

Policy Committee of the Energy Trust Board of Directors

Mar. 18, 2008, 3:00-5:00 pm

Attending: Jason Eisdorfer, John Reynolds (by telephone), Margie Harris, Fred Gordon, Steve Lacey, Peter West, Sue Meyer Sample, Jan Schaeffer and John Volkman

1. Status report on 2008 budget revision. Margie gave the committee a briefing on the current status of a revised budget, reflecting additional Pacific Power (being collected) and PGE (anticipated) revenues of \$13-plus million. The presentation showed the additional revenues and how we propose to change expenditures and savings in light of them. Significant increases are proposed in the existing homes (including for near-low-income participants), new home products, existing buildings, new buildings and production efficiency (in facilities using less than one megawatt) programs. The Northwest Alliance is ramping down expenditures this year and next, and corresponding Energy Trust expenditures also decrease. When the presentation is made to the board, it will address percentages of expenditures and revenues by sector.

2. Managing risk in renewable projects. In response to the board's request at its last meeting, Peter is preparing a matrix for the next meeting showing areas of risk in renewable energy projects and how we approach each area, including: (1) development risk (pre-construction expenses such as studies, land, permitting); (2) opportunity cost (foregone projects); (3) construction; (4) changes in actual project cost; and (5) performance risk (the completed project does not perform to expectations). Energy Trust assumes risk in the first, second and fifth areas, but not in the third and fourth. The matrix will show how we manage risk in the three areas where we assume it.

3. Jason noted that he has heard from a policy group that seems to take the view that Oregon energy tax credits and the public purpose charges that fund Energy Trust transfer resources from low-income to wealthy populations. Energy Trust will be serving near low-income residents and has a history of working with Habitat for Humanity and Housing Authorities. We also coordinate with the State Department of Housing and Community Services. It was mentioned some may not know that a portion of the public purpose funds are dedicated for low income weatherization and low income housing.

4. Expansion issues.

(a) NW Natural in Washington. If the Washington Utilities and Transportation Commission approves a decoupling proposal being submitted by NW Natural, the utility would like Energy Trust to provide efficiency services to its residential and commercial customers in Washington. This is a relatively small and compact population (65,000 customers, primarily in Clark County), too small for NW Natural to serve cost-effectively, and in an area that abuts Energy Trust's Portland service area. The prospect is a much less complex, more manageable one than the Cascade proposal. Staff has discussed the idea with NW Natural, the OPUC and others, and proposes a two-stage evaluation: if the board approves the idea in April, staff will do a high-level, preliminary assessment of the opportunity under a relatively small contract with NW Natural. Provided the WUTC approves decoupling, Energy Trust will conduct a detailed study and implementation plan under a larger contract.

(b) BPA. We have been talking to BPA for some time about serving restaurants and other commercial customers in Oregon, under a direct contract. If this materializes, it will likely be in 2009. A number of administrative and contracting issues are involved.

5. Three-year policy reviews (see attached)

(a) Lost opportunity policy: Given a growing budget, the current policy has little effect and no change is recommended. The situation could change by the time the next three-year review occurs. The committee concurred.

(b) Balanced competition: It is possible that Energy Trust will want to contract with utilities to carry out marketing activities for programs pursuant to the supplemental energy efficiency funding authorized by the 2007 Renewable Energy Act. An amendment to section #3 of the policy would recognize this contingency. The committee discussed whether the policy is still needed at all and decided that it should be continued with this proposed modification. Steve Lacey will alert the CAC at its March 19 meeting.

(c) Preview of policies for review at the next policy committee meeting: The policies on risk versus reliability and the program approval process are due for three-year review at the next meeting. The risk policy will take some thought. Staff will review the program approval process policy further to see if it needs change, but staff's initial impression is that it is working well.

6. PGE supplemental rate filing: PGE has eliminated its cost-recovery proposal from this year's supplemental efficiency rate filing, but the issue will arise again for 2009 and beyond. The committee generally discussed the implications for Energy Trust. Jason said that he has not yet seen evidence that such mechanisms are warranted in Oregon. The group discussed whether this may be true several years out, when efficiency programs may reduce utility loads more than they do now.

7. Updates:

(a) Strategic planning. Staff is discussing issues internally and would like to begin to engage them with the Strategic Planning Committee in anticipation of the June board retreat. The Committee is being reconstituted in light of the departures of Tom Foley and Bill Nesmith. Because the Committee's membership will likely overlap so much with the Policy Committee, Strategic Planning Committee meetings will be scheduled back-to-back with Policy Committee meetings.

(b) Funding biofuel projects as gas efficiency. Steve has been discussing with the CAC the idea of funding projects that use biofuels to reduce natural gas consumption. NW Natural supports the idea. Steve expects to approve this type of funding with a variety of caveats.

(c) Identity theft. Staff is implementing internal administrative systems to ensure that confidential participant information, especially Social Security numbers, are well protected.

TEXT OF POLICIES:**Lost opportunities:**

- The Energy Trust should favor acquisition of Lost Opportunities and focus some of its budget and program design efforts in that direction.
- However, this should be considered a “decision-tipper” in setting priorities, considered in the context of other issues and values.
- The Energy Trust should encourage comprehensive treatment of an end-use where this is practical to avoid creating lost opportunities by doing half the job.
- Financial resources should also be reserved for retrofit programs, especially where these are low cost or serve customers who would not otherwise be served.
- Work with partners who have special resources to efficiently capture lost opportunities. E.G., Northwest Alliance, Consortium for Energy Efficiency, Oregon Office of Energy.

Balanced competition policy:

1. *Arrangements for regulated utility information and referrals.* The Energy Trust will arrange directly with regulated utilities for information and referrals that help the Energy Trust reach the public, and come as a byproduct of the regulated role. The Energy Trust and utilities will work together to determine what activities and information will be made available with or without fee. Examples:
 - Coordination of 1-800 response for household and business efficiency inquiries
 - Qualification of leads coming from utility/customer relationships and referral to programs
 - Access to historic energy usage data as requested by utility customers
 - Access to utility-generated consumer demographic information for evaluation and/or marketing purposes
 - Utility customer representative role in marketing

Thus, these capabilities will not influence selection of program management contractors.

Rationale

These are services that stem from the natural monopoly role of the utility. They are unique and real assets, but not appropriate for the competitive bid.

2. *Limitation on number of program management contracts awarded to a single contractor.* No single firm, including other companies under the same ownership and affiliates, will be a contractor (prime or subcontractor) for more than two concurrent program management contracts. This limitation does not apply to subcontracts for installation or technical work (studies, commissioning, etc.) that are awarded to multiple contractors as part of implementation of a single program.

Rationale

Energy Trust needs to maintain a competitive market for program management. If one competitor wins all slots, others will not develop the skills, nor are they likely to bid in the future.

3. *Limitations on participation of regulated personnel in competitions for program management contracts.* [With the exception of utility work for which Energy Trust contracts in connection with supplemental energy efficiency activities pursuant to the 2007 Renewable Energy Act, A](#)n individual within a regulated utility cannot perform work under an Energy Trust contract for program management and perform work as part of the regulated utility (i.e., functions billed to ratepayers) in Oregon.

Rationale

- *Regulated utilities have their own objectives, which in some cases include maintaining and building load. It would be difficult to manage employees who also report to a regulated utility and its objectives as “first boss.”*
 - *To have ratepayers pay for part of the cost of an FTE that was used for competitive Energy Trust work would make it difficult for others to compete.*
4. *No review of work of related companies.* Neither a program management contractor to the Energy Trust nor organizations under the same ownership or affiliates may perform work under separate contract that would be submitted to the program management contractor for review on behalf of the Energy Trust. This type of work includes recommendation of efficiency measure brands, models or performance, technical analysis of savings, or equipment installation or commissioning.

Rationale

Avoids having program management contractors review their own work. Reduces consumer confusion about roles.