

## **Policy Committee of the Energy Trust Board of Directors**

April 15, 2008, 3:00-5:00 pm

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Attending: Jason Eisdorfer, John Reynolds, Margie Harris, Fred Gordon, Steve Lacey, Sue Meyer Sample and John Volkman

1. Risk versus reliability policy (reproduced below). The committee reviewed this policy as part of its routine 3-year review. Staff observed that over the next year or two, Energy Trust may want to take a different approach to risk than it does now. The current policy is relatively conservative and as Energy Trust moves into more hard-to-reach markets it may need to take more risk. However, staff is not prepared to recommend changes in the policy at this point. The committee agreed, and will take a new look at the policy when: (1) the Northwest Alliance's strategic planning process is completed; (2) Energy Trust has had further discussion of its strategic roles (starting with the June board retreat); (3) Energy Trust has seen the results of its renewable energy risk analysis; and (4) we have a clearer sense of where some of the three-state "big and bold" initiatives may be headed.
2. Program approval process (next page): The committee reviewed this policy as part of its routine 3-year review. This policy, which was first adopted three years ago: requires programs to operate in accordance with budgets and savings goals approved by the board in the annual budget process; establishes reporting requirements and checkpoints to facilitate board oversight; and requires board approval of program management contracts. Staff thinks the policy is working reasonably well and recommends no changes. The committee discussed whether section 5 of the policy, which calls for the "board to review program status at board meetings on a rotating basis so that all programs are reviewed over the course of a year" is being observed, and if it is necessary. The board receives one program briefing per board meeting, but there are only eight meetings per year and more than eight programs. All programs are reviewed in quarterly reports and briefings and in the annual budget process. Although program briefings consume board and staff time, the committee thinks that they are a valuable complement to other reports. The committee asked that staff include such presentations in board agendas so that all programs are covered in the course of a year.
3. Energy Trust space planning. With recent staff additions, Energy Trust is at capacity for floor space. We are exploring additional space in this building for storage, conference rooms and other purposes, while doing everything we can to keep all staff on the 12th floor. Simultaneously, we are beginning to think about options if we require significantly more space in the next few years, which could require a move. We have talked to a group of other non-profits about leasing space in new buildings that would have extensive green features. The committee observed that there is value in being in a building that reflects Energy Trust's purpose and values, but we need to make wise use of ratepayer money. Lease costs like those projected for new buildings in the downtown core -- \$35/sq. foot, reportedly -- are likely not in the cards.

## Reliability versus Risk

**Issue: How should the Energy Trust balance investments in proven technologies and programs with opportunities to invest in cutting edge, riskier technologies and programs?**

The Energy Trust could focus all its resources for several years on reliable, proven efficiency opportunities. However, there may be a need over the ten-year period to increase the amount of available resources. Furthermore, some new technologies may reduce the cost of efficiency or provide better customer service along with efficiency. There are options for technology research, development, demonstration, and dissemination of new technologies. There are also opportunities to help develop and demonstrate new administrative and business models for efficiently delivering efficiency to customers. Some market transformation initiatives are higher-risk efforts to bring technologies or delivery systems into the market.

### Recommendations

- Develop a portfolio approach. The Energy Trust should **target a modest share of resources (e.g., 20%), to higher-risk activities** that bring new efficiency opportunities or more effective delivery systems into the marketplace.
- As part of this commitment, **continue to support market transformation through funding for the Northwest Alliance.**
- Beyond funding for the Alliance, focus **investments in innovation primarily on better systems for delivering savings to customers.** Leave technology RD&D to others who specialize in this.
- Selectively consider opportunities for **demonstration of market-ready technology.**
- **Support resource assessments** to better understand what is already available.

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## Program Approval Process

### Purpose:

1. **Historically, the Board has approved programs in resolutions that specify projected energy savings and cost/aMW and estimated budget allocations for such items as incentives, marketing, administration and evaluation. Specific terms of program management have typically been addressed in separate resolutions authorizing program management contracts.**
2. **Experience has shown that if staff and contractors adhere to the original terms and conditions identified in Board resolutions authorizing programs, the programs may lose momentum while staff seeks approval to change program delivery, and considerable Board and staff time are consumed in complex and confusing adjustments.**

3. **Energy Trust has enough experience with these programs to warrant revising this process to make it more efficient.**

**It is therefore RESOLVED:**

1. **That the Energy Trust of Oregon, Inc., Board of Directors hereby authorizes all existing programs to:**
  - a. **Operate under a not-to-exceed budget cap established by the Board in the annual budget approval process or by special resolution; staff is authorized to manage the program within this budget until the next annual budget review; staff may not move budgeted funds from one program to another without Board approval.**
  - b. **Be managed to achieve a best-case energy savings and cost/aMW goal, recognizing that actual performance may achieve only a more conservative level below which the program would be reevaluated.**
2. **The Board will continue to review and approve program management contract terms.**
3. **Staff will provide the Board with quarterly status reports based on energy savings by program and sector (not individual contract). Reports would identify variances and reasons for them, including:**
  - a. **Where long-term cost-effectiveness is trending (\$/aMW or levelized cost per kWh and therm) compared to the most recent action plan forecast, and whether the program is apt to be cost-effective once it hits steady-state.**
  - b. **Whether the program is expected to achieve significant savings over its life.**
  - c. **If a quarterly report shows that a program is trending below the conservative end of its authorized \$/aMW range, the Board may call for an action plan to address the short-fall.**
4. **The Board retains discretion to modify or discontinue a program if it is not meeting expectations.**
5. **The Board will review program status at Board meetings on a rotating basis so that all programs are reviewed over the course of a year.**
6. **The Board will use the budget and action plan process to review, modify and adjust program budget caps.**