



THE ENERGY TRUST OF OREGON

Approved Board Meeting Minutes

April 3, 2002

Board members present: Andy Anderson, Jason Eisdorfer, Christine Ervin, Tom Foley, Suzanne Johannsen, Lynn Kittilson, John Klosterman (arrived late), John Reynolds, Steve Schell. **Absent:** Cheryl Perrin. **Permanent and interim staff attending:** Carmen Doi, Fred Gordon, Monica Gruher, Margie Harris, Dulane Moran, Jan Schaeffer, Ed Sheets.

BUSINESS MEETING

Called to order at 12:10 by board president Steve Schell.

Steve welcomed all attending; particularly the Trust's new staff members – Peter West, Director of Renewable Resources; and Carmen Doi, Office Manager. He thanked Dulane Moran for her interim assistance at the Trust and also acknowledged Oregon Public Utility Commissioner Lee Beyer for his consistent attendance at Energy Trust board meetings.

Approval of agenda and February minutes: Suzanne Johannsen noted a misspelling of her name on page 7.

Motion: **Approve the agenda and the minutes as amended.** Moved by Suzanne Johannsen, seconded by John Reynolds. Vote: Approved (7-0-0).

PRESIDENT'S REPORT

Steve Schell reported that two strategic planning sessions have been scheduled. The first is the morning of the board meeting on June 26 from 8:30 am until noon, followed by the regularly scheduled board meeting. A two-day retreat is scheduled for Sunday, July 14, and Monday, July 15. Meeting locations will be determined.

After some discussion about probable agenda items for its April 24 meeting, the board decided to cancel this regularly scheduled meeting. The contract for the Northwest Energy Efficiency Alliance can be approved via consent agenda or telephone conference as needed. Tom Eckhart of UCONS LLC will be notified that the contractors and other stakeholders he planned to have attend on April 24 will be scheduled for the May 22 meeting.

ENERGY POLICY COMMITTEE

Jason Eisdorfer noted that there were three policy issues before the board this month, two of which have been discussed at previous meetings.

Equity Policy. Ed Sheets and Fred Gordon presented the issues involved in the discussion of equity policy, including methods for allocation and guidelines in the PUC agreement. The briefing paper on this issue has been presented to the Conservation Advisory Council. The Council generally supported

implementing programs in all sectors, addressing equity of participation and funding over 10 years, and serving customers that previously have not had access to programs. They discussed how best to balance wide access to programs with the need to maximize cost-effective conservation savings. For example, the residential sector provides 43% of public purpose revenues, while a “least cost” scenario would return only 14% of the program investments to this sector.

Achieving “perfect equity” (resource allocation based solely on revenue collected) results in a lower total conservation acquisition and a higher cost per average megawatt. While the numbers are based on some assumptions about how much conservation is available, the “least cost” option also results in the least equity in expenditures. This is contrasted with the “get it all” and “balanced” approaches, which result in similar end results in terms of total megawatts saved and the cost of each average megawatt.

Fred noted that expenditures are not the only basis of equity. In the lower cost scenarios, residential customers get more benefits from avoided power plant purchases. While the “perfect equity” case clearly increases benefits to the residential class as a whole over the “least cost” approach, it probably is not feasible because it relies on far more residential savings than are known to exist. The “balanced” scenario may result in more residential rate savings and incentive benefits, but the increase in the average residential power bill is of roughly the same magnitude. Thus, it is not clear, or predictable, whether this truly results in an increase in residential benefits.

After some discussion around the potential impact of behaviorally based methods, the board heard some general observations about the equity issue:

- ◆ All of the scenarios produce low-cost savings, and the Energy Trust will need to pursue savings from all customer classes to meet its goals.
- ◆ If significantly more conservation is not available, then equity may be moot.
- ◆ Resource assessments and program experience will be needed to identify additional resources in all sectors.
- ◆ The Energy Trust will need to focus on increasing penetration (especially in the residential sector) at reasonable cost.

The Energy Trust plans to commission a resource assessment study of available conservation resources. Results should be available within six months. The Northwest Power Planning Council is moving forward on a larger, longer-term effort to obtain the same information region-wide.

Next steps are to continue seeking public input on the draft equity paper, discussing the issue again with the Conservation Advisory Council, and bringing a policy for consideration at the May board meeting.

Steve Schell asked Shani Taha of UCONS to comment on how to serve hard-to-reach multi-family markets. Shani noted that the residential sector is actually two sectors – single family homes and multifamily buildings. The multifamily sector has historically been harder to engage, for several reasons, including nonresident owners and generally lower income residents. In response to questions about the cost effectiveness of the multifamily programs, Shani responded that the programs were cost effective and could reach the Trust’s target of \$1.3/aMW.

Lynn Kittilson suggested that analysis of participation rates in this sector be included in the Trust’s resource assessment. She had understood there are relatively high rates of participation in the multifamily sector, possibly due to the availability of BETC tax credits.

Steve noted that it is difficult to quantify the transfer benefits from one sector to another. For example, how can the Energy Trust quantify the additional societal benefits of avoiding the costs and impacts of new power plants needed to serve peak loads?

Fred cautioned board members that the future is very difficult to predict, and the relative benefits for one sector or another are well within the “noise” of the modeling exercise. If the price of generation “crashes”, all bets are off in terms of determining cost effectiveness.

Jason Eisdorfer advocated having the Energy Trust offer programs that give customers in every class the opportunity to participate – they may self-select out, but they need to have a real option. He noted that the lack of this opportunity has been a problem with least-cost planning in the past.

Above-market cost methodology. The Trust is limited to funding the “above-market costs of new renewable energy resources.” Trust staff and the Renewable Resources Advisory Council have developed an interim methodology for evaluating above market costs. The amount of a new renewable resource that could be considered above market depends on time of use, season, costs of transmission and other factors. The Oregon Public Utility Commission definition necessitates taking timing into account in determining above-market costs.

The proposed methodology requires (1) determining the levelized present value of the renewable resource, including fixed and operating costs and the expected life of the resource and (2) determining the levelized present value of a non-differentiated resource with the same contract term, quantity and distribution of generation across peak and off-peak periods. The Trust could then pay up to the difference between (1) and (2).

Ed Sheets presented several graphs illustrating the marginal resources at various times of day and year as predicted by a computer modeling system called Aurora. The Aurora model is used by BPA and the Northwest Power Planning Council to forecast the future market cost of electricity. Aurora has the capacity to predict market prices 20 years into the future based on assumptions of least-cost planning, future load growth, existing resources and the addition of new resources as needed. The graphs illustrated the high cost of power at peak, both in summer and winter. While Aurora is a valuable model, it does not reflect the impact of political decisions to increase renewables in the power mix by anywhere from 5% to 20%. It is also difficult to understand, and staff-intensive to modify (although basic runs are provided by the Power Planning Council). Even with the drawbacks, Aurora offers a way to compare the market price differences throughout the day and the year and offers a way to analyze the numbers into the future.

Ed reviewed the recommended methodology:

1. Determine the levelized present value costs of a renewable resource through information from the developer as well as an independent comparison with similar resources.
2. Determine the levelized present value of the market using Pro-Cost (a model to summarize costs from Aurora) and Aurora to determine values based on time of day and time of year. Check the reasonableness of these numbers.
3. The Energy Trust could pay up to the difference.

Ed noted that the Renewable Resources Advisory Council had reviewed this methodology twice and supported this approach.

Discussion ensued regarding how to factor in tax credits or the value of other programs a developer may utilize. While it was assumed that the costs and credits would be included in the mix for a given project, Peter West suggested that the developer outline any tax credits or other program funding they intended to use.

John Reynolds asked about how the Renewable Resources Advisory Council responded to the proposed interim methodology. Ed responded that Aurora was the biggest hurdle, due to its inaccessibility and the proprietary nature of the model itself. After some discussion, it was agreed that the Energy Trust needed an interim methodology, had limited staff time to develop a whole new model, and could proceed with this methodology as a way of testing the process.

The possibility of suggesting modifications to the Oregon Public Utility Commission definition after the Energy Trust had gained some experience in applying it was also discussed. Lynn Kittilson agreed that the rule could be clarified if everyone agrees and the issues are specified. Commissioner Beyer confirmed that the PUC is looking to the Energy Trust to break new ground on this and that returning to the PUC with suggestions was very reasonable.

Motion: Direct the Energy Trust staff to use the proposed interim methodology for evaluating the above-market cost of a renewable resource project to evaluate the maximum amount the Energy Trust can pay for renewable resource projects.

Establish a policy that the actual amount of the above-market cost that the Trust will pay will be made on a case-by-case basis after considering the potential of the project to reduce resource costs, provide replicable benefits, address a resource with significant potential, or meet other considerations related to achieving the objectives of the Energy Trust's strategic plan.

Direct the staff to review the methodology and report to the board within six months its experiences in applying it and recommend any changes that may be appropriate.

Moved by John Reynolds, seconded by Suzanne Johannsen. Vote:
Approved (8-0-0).

John Reynolds asked for some clarification on a line in the fourth paragraph on page two of the methodology. The line reads, "The average hourly value of the renewable resource should be above a level that is between the value of the peaking and base load resources."

Considerations for funding self-directing customers. The briefing paper presented to the board outlines considerations for evaluating conservation and renewable resource funding requests from a self-directed customer. While a project would not have to meet all the criteria, projects that address most of them have the best chance for funding. These criteria may be moot, at least for this fiscal year, as there appears not to be any additional funding for such projects. Nevertheless, the Trust needs to develop a list of considerations it will use to evaluate project funding from self-directors.

Steve Schell disclosed a potential conflict of interest in that his wife works for Intel, a customer who could possibly self-direct. He stated that he had not discussed this issue with anyone at Intel, nor did he have an opinion on this and said that unless anyone objects he would participate in the discussion. There were no objections.

Board members reviewed the considerations and agreed on two small changes. Under the conservation considerations, second bullet: remove the clause "in the allocation of funding among customer classes." In the renewable resource considerations, third bullet: replace the first "significant" with "the". For both conservation and renewables, the considerations included the desire that the projects produce significant benefits that can be replicated and would be lost opportunities if funding is not provided.

Motion: Adopt the considerations presented in this decision document for evaluating whether to fund projects proposed by the customer that self-directs some or all of their public purpose funding between

March 1, 2002 and December 31, 2002. Moved by John Reynolds, seconded by Jason Eisdorfer. Vote: Approved (8-0-0).

Cost Effectiveness. This is a final draft of the cost-effectiveness policy the board approved at the last meeting. The board reviewed the document and had one small change: delete the sentence at the end of the second paragraph on page 2. The sentence beginning with “The Energy Trust will also apply an additional credit for the value of an efficiency program....” will be removed. Other minor changes were provided directly to Fred Gordon by Lynn Kittilson.

Fred Gordon explained that the resolution from the last board meeting asked that staff initially use the utility transmission and distribution costs filed with the Public Utility Commission in determining cost effectiveness. However, it appears that PacifiCorp, PGE and the Regional Technical Forum all used different methodologies and there is some question about the data behind all of them. Fred requested that the cost-effectiveness policy be interpreted to say that staff should take a hard look at the filed numbers, use them where possible, look for improved estimates, and if they prove to be less useful than the RTF numbers, rely instead on the RTF numbers for now. There was general agreement that using the RTF numbers for now made sense, and board members advocated that staff continue to try to get better local numbers.

BREAK

INITIAL ENERGY TRUST PROGRAMS

Fred Gordon presented information on three programs the Energy Trust will initiate and evaluate in terms of process, contract and program management and conservation savings achieved.

Small Scale Energy Loan Program (SELP Buy-Down. Fred explained that information presented to the board on each program tests two elements – first, whether the board likes these programs, and second, whether the cost effectiveness analysis presented is both clear and sufficient.

The SELP program basically buys down the interest rate for public building loan recipients from 5.75% to 2% (5.6% to 2% for state agencies). Fred explained that SELP offers an alternative to rebates for such public organizations who are unable or unwilling to use a rebate mechanism. Bill Nesmith of the Oregon Office of Energy (OOE) explained that the loan program offers a complete funding mechanism for a project, as opposed to a percentage of cost reflected by a rebate structure.

Steve Schell stated that the Energy Trust faces ongoing problems in determining (1) who is our market, (2) who will take advantage of a program and how are we going to sell the program and (3) how we monitor and track the work.

Fred responded specifically with regard to the SELP proposal, stating that this program is a small part of a much larger market, based on prior program activity. Bill Nesmith confirmed that the Office of Energy has worked in this market for years, and this program offered an opportunity to test the buy-down mechanism through a pilot project.

Discussion ensued regarding using the expertise at OOE, monitoring the technical and financial (credit worthiness) aspects of the program, and the possibility of utilities directing their customers to the program. In terms of marketing the program, the targeted public sector market needs to have full project funding and a turn-key approach. Not only does the subsidized rate encourage them to participate, it is also politically more viable than bonding for the same investment.

Green LED traffic lights. This program emerged from conversations with the Portland Office of Sustainable Development, which suggested working with the Oregon Department of Transportation to convert green traffic lights to the far more efficient LED lights. There are two basic ways to do this -- using simpler, screw-in light bulbs or, hardwired light bulbs, which are less expensive. Most of the City of Portland traffic signals have been changed out. The program pays the Office of Sustainable Development to market these light bulbs to the Oregon Department of Transportation and other communities in Oregon. The proposed Energy Trust program offers an incentive payment per lamp.

While the program does not have a large budget and provides limited savings, there is a possibility that users will like the new lights and independently ramp up their effort on this. In this way, the program offers market transformation potential. The program appeals to municipalities on many levels and could be a great investment if they start doing it on their own.

There was some discussion of the need to clarify the niche and the marketing plan for each program. Margie Harris suggested that, where applicable, staff could include the potential marketing approach in the program information distributed to the Board in the future.

Manufactured home duct sealing. Fred explained that this program was based on a model that Eugene Water and Electric Board (EWEB) and Emerald PUD have used very successfully. An RFP will be issued with intent to build capability in this sector – ultimately sealing ducts in 1000 mobile homes. The contract installation work will be competitively bid among three contractors in Medford, Bend and Portland. If working well, the program has the potential to be expanded over time.

Discussion ensued regarding the screening and evaluation mechanisms. Although EWEB reported low costs and high customer satisfaction, Lynn Kittilson reported that a similar pilot launched by PGE proved not to be cost-effective, mainly because about half of the homes did not actually need the sealing. Before this pilot becomes a full-blown program, it should be evaluated and clear screening criteria will need to be included in the contract.

Motion: Adopt all three programs as described in the packet and authorize staff to proceed with the programs. Moved by Suzanne Johannsen, seconded by Tom Foley. Vote: Approval (8-0-0).

CONFLICT OF INTEREST FORMS FOR BOARD MEMBERS

The board discussed the conflict of interest forms that were distributed at an earlier meeting. Each board member will need to complete the form and provide it to Monica Gruher, who will make sure it gets to the PUC. The forms will be kept confidential by the PUC.¹

Steve reminded board members that there are two aspects to the Energy Trust's conflict of interest policy. The first is the disclosure on paper, generally done annually. The second is a verbal disclosure of any issue that emerges in discussion that may not have been predicted ahead of time. In the second instance, a board member can disclose the nature of the conflict and continue in the discussion unless there is objection, or choose not to disclose the nature of the conflict and instead leave the room for the duration of the discussion.

¹ In subsequent correspondence, the PUC determined that it did not require Board of Directors conflict of interest forms to be submitted and that the Energy Trust could simply retain record of them.

FINANCE

Tom Foley noted that the financial statements were presented in two formats in this month's board packet, a summary format and a detail format. The Finance Committee is interested in feedback from board members regarding the usefulness of each format. Tom mentioned that when the finances have settled down to a point where the numbers have more clear and predictable meaning, they will most likely be distributed to the public.

Tom reviewed the Finance Committee report and noted that the number listed at the end of the bulleted section should read \$322,997, not \$314,785. He reported that the Energy Trust had secured a line of credit from Bank of America via consent minutes (a copy of which is attached).

The board discussed the need for administrative flexibility in terms of basic purchasing and the safeguards in place in terms of contracting and spending authority. The board considered a motion to give the Director of Finance and Operations limited credit card disbursement authority.

Motion: Allow the Director of Finance and Operations limited credit card disbursement authority. Specifically, the Director of Finance and Operations is allowed to disburse up to \$5,000 in budgeted expenses monthly, using the corporate credit card. Moved by Tom Foley, seconded by Andy Anderson. Vote: Approval (8-0-0).

The board reviewed several suggested changes to the financial policies and made one other change – the line on page four, second paragraph under “budget policies” will read: “Board adoption of the budget shall constitute authorization for staff to incur the budgeted expenses *up to their authorized limits.*”

Motion: Approve the proposed financial policies revisions as recommended by the Finance Committee. Moved by Tom Foley, seconded by Andy Anderson. Vote: Approval (8-0-0)

Steve Schell noted that ultimately the board is less concerned about the specific products the staff purchases than about whether or not the organization is meeting program goals. To facilitate this understanding, he asked that budget numbers be focused to reflect program activity and outcomes. Monica Gruher explained that there were several ways to get more meaningful numbers in terms of programs, including tracking the committed expenditures and total contract values, and providing comparisons with the organization's goals and objectives. She indicated that staff is working on reporting enhancements over the coming months. Steve stated that he saw the budget issues in two ways: being “on budget” is one issue; the other is effectiveness in meeting program objectives.

Andy Anderson left the meeting at this time.

EXECUTIVE DIRECTOR'S REPORT

Margie Harris reviewed her report to the board. She noted that the Energy Trust has a loaned executive from BPA, Joe Cade, who will act as interim energy efficiency director until a permanent director is hired. She reviewed the status of the search for office space, employee benefits and policies, utility numbers on renewable portfolio sign ups, and RFPs issued or anticipated.

There was some discussion about how portfolio signups here compare to other states who have offered similar choices to their electricity customers. Portland appears to be doing well. Participation here after two months matches Pennsylvania rates after four years. Steve Schell noted mention of the Energy Trust in this month's bill stuffers from PGE and PacifiCorp.

Margie also noted the dates set for statewide outreach. The dates have been distributed far and wide through both Energy Trust contacts and other business and stakeholder contacts.

Margie reported that the Northwest Energy Efficiency Alliance contract was moving forward and should be finalized this month. The Energy Trust is establishing a contractor relationship with the Alliance which is a somewhat different set of parameters than other funders who support the Alliance. Given the decision to cancel the April 24th board meeting and the need to finalize this contract, the Board will likely consider it via telephone conference call, as needed.

PUBLIC COMMENT

Rick Richard, a local weatherization contractor, reported that he and his company had worked with several local utilities over the last 20 years and were part of PGE's program to do mobile home duct sealing. He questioned the decision to select the training and quality control contractors by sole source. Fred Gordon explained that in the interest of time, he chose not to solicit competitive bids for all functions associated with this program. He instead consulted experts who unanimously recommended the consultants selected to do this work, and emphasized that the three contractors needed to do installations would be competitively selected. Bob Bareska, of JB Insulation, mentioned similar concerns. Fred noted the program is intended to build the capacity of the contractors to properly install duct sealing. Shani Taha of UCONS reiterated the concerns about competitive solicitation. Glen Garland of ICF suggested the need for the RFP to focus more on how to market the programs.

ADJOURNMENT OF MEETING

The meeting adjourned at 4:10 pm.

/s/ Christine Ervin

Christine Ervin, Secretary