Expanded Goals to Support Energy Savings and Generation

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April 2018

Energy Trust of Oregon

Preface

This paper is part of a series that describes a variety of topics identified by the Energy Trust of Oregon's Board of Directors as potentially influential to the organization during the time period of its next strategic plan (2020-2024). This series of papers will educate and inform the Board about the potential impact of these topics and enable its Directors to better to assess risk, identify opportunity and guide the direction and goals of Energy Trust.

Remaining current on potentially significant and influential developments in the clean energy industry is critical to the fundamental role of the board. These topics have been identified because of their potential to influence, impact or otherwise affect Energy Trust's ability to serve the ratepayers of Oregon and Southwest Washington. **These papers should not be interpreted as policy proposals or recommendations for roles in which Energy Trust intends or desires to be directly involved.**

Introduction

Energy efficiency is the cleanest, cheapest and most important resource for the utilities and ratepayers of Oregon, and Energy Trust is the prime organization delivering on that resource.

At the 2018 strategic planning retreat, the board will begin to discuss direction for the next Energy Trust strategic plan. Planning efforts are informed by, among other things, projections of the long-term energy efficiency resource, implications these projections may have for Energy Trust as an organization, and information provided to the board through these board learning topics. Additionally, at the recent board training on strategic planning processes, Holly Valkama of 1961 Consulting presented some basic considerations for strategic planning. This training provided some initial groundwork and terminology for strategic plan development in the coming year.

Currently, energy savings and generation goals guide Energy Trust. These goals are basically quantitative targets set by the board and are influenced by OPUC performance metrics and utility IRPs. In addition to these savings and generation goals, Energy Trust is in a position to consider whether there should be other goals related to the support of ratepayer benefit and administration of the public purpose charge.

This paper aims to kickoff and support any board discussion of potentially different or additional goals for the upcoming strategic plan development by outlining:

- Lessons learned from the establishment of recent goals beyond quantitative energy efficiency and renewable energy,
- Goal-setting best practices,
- Examples of how other organizations have developed strategic plan goals and considerations for measurement, and
- Examples of other outcome-based goals.

Based on the 2018 retreat discussion, staff will work with the Strategic Planning Committee to structure a process to define potential goals or objectives for the 2020-2024 strategic plan. The board will receive updates about potential goals periodically and will consider draft goals during the 2019 strategic planning retreat.

Discussion

A. Lessons learned in expanding goals to date

For the first time in the 2015-2019 Strategic Plan, Energy Trust's board approved two "Operations" goals beyond energy savings and generation:

Five-year operations goals

- Align internal operations and management to efficiently support Energy Trust strategic goals and objectives, optimizing resources and systems and maintaining an effective, open, transparent and accountable business.
- Sustain a culture of highly engaged staff.

Unlike the energy goals, which have been part of every Energy Trust's strategic plan, the Operations goals focus on outcomes and do not have specific quantitative markers. Following the 2015 Management Review, Energy Trust engaged in a series of process-mapping exercises to identify measurable indicators for the Operations goals. The exercises focused on process including ISI, incentive processing and customer service. Identifying meaningful objective, quantifiable markers for the operations goals proved difficult and labor-intensive. Therefore, instead of measuring success by quantitative markers, Energy Trust reports progress according to whether specific tasks have been accomplished. It is unclear if these progress indicators are sufficient to assist the board in measuring whether the organization is on track to achieve the Operations goals.

In an organization like Energy Trust where the focus is squarely on accomplishing the quantitative conservation and generation objectives, the experience in measuring and reporting progress on the Operations goals has been frustrating and not well understood across the organization. If Energy Trust sets strategic goals in addition to quantitative savings and generation in the next strategic plan, **board and staff should consider the tradeoff between the need to define difficult-to-measure aspects of the mission and the challenges that this can bring.**

Goal-setting best practices. Strategic plans typically use a combination of Vision, Mission and Goal statements to establish an organization's direction, role and priorities.[1] It is interesting to compare Energy Trust's current strategic plan elements to these descriptions of Vision, Mission and Goal:

> **Vision:** The best vision statements are short, clear and memorable. They paint a picture of how things would look if the organization were wholly successful, long-term. Energy Trust's 2015-2019 Strategic Plan's Vision is "a high quality of life, a vibrant economy and a healthy environment and climate for generations to come, built with renewable energy, efficient energy use and conservation."

Mission: Essentially, mission statements describe an organization's core activities. In the 2015-2019 Strategic Plan, this is stated as a Mission and Purpose statement: "Energy Trust provides comprehensive, sustainable energy efficiency and renewable energy solutions to those we serve."

Goals: The best goals say what needs to be done to achieve the Vision. Ideally, they are sufficiently defined to facilitate decisions and appropriately measurable to determine the scale of the task and whether it is being accomplished. Goals can have different timeframes.

Goals describe outcomes rather than outputs or tactics. That is, they describe a destination, leaving the necessary outputs and tactical details to the executive team and staff. Goals or outcomes[2] can be externally focused on products or development, but they can be internally focused as well. As stated above, the 2015-2019 Strategic Plan includes both quantitative energy savings and generation goals and internal operations goals.

Goal-Setting Considerations

- What's the appropriate balance of quantifiable goals and outcome-based goals, which represent difficult-to-measure aspects of the mission?
- What markers are relevant to the board to measure outcome-based goals?
- Should goals only be quantitative in nature?
- Do goals relate to Energy Trust Vision and Mission?

The elements of Vision, Mission and Goals serve two purposes. First, they provide external audiences with a clear sense of the organization's direction, role and objectives. Second, they guide the organization internally so that the organization's executive team can make decisions, formulate budgets and recruit the right people to do the organization's work. In general terms, the clearer and more compelling the Vision, Mission and Goal statements, the better.

As Energy Trust proceeds to develop its next strategic plan, a discussion about goal-setting is warranted. Terminology should be clarified and defined. Should strategic goals

be quantitative, or should there be qualitative or process goals as well? Do the goals define outcomes only, and what expectations are there for the practicality of developing measurable targets to demonstrate progress toward those outcomes?

B. Examples of how other organizations have developed goals

For context about goal-setting best practices, it may be helpful to consider how other organizations develop strategic goals that are both quantitative and outcome-based in design.

For example, Oregon Housing and Community Services (OHCS) has been engaged in strategic planning for several years. The organization uses the discipline to guide and focus its resource investment. For 2018, OHCS developed and published seven strategic planning goals. These goals describe desired outcomes for change. They are not quantifiable, but each goal is accompanied by a series of specific tactics to guide activities.[3]

In contrast, consider Proctor & Gamble's Sustainability Strategic Plan Goals. Proctor & Gamble's goals are quantitative and explicitly focused on keeping the organization "on track to one day deliver that [sustainability] vision." Proctor & Gamble tracks and reports progress toward these quantitative goals.[4]

Northwest Energy Efficiency Alliance (NEEA) identifies two outcome-based strategic goals. Though neither goal is quantifiable, each is assigned a Five-Year Success Metric for measurement towards progress.[5]

- Goal 1: Fill the energy efficiency pipeline with new products, services, practices and approaches.
- Goal 2: Create market conditions that will accelerate and sustain the market adoption of emerging energy efficiency products, services, and practices.

Examples of Other Outcome-based Goals

Energy Trust's unique role of value are its expertise and success in delivering ratepayer benefit through its administration of the public purpose charge. Nevertheless, it is possible that the board may consider other outcome-based goals in addition to quantitative energy efficiency and renewable energy goals.

For example, the board may consider goals relating to some of the board learning topics explored over the last several months, or goals relating to other areas that have been referred to in strategic planning retreats, such as:

- Carbon dioxide reduction,
- Demand management, or reduction,
- Prioritizing energy savings or generation in particular geographic markets, and
- Operational goals (e.g. diversity and equity)

This section discusses these examples and some of their pros and cons.

A. Carbon dioxide (CO2) reduction

CO2 reduction is an incidental benefit of Energy Trust energy programs, which meet demand with energy savings and renewable energy instead of energy generated with fossil fuels. These reductions are derived from Energy Trust programs, and Energy Trust reports these reductions. However, they are not, and have not to date been, identified as a strategic goal of Energy Trust programs.

In 2007, Energy Trust's Policy Committee, with OPUC and stakeholder representatives, considered whether to capture the monetary value of these incidental CO2 reductions. If Energy Trust did so, it might affect the cost of Energy Trust programs that reduce CO2. However, the Committee concluded that doing so did not make sense in the absence of a law or regulatory framework for CO2 reduction.

Oregon policymakers continue to consider legislation that would cap CO2 emissions and use revenues from emissions trading to benefit consumers and impacted

communities. If the latest version of that bill were to pass in 2019, the OPUC would establish a framework for how funding would be administered. In the meantime, without that framework, it would be difficult for Energy Trust to define a CO2 reduction goal.

B. Demand response

Energy Trust programs reduce energy consumption overall and also influence timing of energy use. Utility demand response programs seek to influence the timing of energy use, reducing demand during peak periods without necessarily reducing overall energy consumption. Demand response programs do this by controlling equipment or operations. Generating energy to meet peak demand is particularly expensive, and reducing demand at these times lowers utility costs. Demand response also can reduce the need for expensive transmission and distribution facilities.

Oregon's investor-owned utilities have primary responsibility for reducing the cost of grid operations through demand response programs, backup generation, energy storage and grid management. Energy Trust is working with utilities to find ways to use efficiency and renewable programs not only to reduce system demand directly through reduced loads and local generation, but to help utilities more efficiently and effectively reduce peak demand. If energy efficiency is considered in the demand response equation and peak management, and if Energy Trust's strategic plan identified this connection as a unique role of value, then a strategic goal around demand response could be considered by the board.

C. Diversity, Equity and Inclusion goals

In 2018, Energy Trust established a Diversity, Equity and Inclusion (DEI)) Operations Plan. This Plan contains ten DEI goals, some that are objective and quantifiable, and others that are process-oriented. The DEI goals are in service to Energy Trust's need to expand participation in conservation and generation programs, especially among potential customers who may not have been served by Energy Trust programs. With forecasts for energy efficiency resources trending downward, it is essential that Energy Trust reach all customers to capture all potential conservation resource. As such, the board could consider whether DEI goals should be included in some manner in the next Strategic Plan.

D. Goals prioritizing energy savings or generation in particular markets

Energy Trust programs currently identify objectives to achieve broad energy conservation or renewable energy goals, but it could establish goals that are more specific to subsets of the market. For example, Energy Trust is running geographically targeted pilot programs with PacifiCorp and NW Natural to avoid costly upgrades or investments in the local electric and gas distribution system. The organization could also identify other energy saving and generation objectives based on market penetration, for example a specific percentage of new buildings in the new construction market (thereby avoiding lost opportunities) or targeted adoption rates of a specific technology in the small or medium business sector or established participation rates by particular customer groups such as low-income or rural customers. Such objectives could be viewed as part of each program's planning to meet broader energy goals. Alternatively, the board could elevate one of these areas by identifying it as a goal with a quantitative metric within the Strategic Plan.

Summary/Conclusions

Strategic goals can be powerful tools to focus both internal and external stakeholders on an organization's strategic direction. As Energy Trust proceeds into development of its next strategic plan, a discussion about goal-setting is warranted. Lessons learned from the operations goal in the 2015-2019 Strategic Plan are instructive. For the 2020-2024 Strategic Plan, Energy Trust should engage in focused and intentional goal-setting development. This process could consider goals beyond quantitative energy efficiency and renewable generation goals to identify and focus the organization on strategic capabilities that support these resource acquisition goals and objectives.

However, terminology and goal structure should be clarified and defined. Specifically, the organization should consider whether it will only define goals that are quantitatively measured, or whether goals can also be defined with qualitative or process-oriented measurement targets. It may be instructive to consider how other organizations develop strategic goals.

About Energy Trust of Oregon

Energy Trust of Oregon is an independent nonprofit organization dedicated to helping utility customers benefit from saving energy and generating renewable power. Our services, cash incentives and energy solutions have helped participating customers of Portland General Electric, Pacific Power, NW Natural, Cascade Natural Gas and Avista save on energy bills. Our work helps keep energy costs as low as possible, creates jobs and builds a sustainable energy future.

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[1] Terminology differs. In the April 4, 2018 Strategic Planning Training at Energy Trust, Holly Valkama identified the following as typical and possible elements of a strategic plan: Vision, Mission/Purpose, Unique Role of Value, Organizational Values, Objectives, Strategic Initiatives. Clarity around terminology will be important for a better understanding of strategic goals for the next Energy Trust strategic plan.

[2] ibid

[3] http://www.oregon.gov/ohcs/DO/docs/2018-OHCS-Strategic-Goals-Legal-size.pdf

[4] https://us.pg.com/sustainability/at-a-glance/our-goals

[5] http://neea.org/docs/default-source/default-document-library/neea-2015-2019-strategic-plan-board-approved.pdf?sfvrsn=2