EnergyTrust of Oregon, Inc.

Draft Board Meeting Minutes – 71st Meeting

February 14, 2007

Board members present: Rick Applegate, Jason Eisdorfer, Tom Foley, Julie Hammond, Al Jubitz, John Klosterman, Vickie Liskey, Alan Meyer, John Reynolds

Board members absent: Caddy McKeown, Debbie Kitchin, Preston Michie, Bill Nesmith (ODOE special advisor), John Savage (OPUC ex-officio member)

Staff attending: Alan Cowan, Phil Degens, Fred Gordon, Michel Gregory, Margie Harris, Nancy Klass, Steve Lacey, Linda Rudawitz, Sue Meyer Sample, Jan Schaeffer, Jill Steiner, John Volkman, Peter West

Others attending: Jeremy Anderson, WISE; Dan Dettmer, consultant; Toby Kinkaid, Oregon Wind Corp., Hallie Gallinger, PacifiCorp; Steven McGrath, Commercial Solar Ventures; Ernie Munch, EMRA; Sandra Walden, Commercial Solar Ventures

Business Meeting

President Tom Foley called the meeting to order at 12:15 pm.

Agenda. Agenda stands with no changes.

December 13, 2006, Meeting Minutes. Tom Foley noted a correction to the President's Report on page 8 to read as follows:

…He also distributed copies of a *press release* from Microfield. *The press release discusses how Microfield works with utility customers to provide demand reductions that allow PJM's grid operators to maintain system stability.*

MOTION: Approve minutes from the December 13, 2006, meeting as amended.

Moved by: Rick Applegate Seconded by: John Reynolds

Vote: In favor: 8 Abstained: 0 Opposed: 0

Adopted on February 14, 2007, by the Energy Trust Board of Directors.

General Public Comments

Toby Kinkaid, Oregon Wind Corp., thanked the board for its good work, and for embodying everything true about the pioneer spirit. He questioned whether Energy Trust is dedicating enough of its budget to

support small wind. He invented a vertical axis turbine in a helix shape he believes has promise for applications in an urban environment. It can generate energy in winds as low as 5 mph. He thinks this technology is simple, mass producible and effective.

Toby is seeking Energy Trust financial support to acquire data to demonstrate the technology. Peter West, Renewable Energy Director referenced Alan Cowan, Renewable Energy program manager, who is working with NW SEED to design a small wind program. Alan is converting the small anemometer loan program to a wind mapping program. Peter expects the program to be presented for board consideration in three months. Peter went on to explain that Energy Trust considers whether technologies are commercially available in the marketplace before accepting them for funding. He said Mr. Kinkaid has been invited to apply through the Open Solicitation Program. When we receive the proposal, we will evaluate it. In the past, we have funded demonstration projects with the proviso that, to receive the funding, the technology must perform better than the "beta" version. Tom Foley thanked Mr. Kinkaid and encouraged him to submit a proposal.

John Klosterman arrived during Mr. Kinkaid's discussion.

President's Report

Tom Foley noted some board and staff had an interesting tour of Stimson Lumber Company this morning. Stimson has installed several efficiency measures with Energy Trust support and has realized significant savings. He would like to see more such tours, possibly in connection with every other board meeting.

Board Nominating Committee

Rick Applegate reported the committee recommends appointing Debbie Kitchin, Vickie Liskey, Alan Meyer and John Reynolds to new three-year board terms.

RESOLUTION 425
ELECTING DEBBIE KITCHIN, VICKIE LISKEY, ALAN MEYER AND JOHN REYNOLDS TO NEW THREE-YEAR TERMS ON THE ENERGY TRUST BOARD OF DIRECTORS

WHEREAS:

1. **The terms of Debbie Kitchin, Vickie Liskey, Alan Meyer and John Reynolds expire in 2007.**

2. **Energy Trust bylaws require:**
   - **that directors may be elected at any meeting of the board of directors by a majority vote of the directors then in office;**
   - **that directors serve rotating three-year terms, so that no more than one-third of the directors then in office have terms expiring in any year;**
   - **upon the expiration of their three-year term, directors' terms shall effectively end at the later of: (a) the next annual meeting of the board of directors following expiration of their term, or (b) when their successors have been elected and take office; and**

- **directors may serve for successive terms.**

It is therefore RESOLVED:

1. **Energy Trust of Oregon, Inc., Board of Directors elects Debbie Kitchin, Vickie Liskey, Alan Meyer and John Reynolds, incumbent board members, to new terms of office that begin in 2007 and end in 2010.**

   Moved by: Al Jubitz Seconded by: Jason Eisdorfer

   Vote: In favor: 9 Abstained: 0

   Opposed: 0

Adopted on February 14, 2007, by the Energy Trust Board of Directors.

Rick reported Tom has agreed to serve as president for another year. John Reynolds and John Klosterman each have agreed to serve another year as vice president and treasurer, respectively. Debbie Kitchin has agreed to serve as secretary.

RESOLUTION 424
ELECTING OFFICERS OF
ENERGY TRUST OF OREGON, INC.

WHEREAS:

1. **Officers of the Energy Trust of Oregon, Inc. (other than the Executive Director and a Chief Financial Officer) are elected by the Board of Directors at the board's annual meeting.**

2. **A Board of Directors nominating committee has nominated the following directors to serve as officers for 2007:**

   - **Tom Foley, President**
   - **John Reynolds, Vice President**
   - **Debbie Kitchin, Secretary**
   - **John Klosterman, Treasurer**

It is therefore RESOLVED:

1. **That the Board of Directors hereby elects the following as officers of Energy Trust of Oregon, Inc., for 2007:**

   - **Tom Foley, President**
   - **John Reynolds, Vice President**
   - **Debbie Kitchin, Secretary**
   - **John Klosterman, Treasurer**

Moved by: Julie Hammond Seconded by: Al Jubitz

Vote: 9 in favor 0 abstained

Opposed: 0

Adopted on February 14, 2007, by the Energy Trust Board of Directors.

Margie recalls the board having been constituted originally in 2000, not 2001, as stated in the introduction to the board resolutions. (Staff researched the dates and confirmed that the board's first official meeting was in 2001.)

Audit Committee

Julie Hammond noted the RFP for the financial auditor was issued in December. Proposals are due in April and a decision is expected by May 9.

Finance Committee

John Klosterman noted the preliminary year-end financials are included in the packet. Sue Meyer Sample noted the Finance Committee met last week and began discussions on the appropriate size of Energy Trust's minimum cash reserve.

Alan Meyer noted that (2006) incentive spending fell short of budget. Margie said on the electric efficiency side, spending came within approximately 6 percent of the total available budget and, we acquired savings at a lower cost than projected. Most of the unspent incentives are in gas, where carryover is being spent down each year and where forecasting remains difficult on the timing of renewables project. She added that we set more aggressive gas savings goals than could be achieved, though reserves were spent down by $1 million. At the same time, gas rates significantly increased.

Tom Foley noted we have achieved 41% or our 2012 efficiency electric savings goal in less than one-half of our statutory life. He finds this reassuring. Margie said we expect to achieve 50% of the 2012 electric efficiency goal by the end of 2007.

Rick Applegate left the meeting at 12:50 pm

Program Evaluation Committee

Alan Meyer reported the committee reviewed the Irrigation Initiative process evaluation and the Building Efficiency impact evaluation. He noted the committee also reviewed the NEEA evaluation, which found that NEEA's residential sector market transformation efforts clearly provide value to Energy Trust, but the value to Energy Trust of NEEA's commercial and industrial programs is less clear. Margie Harris said she will invite Margie Gardner, Executive Director NEEA, to a future board meeting to discuss these matters with the board.

Policy Committee

Jason Eisdorfer reported progress made working with PGE to receive their Conservation Rate Credit funding. He said staff expects to bring some options for changing the green tag policy to the board in March. This policy would be impacted if the legislature creates a Renewable Energy Standard; it's timely to begin considering potential impacts on our policy. He said the committee discussed the ongoing evaluation of the program delivery model, and noted the evaluation should consider the importance both of delivering services and building a clean energy business sector.

John Volkman reported that residential customers are not required to report incentives as income to IRS. Thus, Energy Trust is not required to complete IRS 1099 forms for every residential customer. There has been considerable interest expressed in this review and findings by other nonprofit energy incentive programs around the country. John is speaking by telephone conference to the Clean Energy States Alliance on Friday, and the attorney who prepared the IRS analysis has agreed to participate in the conference on a pro-bono basis.

Alan Meyer noted a typo in the committee notes. A large solar project is represented as "almost 1 aMW" when it should be described as "almost 1 MW" in capacity.

Legislative Update

Jason referred to a description in the packet of bills introduced for consideration by the 2007 Oregon legislature. He said the Renewable Energy Standard bill has not yet emerged from the Legislative Counsel office, which is charged with drafting bills. It is expected toward the end of February. SB 87 is the bill OPUC introduced that would authorize the agency to increase the 3% public purpose charge. There was a hearing on that bill yesterday. More speakers testified for the bill than against it. The chair tried to bring the parties together to talk about compromise and collaboration; Jason did not know if this would be feasible. Business Energy Tax Credit (BETC) and Residential Energy Tax Credit (RETC) increases have been reported out of the House Energy and Natural Resources committee and are moving forward to the Revenue Committee. The governor announced that he expects to submit additional legislation to address global warming, including possibly a carbon cap-and-trade system. Jason expects significant action to come out of the legislature, although there is no certainty about which measures will pass.

Al Jubitz noted that during the Stimson tour today, he learned that the company was constrained by OSHA requirements from lowering lights in one of the buildings, although only 10% of the building was occupied. Tom noted this problem could be addressed by installing occupancy sensors (which were installed at Stimson).

Renewable Energy Program

Portland Habilitation Center LLC Solar Photovoltaic Project. John Reynolds introduced this project, which would incorporate solar panels occupying an area larger than a football field. Betsy Kauffman, Open Solicitation Program manager, described the project as an 869.4 kW solar array on the roof of the Portland Habilitation Center's new 110,000 square foot building, scheduled to be completed in November 2007. The project would increase solar capacity in Oregon by 35%. Staff calculates above-market costs of $1,632,809 and recommends Energy Trust fund 75% of these costs out of both the

Open Solicitation and the Utility Scale programs. Portland Habilitation Center would be expected to raise $350,000; Betsy said staff proposes to provide $1 dollar from Energy Trust for every $2 raised by Portland Habilitation Center. She described the funding model, in which a private investor (Commercial Solar Ventures) would own the project for the first five years and claim the tax credits; after five years ownership will revert, or "flip," to the Portland Habilitation Center.

Alan Meyer noted the first paragraph in the resolution refers to our 150 aMW generation goal, while the second paragraph refers to the generating capacity of the project. Tom proposed revising the sentence for clarity.

John Murphy, Portland Habilitation Center executive director, explained his organization would pay Commercial Solar Ventures for power generated at a reduced rate compared to the cost of purchasing the power from PGE.

Jason thinks it is a good project. Al Jubitz expressed confusion about the resolution's wording with respect to transferring funds from the Utility Scale program to the Open Solicitation program, and wondered if it would be more appropriate to move the project and funding from Open Solicitation to Utility Scale? Peter said because the project came in through the Open Solicitation Program, he believed it makes sense to keep funds there.

Ernie Munch, project architect, said this is the second building he has designed for Portland Habilitation Center. As the client wanted a sloping roof to avoid leaks, Ernie said it didn't take them long to realize this roof was a perfect site for solar. John Murphy said Portland Habilitation Center has been in business for 50 years and takes the long view regarding its future role in the community. The solar system made sense to Portland Habilitation Center, because the ultimate mission of the organization is to provide jobs for disabled workers. The lower their utility costs, the more jobs they can create. They also envision potentially assembling solar panels at the manufacturing facility.

Jason asked if there is a willingness and desire on the part of Portland Habilitation Center to draw public attention to the solar installation. Ernie said the financial deal still has to be finalized. Once that is in place, he said there will be a plan creating public awareness. The first building he completed with Portland Habilitation Center included a wetlands that became a demonstration site for the City of Portland Bureau of Environmental Services.

RESOLUTION #423

AUTHORIZING FUNDS FOR THE PORTLAND HABILITATION CENTER (PHC) LLC SOLAR PHOTOVOLTAIC PROJECT

WHEREAS:

1. **Energy Trust's renewable energy goal calls for generation of 150 aMW by 2012.**
2. **The PHC LLC Solar Photovoltaic project would provide 869.4 kW of nameplate capacity.**
3. **The project's generation is expected to cost up to $1,632,809 above-market. Energy Trust would pay 75% of these costs (up to $1,236,750), and own green tags for years 3-20 of the project.**

4. **The project would be the largest photovoltaic system in Oregon, increasing total photovoltaic capacity in Oregon by about 35%, and helps demonstrate the viability of large-scale solar projects in Oregon.**
5. **The project's financing structure helps demonstrate a model by which non-taxable entities such as non-profits and municipalities can partner with investors to finance other large renewable energy systems.**

It is therefore RESOLVED:

The board of directors of the Energy Trust of Oregon, Inc.:

1. **Authorizes the transfer of $736,750 from the Utility-Scale Program budget to the Open Solicitation Program budget.**
2. **Authorizes staff to enter into a funding agreement with PHC, LLC to commit up to $1,236,750 from the Open Solicitation Project budget.**
3. **Requires that the funding agreement be consistent with the following terms:**
    a. **Project size: 869.4 kW solar photovoltaic array (nameplate capacity);**
    b. **Energy Trust payment will be in two parts: (1) up to $1,086,750 to the PHC Solar LLC, and (2) up to $150,000 to Portland Habilitation Center on a matching basis -- $1 in Energy Trust money for every $2 the Center raises for the project.**
    c. **Payment will be made when the project begins commercial operation.**
    d. **Energy Trust will own the project's green tags for years 3-20 of the project.**
    e. **If the project fails to generate at least half its capability in any 12-month period, or the project is terminated before the end of its 20-year life, the LLC will repay a pro-rated portion of the Energy Trust subsidy. Energy Trust must acquire appropriate security for such repayment.**

Moved by: John Reynolds Seconded by: Al Jubitz

Vote: In favor: 8 Abstained: 0

Opposed: 0

Adopted on February 14, 2007, by the Energy Trust Board of Directors.

Migliori Small Wind Project. Alan Cowan reported Energy Trust expects to provide up to $24,125 for a 42 kilowatt wind turbine at a residence north of Newburg. He expects it to demonstrate a mid-

scale, rural energy wind application. Staff evaluated the project using the criteria established for the Open Solicitation Program and will be funded, appropriately, through the Small Wind program. No board action is required.

Energy Efficiency Program

Steve Lacey introduced a "walk-on" resolution to extend authorization for Energy Trust to continue funding energy efficiency activities in schools in 2007. The board previously authorized funds for those energy efficiency school measures identified in 2005-2006, provided schools use Energy Trust funds and SB 1149 school funds for different measures.

Alan Meyer asked if schools contribute public purpose funds in proportion to the amount of funding received. Fred Gordon said they receive more than they contribute. Jason asked if funds for schools are included in the 2007 budget. Steve said they were, with a limit of no more than $2 million in 2007 to be spent from within the Existing and New Buildings program budgets. No funds were, or need to be, expressly added.

Julie Hammond asked why the board felt obligated to develop the initial policy for school funding. Margie Harris said because schools also receive a specific allocation from the public purpose fund, it was thought necessary to obtain explicit approval from the board to also spend Energy Trust funds on schools. Schools also do not have sufficient funds to implement all cost effective efficiency measures identified in required energy audits.

Al Jubitz wondered whether there are better uses for our funds than schools, since schools' lights are off in the summer. Steve noted that Energy Trust is "cherry-picking" the best projects to fund. Steve added that many schools are open in summer and after school hours for community events, thus making their usage profiles much like commercial buildings. Steve said by supporting electric projects, we can also leverage gas projects.

RESOLUTION #426

EXTENDING AUTHORIZATION FOR SCHOOLS FUNDING TO 2007

WHEREAS:

1. **The Energy Trust Board of Directors has previously authorized funds for energy efficiency measures in SB 1149 schools for 2005-2006, subject to certain limitations:**

   - **SB 1149 schools may not use Energy Trust funds and other SB 1149 school funds on the same electric energy efficiency measure.**
   - **Each electric energy efficiency measure must pass the cost-effectiveness test for the Building Efficiency program or the New Building Efficiency program.**

2. Energy savings estimates, measures costs and other data identified in the school district audits will be accepted by the Building Efficiency and New Building Efficiency programs.

It is therefore RESOLVED:

The board of directors of the Energy Trust of Oregon, Inc. authorizes Energy Trust to make funds available for SB 1149 schools subject to these same limitations in 2007.

Moved by: Julie Hammond			Seconded by: John Reynolds	
Vote:	In favor:	8	Abstained:	0
	Opposed:	0		

Adopted on February 14, 2007, by the Energy Trust Board of Directors.

Staff Report

Quarter 4 2006 Report to the Board of Directors. Margie Harris reviewed highlights of the Q4 2006 report. She noted the extraordinarily high volume of activity in the fourth quarter, compared to other quarters, during which 49% of annual electric savings and 43% of annual gas savings were acquired. Preliminary electric savings are 110% of our best case goal, though spending totaled only 90% of budget. On the gas side, we achieved 90% of our conservative case goal, reflecting overly ambitious goals for the year. For renewables, we continue work with PGE to evaluate above-market costs of the proposed Biglow Canyon 125 MW wind project. We also have a letter of intent to fund the Mar-Lu 4.5 MW community wind project and continue negotiating on the 10 MW Gordon Ridge community wind project. A number of renewable projects were delayed due to uncertainty regarding the federal production tax credit extension and a shortage of available wind turbines.

Margie noted that out of our eight efficiency programs, five exceeded their best case goals in 2006. The Efficient New Homes program fell short because of a decline in housing starts. The Building Operations and Tune-up program underperformed as well, a result of developing the program budget before the program design was complete.

She explained staff will come to the board at its next meeting, March 28, with proposed changes to the 2007 budget. This anticipated action will principally reflect carryover of funds expected to be spent in Q4 and that were carried forward into 2007 due to project completion delays.

Staff Report. Margie reported she participated in a joint West Coast Public Utility Commission meeting in San Francisco December 1 and presented highlights of our industrial program. She also accepted a last-minute request from Debbie Kitchin to speak on a panel before the Oregon annual meeting of Commercial Real Estate Women (CREW) January 18.

Margie provided an update of the program delivery model evaluation and the selection of Research Into Action as the contractor. She is particularly interested in learning how to strengthen the model. She reported on meetings with Lockheed Martin, Conservation Services Group and Portland Energy Conservation Inc. representatives as part of her periodic discussions to solicit comments and ideas from them on their working relationship with Energy Trust.

The annual Savings with a Twist campaign resulted in sales increasing 54% over 2005 numbers. Margie then highlighted proposed incentive changes in the Home Energy Solutions program reviewed by the CAC in January and to be discussed again at the February meeting. In January, the CAC supported incentive changes in the Production Efficiency program. She noted the City of Portland has launched a Solar Now! campaign to promote installation of solar electric and water heating systems in Portland.

Responding to an inquiry from John Reynolds, Peter West said we have revised our contract with the City of Albany for its small hydro project. Albany now plans to buy new equipment, rather than refurbished equipment; still a good project, the timeline is longer.

Jason Eisdorfer said the Renewable Energy Standard (RES) discussion raises the question of whether Energy Trust will want to fund renewable energy projects unless those projects also generate green tags that count toward the RES, if one is established.

Margie noted the Biopower program has a number of projects in the development stage. She noted trainings for solar contractors are beginning to attract plumbers and electricians, demonstrating growing interest in the solar field by the trades. She noted we are working with PGE on a program that would, if it goes forward, offer no-interest loans for PV systems on the utility bills of residential customers. She mentioned trainings offered to contractors and trade allies on ODOE's tax credit and loan programs. She noted telephone volumes are going down while web usage is growing. We are currently preparing our annual trade ally survey.

Julie Hammond asked if we see differences in results between those contacting us by telephone and those using the web. Jan Schaeffer said that to date, we have not tracked the rates of individual callers or web visitors participating in our programs.

Margie highlighted two new hires. Leana Matthews replaces Sung Koko as our receptionist. Lee Litchy has joined an advertising/marketing agency called Smashing Ideas and we were fortunate to hire Michel Gregory to fill his Senior Communications and Marketing position.

Margie said we have made significant progress toward engaging a firm to conduct our IT "enterprise architecture" study, with first round interviews completed and a selection imminent.

She then referenced a letter in the packet from Sierra Pine Composite Solutions, thanking Energy Trust for its $410,000 incentive check used to upgrade the company's dust collection system.

Energy Efficiency Program Mix. Jill Steiner, Manager of Planning and Economic Analysis, said the planning staff annually revises its long-term forecast, using best available information including: 2006 true-up, strategic plan projections, long-range revenue forecast and 2006 program results. Summarizing her conclusions, Jill stated Energy Trust could come close to achieving its 300 aMW long-term electric savings goal and could surpass the gas goal. She said we expect to acquire more than half the available efficiency resource in the residential and industrial sectors, with less in the commercial sector. She noted market transformation is an important component of the program mix, especially for the residential sector.

Alan Meyer asked about market transformation, and whether our assumptions are tied exclusively to NEEA spending. Fred Gordon, Director of Planning & Evaluation, said we analyze how our own investments are transforming some markets, such as clothes washers and LED streetlights.

Jill said a recommendation to increase our gas levelized cost cap from 30 cents to 40 cents is on the OPUC consent agenda later this month. If this is approved, we will present the board with a recommendation to raise our 2012 gas goal to 21 million annual therms, up from 19 million annual therms.

Julie asked if there is anything the board can do to stimulate gas projects. Margie said she thinks everyone is cooperating and optimistic about increasing participation on the gas side. Fred said this year we are combining additional market research and with more aggressive marketing activities. We are also influencing new technologies coming to market at a national level and anticipate impacts from this to begin in 2008. Alan suggested an increase in incentives would help. His furnace went out last week, and he could not economically justify replacing it with a 90+ high efficiency furnace. This anecdote triggered board discussion of other personal experiences with efficiency purchase decisions.

Adjourn

The meeting adjourned at 3:25 pm

Next meeting. The next meeting of the Energy Trust Board of Directors will be held Wednesday, March 28, 2007, at 12:00 noon at Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, Suite 1200, Portland, Oregon.