Board Meeting Minutes—146th Meeting

November 2, 2016

Board members present: Susan Brodahl, Ken Canon, Melissa Cribbins, Dan Enloe, Roger Hamilton, Lindsey Hardy, Mark Kendall, Debbie Kitchin, John Reynolds, Anne Root, Eddie Sherman, Warren Cook (Oregon Department of Energy special advisor)

Board members absent: Heather Buesse Eberhardt, Alan Meyer, Stephen Bloom (OPUC ex officio)

Staff attending: Mike Bailey, Scott Clark, Amber Cole, Michael Colgrove, Hannah Cruz, Chris Dearth, Alison Ebbott, Juliet Eck, Elizabeth Fox, Fred Gordon, Mia Hart, Jed Jorgensen, Betsy Kauffman, Corey Kehoe, Oliver Kesting, Steve Lacey, Dave McClelland, Debbie Menashe, Spencer Moersfelder, Dave Moldal, Jay Olson, Pati Presnail, Lizzie Rubado, Thad Roth, Julianne Thacher, Jay Ward, Peter West

Others attending: Jim Abrahamson (Cascade Natural Gas), Dave Backen (Evergreen Consulting), JP Batmale (OPUC), Don Jones, Jr. (PacifiCorp), Wendy Gerlitz (NW Energy Coalition), Anne Snyder Grassmann (Portland General Electric), Adam Schultz (Oregon Department of Energy), Bob Stull (CLEAResult)

Business Meeting

Debbie Kitchin called the meeting to order and reminded board members that consent agenda items can be changed to regular agenda items at any time.

General Public Comments

The president may defer specific public comment to the appropriate agenda topic.

There were no public comments.

Consent Agenda

The consent agenda may be approved by a single motion, second and vote of the board. Any item on the consent agenda will be moved to the regular agenda upon the request from any member of the board.

MOTION: Approve consent agenda

Consent agenda includes:

1. September 28, 2016, Board meeting minutes

Moved by:	Roger Hamilton	Seconded by: Anne Root
Vote:	In favor: 11	Abstained: 0
	Opposed: 0	

President's Report

Debbie Kitchin and the board welcomed Executive Assistant Corey Kehoe, and thanked Elizabeth Fox for her help during the hiring process. Debbie distributed a list of the 2016 committee assignments to board members for their review. The process for assigning committee membership for 2017 will start in the next month, and board members will be contacted. Final assignments will be presented during the February 2017 board meeting.

Draft 2017 Annual Budget & Draft 2017-2018 Action Plan

Executive Director Michael Colgrove (Mike) presented the draft 2017 budget and 2017-2018 action plan with Chief Financial Officer Mariet Steenkamp and Director of Energy Programs Peter West.

Mike reviewed results from Energy Trust activities since 2002, including nearly 600,000 sites served and 10,000 renewable energy systems installed. Investment of $1.3 billion in utility customer funds will result in $5.6 billion in utility bill savings over time and has avoided 17.4 million tons of carbon dioxide emissions. Mike and Peter verified bill savings over time is based on the weighted average measure life of 13-20 years.

Mike previewed projected 2016 results, and noted numbers may change as the year comes to a close. Energy Trust is expected to exceed savings for all four utilities at levelized costs lower than budgeted. Renewable generation forecasted will exceed goal in PGE territory; however, two large solar projects delayed in Pacific Power territory will impact reaching goal for Pacific Power and overall for the sector. The projects are the Ewauna 2 and Old Mill systems. Reserves will be drawn down to $36.8 million, $2.4 million more than estimated due to Existing Buildings, New Buildings, Production Efficiency, New Homes and Other Renewables activity. Expenditures are serving demand from the strong economy and development boom. Staff started planning with Avista to launch full Energy Trust services to its customers in 2017.

The board asked how staff will work with Avista staff after the transition. Staff noted they are working to ensure a smooth transition between the utility's programs and Energy Trust's programs. For the first year, Energy Trust will adopt portions of Avista's initiatives. Energy Trust will review their cost-effectiveness over 2017 to determine if they will continue to be supported in 2018. The Conservation Advisory Council now includes an Avista representative, and in general, Avista staff working on the efficiency programs at the utility have been transferred to other work.

Mike reviewed the four building blocks to Energy Trust's budget and action plan. The first building block is the five-year Strategic Plan. In the plan, the five-year energy-efficiency goals push Energy Trust to acquire all cost-effective energy efficiency. In setting those goals, the board and staff made room to go above what was identified at the time in utility Integrated Resource Plans (IRPs). The renewable energy goal retained the organization's focus on changing markets for projects and to lower their costs. The operations goal was new and brought more focus and attention to operational improvements.

The board asked about the recent American Council for an Energy-Efficiency Economy (ACEEE) 2016 state rankings and Oregon's ranking as the seventh most energy-efficiency state in the country, a lower ranking than last year. The board discussed whether the ranking is indicative of Oregon's progress and innovation or if other features are impacting the results. Mike said the rankings are given consideration by others, particularly when a state compares itself to others, and it's worthwhile to think about how to improve. It's important to keep in mind the considerations ACEEE uses when evaluating the states aren't all in Energy Trust's control. Considerations include state policy, funding availability and energy efficiency programs in consumer-owned utility territory. The board discussed these considerations, how the target ACEEE uses can move from year-to-year, the strong legacy programs Oregon has in place and the impact of Energy Trust's ability to acquire savings at a low levelized cost..

Mike reviewed the second budget building block, which is planning and coordination with utility IRPs. The intent is to identify achievable cost-effective energy efficiency in each utility's IRP, which results in annual IRP targets for Energy Trust. Mike noted the Energy Trust board-approved goal can be higher than the IRP target.

> The third building block is market context, as informed by staff, contractor and stakeholder experiences to identify trends and opportunities. For instance, economic health. Average income levels are improving in urban areas while in rural areas the average income level is still 3 percent below pre-recession levels. This means staff needs to put in extra work in some parts of the state where project opportunities are already fewer.

In addition, Oregon is continuing to see increasing project volume of 10-20 percent in the business sectors over last year. This puts pressure on delivery costs to serve more and more projects while savings per project are lower.

Another element of market context is creating a compelling business case to help customers go after projects with lower returns since many have installed upgrades with the highest return. At the same time, the free ridership rate is increasing as programs work deeper with customers, resulting in lower realization rates that impact the savings Energy Trust can claim.

Avoided costs, the price that otherwise would be paid for the energy that Energy Trust delivers, is stable for efficiency. For renewables, Mike described the impact of low qualifying facility (QF) rates. As QF rates fall, the above-market costs increase and a larger Energy Trust incentive is needed to support a project if the project is financially viable to move forward at the lower rate.

Oregon continues to diversify demographically. The minority population has grown from 6 percent to 22 percent in the last 35 years. Today, one-third of K-12 students are minorities, and Hispanic and Asian communities are the fastest growing in the state. These changes require changes in Energy Trust's program delivery. Energy Trust will continue the Diversity Initiative started under founding Executive Director Margie Harris. This entails improving the diversity of employees and who Energy Trust contracts with to be able to work more effectively with diverse customers and communities.

There is an active policy landscape in the form of OPUC dockets and legislative activities. This has resulted in high volumes of information and media requests to Energy Trust. The last piece of market context is working through key unknowns for 2018 programs. Specifically, solar policy changes at the OPUC and legislature, savings assessments from rapidly evolving markets, and lingering cost and delivery challenges for the residential sector. In response, staff built contingencies into the draft budget and action plan.

The board asked whether any federal policy issues will impact Energy Trust. Staff noted emerging standards for lighting are embedded in the budget, and the results of the presidential and federal congressional races may modify climate change and energy policies at the federal level.

Mike reviewed the fourth and final building block for the budget, which are areas of emphasis built into the draft action plans. Peter presented to the board in September the four areas of emphasis: expanding participation, new approaches and emerging technology, efficient and effective operations, and managing transitions. Mike highlighted changes or refinements made to the areas of emphasis since the September board meeting, largely the addition of operations highlights. Under expanding participation, staff will conduct more market research and planning, including additional IRP coordination with the utilities to research new areas of opportunity and incorporate Avista into the planning. Under new approaches and emerging technology, staff will take initial steps on developing educational efforts. This includes creating and testing educational content on the website, which relates to educating customers in how to work with the programs plus providing information for areas Energy Trust has exited.

The board commented on the importance of providing information on what customers can do even though there isn't an Energy Trust incentive. Trade allies have indicated for years that the availability of an incentive on a measure validates its importance to customers. When developing educational approaches, the board encouraged staff to look to where there are barriers to program effectiveness, like no incentive available.

Mike continued highlighting refinements and additions to the new approaches and emerging technology area of emphasis.

Staff will research what are root barriers to customers not acting, which is not always a lack of information. Energy Trust will expand support for rural workshops, including assessing past and current sponsorship of interns helping community initiatives, and will review ways to support K-12 schools. LivingWise energy-saver kits distributed through 6th grade classrooms will no longer be offered after 2016. Staff will look at substitutes to replacing that service.

The board noted the school efforts could be paired with private corporations supporting STEM activities for all age levels and girls.

Mike described the main change to the managing transitions areas of emphasis is the completion of the executive director search process. But managing transitions continue, and Mike will provide more details during his three-month report at the December board meeting. A refinement to the efficient and effective operations area of emphasis is fostering a diverse workforce. Mike reflected that developing Energy Trust's staff will enhance the organizations' ability to effectively deliver programs and reach a broader segment of the population. Mike's staff report next month will cover what staff have identified to pursue early in 2017; specifically, training, procurement and ensuring diverse perspectives are gained from staff and contractors.

Mike reviewed the draft 2017 budget. Savings are up 29.2 percent for natural gas and 3.3 percent for electricity with continued low levelized costs. In many ways, the budget is a continuation of past successes. The draft budget identifies investments of $201.2 million for savings of 56.88 average megawatts (aMW) and 7.74 million annual therms, and 2.75 aMW generation. Overall, generation is 33.4 percent lower than last year, while standard solar is up 2.7 percent.

The board asked what is behind the increase in gas savings. Peter said the savings will be from serving NW Natural's largest commercial and industrial customers. These customers were originally excluded from the public purpose charge negotiated in 2003. Incentives were adjusted in 2016 to better match the payback period customers respond to, and this drove the extra uptake. Also, year-over-year increases in gas savings are resulting from residential and commercial new construction.

The board noted the $201.2 million in expenditures includes reserve amounts set in agreement with each utility.

Mike said overall spending is up 6.4 percent due to increased project volume and slightly from delivery costs. Incentive spending is up 6.7 percent and represents 57.3 percent of total planned expenditures. Revenue is up significantly to keep reserve levels on target, which have been sufficiently spent down this year. Staffing, and administrative and program support, costs are both within the OPUC performance measures. Revenues are up 25.8 percent over last year to capture identified efficiency and keep reserves on target.

The board discussed overall expenses and the impact of needing to keep the reserves at sufficient levels. The board noted staff should communicate the effect the reserves have on the increased expenditures. Revenue is often related to the amount of money available to spend, where in this case, it includes reserves that can be carried over into subsequent years. Mariet clarified Energy Trust brought reserves down more than planned, and about $11 million of the increase in 2017 expenditures is for program spending while the rest is for reserves.

The board suggested comparing budgeted revenues to last year's revenues, plus what was collected and spent last year. Mariet agreed the increase can be split by reserve and non-reserve amounts. She noted there will still be a rate impact to all funding customers.
Mike reviewed reserves detail for each utility. Reserves have been brought down significantly from 2015 to the forecasted 2016, delivering on planned reductions.

The Pacific Power renewable energy reserve showing as negative on the chart is an error discovered in the draft budget and will be corrected for the final proposed budget. The board would like to see the amounts of the renewable energy reserves that are committed and not committed funds. Peter noted committed funds are for projects not yet constructed and for milestone payments on completed projects. The board asked if the financials can indicate this. Mariet noted it often is as a footnote.

Mike described total expenditures with 96 percent for direct acquisition of savings and generation. Electric efficiency expenditures are up $8.4 million or 6.2 percent over last year, gas efficiency expenditures are up $4 million or 15.9 percent over last, and renewable energy expenditures are down $1.7 million or 8.4 percent largely due to the saw tooth nature of large projects coming online. Peter said the renewable energy budget is a fixed amount based on the 17 percent allowed under the 3 percent public purpose charge. Additional money in any year is due from carryover of funds. The board requested the percent change from last year be added to the expenditures pie chart.

The board asked about possible changes to government subsidies for renewable energy next year, and whether staff is planning for a potential run on incentives for solar. Peter said the drop in the cost to install solar has been more than counterbalancing the reduced federal Investment Tax Credit, allowing Energy Trust to reduce incentives. Even though the 2017 budgeted expenditures for renewable energy is lower, the budget for standard solar is about equal. Staff expects more solar projects, especially if the Oregon Residential Energy Tax Credit expires at the end of 2017 as set in law. If that happens, staff will manage to the fixed budget by continuing to lower incentives. If a run happens, staff could also look at whether to bring forward funds that would be unspent in 2018 once the Residential Energy Tax Credit is set to expire.

Mike explained the remaining 4 percent of the total expenditures. Communications and outreach expenditures are up $823,000 or 26 percent over 2016 for conducting more market and customer insights research on our diverse customer base to support engagement strategies, expanding customer support through educational information, updating program advertising to reflect changes in offerings after three years in the market, adding a limited-term staff position to support expanded customer outreach and to enable timely response to information requests, which have increased due to the active policy landscape. Management and general expenditures are up $572,000 or 16 percent over 2016 for additional investment in the diversity initiative and additional staff in legal and Human Resources.

Providing greater detail on program-only expenditures, Mike explained 60 percent is for incentives, with the remainder to delivery. The biggest change over last year is in incentives, which are up $7.2 million or 6.7 percent. The incentive to external delivery ratio is good when compared to other states' programs.

The board asked for more information on what is included in internal costs and whether Energy Trust can benchmark itself against any industry standards or comparable companies on internal costs related to staffing costs. Mariet said internal costs include expenses like rent, phone and insurance. The board also noted comparing against other organizations is difficult as efficiency programs can be delivered by utilities or state agencies. The 2014 Management Review attempted to do this and it was found to be a difficult comparison to attain.

Mike reviewed savings by fuel type and program. Gas savings increased 29 percent, driven by Existing and New Homes, and Existing and New Buildings. In general, program contributions to goal are similar to last year. Electric savings increased 3.3 percent, driven by New Homes, Products and New Buildings. There are slight gas and electric savings decreases in Multifamily due to evaluation results.

The board discussed the elements contributing to the savings increases, like a healthy economy and technologies like LEDs. The board asked how long the trends will last. Peter said LEDs are a large cross-cutting element of program offerings.

LEDs in 2014 were 10 percent of the retail lighting incented and now they are 100 percent. Savings are expected through 2017, and Energy Trust could see the market transformed anywhere between mid-2018 and the end of 2019. On the business side, LEDs are an increasing portion of overall lighting savings; however, market transformation will lag behind residential because the LED component is a smaller portion of a business' overall lighting project costs.

The board commented the speed towards market transformation is driven by the manufacturing method aligning with high-volume electronic manufacturing like phones and laptops. On the engineering lifetime S curve, it usually takes years for multiple versions of a technology to come out; on LEDs it's much quicker. Peter said that's a good thing as the market will be transformed. From a ratepayer perspective, Energy Trust can claim success. Staff will explore a different design for the residential sector in 2018 to reflect that. The transition plan is scheduled to be ready at the end of Q1 2017 for rebidding contracts. The board suggested looking at the portions of a business lighting project that isn't the LED bulb to see if those costs can be decreased.

Peter said another cross-cutting element is the economy, which is both an opportunity and a risk. Overall, the Portland metro area is a low-cost competitor to Seattle and San Francisco, which adds an extra push to the economic recovery in OR. What's different about this market versus 2009 is that there isn't a financial bubble and lending is very low cost. So, there are more solid fundamental aspects to this cycle, this time. However, at some point however will be a peak. In this budget, staff have taken a moderate approach between, assuming the median in the economic forecasts and trends.

Mike reviewed the Energy Trust goals for the Northwest Energy Efficiency Alliance (NEEA) _and the budget increase of 2.3 percent over 2016 for our support of NEEA. For the renewable energy sector, generation is down 33 percent and expenses are down 8 percent over last year. The board asked what the state is for renewables overall in Oregon given the contributions from the utilities and Energy Trust. Peter noted the state's Renewable Portfolio Standard required 15 percent renewables by 2015 and the two utilities met that requirement. Staff will follow-up with more information.

Mike reviewed the breakout of budget, costs and savings/generation by utility. There is an increase in savings for all utilities. IRP targets for 2017 are lower than budgeted goals. Mike described the proposed additional staffing of 3.5 full-time equivalent (FTE). Staffing costs will be 6.78 percent, below the 7.75 percent three-year rolling average for the OPUC performance measure, and program and administrative support costs at 5.8 percent will be below the 8 percent performance measure. The board asked if the OPUC approved of the staffing request. Mike said staff had a meeting with OPUC staff on Monday reviewing each position in detail. The OPUC staff is working on a memo for the commissioners to review at a public meeting later in November. Some of the issues facing Energy Trust requires redirection of current staff to work on more strategic issues.

Mike reviewed benefits expected to flow to customers from meeting 2017 annual goals, a projection for the 2018 budget, and the rest of the budget outreach schedule. In concluding the draft budget presentation, Mike previewed a few possible changes the board may see when the final proposed budget is presented in December. Based on current estimates, the 2017 budget may result in rate impacts of about 1.5 percent for PGE customers and a little under 1 percent for Pacific Power customers. Energy Trust staff, the OPUC and the utilities are concerned and aware of the potential rate increases. The board asked if the budget falls within the levels in the IRPs. Mike said the utilities file their plans on a cyclical basis. Depending on what utility is being considered, the IRP target that has been filed and acknowledged by the OPUC may not be what Energy Trust is projecting for 2017. In many cases, Energy Trust's projection is higher. The draft budget reflects all the cost-effective savings Energy Trust has identified, which is the organization's primary mandate.

The board discussed the sensitivity of the rate impact and its intersection with Oregon's Measure 97 and whether the voters pass it or not on Election Day. The board asked if staff has received pushback from the utilities on the draft budget. Mike said staff has been having productive and open conversations on the budget. Staff is also digging through the projections in the draft budget to see if there is a way to pace our acquisition of the identified savings without losing savings. One path could include dipping into the contingency reserve for Pacific Power or drawing on a line of credit for PGE. Attention is on how to smooth out the rate impact when looking at the next two years and other investment factors the utilities are facing. Mike clarified for the board the last rate increase for PGE was in 2014 and in 2015 for Pacific Power. Mike concluded saying the board may see greater changes from the draft budget to the final proposed budget compared to past years.

The board asked if staff has received any indication from the OPUC on the direction of the budget. Mike said the OPUC expressed the same concern all parties feel. Energy Trust staff will regroup with OPUC staff next Thursday after the General Election and ballot results are determined.

The board took a break from 2:15 p.m. to 2:25 p.m.

Public comment

The board accepted public comment on the budget.

Wendy Gerlitz, policy director for the NW Energy Coalition (NWEC) said she is a member of the Energy Trust Conservation Advisory Council and has reviewed the budget materials. NWEC will submit formal comments. She expressed NWEC has initial support for the budget Energy Trust staff has put forward. It is important to pursue all cost-effective energy efficiency. When energy efficiency is thriving and people are finding high amounts of efficiency, it can be challenging to hold the line and the budgets, and pursue everything. In other states where utilities control the budget, NWEC has seen them walk backward. One of the things about Oregon, with its laws and systems, is the ability to pursue all the energy efficiency that is out there. Energy Trust has done a good job of putting forth a proposal to get all cost-effective energy efficiency. It's part of NWEC's mandate to advocate for affordable energy. Wendy said it is important when talking about rate increases to not just look at rate increases of energy efficiency in isolation from what's happening elsewhere at the utilities. NWEC is part of review and discussions on PGE's new IRP. PGE has identified tremendous need for new generating resources. Energy efficiency is much lower cost than any of PGE's other options. To forego or delay energy efficiency acquisition under those circumstances is unthinkable. If Energy Trust foregoes savings, it would be essentially be telling PGE to go forth and build a power plant that costs four to five times more. Sometimes there is pressure on the short term when looking at energy efficiency, but on the long term it will keep rates lower. NWEC wants to make sure people think about the broader, long-term impacts before making any final decisions on changes to the budget.

The board thanked Wendy for her comments, and noted it is important to also look at the bill, not the rate.

Energy Programs

Annual Renewable Energy Certificate Value and Cost Review—R785, Jed Jorgensen

Jed Jorgensen, renewable energy program manager, introduced Resolution 785, recommending the board approve current practices with Energy Trust's Renewable Energy Certificate (REC) policy. This time last year, the board approved changes to the REC policy after an 18-month review. The challenge that led to the review is it's not always cost effective to register RECs in the Western Renewable Energy Generation Information System (WREGIS). Under the policy modified and approved by the board last year, Energy Trust doesn't have to take title to RECs if it is determined to be cost-prohibitive to do so.

The modified policy also requires an annual review of the value of RECs in comparison to the costs to register them in WREGIS. Jed presented an annual update on REC values and registration costs. Based on that review, staff proposes that the board continue authority not to try and register RECs from standard solar systems and for Other Renewables program projects where neither the utility nor customer wanted to register them.

Jed said the renewable energy obligations for utilities have grown as the Renewable Portfolio Standard (RPS) increased this past year. As RPS obligations go up, Energy Trust's portfolio makes a smaller percentage of their compliance. If Energy Trust counted all RECs from systems supported, it would make up 3 to 4 percent of their obligations, and as the RPS goes up over the next 25 years that will drop to 1 percent or less. In addition, utilities continue to maintain high levels of REC sufficiency to continue to meet RPS obligations well into the future. Pacific Power is sufficient through January 2028 and PGE through January 2020. PGE also has an RFP out now which may lead to the purchase of RECs or renewable energy projects that could extend the utility's REC sufficiency period. REC prices remain low for both compliance and voluntary markets, and small transactions are not valued. Pacific Power stated the rate impact to its REC purchase would only impact rates by about one-half of a percent over the next 12 years.

Jed said Energy Trust continues to work with utilities to register RECs from custom projects, although in some cases utility interest has been low which staff takes that as a sign that the value isn't there for utilities when considering the transaction costs. Energy Trust is on track with current management practices and will continue to work with the utilities and OPUC, and will monitor the market.

RESOLUTION 785
ANNUAL DETERMINATION REGARDING REC REGISTRATION REQUIREMENTS

WHEREAS:

1. **RECs represent renewable energy values that should be protected for ratepayers in Energy Trust programs.**

2. **Energy Trust's board policy regarding RECs, as amended in 2015, requires that staff "track the cost and effort involved in registering RECs and report to the RAC and board at least annually in order for the board to determine whether the cost and effort entailed in registering RECs of a given type is disproportionate to the market and other values associated with RECs. . . ."**

3. **This REC policy provision recognizes that in protecting the renewable energy values for ratepayers, there may be circumstances in which the cost of registering RECs in WREGIS is prohibitive;**

4. **In 2015, with the approval of the board upon determination that the cost of WREGIS registration was disproportionate to their value, Energy Trust staff retained contractual title only to RECs generated through the Solar program and through Other Renewables program and custom solar projects where neither the project owner nor the utility are willing to pay for WREGIS registration costs;**

5. **Energy Trust staff continues to track the market value of RECs and the cost and effort in registering them, and reported on these conditions to the Policy Committee and the RAC in October 2016, and recommends a continuation of the current approach REC registration for the coming year.**

It is therefore RESOLVED that the Board of Directors hereby concludes that:

1. **The cost and effort of registering RECs are disproportionate to current REC market value for RECs generated through projects in the (a) Energy Trust Other Renewables program and through custom solar projects where, in both cases, neither the project owner nor the utility are willing to pay REC registration costs and (b) Energy Trust Solar program; and**
2. **For RECs generated in the types of projects described in #1 above, Energy Trust staff shall continue to retain contractual title to project RECs, but are not required to register such RECs in WREGIS.**

Vote on resolution

Moved by: John Reynolds
Seconded by: Melissa Cribbins
Vote: In favor: 11
Abstained: 0
Opposed: 0

Committee Reports

Evaluation Committee, Susan Brodahl

The committee reviewed the 2015 Fast Feedback results. One-third of responses were from residential participants and another one-third from non-residential participants. Non-residential participant free ridership rates varied over the years by fuel and by programs. Years were combined to get a statistically significant result for gas free ridership. Residential free ridership was shown by measures for Existing Homes and Products. The rate is moving upward and programs are watching closely.

The Existing Buildings process evaluation results indicate the program is operating well; particularly, communication with Energy Trust, Program Management Contractors, Allied Technical Assistance Contractors and utilities. NW Natural and Cascade Natural Gas responded they would like more communication and input into commercial marketing, a change that has already happened.

An impact evaluation on large projects was reviewed by the committee. It's not included in the board packet due to the confidential nature of the projects.

A process evaluation for the Pay for Performance Pilot phases 1 and 2 was reviewed at the meeting. The pilot targeted office buildings for both capital and operations and maintenance improvements with incentives based on annual measured savings over three years. The pilot could help Energy Trust expand participation for customers not fitting into other offerings, like Strategic Energy Management.

Compensation Committee, Dan Enloe

The committee met last week where it reviewed an underperforming fund. The Standard recommended replacing it with a Wells Fargo fund. After learning the Wells Fargo investment division was not impacted by the banking division's recent issues, the committee accepted The Standard's recommendation. The committee also reviewed the benefits program and the planned employee compensation for 2017. There will be a slight increase, less than 1 percent, for the benefits packages for Energy Trust employees.

Finance Committee, Dan Enloe

The committee reviewed next year's budget. September financials show revenue is slightly down and expenses slightly up. Reserves were down $5.7 million due to increased spending, and the annual hockey stick where the majority of activity occurs in the last quarter is starting. Energy Trust is forecasted to end the year with few reserves left. According to the September financials, Existing Buildings, New Homes and Products spending is trending up for incentives. For the organization as a whole, it has already spent $13 million more on incentives than this time last year.

Cascade Natural Gas Temporary Funding Adjustment—R786, Steve Lacey

Steve Lacey, director of operations, introduced the resolution, which would allow staff to use a portion of contingency reserves for a forecasted Cascade Natural Gas shortfall at the end of year. Steve reviewed Energy Trust's two types of reserves, which is the program reserve on the energy efficiency side and the contingency reserve. The contingency reserve includes the emergency reserve at $5 million and the organizational reserve at $4.6 million to be used in case of revenue shortfalls due to weather and other factors. The organizational contingency reserve requires board approval for staff to access.

Steve said staff typically meets with all utilities in the summer to look at the year-end forecast for revenues and expenditures; the forecast is refined in October. When modeling this for 2016, the forecast shows $1.9 million in Cascade Natural Gas revenue and $2.3 million in planned expenditures. The budget for Cascade Natural Gas is $2.5 million. Even though Energy Trust expenditures for Cascade Natural Gas will come in lower than budged, the shortfall in revenue means Energy Trust will be about $177,000 short by year end for the planned expenditures. Energy Trust forecasted 113 percent of Cascade Natural Gas goal at a low levelized cost. Staff recommends continuing to get those savings, and to do so, needs to fill the short-term revenue shortfall. The revenue shortfall is due to the timing of the Cascade Natural Gas public purpose charge. Even though it was filed in February, Energy Trust didn't start receiving the funds until March and April. Compounding the delay, the majority of revenue for the gas utility is during the winter heating months of December to February. Also, over the summer, Cascade Natural Gas filed an approximately 14 percent rate decrease for the purchased gas adjustment.

Jim Abrahamson, Cascade Natural Gas, said the purchased gas adjustment was approved recently by the OPUC and the rates went into effect November 1. The decrease will affect the last two months of the year, when revenue typically comes in.

Steve said Cascade Natural Gas recently filed for Energy Trust's budget request for 2017 plus the shortfall in 2016. Jim explained the utility filed for a new public purpose charge on October 31. Cascade Natural Gas raised the overall public purpose charge 4.87 percent, including Energy Trust and two low-income programs. The portion flowing to Energy Trust is 4.27 percent. The request was built around the revenue needed for Energy Trust in 2017 plus the 2016 shortfall. If approved by the commission, rates will go into effect December 1. Energy Trust won't see new revenue from that until January.

Steven summarized the resolution. Energy Trust is forecasting a $177,000 shortfall for Cascade Natural Gas revenue and is asking the board to authorize the executive director to use up to $200,000 of contingency reserves should the programs need it to fill the shortfall with the understanding that Cascade Natural Gas has already put into place a request to the OPUC to pay Energy Trust back.

RESOLUTION 786
CASCADE NATURAL GAS FUNDING TEMPORARY ADJUSTMENT USING CONTINGENCY RESERVES ACCOUNT ORGANIZATION POOL

WHEREAS:

1. **The recent Energy Trust Quarter 4 expenses and revenue forecast shows CNG program expenditures to come in at $2.3 million or 92% of budget.**
2. **Revenue projections for 2016 show Energy Trust will receive approximately $192,000 less than anticipated at year-end, due in part to timing of the rate filing, and a 14% purchase gas adjustment tariff reduction, which has resulted in CNG under-collecting funds for energy efficiency programs, causing a shortfall in the 2016 Energy Trust operating budget and program reserves for CNG.**

3. **Energy Trust is on track to hit 113% of its goal if funded to the budgeted level, staff predicts any cessation of activity will have a negative impact on the momentum built in CNG territory, and CNG supports Energy Trust's continued efforts to hit 113% of goal.**
4. **Energy Trust's Contingency Reserves Account organization pool of approximately $4.6 million is adequate to temporarily fund the shortfall.**
5. **CNG has committed to repay fully any amount taken on its behalf from the Energy Trust organization pool not later than December 31, 2017.**
6. **Energy Trust's Using Reserve Accounts Policy requires prior board approval before utilizing the Contingency Reserves Account organization pool. Energy Trust staff recommends utilizing the organization pool for CNG because of a shortfall in CNG program reserves to cover continued efforts towards CNG savings goals in 2016.**

It is therefore RESOLVED that:

1. **Given the under-collection of CNG funds for energy efficiency programs, for reasons described above, and since CNG program reserves have been fully utilized, Energy Trust staff has demonstrated that the conditions for use of the Energy Trust Contingency Reserves Account organization pool have been met to continue current momentum in CNG energy efficiency program delivery through 2016.**
2. **The Executive Director is authorized to transfer up to $200,000 of Contingency Reserves Account organization pool funds to the CNG operations account to be used for program implementation for CNG ratepayers in 2016 and for reserve replenishment in 2017.**
3. **This transfer is authorized with the express understanding that CNG will repay fully the funds transfer not later than December 31, 2017.**

Moved by: Mark Kendall Seconded by: Anne Root
Vote: In favor: 11 Abstained: 0
Opposed: 0

Policy Committee, Roger Hamilton
The committee reviewed the REC policy and also discussed thermal RECs (TRECs). The results from the Oregon Department of Energy's TRECs rulemaking are expected sometime in November.

Audit Committee, Ken Canon
The committee reviewed the 401(k) plan, characterized as a small plan. At the end of end of 2016 it will become a large plan, which requires a limited scope audit of the plan's governance, contributions and distributions. The audit will cost $12,000-$13,000. Moss Adams will complete the audit and provide best practices as it relates to the 401(k) plan.

The committee discussed the 2015-2019 Strategic Plan consideration of whether Energy Trust should or could receive other, non-public purpose charge funding. Staff recommends investing $10,000 with Moss Adams for consulting on ensuring internal controls will comply. Through the review, Moss Adams will identify compliance requirements and provide a check list for staff to complete. Moss Adams will review the completed check list and recommend if any internal controls need to be added. The review will take about four months to complete. Ken clarified to the board the review would be a one-time review, while the 401(k) audit will be annual. Once the internal controls review is completed, staff will know if internal systems and processes meet standards for Energy Trust to engage with federal and other contracts.

Strategic Planning Committee, Mark Kendall

The committee met in October and reviewed the May strategic planning workshop from 2016 and upcoming in 2017. The 2017 retreat will be held again at Mercy Corps headquarters in Portland, and the strategic plan dashboard will be used again as a tool to assess the status of performance to the plan. The committee brainstormed initial topics for the agenda. Mark invited the board to review the topics in the meeting notes and submit other ideas. The committee briefly discussed the next five-year strategic plan. The workshop in May 2017 will be two years until development begins on the next plan.

Staff Report

Highlights, Michael Colgrove

Mike highlighted recent solar installations at Central Oregon Community College's Redmond Campus and the Devereux Center, a homeless shelter in Coos Bay. The board asked whether Energy Trust-supported solar systems include resilience requirements. Dave McClelland, solar program manager, described how solar systems are required to disconnect from the grid when the grid goes off-line. Technology is developing quickly, and resiliency features could become an opportunity. For the value of solar study, the OPUC looked at micro grids including solar systems that can stay on during a grid outage. There are "smart" inverters on the market that can automatically island from the grid and be used to keep the solar system on. Betsy noted resiliency is part of a lot of conversations staff is having with cities and community leaders. Energy Trust is starting to think about what type of role the organization might have in resilience and studying these systems. The board asked whether there is anything Energy Trust can do now for systems going in. Mike said the 2017 action plan includes exploration of how Energy Trust can play a role with electric vehicles, demand response or resilience. It's about understanding the overlapping areas when Energy Trust can promote these technologies.

Mike said Energy Trust recently executed a memorandum of understanding between the Oregon Department of Energy, OPUC and Energy Trust. The discussion started last year, and the document talks about coordination at the higher levels of the organizations.

Debbie Kitchin left at 3:28 p.m.

Lizzie Rubado provided a review of solar-related dockets at the OPUC. Staff monitors and provides information during docket processes that are relevant to Energy Trust. UM 1758 is the solar incentives program review report developed for the legislature, at their request. The OPUC commissioners recently accepted the OPUC staff's latest report and submitted it to the legislature. The report recommends Energy Trust direct funds to systems that are identified as high-value applications, providing features such as system reliability, voltage regulation and deferred or eliminated need for system upgrades. Energy Trust is also to continue work to reduce the soft costs of solar. Next steps are to work with the OPUC on if, when and how the recommendations to the legislature will impact the Solar program. Any changes are expected to take more time to be developed.

Lizzie reviewed UM 1716, the resource value of solar docket. The first phase of the docket involves examining what elements to consider when determining the resource value of solar and the methodology for determining their values. The second phase will look at subsequent values for each utility. Energy Trust is not engaged as an intervener in this contested case process, but is providing market knowledge and data when asked. Possible impacts are to be determined and will rest heavily on the final methodology. The final resource value of solar is expected to be the basis for the bill credit for the community solar program, and in the solar incentive report in UM 1758, the OPUC plans to investigate switching from a net-metering program to a resource value of solar. Ultimately, any changes may impact above-market costs. Lizzie clarified for the board that currently under net-metering, a customer offsets electricity on site at their retail rate. The resource value of solar would replace the retail rate and/or mechanism on how a customer is compensated.

Lizzie described AR 603, community solar rulemaking to implement SB 1547 provisions. The OPUC is establishing rules for a community solar program. The OPUC is holding four stakeholder workshops by year-end to gather feedback on the structure and considerations for the program, with additional workshops expected in early 2017. Formal rulemaking will commence in spring 2017 with final rules wrapped up by July 2017. Staff is providing information and expertise. It's too soon to tell the impact to Energy Trust and it's unclear if projects will be eligible for incentives. The board thanked Lizzie and requested ongoing updates on these proceedings.

Thad Roth, residential sector lead, provided an update on the residential sector assessment. The assessment is in response to challenges the sector is facing from the low cost of natural gas, tighter codes and standards and market transformation of lighting and showerheads. The sector is forecasting significant changes in savings from lighting and showerheads, and how that impacts the current sector structure. The assessment also intersects with the work staff has been engaged in over the last few years to improve the cost of delivery and performance on delivering savings cost effectively. Thad said staff is assessing the current residential sector structure, its performance and how the sector would perform with significantly lower savings from key areas. Staff will recommend changes to internal leadership in early December, and will provide an update to the board on the findings of the assessment and the staff recommendation at the February board meeting.

Anne Root left at 3:46 p.m.

Thad noted 2017 will be the fifth year of the Existing Homes Program Management Contract with CLEAResult. The outcome of the assessment will likely have impact on next year's Request for Proposals to rebid the contract. Currently, there are three residential programs and three contracts held by two companies. The transition to a new sector structure would take place over 2018 and last through that year, and potentially into 2019. Thad reviewed the engagement plan overall and with major stakeholders like the board, Conservation Advisory Council, utilities and OPUC.

The board noted it looks forward to a detailed report, potentially in December, and would like to see what staff considered when developing the recommendation. Thad clarified the detailed report could be ready in December or in February, depending on feedback from internal leadership in early December.

Mike concluded his report by announcing Betsy Kauffman, renewable energy sector lead, recently receive a Women of Vision Award from the Daily Journal of Commerce.

Adjourn

The meeting adjourned at 3:50 p.m.

The next regular meeting of the Energy Trust Board of Directors will be held Friday, December 16, 2016, at 12:15 p.m. at Energy Trust of Oregon, Inc., 421 SW Oak Street, Suite 300, Portland, Oregon.

/s/ Alan Meyer

Alan Meyer, Secretary