

**MEMO**

From: Peter West, Director of Renewable Energy Programs  
To: Renewable Advisory Council Members (RAC)  
Date: April 12, 2005

RE: Management Audit Items and RAC Operating Principles

The management audit praised the accomplishments of the Energy Trust and the energy efficiency renewable energy programs. The audit, however, noted the RAC needed attention. It identified several items revolving around communication, conflicts of interest and operating principles. Staff believes the audit made some fair recommendations in these areas.

Key to the audit's recommendations is the adoption of standard, clear operating principles like those instituted by the Conservation Advisory Council (CAC). These are attached to this memo, along with staff's comments. Staff seeks comment and action on these at the April 20, 2005 meeting of the RAC.

These principles were the result of extensive discussions by the CAC. Energy Trust staff has previously incorporated many of these principles into the RAC meeting processes. However, we have not explicitly identified these operating principles and procedures. One item is new and not part of the CAC's operating principles.

Staff had assumed RAC members used the regular web postings of board actions and staff updates to track program activities, the resolution of issues and how input was employed. As the audit pointed out, this was not true and meant RAC members were not aware of the outcomes of meeting actions and discussions. As noted in the attached, staff has adopted several mechanisms to keep RAC members more up to date. Staff seeks comment on the effectiveness of these.

The audit suggested staff more explicitly address conflicts of interest on the RAC. Staff has handled complaints from RAC participants about perceived conflicts of interest. Since the board has decision making authority for the Energy Trust, staff has not been actively concerned about the issue. To address the audit's recommendation staff added a twelfth principle for consideration.

**Renewable Advisory Council  
Meeting Operating Principles  
Draft  
April 12, 2005**

The Renewable Advisory Committee is one of several standing committees formed by the board of directors to provide advice in support of the Energy Trust. From the Energy Trust By Laws:

“The board of directors shall create separate advisory councils for (a) conservation, and (b) for renewable resources, to provide advice and resources to support the Corporation. The role of such advisory councils shall be to assist the board of directors and the President in the development of a strategic plan and to assist the Corporation's staff with implementing key elements of the strategic plan, according to guidelines to be established by the board of directors.”

From the initial help in forming the strategic plans, the RAC's (and CAC's) role has evolved to more direct advice and input on program design and project evaluation. Final resolution and all decision authority have always remained with the board of directors.

The following operating principles are derived from the Conservation Advisory Council. These principles were the result of extensive discussions. The management audit recommended adopting these for the RAC.

Energy Trust staff has previously incorporated many of these principles into the RAC meeting processes. However, we have not explicitly identified these as standard procedure.

Proposed Operating Principles and Procedures

1. Meet monthly.

*Note: the RAC plans to meet 8 times per year. That has typically been sufficient, although it can shorten time for discussions. Do we want to meet as often as the CAC?*

2. Whenever possible, distribute meeting agendas, related discussion papers and notes from the previous meeting at least one week in advance.

*Note: Staff has done this far more often than not, and every time since last summer. Is this making a difference?*

3. Identify agenda items as **discussion**, **information**, or **recommendation** needed.
4. Make presentations short and succinct; provide ample time for discussion. Strive to invite guest presenters.

*Note: Short presentations assume members read the materials prior to the meeting. Staff has observed that most RAC members do not read materials prior to the meeting. What should be the expectation?*

5. Provide at least two rounds of **discussion** on warranted topics before asking for a **recommendation**.

*Note: This will not work for project reviews. Adding another month to the decision process for projects is not customer friendly. Typically we do the double-discussion for policy issues, new program launches and annual budget reviews. Staff believes these are the items most in need of adequate discussion and would be the 'warranted topics' noted above. Is this agreeable?*

6. Solicit council technical expertise on discussion topics as appropriate, to inform discussions before final recommendations.

*Note: This is regularly done at the meetings. Is the level of involvement adequate?*

7. Survey members for opinions on **recommendation** topics. Document minority viewpoints as well as prevailing opinions.

*Note: Staff has been doing this since August, 2002. Is it helpful?*

8. Provide program information updates quarterly.

*Note: Staff has started providing written summaries for RAC meetings sent in the packets of material for the meeting. Are these useful?*

9. Provide complete summaries of RAC **recommendations**, including split recommendations, in board decision documents.

*Note: The few split decisions have been documented. Items presented to the board are posted to the web and RAC members are welcome to follow discussions through these posting. Is this sufficient?*

*Staff has also instituted an action memo addressing outstanding issues and tracking requests. Staff replies, requests and the resolution of issues (board action, further discussion, etc.) are documented in the memo. Is the memo helpful? It does require extra time.*

10. Include board members on RAC distribution list to allow board to review RAC minutes and to choose to attend meetings of interest.

*Note: The RAC requested shorter minutes. Staff switched back to more detailed minutes in 2004 to address the concern that some objections were being filtered. RAC minutes are now included in the board information packets.*

11. Include time on agendas for open discussion and suggestions for future agenda items.

*Note: Staff has started sending agendas out earlier? Is this helpful? We have had only two suggestions for future topics in the last 10 months.*

Additional to consider

12. As an advisory body, the RAC does not have a formal conflict of interest policy. The detailed minutes will note when a speaker or their organization, to the extent known by staff, would gain financially from the position they advocate.

*Note: The management audit faulted the RAC for not being fully representative of the general public and having potential conflicts of interest. Staff has recruited two new members and will recruit more to broaden the representation. Staff has heard complaints from RAC attendees about the conflicts of interest in some of the advice provided by RAC members. Three RAC members have contracts with ETO to provide services or deliver projects. These three have participated in discussions related to their specific contracts or projects.*

*Staff and the board have been comfortable with an advisory group having members representing interests separate from the Energy Trust. The board has the function of screening these in its own decisions. However, the minutes have never noted that the speaker or the organization could monetarily benefit from a position advocated. With board turnover and expansion more information on the source of advice may be beneficial. In November, staff began to neutrally note a speaker's affiliation if the staff knew that the position advocated provided direct, financial benefit to the speaker or the organization.*

*Is the twelfth principle above sufficient? Should RAC members more regularly and explicitly remove themselves from discussions? If so, under what circumstances?*

In contracts, Energy Trust defines conflicts of interest as:

" ... any situation in which a person has or may be reasonably construed to have a direct or indirect personal or financial interest in any business affairs of Energy Trust, whether (i) because of a proposed contract or transaction to which the Energy Trust may be a party, in which Energy Trust may be interested, or which is under consideration by Energy Trust, or (ii) because such conflict is purely conceptual, because of similarity of business interests or affairs ...".