

# GETTING SERIOUS ABOUT SUSTAINABILITY



**W**hen Carol Brown was first tasked with helping Portland General Electric become a more sustainable utility in 2007, she pursued a host of environment-friendly measures. At the time, she developed a presentation for employees on the distribution side of the Oregon-based company, everyone from linemen to office workers. “We helped them identify some visual goals they could grab ahold of—things like double-sided printing and no idling of vehicles,” recalled Brown, Portland General Electric’s sustainability manager.

Although she spoke about those early sustainability efforts with fondness—it was a way to focus employee attention on the issue and do some positive things—Brown was quick to point out how limited they were. “They weren’t all that strategic, and they only involved one part of the company,” said Brown. Those initiatives seem especially modest in retrospect, given just how ambitious Brown’s activities are today.

Indeed, with the help of EPRI’s Energy Sustainability Interest Group, Portland General Electric has precisely defined what sustainability means at the company—a collection of 16 key issues, ranging from corporate governance and risk management to greenhouse gas emissions. Even more consequentially, Brown is working to incorporate sustainability into her company’s business processes, including its extensive capital review procedure. “The approach we are taking is to embed sustainability into everything we do rather than take it on a project-by-project basis,” she said. The utility will issue its first-ever sustainability report later this year.

Portland General Electric is hardly the only company engaged in an evolution of sustainability from something peripheral to a presence at the very core of its operations. Indeed, at utilities large and small—especially the 40-plus companies that have already joined EPRI’s interest group—there is an accelerating commitment to approach sustainability with strategic rigor.

## THE STORY IN BRIEF

Since 2008, EPRI’s Energy Sustainability Interest Group has provided a collaborative forum to advance sustainability in the electric power sector. With more than 40 companies participating today, the group produces research and tools that are helping utilities rigorously define, measure, and achieve greater sustainability.

In the past, the general definition of *sustainability*—the management of resources to ensure the long-term well-being of people and the planet—has led to confusion and oversimplification in the electric power sector and other industries. “Early on, it always landed in the lap of the environmental manager. It came to be seen as all about being green when it’s not,” said Sandy Nessing, who leads American Electric Power’s sustainability efforts. “Sustainability is really a business strategy. It’s about pursuing sustainable business growth.”

Today, companies must pinpoint a precise definition of sustainability—a concept that is now widely understood to include environmental, social, and economic components—and then make often difficult choices about how to pursue it. “Everyone is committed to sustainability in a broad context,” said Jessica Fox, an EPRI technical executive who manages the interest group. “But what are your specific commitments? How do we make this real?” Brown pointed to the interest group as a major reason that sustainability has become real at Portland General Electric: “If it were not for the interest group, I don’t think we would be nearly as far as we are.”

### A Need for Collaboration

The maturation of sustainability at Portland General Electric, American Electric Power, and other utilities mirrors the shift in the interest group’s focus in recent years. When the group

was first founded in 2008, it was primarily a forum for companies to share ideas and experiences about sustainability. Although information sharing and collaboration remain at the group’s core, it has more aggressively pursued research and development of tools to help utilities become more sustainable. It also provides a stronger collective voice for member companies in their discussions with policymakers, regulators, non-governmental organizations, and the general public. “The group provides a platform to leverage our voices,” said Brent Dorsey, director of corporate environmental programs at Entergy.

The need for the interest group’s thought leadership has grown. According to American Electric Power’s Nessing, a main factor driving her company’s involvement with the group is the imperative to be more proactive in discussions with various stakeholders about sustainability. “As the scrutiny on our industry has increased, there has been more demand for transparency and information, and we’re getting bombarded with third-party disclosure surveys,” said Nessing, adding that at one time her company was reporting on 80 different sustainability measures. “We were at the back of the bus with everybody telling us what was important and where we should be going, and I felt it was time for us to be in the driver’s seat.”

Getting more sophisticated, fact-based, and strategic about sustainability



This diagram shows the 15 material sustainability issues for the electric power sector organized into the three pillars of sustainability. Utilities face the challenge of achieving sustainability goals while fulfilling the core mandate of safe, reliable, and affordable electricity.

allows for more effective communication about why certain utility decisions are made. “We want to be able to say to the rest of the world, ‘This is how we measure the sustainability of our business because this is what matters’ versus someone else saying, ‘This is how you ought to be measured,’” Nessing said. American Electric Power has been pursuing sustainability initiatives since 2006. In 2010, the company moved to an integrated financial/sustainability report as a result of investor interest in some sustainability issues being measured.

There also are internal drivers. An interest group survey last year found that nearly 60% of utilities placed sustainability as either a top or very high priority. The respondents cited several reasons for placing a premium on sustainability, such as managing operational and regulatory risk, improving corporate reputation, and supporting core company values. These responses

reflect how sustainability can put a utility in a better overall position. “Being sustainable reduces your exposure to risk and liability from stakeholder protests or shareholder resolutions,” said EPRI’s Jessica Fox. “Because you have lower social risk, your company may be financially stronger.”

### One Size Does Not Fit All

Because there is no blanket definition for sustainability, advancing corporate strategies is not simple. Indeed, what constitutes sustainability for a utility depends on many factors. For instance, any comprehensive approach will naturally include a measure of greenhouse gas emissions. Yet there are vast differences in emissions among power companies that distribute electricity only and vertically integrated utilities responsible for generation, transmission, and distribution. Location also matters. “You have different environmental conditions depending on where you are located. In the Midwest, you have tons of

water, and California has a major drought this year,” said Fox. “There’s not a one-size-fits-all approach to sustainability.”

Complicating matters even further, efforts to improve sustainability in one area—whether it’s environmental, social, or economic—may impact sustainability in another area. For example, an initiative to reduce greenhouse gas emissions may cause electricity prices to rise, making it more difficult for a company to meet another equally important sustainability goal: affordability. “It’s a constant balance that is unique to each company,” said Fox.

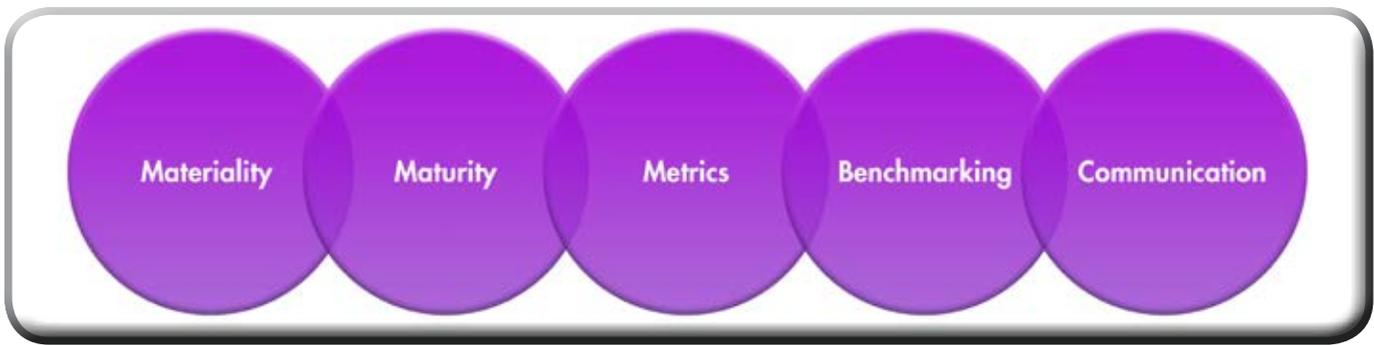
### A Systematic Approach

EPRI’s Energy Sustainability Interest Group provides a wide range of tools, research, and opportunities for collaboration that utilities need in order to chart their own course. “We help companies develop comprehensive sustainability strategies,” said Fox.

To that end, the interest group supports five key steps in a sustainability strategy: materiality, maturity, metrics, benchmarking, and communication (see the figure on p. 17).

The first step, *materiality*, refers to the sustainability issues that are most relevant and important to a utility and its stakeholders. A recent EPRI report (3002000920) identified the 15 most material sustainability issues facing the electric power industry based on input from hundreds of utilities, government agencies, academic institutions, and environmental organizations. Grouped under the environmental, economic, and social pillars of sustainability, the issues include skilled workforce availability, greenhouse gas emissions, and water availability (see figure above). Companies like Entergy, Portland General Electric, and American Electric Power have already used the study to identify high-priority issues. In 2014, the interest group will issue a follow-up report outlining ways that utilities can address these issues.

The next step, *maturity*, involves self-assessment of progress in various



The five steps in a sustainability strategy

sustainability issues. “After you identify your issues, you figure out how you are doing on these issues and where you stand,” said Fox. “That is your maturity.” Last year, EPRI unveiled a pilot version of the Electric Power Sustainability Maturity Model, which allows utilities to gauge their maturity level in four material issues: greenhouse gas emissions, water availability, energy affordability, and energy reliability. A full version of the model incorporating all 15 material issues is anticipated for 2016.

To apply the model, EPRI runs expert-facilitated workshops to help companies accurately determine maturity, define goals, and identify concrete actions to support those goals. “At the workshop, we ask participants, ‘Given where you are today, where do you want to be?’” said Fox. “Based on the answer, we say, ‘Here are the five things you need to do to achieve your goals.’”

An objective assessment of a utility’s progress toward sustainability must include a rigorous way to measure and track performance—which is why *metrics* are a focus of the interest group’s work in 2014 and 2015. “Am I using CO<sub>2</sub> equivalent per gigawatt-hour? Am I measuring water consumption or withdrawal? Do I care about the community that uses the water?” said Fox. “We are identifying the right metrics for the industry to measure their material issues.”

Hand-in-hand with measurement is *benchmarking*, which allows utilities to compare their sustainability achievements with those of their peers. Under a collaborative agreement, EPRI will assume

operation of the industry-wide benchmarking effort started by Tennessee Valley Authority in 2010. This initiative collects performance data for specific metrics and allows organizations to see where they stand relative to their peers through a process that blinds company-specific information. (For more information, see [www.utilityenvironmentalfootprint.com](http://www.utilityenvironmentalfootprint.com).)

The interest group’s fifth focus area is *communication*—how utilities broadcast their sustainability efforts to external audiences. This can happen through corporate social responsibility reports and voluntary disclosures to reporting organizations, such as the Global Reporting Initiative, the Carbon Disclosure Project, and the Sustainability Accounting Standards Board. The amount of effort required to track and interact with these and other reporting organizations is substantial. The interest group has formed a committee, led by representatives from Con Edison and NRG Energy, to inform these external reporting organizations and gain a better understanding of the costs, benefits, and current practices associated with participating in various disclosures. According to Fox, the research aims not only to inform what the reporting agencies request of companies, but also to provide a legitimate basis for why utilities use certain metrics and issue certain disclosures.

### Giving Meaning to Sustainability

At the core of the interest group’s work is crafting a more precise, measurable definition of sustainability for the electric power sector. The group ensures that all aspects of

the work—whether it’s identifying material issues and metrics or assessing costs and benefits—are based on facts and sound science.

At the same time, the group aims to provide a framework to translate the industry’s collective lessons into customized sustainability strategies that fit the unique situation of each utility. Goals and targets, maturity levels, disclosures, and properly balanced decisions will always be individual propositions. Providing the tools to help utilities with these tasks will continue to be the interest group’s focus for the foreseeable future.

In addition to advancing the industry, EPRI is advancing its own corporate sustainability efforts and recently hired Anda Ray as its first chief sustainability officer.

“Our sustainability effort has been integrated into our company DNA,” said Entergy’s Brent Dorsey. “EPRI is helping us further strengthen our sustainability strategies, leveraging the good into great.”

*This article was written by Chris Warren. Background information was provided by Jessica Fox, [jfox@epri.com](mailto:jfox@epri.com), 650.855.2138.*



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