts with two community-based organization partners, Wallowa Resources and Lake County Resources Initiative, to support their capacity development, administration and project support for clean energy projects, including new no-cost offers for customers experiencing energy burdens. In particular, Lake County Resources Initiative will expand its focus to provide in-home energy assessments and deliver offers to residents of Klamath County in 2024.

### Solar Ambassadors

Following a successful pilot in 2023, Energy Trust will re-launch and expand Solar Ambassadors in 2024 with a new cohort of community-based organizations doing outreach in their communities. The 2023 pilot was in part funded by a U.S. Department of Energy program that helps communities develop transformative ways of adopting solar energy.

In 2024, Energy Trust plans to work with 7-12 community-based organizations to make solar more accessible to Black, Indigenous, Latino, Asian American and Pacific Islander communities. Representatives from these organizations serve as educators and develop new strategies to bring the benefits of solar energy to communities of color. Energy Trust will provide training and education for participating community-based organizations, which will in turn recruit and train members of the community to serve as ambassadors in the

field who will talk to friends, relatives and neighbors about the steps to going solar. These organizations have also indicated an interest in better understanding energy efficiency and how to bring benefits of conservation to their communities.

### Working Together Grants

We will continue Working Together Grants, a competitive funding opportunity to help nonprofit organizations reach and serve their customers and communities with clean energy solutions. With these grants, Energy Trust seeks to extend the benefits of energy efficiency and clean, renewable energy to more customers and create awareness for our programs and services. In 2024, we plan to support implementation of 12 grants funded in November 2023 and offer \$80,000 in additional support for nonprofit organizations and to determine how we will sustain this offer in the future.

## **Investments in community engagement and support**

Budget impact: \$3 million in 2024, \$3.3 million in 2025

To grow awareness and participation, Energy Trust needs to build trust and demonstrate engagement in the communities we serve – especially in rural communities. We also need to increase coordination with communities to support creating and implementing community-specific energy, sustainability and resiliency plans while helping identify energy efficiency and renewable energy opportunities within those plans.

In 2024, with additional capacity on Energy Trust's outreach and program teams, we will deepen our relationships with community-based organizations (specifically with tribes, organizations in rural communities, and those serving communities of color) and expand benefits to those communities served through greater access and participation in programs and services. In collaboration with partners, we will identify communities for targeted outreach and create forums for gathering input to inform program design and delivery, and deepen our understanding of each community's needs, resources and expertise. Guided by an outreach plan developed by Energy Trust's Tribal Working Group, we will increase awareness of our programs and services in tribal communities through marketing, communications, advertising and events.

## **Investments in program design changes**

### No-cost, whole home retrofit services

In 2024, Energy Trust will develop a new no-cost, whole home retrofit service for priority customers (customers with low and moderate incomes, customers of color, rural customers) in geographic areas that are not currently served through Community Partner Funding community-based organizations. Through this offer, Energy Trust will support work directly with customers to conduct home assessments, develop project scopes, manage and deliver upgrades, and verify completions. Projects may also address deferred maintenance issues that are a prerequisite to installing efficiency upgrades, and we will refer customers that qualify for other energy services to other agencies and organizations. The goal is to serve a goal of 175 homes with 280 distinct no-cost heat pump water heaters, heat pumps and insulation through a network of subcontracted trade allies.

# MEMO

**Date:** December 8, 2023  
**To:** Board of Directors  
**From:** Michael Colgrove, Executive Director  
**Subject:** Staffing for 2024 Budget and 2024-2025 Action Plan

This memo describes a multiyear staffing plan to support the 2024 Budget and 2024-2025 Action Plan.

## Background

This staffing plan enables Energy Trust to deliver energy efficiency and renewable energy customer services to acquire savings identified in utility integrated resource plans and reach priority customers that we have not yet served. It also lays the foundation for Energy Trust to accelerate energy efficiency acquisition to support utilities in meeting their state-mandated decarbonization goals.

Oregon Public Utility Commission (OPUC) staff have asked how much energy efficiency resource Energy Trust can achieve through 2030, how we would achieve it, and what Energy Trust needs from the OPUC to accomplish maximum energy efficiency savings and serve customers who have been historically underserved and those with high energy burden. Achieving energy efficiency will require delivering forecasted energy savings for the years after 2030 earlier than planned, effectively accelerating them into the next six years, and removing market barriers and offering the most compelling incentives and services to spur customer action. To serve customers Energy Trust has historically underserved and those with high energy burden will require investments in new and expanded delivery partnerships, new offers and services, additional outreach and community engagement, and recruitment and training of more trade ally contractors.

To achieve these objectives, the Final Proposed 2024 Budget and 2024-2025 Action Plan increases total staffing costs for 2024 by 11% and for 2025 by an additional 21% when compared to the 2024 budget projection in the Approved 2023 Budget and 2023-2024 Action Plan.

## 2024 Staffing Planning

Energy Trust's approach to savings acquisition is changing in response to a dynamic and more complex environment with new state policy objectives, including equity and decarbonization. To acquire and accelerate future savings, Energy Trust will need to increase staffing to support three critical components of its work: energy programs design and management, outreach and community engagement, and internal systems and support functions to effectively respond to program and organizational priorities.

- 1) **Energy programs design and management.** Energy Trust will redesign existing programs and offers, develop new programs and offers, expand partnerships with utilities and community-based organizations, and increase investments in market infrastructure to ensure a robust trade ally network and service providers are able to serve customers in all regions. We must also support more engagement with communities we have not reached effectively in the past so we can design programs and approaches that are compelling and effective.
- 2) **Outreach and community engagement.** Additional resources dedicated to outreach and engagement will allow Energy Trust to respond effectively to communities and customers by working with community-based organizations, local governments, chambers, main street associations, contractors and others who can help Energy Trust reach and serve customers. OPUC equity metrics and emerging program approaches are driving more locally responsive initiatives and increased need

for outreach and community engagement to ensure savings opportunities align with community objectives in ways that interest customers and deliver cost-effective projects. This is especially needed in areas where there are currently no, or an insufficient amount of, dedicated outreach staff representing the portfolio of Energy Trust offers and supporting community engagement efforts. To ensure full coverage of all service areas, additional Energy Trust outreach staff are needed in Southern Oregon Central Oregon, Willamette Valley, Coastal communities and for serving tribes and municipalities statewide.

- 3) **Internal systems and support functions.** Scaling up Energy Trust’s programs and outreach activities will require commensurate support in human resources, finance, legal, communications and other administrative and program support functions. Energy Trust information systems and data, many of which are legacy and were designed for a smaller-scale organization, will also need to be modernized in a methodical way.

### Total Staffing Costs and Cost Drivers for the 2024 Budget

In the final proposed 2024 budget, total staffing costs across all major funding sources represent 8.81% of total costs. The increase in staffing costs across all major funding sources from 2023 to 2024 is 25%, while the increase in total expenditures from 2023 to 2024 is 35%. Energy Trust engaged the OPUC and utility partners to discuss the staffing plan and associated costs as part of the budget development process.

Energy Trust’s two largest funding sources are: Oregon ratepayers under the OPUC grant agreement and Washington programs funded by NW Natural under oversight by the Washington Utilities and Transportation Commission. Additional funding comes from smaller contracts and grants for design and implementation services and other activities related to our core focus, all of which support clean energy solutions for the benefit of customers. The following table provides a breakout of staffing costs by major funding source. Staff costs in administrative and other shared services have been allocated across funding sources.

### Staffing Costs by Major Funding Sources

Program	2021 Actual	2022 Actual	2023 Budget	2024 Budget	2025 Budget
OPUC Programs	\$ 15,265,717	\$ 16,926,312	\$ 20,058,105	\$ 25,495,474	\$ 30,146,492
NWN Washington	\$ 392,518	\$ 427,319	\$ 464,143	\$ 540,814	\$ 634,836
Contracts/Grants	\$ 280,276	\$ 464,284	\$ 813,327	\$ 791,517	\$ 834,709
Development	\$ 13,577	\$ 20,574	\$ 226,431	\$ 38,515	\$ 40,163
Gas Transport	\$ -	\$ -	\$ 25,617	\$ 69,563	\$ 314,704
<b>Total</b>	<b>\$ 15,952,088</b>	<b>\$ 17,838,489</b>	<b>\$ 21,587,623</b>	<b>\$ 26,935,883</b>	<b>\$ 31,970,904</b>

### Healthcare Costs

Healthcare benefits remain the most significant cost driver in Energy Trust’s benefit package. Energy Trust has agreed to a rate reduction of 8% in medical premiums for 2024. Considering the renewal rates across all employee benefits for 2024, the cost of providing benefits per employee will decrease in 2024. This rate reduction was received from the provider after the draft budget was complete and represents a large portion of the reduction in staffing costs in the final proposed budget.

### Staff Compensation

Energy Trust reserves a pool of funds in our annual budget for performance-based compensation adjustments, promotions, adjusting range placement, ensuring pay equity and to align with the market as needed. The final proposed 2024 staffing budget includes a pool of funds equivalent to 5% of employee

salaries for these types of adjustments. This will allow for possible promotions, merit and modest compensation increases needed to compete with a competitive labor market and to accommodate other pay adjustments, if needed, to ensure pay equity compliance.

Energy Trust will also be conducting our regular market compensation study in 2024 to evaluate Energy Trust’s current compensation structure and salary ranges against market rates. The market study conducted in 2022, and coinciding salary adjustments, were successful and decreased Energy Trust’s turnover across the organization. However, there’s an ongoing need to identify key areas in the organization where attracting and retaining talent remains an ongoing challenge and further market adjustments to salaries may be required. Energy Trust will use staffing funds available through attrition to make the necessary adjustments to align internal salaries with their respective external value on the market as needed.

**New Staff**

Energy Trust is proposing 36.5 new staff positions in 2024 and 18.75 additional positions in 2025. This is an increase of 4.5 FTE compared to the draft budget. Since the draft budget, Energy Trust refined its understanding of the number of staff and roles needed to perform work and achieve goals in 2024. In the table below, the additional FTE are included under the “acceleration” focus area and the “acceleration support” focus area.

The 2025 projection may be adjusted through 2025 business planning and re-prioritization. All proposed positions will help acquire additional savings, especially in areas where customers have been underserved. In the table below, the positions are grouped and described according to how they will support the organization’s ability to absorb new priorities of interest to the OPUC, utilities and the communities and customers we serve.

**Proposed New FTE by Focus Area**

This table shows additional staff positions for 2024 compared to the *projected* number of FTE Energy Trust will have at the end of 2023. The “Employee Cost Drivers by Year” table below compares final proposed budget information for 2024 and 2025 to the approved 2023 budget.

Focus Area	Staffing Allocation		Description
	2024	2025	
Acceleration: Planning, program design, management, marketing and evaluation	16 FTE	9 FTE	These positions enable Energy Trust to design, market and deliver innovative program designs rooted in customer and community needs. These programs target existing, new and historically underserved customers across all sectors for acceleration of energy efficiency and advancing renewable energy to support policy objectives. They provide engineering for measure development, design and evaluation of customized pilots and customer offers to address utility distribution system priorities. These resources also enable Energy Trust to leverage and maximize new funding sources becoming available to customers from federal, state and local climate initiatives so that utilities can rely on additional energy savings to accomplish their decarbonization and integrated resource planning goals. Program operations roles provide broad support for data

			management, targeting and reporting across all programs.
Acceleration Support: Community Outreach and Engagement	4 FTE	4 FTE	These positions support savings acquisition over time by expanding outreach work to more service area regions, creating broad awareness and access to program information for customers and community entities, particularly those we have not engaged. These positions provide connections leading to program delivery opportunities, connect tribal entities to Energy Trust programs, coordinate with workforce entities to strengthen the trade worker pipeline for program delivery, and support trade ally recruitment and diversification efforts. They support performance toward OPUC Equity Metrics and ensure stakeholder engagement in the organization’s planning and budgeting processes.
Acceleration Support: Organizational and Systems Enhancements	16.5 FTE	5.75 FTE	These positions build the human, systems and process infrastructure required to deliver on key priorities in Energy Trust’s rapidly changing and growing organization. These positions increase capacity to focus on strategic initiatives, support contract development and RFP processes, invest in the cultural competency development of staff, and provide project management support to key initiatives and implementation of automated workflows through the people management platform. All resources support and accelerate program acquisition over time.
<b>TOTAL</b>	36.5 FTE	18.75 FTE	

**Staffing Costs Detail by Year**

The following table provides employee cost drivers in the preceding three years and final proposed budget levels for 2024 and 2025, for the total company. It also details costs specific to the OPUC grant and the OPUC staffing cost performance measure. In 2023 Energy Trust introduced the use of a “vacancy factor” in staff planning and budgeting to account for staff turnover. This factor utilized Energy Trust’s historical experience as estimates for turnover rate and time to hire. Energy Trust will reevaluate this factor in 2024 to determine what adjustments, if any, are needed.

## Employee Cost Drivers by Year

	2021	2022	2023	2024	2025
	Actual	Actual	Approved Budget	Final Budget	Final Budget
<b>Total Company Employee Cost</b>	\$ 15,952,088	\$ 17,838,489	\$ 21,587,623	\$ 26,935,883	\$ 31,970,904
<b>Drivers:</b>					
Employee count (FTE)	115.5	136.3	146	180.8	200.55
Interns (FTE)	3	2	0	0.5	0.5
RAY fellows (FTE)	2	1	1	2	1
Compensation adjustment pool	3.00%	5.20%	5.00%	5.00%	5.00%
Benefits rate increase	20.00%	8.00%	2.00%	5.00%	5.00%
Total Employee Cost % of Total Organizational Expenses	8.68%	9.79%	9.55%	8.81%	9.70%
<b>Oregon PUC Grant Funded Employee Cost and Performance Measures</b>					
Employee Cost	\$ 15,265,717	\$ 16,926,312	\$ 20,058,105	\$ 25,495,474	\$ 30,146,492
Year over Year \$ Change	\$ 476,779	\$ 1,660,595	\$ 3,131,793	\$ 5,437,368	\$ 4,651,019
Year over Year % Change	3.22%	10.88%	18.50%	27.11%	18.24%
PUC Employee Cost % of Total PUC Expenses	8.47%	9.51%	9.13%	8.53%	9.41%
Maximum % Increase Allowed by Performance Measure	9.00%	9.00%	Waived	TBD	TBD
Maximum \$ Increase Allowed by Performance Measure	\$ 1,331,004	\$ 1,373,915	Waived	TBD	TBD

## Market Comparisons and Cost Analysis

For 2023, OPUC Staff proposed, and the commission adopted, a waiver for the staffing cost performance measure applied to Energy Trust in prior years. Staff's rationale, as noted in Order No. 23-082, was "that additional investments are necessary if Energy Trust is to expand capabilities in targeting peaks and helping utilities meet state-mandated decarbonization goals. Further, staff would like Energy Trust to have the flexibility and capability to expand services if there is increased demand for energy efficiency, particularly in the form of outreach to environmental justice communities. The staffing performance measure should not be a deterrent to Energy Trust adapting to serve customer needs at a time when the value of energy efficiency is increasing."

As noted elsewhere in this budget and action plan, Energy Trust is seeing that the demand for, and value of, energy efficiency is increasing. As such we are again planning for significant increases in staffing costs compared to prior years to deliver additional savings in future years. During development of our final proposed 2024 budget, we constructed models to contextualize the staffing trajectory within the projected total cost structure of Energy Trust. This assessment compared Energy Trust's ratio of staff cost to total cost to peer organizations in the region and nationally. This exercise showed Energy Trust's proposal is well within a reasonable range, especially when considering differences in business model and use of contractors.

Our analysis also revealed a decrease in the ratio of staffing costs to total cost as we make the necessary investments in 2024 to accelerate savings in future years and reach historically underserved customers with a high energy burden. This may be an indication that we have not yet identified all staff resources needed for Energy Trust to sustain acceleration through to 2030 and adapt our business model to meet the needs of a changing marketplace. This is particularly true for federal grants and other complementary sources of funding.

It's clear that staffing will remain an ongoing area for Energy Trust to actively monitor and adjust. We will reevaluate our staffing needs for 2025 and 2026 as we progress through budgeting cycles and shift resourcing to new priorities through the business planning processes. Planning for staff resources related to new funding sources will not be firmed until it is clear we are going to receive a grant or new contract. Additionally, as we develop an infrastructure for multiyear planning, we will consider what benchmark we set for sustainable staffing levels, which will in turn inform our detailed staffing planning in coming years.

# MEMO

**Date:** December 8, 2023  
**To:** Board of Directors  
**From:** Michael Colgrove, Executive Director  
**Subject:** Program Delivery Efficiency and Administrative Costs for Final Proposed 2024 Budget and 2024-2025 Action Plan

Historically, the Oregon Public Utility Commission (OPUC) has set its annual program delivery efficiency performance measure for Energy Trust at a maximum threshold for administrative and program support costs, as a percentage of revenues, in Energy Trust's budget. While administrative costs are a standard reporting metric for nonprofit entities per generally accepted accounting principles, "program support costs" is a concept that has been unique to Energy Trust's reporting to the OPUC. Administrative costs include management and general costs and general marketing, communications, outreach and policy services costs. Program support costs include the program share of office space and equipment, IT services and general expenditures by programs such as travel, conferences and materials.

In Order No. 22-360, the OPUC waived the program delivery efficiency performance measure for 2022. That Order noted that the performance measure's use of actual year-over-year spending, versus budgeted, created "an unnecessary pause in needed hirings related to administrative work and other spending that could positively impact Energy Trust's operations, such as in the critical areas of Information Technology and Planning & Evaluation." In Order No. 23-082, the OPUC adopted staff's recommendation that the program delivery efficiency performance measure be waived for 2023. In their report, staff noted that "staff would like Energy Trust to have the flexibility and capability to expand services if there is increased demand for energy efficiency, whether that is because of a change in consumer demand or changes in utility needs to meet clean energy goals. The administrative cost performance measure should not be a deterrent to Energy Trust adapting to serve customer needs at a time when the value of energy efficiency is increasing."

As noted elsewhere in this budget and action plan, Energy Trust does indeed find itself in a moment where the demand for, and value of, energy efficiency is increasing. As such we are again planning for significant increases in administrative costs compared to prior years. During development of our 2024 budget, we considered the lens through which we evaluate our program delivery efficiency and arrived at two conclusions:

1. Use of the standard administrative cost metric, consistent with generally accepted accounting principles, enables the most transparent reporting and comparison to peer entities and should be adopted.
2. Administrative costs should be compared to total costs as opposed to revenues. Revenues will fluctuate according to reserve requirements, whereas total costs are indicative of total program delivery.

In their recommendation memo to the Commission dated October 25, 2023, OPUC staff agreed with the approach outlined above. Staff noted "In this year's budget, Energy Trust proposes to change how administrative cost performance is evaluated. The historical comparison to revenues can mask that Energy Trust varies how much is requested of utilities based upon the size of each utility's reserve account. Instead, Energy Trust proposes evaluating administrative cost performance against expenditures. Energy Trust notes that administrative expense as a percent of total cost is a common way in which non-profits are evaluated and allows Energy Trust to be benchmarked against peers. Staff supports this change and will address the



topic in Docket No. UM 1158 in 2024.” The OPUC adopted staff’s recommendation at the public meeting held on November 2, 2023.

What is considered to be a reasonable level of administrative costs varies by industry, organization size, complexity and development stage. While there is no one right answer, there are benchmarks published by nonprofit watchdog organizations. An example is Charity Navigator’s 15% threshold for nonprofits categorized as “general.” One component of Charity Navigator’s financial health rating methodology is administrative cost as a percent of total cost, and “general” nonprofits are awarded a 10/10 score for this component if the ratio is below 15%.

Energy Trust’s Final Proposed 2024 Budget and 2024-2025 Action Plan includes administrative costs of \$17.2 million, or 5.6% of total expenditure, which compares favorably to the 15% benchmark established by Charity Navigator for “general” organizations.

**Detail of Administrative Costs in Final Proposed 2024 Budget**

	Total	Program	Administrative
Incentives	\$ 161,445,804	\$ 161,445,804	\$ -
Program Delivery Contractors	\$ 90,427,897	\$ 90,427,897	\$ -
Employee Salaries & Fringe Benefits	\$ 26,935,883	\$ 16,316,596	\$ 10,619,288
Agency Contractor Services	\$ 2,127,692	\$ 855,752	\$ 1,271,940
Planning and Evaluation Services	\$ 4,161,288	\$ 4,142,088	\$ 19,200
Advertising and Marketing Services	\$ 4,896,000	\$ 3,054,500	\$ 1,841,500
Other Professional Services	\$ 10,534,929	\$ 8,782,793	\$ 1,752,136
Travel, Meetings, Trainings & Conferences	\$ 1,033,756	\$ 597,904	\$ 435,852
Dues, Licenses and Fees	\$ 486,160	\$ 384,077	\$ 102,083
Software and Hardware	\$ 1,575,365	\$ 1,199,306	\$ 376,059
Depreciation & Amortization	\$ 459,373	\$ 301,831	\$ 157,541
Office Rent and Equipment	\$ 1,365,707	\$ 824,363	\$ 541,344
Materials Postage and Telephone	\$ 186,220	\$ 132,583	\$ 53,637
Miscellaneous Expenses	\$ 11,770	\$ 2,115	\$ 9,655
<b>Expenditures</b>	<b>\$ 305,647,844</b>	<b>\$ 288,467,609</b>	<b>\$ 17,180,235</b>

**Historical View of Administrative Costs**

	2021 Actual	2022 Actual	2023 Budget	2024 Budget	2025 Projection
Total Expenditure	\$ 183,711,515	\$ 182,250,587	\$ 226,031,647	\$ 305,647,844	\$ 329,545,283
Administrative Costs	\$ 9,180,770	\$ 10,961,677	\$ 13,506,263	\$ 17,180,235	\$ 19,428,768
As % of Total Expenditure	5.0%	6.0%	6.0%	5.6%	5.9%
Increase from Prior Year \$	\$ 510,115	\$ 1,780,907	\$ 2,544,586	\$ 3,673,972	\$ 2,248,533
Increase from Prior Year %	4.5%	19.4%	23.2%	27.2%	13.1%

## **Year-over-Year Trends in Administrative Costs as a Percentage of Total Expenditure**

The growth in administrative cost as a percent of total expenditure from 2021 to 2022 was driven by significant reductions in certain cost categories in 2021 below what had been budgeted. The decreases were related to factors described in the 2021 Amended Budget Briefing Paper; namely, bonus incentives offered in 2020 in response to unprecedented pandemic conditions drove unexpectedly high levels of participation in early 2021, which required mid-year corrective actions. These actions included reductions in administrative cost to minimize planned spend. Those actions were not repeated in 2022, which reverted to a more typical trendline for administrative cost as a percent of total expenditure.

The decrease in administrative cost as a percent of total expenditure from 2023 to 2024 is driven by a lag in the rate in which staffing and other components of administrative costs increase relative to incentives and program delivery costs, which are significant components of Energy Trust's acceleration investments in 2024 and 2025. New staff members take time to onboard in a high-quality way whereas costs such as incentives can be ramped up more quickly. This lag effect is a concern to Energy Trust leadership as it may give rise to staff burnout and attrition issues that we have experienced in the past. We have rigorously prioritized our administrative investments, including staffing, to ensure we are bringing the most urgently needed hires on board first.

Administrative cost as a percent of total expenditure reverts to the trend line of 5.9% in 2025. This reflects the lag effect being overcome in staffing and other administrative investments. As we prepare the 2025 budget next year, additional administrative investments, including staffing, may be identified as necessary to enable acceleration. We may simultaneously identify additional energy efficiency savings opportunities and related program costs, particularly if avoided costs are increased as expected. Energy Trust leadership would seek to maintain a relatively consistent ratio between administrative cost and total expenditure as we develop the 2025 budget and plan for future years.

# MEMO

**Date:** December 8, 2023  
**To:** Board of Directors  
**From:** Michael Colgrove, Executive Director  
**Subject:** Energy Efficiency Levelized Cost Trends and Managing Future Costs

Levelized cost is defined by Energy Trust as a measure of the average net present cost of the savings from an energy efficiency resource over the lifetime of the respective resource. Energy Trust’s portfolio-wide levelized costs vary over time due to changes in the mix of efficiency measures and relative expenditures and due to revisions to estimates of energy savings and measure lives.

Levelized cost is an incomplete indicator of the value of energy saved because it does not reflect the difference in value energy has during different time periods, such as a peak hour or week. It only shows the cost of savings over the lifetime of the measure. It also doesn’t factor in other benefits. However, it is a useful indicator of cost trends. Levelized cost trends have been of interest to stakeholders as Energy Trust’s savings portfolio evolves and new strategies and approaches are under development.

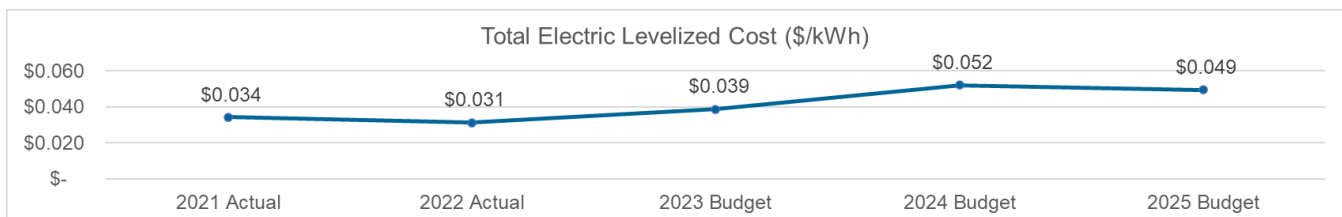
This memo provides detail on historical and projected levelized costs and identifies actions to manage levelized costs over time.

## Levelized Costs in 2024 Budget and 2024-2025 Action Plan

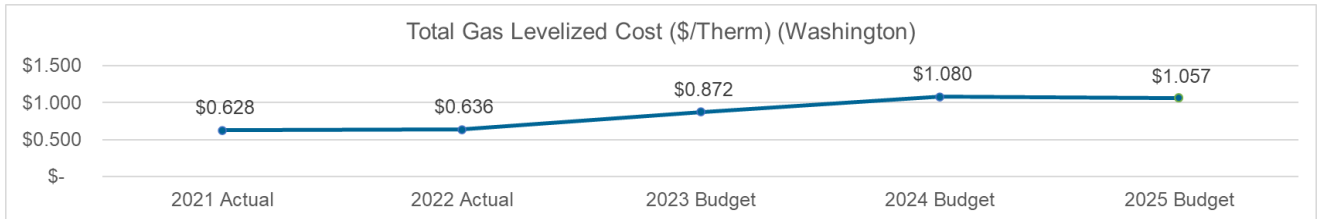
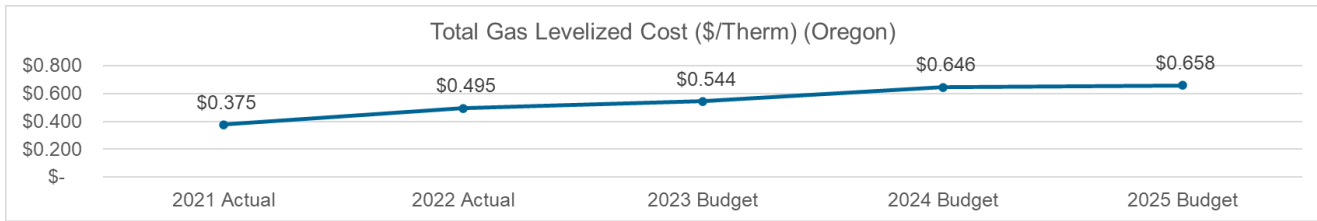
The 2024 budget delivers electric savings at a cost of 5.2 cents per kilowatt hour (kWh) and gas savings at a cost of 64.6 cents per therm (Oregon only) levelized. This is a 34% increase (1.3 cents/kWh) over 2023 budgeted electric levelized costs and a 19% increase (10 cents/therm)<sup>1</sup> over 2023 budgeted gas levelized costs. Both electric and gas portfolios remain cost-effective.

Levelized cost for NW Natural Washington programs in 2024 is \$1.08 per therm, a 24% increase (21 cents/therm) over 2023 gas levelized costs. Nevertheless, the savings Energy Trust acquires for Southwest Washington natural gas customers in 2024 are expected to remain cost-effective.

The 2025 budget projection shows Oregon electric levelized costs decreasing slightly, by three tenths of a cent/kWh or 5% from 2024. Oregon gas levelized costs are projected to increase by 1.2 cents per therm in 2025, an increase of about 2%. Projected levelized costs for NW Natural customers in Southwest Washington in 2025 are also projected to decrease by 2.3 cents per therm or 2% from 2024, to \$1.06/therm.



<sup>1</sup> Totals differ slightly from chart due to rounding



### Levelized Cost Drivers

In Oregon, the changes in budgeted levelized costs from 2023 to 2024 are driven by Energy Trust’s planned significant investments in program delivery infrastructure in 2024 and 2025. These investments are detailed in the “New Delivery Approaches to Accelerate Energy Savings in the Draft 2024 Budget and 2024-2025 Action Plan” memo and program action plans. They are designed to help accelerate savings acquisitions but will not result in significantly higher overall savings until 2026 (see caveat in next paragraph). These investments help Energy Trust achieve savings from customer groups that have historically participated in Energy Trust programs at lower levels, including customers experiencing low incomes and high energy burden, rural customers, and culturally and ethnically diverse customers. To reach these customers, significant investments are planned to expand Energy Trust’s Trade Ally Network of contractors and to enhance the capacity and capabilities of community-based organizations to serve as marketing and delivery channels. These acquisitions also come at higher initial costs for outreach, customer service, and contractor and workforce development and training, and often with higher incentive investments needed to motivate customers we have not reached historically.

Additionally, with the passing of Oregon State zero mercury standards for lighting (HB 2531), many types of less efficient lighting are going to leave the market in 2024 with the major impact occurring in 2025. While this will result in major standards driving more energy efficiency savings in the market, the need for Energy Trust programs to support those savings will phase out over these years. For Energy Trust to achieve savings levels similar to prior years, these savings will be replaced in Energy Trust’s forecasts with savings from a mix of measures, some of which are more expensive.

The 2025 levelized costs are very close to the 2024 values; variations in the range of 2-6% can be considered well within the range of forecasting uncertainty. Levelized costs in this draft budget are expected to stabilize at about the forecast 2024 level in 2025.

In addition to these primary drivers, other factors have some influence on levelized cost trends. There are several planned changes in the volumes of different measures across programs, and some revised efficiency measures. There are not many totally new measures planned for 2024. Evaluation results used in forecasting show slightly lower realization rates against forecast savings for electricity, and higher realization rates for gas, than previously forecast, but these are not different enough overall to greatly influence levelized cost. In 2023 there were two very large and inexpensive New Buildings projects that suppressed 2023 levelized cost, making the 2024 increase appear larger.

For programs serving NW Natural customers in Southwest Washington, 2024 levelized costs increase significantly. Primary influences include an increase in the efficiency of the building code for new homes, a modest increase in commercial delivery cost, a decrease in forecast commercial savings, and an increase in residential incentives. Energy Trust’s portfolio in Washington only serves residential and commercial customers, so levelized costs are not moderated by the lower-cost savings from industrial customers as they are in Oregon.

### **Strategies to Manage Levelized Costs**

Managing levelized costs over time requires that we continuously work to find new sources of savings, adjust program design and delivery methods, and ensure efficient and effective operations.

1. **Finding new sources of savings**—by conducting and evaluating pilots, participating in the Northwest Power and Conservation Council’s Regional Technical Forum and investing in emerging technology through NEEA—helps us manage levelized costs in the long-term. While these investments may add cost per unit of savings in the short term, the resulting future measures will contribute to a portfolio of reasonably priced, cost-effective savings over time.
2. **Adjusting program design and delivery methods** enables Energy Trust to find more efficient methods of reaching and serving customers and unlocks new pathways to acquiring savings from customers, either from customers we have not yet served or those who can invest again for the next increment of savings. Energy Trust periodically solicits proposals for major program delivery contracts to identify new approaches to serve customers and ensure delivery efficiencies for ratepayers. Additionally, Energy Trust is currently exploring how partnerships with community-based organizations and other community entities, such as cities and counties, can help engage new customers we have historically underserved. While these partnerships require an investment of time and resources, we believe they will unlock savings that, over time, will contribute to a portfolio of reasonably priced savings.
3. **Ensuring efficient and effective operations** enables us to continue processing high volumes of transactions, maintain strong customer service, adapt quickly to changing market conditions and maintain transparency and accountability through public reporting. Every year we identify and complete system and process enhancements for these purposes.

The Information Technology and Operations Support action plans identify additional activities to improve staff productivity and systems efficiency.

We will continue to invest in ongoing improvements to organizational processes for planning, prioritization, budgeting, decision-making and innovation. These changes help us address challenges, explore new ideas, develop new program approaches and implement them more efficiently.

4. **Leveraging other sources of funds.** Energy Trust is investing in relationships and partnerships that leverage complementary sources of funds, particularly to address the efficiency needs of customers with low incomes, communities of color and rural customers. Sources of funding may include state and local government programs such as the Portland Clean Energy Community Benefits Fund, state programs to increase availability of cooling, philanthropic foundations, and tax credits and local initiatives funded through the federal Inflation Reduction Act and Infrastructure Investment and Jobs Act.

Energy Trust also hopes to expand co-investment with utilities in programs that both save energy and create demand response opportunities for utilities. Thus far, successes have included co-funding of low-income weatherization with one community action agency (a second has agreed to work with us), a manufactured home replacement pilot and offer, PGE receiving a significant research grant with Energy Trust as a subcontractor, and coordination with PGE on the installation of smart thermostats in homes.

Thus far these initiatives have the potential to increase the reach of Energy Trust programs to more customers but do not reduce the cost of savings. It is uncertain whether future sources of funds will do both.

# MEMO

**Date:** December 8, 2023  
**To:** Board of Directors  
**From:** Michael Colgrove, Executive Director  
**Subject:** Measure Cost-Effectiveness Exceptions Status as of September 11, 2023

In response to a request by the Oregon Public Utility Commission (OPUC) to provide the status of Energy Trust requests for cost-effectiveness exceptions, this memo summarizes energy efficiency measures that have received exception approval from the OPUC.

## **Background**

Commission Order No. 94-590 in Docket UM 551 specifies that the Total Resource Cost (TRC) test and Utility Cost Test (UCT) must be used to determine if energy efficiency measures and programs are cost-effective. The same order allows for measures that are not cost-effective to be included in utility programs if it is demonstrated that at least one of the following conditions is met:

- A. The measure produces significant non-quantifiable, non-energy benefits. In this case, the incentive payment should be set at no greater than the cost-effective limit (defined as present value of avoided costs plus 10%) less the perceived value of bill savings, e.g., two years of bill savings.
- B. Inclusion of the measure will increase market acceptance and is expected to lead to reduced cost of the measure.
- C. The measure is included for consistency with other demand-side management programs in the region.
- D. Inclusion of the measure helps to increase participation in a cost-effective program.
- E. The package of measures cannot be changed frequently, and the measure will be cost-effective during the period the program is offered.
- F. The measure or package of measures is included in a pilot or research project intended to be offered to a limited number of customers.
- G. The measure is required by law or is consistent with commission policy and/or direction.

## **Summary of Measures with Exceptions That Will Be Active in 2024**

The OPUC has granted exceptions for 18 measures that will be active in 2024 in Existing Buildings (including multifamily), New Buildings and Residential programs. Exceptions that will be active in 2024 are summarized in Table 1.

Table 1 List of Measure Exceptions That Will Be Active in 2024

Program	Measure	Order Number	Date Granted	Expiration Date
Residential	All insulation	22-482	12/13/2022	3/31/2028
Existing Buildings (multifamily)	All insulation	22-482	12/13/2022	3/31/2028
Residential	Low-income insulation	22-482	12/13/2022	3/31/2028
Existing Buildings (multifamily)	Low-income insulation	22-482	12/13/2022	3/31/2028
Residential	Heat pumps in manufactured homes fixed price promotion	N/A – minor	8/1/2023	12/31/2026
Residential	New manufactured homes	N/A – minor	9/19/2023	12/31/2026
Residential	Windows in single family homes	22-482	12/13/2022	3/31/2026
Existing Buildings (multifamily)	Windows in small multifamily buildings	22-482	12/13/2022	3/31/2026
Residential	Extended capacity heat pump conversion from electric furnaces	N/A – minor	10/7/2022	1/31/2026
Existing Buildings (multifamily)	Windows in large multifamily buildings replacing double pane	N/A – minor	10/7/2022	1/31/2026
Residential	No cost DHP pilot	22-024	1/25/2022	3/31/2025
Residential	DHP with supplement fuels	22-024	1/25/2022	3/31/2025
Existing Buildings (multifamily)	DHP zonal heat HZ1	22-024	1/25/2022	3/31/2025
Residential	DHP zonal heat HZ1	22-024	1/25/2022	3/31/2025
Residential	Manufactured home replacement	21-312	9/21/2021	3/31/2025
New Buildings	Custom and market solutions tracks excused from TRC testing	21-293	9/8/2021	3/31/2024
Residential	Clothes washers (gas-only service area)	N/A – minor	9/02/2015	N/A
Multiple	Pilots	15-029	1/29/2015	N/A

**Portion of Energy Trust Savings from Measures with Exceptions in 2022 and 2023**

The following table represents the portion of total Energy Trust savings from measures with exceptions for 2022 and 2023 (year-to-date through September 11, 2023).



Table 2 Savings and Incentives from Measures with Exceptions in 2022 and 2023 Through September 11, 2023

Program Year	Electric savings (kWh)	% of total electric savings	Gas savings (therms)	% of total gas savings	Incentives (\$)	% of total incentives
2022	12,680,982	3.07%	76,929	1.21%	\$3,789,753	5.71%
2023 Year-to-Date	7,043,295	3.82%	49,861	1.86%	\$2,459,017	5.53%

In 2020 with Order 20-018, the New Buildings program was granted an exception for custom whole building, Path to Net Zero and Market Solutions projects permitted under the 2019 and future commercial building codes to not use the TRC test. A further exception was granted in 2021 through 2023 with Order 21-293. There are 11 whole buildings and 70 market solutions projects that have been completed under this exception to date.

### Exception History

There are 142 measure exceptions on record granted by the OPUC since 2012 when counted per measure group and per program.

Of the 142 measure exceptions, 59 are considered minor. (A minor exception is one where the total dollars and savings associated with the measure are less than 5% of total annual program activity and TRC is greater than 0.8). Minor exceptions do not require commission approval and are approved by OPUC staff.

Measure exceptions were approved by the OPUC according to the criteria outlined in the Background section above. Table 3 identifies how many exceptions were granted based on each criterion. Some measures meet multiple criteria.

Table 3 Number of All-Time Exceptions Granted Based on Measure Exception Criteria

Exception Criteria	Number of Instances
A	46
B	28
C	62
D	57
E	9
F	8
G	11

# MEMO

**Date:** December 8, 2023  
**To:** Board of Directors  
**From:** Michael Colgrove, Executive Director  
**Subject:** Incentive Increases in Final Proposed 2024 Budget and 2024-2025 Action Plan

This memo provides an overview of key incentive changes in the Final Proposed 2024 Budget and 2024-2025 Action Plan compared to existing 2023 incentive levels.

In response to evolving market challenges such as inflation and economic uncertainty, the proposed incentive adjustments are aimed at increasing customer participation by covering more of the upfront project costs. We are proposing higher incentives for commercial and industrial custom and prescriptive projects for Residential projects. These increased incentives are designed to send a signal to the market, including our network of trade ally contractors, that our incentives will now cover a more substantial portion of the total project cost to support market stability and provide a compelling case for customers to implement energy efficiency projects sooner. The goal is to encourage customers to take proactive steps toward implementing energy efficiency projects, even in the face of economic uncertainty.

By increasing incentives beginning in 2024, our goal is to build and sustain a larger pipeline of projects in 2024 and in future years. This approach is intentional, recognizing that energy efficiency does not merely reduce utility bills for customers but also supports our utility partners' objectives to secure more energy efficiency by the end of 2030.

## Existing Buildings program incentive increases

- Custom and standard-calculated electric: Increase incentives from \$.30/kWh and 70% of the eligible project cost to \$.45/kWh and 90% of project cost.
- Custom and standard-calculated gas: Increase project incentives from \$3/therm and 80% of eligible project cost to \$5/therm and 90% of project cost.
- Project cap: Increase the maximum incentive a customer can receive for a project from \$500,000 to \$750,000.
- Standard incentives: Continue 15 bonuses on 15 gas measures, including insulation and HVAC measures. Increase incentives on a variety of gas and electric HVAC, motors, fans, controls, commercial laundry and commercial kitchen measures.

## Production Efficiency program incentive increases

- Custom and standard-calculated electric: Increase incentives from \$.30/kWh and 70% of the eligible project cost to \$.45/kWh and 90% of project cost.
- Custom and standard-calculated gas: Increasing incentives from \$3/therm and 80% of eligible project cost to \$5/therm and 90% of project cost.
- Project cap: Increase the maximum incentive a customer can receive for a project from \$500,000 to \$750,000.
- Industrial Strategic Energy Management (SEM): Increase incentives for first year and continuous SEM participants from \$.04/kwh and \$.40/therm up to a \$.10/kwh and \$1/therm tiered structure where customers can earn a higher incentive based on more savings.
- Standard incentives: Increase incentives across the portfolio to the maximum allowable incentives for gas and electric prescriptive measures including HVAC, controls, irrigation, and greenhouse

measures and align on all incentive increases in the commercial sector for market continuity. Amid high inflation, maximum allowable incentive levels are needed to cover enough project costs to compel customers to participate in programs. Incentive levels will be re-evaluated if complementary funding is identified for these projects.

### **Residential program incentive increases**

- Market rate incentives: Increase incentives for heat pumps from \$700 to \$1,000 and ductless heat pumps from \$500 to \$1,000.
- Savings Within Reach incentives for low-to-moderate income customers and renters: Increase incentives for heat pumps from \$1,000 to \$3,000. Ductless heat pumps incentives are increasing from \$1,000 to \$1,800.
- Community Partner Funding incentives: Increase incentives for extended capacity heat pumps from \$1,650 to between \$3,000 and \$6,000, depending on the customer's location in select rural communities. Increase incentives for extended capacity heat pumps from \$650 to \$2,000 for priority customers in select rural communities who are replacing existing heat pumps.
- Savings Within Reach customers and renters: Increase incentives for efficient gas furnaces from \$1,000 to \$1,600.