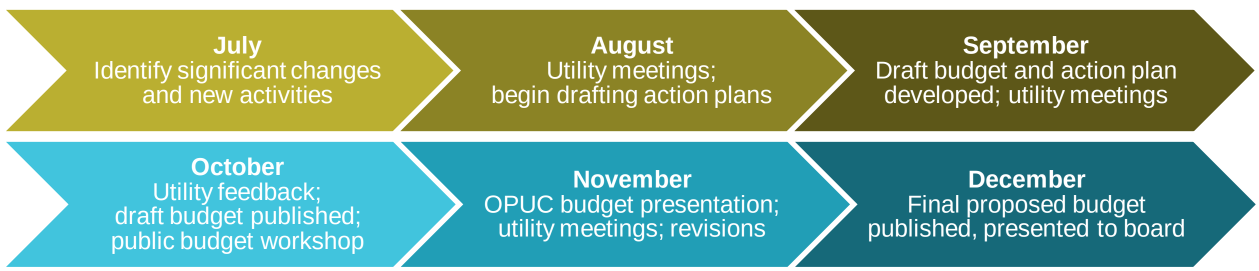
Frequently Asked Questions:
Energy Trust Annual Budget and Two-Year Action Plan

How is your budget and action plan developed?
Energy Trust's budget and action plans are developed collaboratively with utility partners Portland General Electric (PGE), Pacific Power, NW Natural, Cascade Natural Gas and Avista, along with input from our three advisory councils—the Conservation Advisory Council, Diversity Advisory Council and Renewable Advisory Council—stakeholders and the public.

Starting in April, we reference our five-year strategic plan to develop draft organizational goals and an annual business plan for the following year. The goals and business plan guide staff in developing a comprehensive draft budget and two-year action plan by the end of September. Our action plan lists strategies, key activities and contextual information to deliver cost-effective energy efficiency and renewable generation, achieve the organizational goals and make progress to the strategic plan's focus areas. In October and November, we post the draft budget online and present it publicly to our board of directors, advisory councils, stakeholders, the OPUC and the public. Revisions are made in November and in December the final proposed budget is presented for board approval.



How can I find information about the budget and participate in the process?
Visit our website at www.energytrust.org/budget to find the budget and action plan materials and presentation dates. On October 18, recordings of presentations from the budget workshop were posted on this page. Budget presentations and materials delivered at board and advisory council meetings are available at www.energytrust.org/about/public-meetings.

Public notices and materials for board and advisory council meetings are posted on our website in advance of each meeting and every meeting invites public comment. The OPUC hearing is also open to the public.

Public comments were due to Energy Trust on Wednesday, October 20 by email to info@energytrust.org and by mail to Energy Trust of Oregon, 421 SW Oak St., Suite 300, Portland, Oregon 97204.

Who reviews and approves the budget and action plan?
We ask for review and feedback from our board of directors, advisory councils, Oregon Public Utility Commission, utilities, community organizations, other stakeholders and the public.
All feedback is considered as staff develops and then refines the draft budget. A summary of comments received through the public comment period, along with staff responses to them and copies of submitted comments, are provided in the final proposed budget and action plan materials. The board approves the final proposed budget in December, and the final budget is posted online and submitted to the OPUC by year-end.

What do you consider when setting the budget?
We work closely with all five utilities to update their plans to meet future energy needs for their customers with the goal of acquiring all available cost-effective energy efficiency. Additional information is drawn from renewable resource assessments and the most recent studies produced by the Northwest Power and Conservation Council, which identify energy efficiency and renewable energy potential throughout the Pacific Northwest. These resources inform our five-year strategic plan and guide our annual budget and two-year action plan.

Annual activities are guided by the organization’s annual business plan, annual organizational goals, third-party program evaluations, market research, our experience delivering programs, feedback from installation contractors, customers and community groups, and input from our partner utilities, three advisory councils, the OPUC and the board of directors.

What benefits will the budget provide?
Our budget and action plan are designed to help utility customers and communities in Oregon and Southwest Washington save energy and benefit from renewable power. We seek to expand our offers and approaches to reach communities of color, low- and moderate-income customers and rural communities who may not have benefitted in the past. Through the actions of customers, Energy Trust is able to deliver low-cost energy efficiency that utilities rely on to meet their customers’ energy needs, add clean, renewable power to the electric grid; reduce customer utility bills; help keep energy costs lower than they otherwise would be for all utility customers; avoid carbon emissions; and strengthen local economies.

How are programs and services funded?
The vast majority of our funding comes from customers of PGE, Pacific Power, NW Natural, Cascade Natural Gas and Avista in Oregon, and NW Natural customers in Washington. We hold small contracts with Energy Solutions for the state’s Community Solar Program and PGE for the utility’s smart battery pilot.

What happens when funds are not spent by the end of the year?
At year-end, any unspent funds are carried over into the following year’s budget and offset future revenue needs. Carryover of unspent funds can be a result of many factors, including meeting our savings goals at lower than expected costs or revenue forecasts being higher than projected due to unexpected weather changes. Renewable energy project development often occurs over multiple years and requires an upfront funding commitment. Some carryover funds are dedicated for those project commitments.

What accountability measures are in place to ensure funds are spent wisely?
All expenditures must comply with legal requirements and meet minimum annual performance measures established by the OPUC. All energy-efficiency investments, excluding pilots and limited activities exempted by the OPUC, are required to be cost effective, meaning that long-term project savings exceed related costs and are of net financial benefit to the customer. The board of directors’ oversight includes reviews of major contract decisions, monthly financial statements, program evaluations and progress to strategic plan focus areas.

How do you report on expenditures and progress to goals and performance measures?
We provide public quarterly and annual reports to the board and OPUC and provide information for a public purpose charge report submitted to the Oregon Legislature every two years by the OPUC and Oregon Department of Energy.

Glossary of Key Terms

Above market cost: The portion of the net present value cost of producing power (including fixed and operating costs, delivery, overhead and profit) from a new renewable energy resource that exceeds the market value that is used by the utility to acquire resources. The market value will typically be an updated forward price curve, qualifying facilities tariff, Oregon Public Utility Commission-approved avoided cost filings or marginal resource selected through a competitive bidding process. In the case of on-site and net-metered use, the market cost will be the retail rates for the customer under filed tariffs with the Oregon Public Utility Commission (OPUC).

Administrative cost: Costs that, by nonprofit accounting standards, have general objectives that enable an organization's programs to function. The organization's programs provide direct services to its constituents to fulfill the mission of the organization. Administrative costs are included in the OPUC performance measure on administrative and program support. See **program delivery efficiency OPUC performance measure**.

> Administrative costs fall in these two categories. **Management and general** includes governance/board activities, interest/financing costs, accounting, payroll, human resources, general legal support and other general organizational management costs. **General communications and outreach** covers expenditures of a general nature, conveying the nonprofit mission of the organization and general public awareness. Both management and general and general communications and outreach receive an allocated share of indirect costs.

Allocation: A way of grouping costs together and applying them to a program as one pool based upon an allocation base that most closely represents the activity driver of the costs in the pool. Used as an efficient alternative to charging programs on an invoice-by-invoice basis. An example would be accumulating all costs associated with customer management such as call center operations, customer service personnel and complaint tracking. Costs are then spread to programs that benefited using the ratio of calls to the call center by program (i.e., the allocation base).

Allocation cost pools: These are: employee benefits and taxes; office operations including rent, telephone, utilities and supplies; information technology services including infrastructure, development, reporting and analysis; planning and evaluation general costs; customer service and trade ally support costs; community services costs; general communications and outreach costs; management and general costs; shared costs for electric utilities; shared costs for natural gas utilities; and shared costs for all utilities.

Auditor's opinion: An accountant's or auditor's opinion is a report by an independent Certified Public Accountant describing the scope of an examination of an organization's financial books and documents and certifying that its financial statements meet the American Institute of Certified Public Accountants (AICPA) requirements of Generally Accepted Accounting Principles. Depending on the audit findings, the opinion can be unmodified or modified regarding specific items. Failure to follow Generally Accepted Accounting Principles can result in a modified opinion. An unmodified opinion indicates agreement by the auditors that the financial statements present an accurate assessment of the organization's financial results.

Energy Trust strives for and has achieved in all its years an unmodified opinion. This annual audit is presented every spring to the board of directors. The OPUC requires an unmodified opinion regarding Energy Trust's financial statements.

Average megawatt: Megawatt is the standard term of measurement for bulk electricity. One megawatt is 1 million watts. One million watts delivered continuously 24 hours a day for a year (8,760 hours) is called an average megawatt.

Avoided cost: The amount of money an electric or natural gas utility would spend for the next increment of electric generation or fuel it would need to acquire if not for the reduction in demand due to either energy-efficiency savings or the energy that a co-generator or small-power producer provides.

Benefit/cost ratio: For Energy Trust to provide an incentive for a project, the benefit must meet or outweigh the cost. This is expressed as a benefit/cost ratio with the benefits in the numerator and the costs in the denominator. The OPUC has directed Energy Trust to apply the Total Resource Cost Test benefit/cost ratio and Utility Cost Test benefit/cost ratio to ensure that Energy Trust is responsibly investing ratepayer funds. The Total Resource Cost Test determines whether to provide an incentive for an energy-efficiency measure. The Utility Cost Test helps determine the maximum allowable amount of the incentive. Together, the tests assess the value of the energy-efficiency investment compared to a utility supplying the same amount of energy and determine whether energy efficiency is the best energy buy for a utility and for all utility customers.

Business planning: An annual process by which Energy Trust evaluates available staff resources and areas for innovation and prioritizes projects and business activities for the following year. The business plan forms the basis for setting the next year's organizational goals, budget and action plan, and is reviewed by leadership at least on a quarterly basis.

Board approved annual budget: Funds approved by the board for expenditures during the budget year (subject to board approved program funding caps and associated policy) for stated functions and capital asset expenditures. Energy Trust's budget uses a calendar year. The board approves the general allocation of funds including commitments and cash outlays. Approval of expenditures is based on assumed revenues from utilities and contracted revenues.

Clean energy: Defined by Energy Trust as conservation, energy efficiency and small-scale renewable energy projects.

Committed funds: Represents funds obligated to identified efficiency program participants in the form of signed applications or agreements and tracked in the project forecasting system. If the project is not demonstrably proceeding within an agreed upon time frame, committed funds return to an incentive pool. Reapplication would then be required. Funds are expensed when the project is completed or interim milestones are met.

Contract obligations: A signed contract for goods or services that creates a legal obligation. Reported in the monthly Contract Status Summary Report.

Cost-effectiveness calculation: Energy-efficiency programs and measures are evaluated for cost-effectiveness. The cost of the savings must be lower than the cost to produce the energy from both a utility and societal perspective. Expressed as a ratio of energy savings cost divided by the presumed avoided utility and societal cost of energy. Program cost-effectiveness evaluation is "fully allocated," i.e., includes all program costs plus a portion of Energy Trust administrative costs. In some instances, exceptions to cost effectiveness can be requested from the OPUC. See **benefit/cost ratio** and **administrative cost**.

Dedicated funds: Represents funds obligated to identified renewable program participants in the form of signed applications or agreements and tracked in the project forecasting system. May include commitments, escrows, contracts, board designations or master agreements. Methodology used to develop renewable energy activity-based budgets amounts. Funds are expensed when the project is completed or interim milestones are met.

Direct program costs: Costs that can be directly linked to and reflect a causal relationship to an individual program/project or that can easily be allocated to two or more programs based on usage, cause or benefit.

Direct program evaluation and planning services: These include: evaluation services for a specific program rather than for a group of programs; costs incurred in evaluating programs and projects and included in determining total program funding caps; planning services for a specific program rather than for a group of programs; costs incurred in planning programs and projects and are included in determining program funding expenditures and caps; evaluation and planning services attributable to a number of programs are recorded in a cost pool and are subsequently allocated to individual programs.

Distributed energy resources: Solar, biopower and hydropower are renewable distributed energy resources (DERs). Other distributed energy resources include battery storage, energy efficiency, electric vehicles, smart thermostats, smart water heaters and other flexible loads that are connected to the grid at or near customers' homes and businesses. When aggregated, distributed energy resources may provide a supplement to traditional utility infrastructure.

Distribution-system connected technologies: Technology connected to the distribution grid at the customer's site and installed for use by the customer. This could be either a smart inverter that is part of a solar generation system and capable of providing grid support or a battery storage system charged by on-site renewable energy or the electric grid with a smart inverter and/or integrated controls capable of providing grid support.

Diversity, Equity and Inclusion Initiative: Energy Trust's work to promote diversity, equity and inclusion in internal and external activities to create more opportunities for underserved communities. This involves evaluating burdens, benefits and outcomes to these communities, including people of color, people with low to moderate incomes and people who live in rural areas. Work is guided by Energy Trust's Diversity, Equity and Inclusion board policy, the Diversity Advisory Council, an internal Diversity, Equity and Inclusion Committee and a staff-led operations plan.

Energy Trust funding: Energy Trust is largely funded by customers of Portland General Electric, Pacific Power, NW Natural, Cascade Natural Gas and Avista to invest in energy-efficiency and renewable energy programs in Oregon and energy-efficiency programs in Southwest Washington. The Oregon Public Utility Commission oversees Energy Trust investments of utility customer funds in Oregon. Under Oregon state laws (SB 1149, SB 838 and HB 3141 effective 2022), Energy Trust receives ratepayer funds to invest in cost-effective electric efficiency and natural gas efficiency and a portion of the public purpose charge to invest in small-scale renewable energy systems and grid-connected technologies. Energy Trust has small contracts separate from this core funding, such as with Energy Solutions for the Oregon Community Solar Program and PGE for its Smart Battery Pilot.

Expenditures, expenses: Amounts for which there is an obligation for payment of goods and/or services that have been received or earned within the month or year.

Free riders: Program participants who would have completed an energy-saving action even in the absence of Energy Trust programs.

Gross savings, gross generation: The estimate of savings from program participants, irrespective of free riders or spillover. Gross was adopted as the standard method of budgeting and reporting beginning in 2020, replacing use of net energy reporting. Where 2020 is compared to earlier years, those years will likewise be restated from net to gross for comparability. These values are also subject to annual updates following true-up adjustments. See **true up**.

Incentives: Energy Trust offers cash incentives to reduce costs of energy efficiency and renewable energy investments. These incentives may be paid to any customer type, to trade ally contractors or other market actors. Midstream or upstream incentives may be provided to retailers, distributors and manufacturers of products and equipment; these incentives are passed on to consumers and contractors as instant discounts, reducing barriers to participation.

Indirect costs: Costs within programs that are not directly associated with delivering to customers or projects, such as travel and supplies. These are shared costs that are allocated for accounting purposes rather than assigning individual charges to programs and are allocated to all programs and administration functions based on a standard basis such as hours worked, square footage and customer phone calls. Examples include rent/facilities, supplies, computer equipment and support and depreciation. See **allocation**.

Innovation Team: An internal team that trains and mentors staff members to use innovation tools and processes as they develop new and innovative ideas for the organization. The Innovation Team integrates these processes into the organization and supports a culture of innovation at Energy Trust.

Integrated Resource Plan (IRP): Comprehensive energy resource planning documents developed by utilities. IRPs identify future resources needed to meet expected customer demand and consider reliability and least cost resources. Energy Trust typically coordinates every-other year with each utility to determine the amount of cost-effective energy efficiency resource that the utility can incorporate into its IRP.

Internal costs: Charts and graphs in budget materials highlight the top three types of cost—incentives, delivery and staffing costs. The remainder of the expenditure budget is labelled “internal costs” in these charts and graphs. This category includes professional services and operating expenses.

Kilowatt hour: A unit of energy commonly used as a billing unit by electric utilities.

Levelized costs: A measure of the average net present cost of the savings from an energy efficiency resource or the energy generated by a renewable generation resource over the lifetime of the respective resource.

Low- and moderate-income customers: Residential customers whose household income is less than or equal to 120% of the state median income, adjusted for household size.

Net assets: Cumulative revenue less cumulative expenditure. Also called carryover or reserves. Net assets are necessary to ensure funds are available when needed and to protect the organization from unexpected downturns in revenue or timing of expenditure.

Non-energy benefits: Benefits to utility customers and other stakeholders that don't involve energy and that are used in Energy Trust calculations for cost-effectiveness when the benefits are generally applicable and can be credibly quantified at a reasonable cost. Quantifiable non-energy benefits include comfort from adding cooling to a site; spending less on wood, propane or heating oil; or spending less on replacement parts and labor due to longer-lasting efficient equipment, like LEDs resulting in fewer bulbs replacements. In some cases, exceptions to cost-effectiveness can be requested from the OPUC when non-quantifiable non-energy benefits are present.

OPUC performance measures: Under Energy Trust's grant agreement with the OPUC, the OPUC establishes quantifiable performance measures that clearly define its expectation of Energy Trust's performance, including financials. Performance measures are adjusted on an annual basis.

Outsourced services: Miscellaneous professional services contracted to third parties rather than performed by internal staff. Can be incurred for program or administrative reasons and will be identified as such.

Program costs: Expenditures made to fulfill the purposes or mission of the organization and are authorized through the program approval process. Includes program management, incentives, program staff salaries, planning, evaluation, quality assurance, program-specific marketing and other costs incurred solely for program purposes. Can be direct or indirect (i.e., allocated based on program usage). See **indirect costs, direct program costs.**

Program Delivery Contractor (PDC): Company contracted to implement a specific program track or initiative. Using PDCs keeps costs low for utility customers, draws from existing expertise and skills in the market and allows Energy Trust to remain flexible and nimble as the market changes. PDC contracts are competitively selected, reviewed by a committee of internal staff and external representatives and reviewed and approved by the board. Contracts are rebid on a regular basis.

Program delivery efficiency OPUC performance measure: The maximum threshold set by the OPUC for administrative and program support costs as a percentage of total annual revenues. Administrative costs adhere to Generally Accepted Accounting Principles for nonprofit organizations. Program support costs were defined in coordination with the OPUC to enable comparison with other recipients of public purpose funding. For the purposes of this measure, program support costs are defined as program costs, except for direct program costs, in the following areas: program management, program delivery, program incentives, program payroll and related expenses, outsourced services, planning and evaluation services, customer service management and Trade Ally Network management. See **OPUC performance measures**.

Program delivery expense: Includes all Program Management Contract labor and direct costs associated with incentive processing, program coordination, program support, trade ally communications and Program Delivery Contractors. Includes contract payments to Northwest

Energy Efficiency Alliance for market transformation efforts. Includes performance compensation incentives paid to Program Management Contractors and Program Delivery Contractors under contract agreement if certain incentive goals are met. Includes professional services for items such as solar inspections and general renewable energy consulting. See **Program Management Contractor**.

Program Management Contractor (PMC): Company contracted to deliver and implement a program. PMCs keep costs low for utility customers, draw from existing expertise and skills in the market and allow Energy Trust to remain flexible and nimble as the market changes. PMC contracts are competitively selected, reviewed by a committee of internal staff and external representatives and reviewed and approved by the board. Contracts are rebid on a regular basis.

Program management expense: PMC billings associated with program contract oversight, program support, staff management and other duties. See **Program Management Contractor**.

Program marketing, program outreach: PMC labor and direct costs associated with marketing, outreach and awareness efforts to communicate program opportunities and benefits to utility customers and program participants. Awareness campaigns and outreach efforts are designed to reach participants of individual programs. Co-op advertising with trade allies and vendors promotes a program benefit to customers. See **Program Management Contractor**.

Program quality assurance: Independent in-house or outsourced services for the quality assurance efforts of a particular program (distinguished from program quality control).

Program reserves: Negotiated with utilities annually with a goal of providing margin of funds above what is needed to fulfill annual budgeted costs. The reserve percent varies by funder. Management may access up to 50 percent of annual program reserves without prior board approval. See **net assets**.

Project specific costs: For renewable energy, expenses directly related to identified projects or identified customers to assist in constructing or operating renewable projects or distribution-system connected technologies. Includes services to prospective and current customers. Must involve direct contact with the project or customer, individually or in groups, and provide a service the customer would otherwise incur at their own expense. Does not include general program costs to reach a broad audience such as websites, advertising, program development or program management. Project specific costs may be in the categories of incentives, staff salaries, program delivery, legal services, public relations, creative services, professional services, travel, business meetings, telephone or escrow account bank fees.

Program support costs: A portion of the costs in the OPUC performance measure, includes support expenses incurred directly by the program and allocation of shared and indirect costs incurred in the following categories: supplies; postage and shipping; telephone; printing and publications; occupancy expenses; insurance; equipment; travel; business meetings; conferences and training; depreciation and amortization; dues, licenses, subscriptions and fees; miscellaneous expense; and an allocation of information technology department cost. Contained in statement of functional expense report.

Project forecasting: Information in Energy Trust's Project Tracker information system about the timing of future incentive payments. *Estimated* means project data may be inaccurate or incomplete; a rough estimate of energy savings, incentives and completion date by project and by service territory. *Proposed* means a project has received a written incentive offer but no agreement or application has been signed; energy savings, incentives and completion date to be documented by programs in this phase. (For renewable energy projects, this is a project that has received board approval.) *Accepted* is used for renewable energy projects in the second round of application; projects have reached a stage where the approval process can begin. *Committed* means a project has a signed agreement or application reserving incentive dollars until project completion or completion of interim milestones; energy savings/generations, incentives and completion date by project and by service territory must be documented in project records and in Project Tracker. If a project has not demonstrably proceeded within the agreed upon time frame, committed funds are returned to the incentive pool. Reapplication is required. *Dedicated* is used for renewable energy projects that have been committed, have a signed agreement and, if required, have been approved by the board.

Public purpose charge: A charge on utility customer bills initially authorized by Oregon state law SB 1149 in 1999 and modified in 2021 through HB 3141. As of 2022, Energy Trust will receive a portion of public purpose charge funds collected to invest in small-scale renewable energy systems and distribution-system connected technologies. Energy-efficiency funding that previously came from the public purpose charge will be set through standard OPUC ratemaking processes. See **Energy Trust funding**.

Spillover: The concept that some program participants will complete an energy-saving action because of awareness of the program but will not receive a program incentive.

Staffing costs: Combination of salaries, benefits, retirement and employer taxes incurred by the organization to retain employees. Staffing costs are subject to an OPUC performance measure.

Therm: A unit of natural gas commonly used as a billing unit by utilities.

Total program and administrative expenses (line item on income statement): Used for cost-effectiveness calculations, levelized cost calculations and in management reports used to track funds spent/remaining by service territory. Includes all costs of the organization: direct, indirect and an allocation of administration costs to programs. Should not be used for external financial reporting; not Generally Accepted Accounting Principles.

Total program expenses (line item on income statement): All indirect costs have been allocated to program costs with the exception of administration (management and general costs and communications and outreach). Per the requirements of Generally Accepted Accounting Principles for nonprofits, administrative costs should not be allocated to programs. There is no causal relationship—costs would not go away if the program did not exist.

True up: A previously used annual process in which prior years' energy savings and renewable generation were adjusted and corrected to reflect new information on how much energy was saved or generated in the field. Information included improved engineering estimates of savings, corrections to identified transaction errors and results from actual evaluations of the program and the year of activity in question. **Working savings/generation:** The estimate of savings/generation used for data entry by program personnel as they approve individual projects. Estimates are based on deemed savings/generation for prescriptive measures and engineering calculations for custom measures. They do not incorporate any evaluation or transmission and distribution line loss factors.