# Board Meeting Minutes – 72nd Meeting

**March 28, 2007**

**Board members present:** Rick Applegate, Tom Foley, Julie Hammond, Al Jubitz (by telephone), John Klosterman, Vickie Liskey, Caddy McKeown, Alan Meyer, Preston Michie, Bill Nesmith (ODOE special advisor), John Reynolds

**Board members absent:** Jason Eisdorfer, Debbie Kitchin, John Savage

**Staff attending:** Margie Harris, Nancy Klass, Steve Lacey, Linda Rudawitz, Sue Meyer Sample, Jan Schaeffer, Adam Serchuk, John Volkman, Peter West

**Others attending:** Jeremy Anderson, WISE; Steve Bicker, NW Natural; Jim Deason; Travis Irving, Perkins & Co.; Grant Jones, Perkins & Co.; Lori Koho, OPUC; Gwen Lusk, Evergreen Consulting; Jon Miller, OSEIA; Calvin Mukumoto, General Manager Warm Springs Biomass; Marr Olson, Dynalectric; Keith Rutledge, Steller Energy; Roger Spring, Evergreen Consulting;

## Business Meeting

President Tom Foley called the meeting to order at 12:10 pm.

### Agenda

Tom Foley moved the audit committee report to the top of the agenda.

## Audit Committee

**Review results of financial audit. Grant Jones, Perkins and Co.** Julie Hammond noted a copy of the audit report is in the board packet. The audit was unqualified; that is, no issues were found that qualified its conclusions. Julie introduced our auditors, Grant Jones and Travis Irving of Perkins and Co.

Grant explained he was the partner in charge of the audit; Travis led the field work. Grant said the audit went smoothly and commended staff for having prepared so thoroughly. The draft Financial Statements were distributed as part of the board packet and will be finalized soon. The Audit Committee also met with the auditor to review the draft financial statements and the letter from Perkins & Company. Julie noted the committee asked the auditor's certified IT auditor to review our IT systems, and that review went well also. The board had no questions.

**Accept audited financial report for period ending 12/31/06, resolution 430.**

**RESOLUTION #430**

**ACCEPTANCE OF AUDITED FINANCIAL REPORT**

**BE IT RESOLVED: That Energy Trust of Oregon, Inc., Board of Directors accepts the audited financial statement report, including unqualified opinion, prepared and submitted by Perkins & Company, P.C. for the calendar year ended December 31, 2006.**

Moved by: Julie Hammond Seconded by: Caddy McKeown

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

Adopted on March 28, 2007, by Energy Trust Board of Directors.

**February 14, 2007, Meeting Minutes**

**MOTION: Approve minutes from the February 14, 2007, meeting minutes.**

Moved by: Alan Meyer Seconded by: John Reynolds

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

Adopted on March 28, 2007, by Energy Trust Board of Directors.

**Board committee appointments, resolution 434.**

**RESOLUTION #434**

**BOARD COMMITTEE APPOINTMENTS**

**WHEREAS:**

1. **The Energy Trust of Oregon, Inc. Board of Directors is authorized to appoint by resolution committees to carry out the Board's business.**
2. **The Board President has nominated several new directors to serve on the following committees.**
3. **The Board of Directors approved the appointments at its March 28, 2007, meeting.**

**It is therefore RESOLVED:**

1. **That the Board of Directors hereby approves the appointments of the following directors to the following committees for terms that will**

**continue until a subsequent resolution to change committee appointments is adopted:**

| | |
|---|---|
| **Audit Committee** | |
| | **Julie Hammond, Chair** |
| | **Alexis Dow, Metro** |
| | **Vickie Liskey** |
| | **Caddy McKeown** |
| | **Preston Michie** |
| | **Tom Foley (ex officio)** |
| **Board Nominating Committee** | |
| | **Rick Applegate, Chair** |
| | **Julie Hammond** |
| | **Preston Michie** |
| | **Tom Foley (ex officio)** |
| **Compensation Committee** *(formerly 401(k) Committee)* | |
| | **John Klosterman, Chair** |
| | **Al Jubitz** |
| | **Vickie Liskey** |
| | **Preston Michie** |
| | **Tom Foley (ex officio)** |
| **Executive Director Review Committee** | |
| | **John Reynolds, Chair** |
| | **Julie Hammond** |
| | **Tom Foley (ex officio)** |
| **Finance Committee** | |
| | **John Klosterman, Chair** |
| | **Debbie Kitchin** |
| | **Alan Meyer** |
| | **Tom Foley (ex officio)** |

| **Policy Committee** | |
|---|---|
| | **Jason Eisdorfer, Chair** |
| | **Rick Applegate** |
| | **Caddy McKeown** |
| | **John Reynolds** |
| | **Tom Foley (ex officio)** |
| **Program Evaluation Committee** | |
| | **Debbie Kitchin, Chair** |
| | **Alan Meyer** |
| | **Tom Foley (ex officio)** |
| **Strategic Planning Committee** *(formerly Innovation Task Force)* | |
| | **Rick Applegate, Chair** |
| | **Al Jubitz** |
| | **Lori Koho, OPUC** |
| | **Bill Nesmith, ODOE** |
| | **Tom Foley (ex officio)** |

2. **The executive director and general counsel are authorized to sign routine 401(k) administrative documents on behalf of the board, or other documents if authorized by the Compensation Committee.**

Moved by: Rick Applegate Seconded by: Vickie Liskey

Vote: In favor: 8 Abstained: 0

Opposed: 0

Adopted on March 28, 2007, by Energy Trust Board of Directors.

## General Public Comments

There were none.

## Consent Agenda

**Adopting a charter for Energy Trust advisory councils, resolution 429.** Tom Foley noted the attachments 1 and 2 (RAC and CAC charters) were not included in the packet and should be considered part of this resolution.

**RESOLUTION #429**

**ADOPTING A CHARTER FOR ENERGY TRUST ADVISORY COUNCILS**

**WHEREAS:**

1. **Under Energy Trust bylaws (section 5.5), the board creates advisory councils whose purpose is "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."**
2. **In 2001, the board created two councils, the Conservation Advisory Council and the Renewable Advisory Council. Since then, the councils have operated under their own operating procedures without formal charters approved by the board. The board has not, however, adopted a charter governing the councils.**

**It is therefore RESOLVED:**

**The board of directors of the Energy Trust of Oregon, Inc., adopts the following charter for its advisory councils:**

**CHARTER**
**Energy Trust of Oregon, Inc.**
**Conservation and Renewable Advisory Councils**
**March 28, 2007**

**Purpose: The purpose of the Conservation and Renewable Advisory Councils is to advise the board and staff of Energy Trust of Oregon, Inc., regarding issues associated with Energy Trust energy efficiency and renewable energy policies and programs. The Councils will operate in accordance with this charter.**

**Council functions:**

1. **The Councils will:**
   - **(a) Review and discuss selected energy efficiency and renewable energy issues prior to Energy Trust decision-making to ensure that the Board and staff have the best available information on such issues;**
   - **(b) Help the Board and staff to identify alternative resolutions of such issues; and**
   - **(c) Help staff identify matters for board consideration.**

**Council composition:**

2. **The Councils will aim for a membership of 10-18 each, to keep Council logistics manageable. The Councils should have members with backgrounds from a broad range of interests and organizations.**

3. **Energy Trust staff will consult with individuals and organizations with experience and interest in energy efficiency and renewable energy and appoint Council members after obtaining the consent of the board Policy Committee.**

4. **Members who do not attend meetings for six months will be asked if they wish to continue membership; a year's non-attendance may be deemed withdrawal from the Council.**

**Council meetings and procedures:**

5. **The Councils will meet as needed, typically on a monthly basis.**

6. **Meetings shall be open to the public.**

7. **Members will be invited to suggest topics for meeting agendas. Agendas and background materials shall be made available to Council members and the public a week in advance if possible.**

8. **All Council members shall be provided an opportunity for comment; audience comments will also be solicited.**

9. **Staff shall prepare fair and balanced meeting notes and provide them to Council members and the Board. Notes will document Council consensus and/or majority and minority views.**

10. **The Councils will maintain operating principles (such as Attachments #1 and #2).**

**ATTACHMENT 1**

**Conservation Advisory Council**
Operating Principles
September 15, 2004

The following operating principles are a distillation of Conservation Advisory Council meeting discussions concerning the CAC role and meeting process. This process started with a CAC subgroup ad hoc meeting held in April that identified a number of process issues and enhancement suggestions. The topic was aired in June, July and September and the following items were generally agreed to be incorporated in the CAC meeting process.

Energy Trust staff has endeavored to incorporate these principles into the CAC meeting process as a way to enhance the effectiveness of advisory council meetings.

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

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.
5. Provide at least two rounds of discussion on warranted topics before asking for a recommendation.
6. Solicit council technical expertise on discussion topics as appropriate, to inform discussions before final recommendations.
7. Poll members for opinions on recommendation topics. Document minority viewpoints as well as prevailing opinions.
8. Provide program information updates quarterly.
9. Provide more complete summaries of CAC recommendations, including split recommendations, in board decision documents.
10. Include board members on CAC distribution list to allow board to review CAC minutes and to choose to attend meetings of interest.
11. Include time on agendas for open discussion and suggestions for future agenda items.

## ATTACHMENT 2

**Renewable Advisory Council**
Meeting Operating Principles
July 11, 2005

The Renewable Advisory Committee (RAC) 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 Bylaws:

"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."

The RAC provides direct advice and input on budgets, priorities, program designs and project evaluations. Final resolution of issues and all decision authority remains with the board of directors.

Operating Principles and Procedures

1. Meet at least eight times per year.
2. Whenever possible, distribute meeting agendas, related discussion papers and notes from the previous meeting at least one week in advance.
3. Identify agenda items as discussion, information, or recommendation needed. Provide short summaries of items.
4. Make presentations short and succinct; provide ample time for discussion. Invite guest presenters. Use subcommittees to advance controversial topics.
5. Strive to provide at least two rounds of discussion on policy issues, new program launches and annual budget reviews before asking for a recommendation.
6. Solicit council technical expertise on discussion topics as appropriate, to inform discussions before final recommendations.
7. Survey members for opinions on recommendation topics. Document minority viewpoints as well as prevailing opinions.
8. Provide program information updates quarterly.

9. Provide complete summaries of RAC recommendations, including split recommendations, in board decision documents.
10. Include board members on RAC distribution list to allow board to review RAC minutes and to choose to attend meetings of interest.
11. Include time on agendas for open discussion and suggestions for future agenda items.
12. RAC members must identify conflicts of interest. For purposes of these operating principles, a RAC member has a conflict if they have a non-utility financial interest in a matter being considered by the RAC. A conflict could arise, for example, because the member (or a member's family or business associate) is involved in an existing or proposed contract related to the matter under RAC consideration. In meetings, members should remind the RAC at the start of any agenda item in which they have a conflict of interest and leave the room when such items are discussed.

Moved by: Caddy McKeown Seconded by: John Reynolds

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

Adopted as part of the consent agenda on March 28, 2007, by Energy Trust Board of Directors.

***At the end of the meeting the board referred back to the consent agenda****. This information is also reported here for clarity. Tom said the advisory council charters that he asked to be included in the consent agenda were developed in concert with the councils and intended to be amendable by the councils. The board agreed with Tom's understanding that the attachments are intended to be examples rather than board-approved language.*

**Authorizing a change in executive director's compensation, resolution 428.**

**RESOLUTION #428**

**AUTHORIZING A CHANGE IN EXECUTIVE DIRECTOR'S COMPENSATION**

**WHEREAS:**

**The Energy Trust's Executive Director Evaluation Committee has completed its review of the Executive Director's performance, and recommends a five percent raise in salary and a $2,500 bonus.**

**It is RESOLVED:**

**That the Board of Directors of Energy Trust of Oregon, Inc., authorizes a 5% increase in the Executive Director's compensation, effective January 1, 2007, together with a $2,500 bonus for her performance in 2006.**

Moved by: Caddy McKeown Seconded by: John Reynolds

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

Adopted as part of the consent agenda on March 28, 2007, by Energy Trust Board of Directors.

## President's Report

Tom deferred his comments, which he said will be covered by Margie when she delivers the staff report.

## Policy Committee

*John Klosterman arrived at the beginning of this discussion, at 12:15 pm.*

**Green tag policy, resolution.** Peter West presented information on proposed changes to the green tag policy. He noted a green tag is the environmental benefits from electricity generated by renewable energy. It is a tool for complying with regulatory requirements (i.e. carbon dioxide emission caps, renewable portfolio standards). The value of the tag is determined in the market. That Energy Trust retains green tags is not a requirement of SB 1149.

Current policy is that Energy Trust owns green tags in proportion to the share of the above-market costs we contribute. Tying green tags to above-market costs worked when the green tag market was not active, and when the above-market costs far exceeded the value of tags on the market. This context has changed. The market for green tags has heated up. Two states had renewable portfolio standards when the policy was first adopted; now, more than 20 do. Peter provided other examples of the dramatic changes in context.

He pointed out that our current green tag policy is costing us more than we may need to pay. For instance, we supported Rough and Ready at a cost of $16 per tag, reflecting the fact that we covered all the above-market costs and acquired all the green tags. An alternate project at the same time would have cost us $8 per tag, but because that project wanted to retain ownership of some of the tags, we turned it down. He noted that, with Washington State having now passed a renewable portfolio standard, there will be more competition for green tags, at least for those associated with the better projects. If Energy Trust were to continue our existing policy, we would go forward with the more expensive, more tenuous projects.

The Renewable Advisory Council, Pacific Power, PGE and the Oregon Public Utility Commission have agreed that a preferable approach is to:

- Eliminate the strict link between above market costs and green tag ownership.
- Use green tags as a tool when we can get cheaper tags for ratepayers and/or more positively incent long term performance.
- Continue supporting market development while also securing tags for the long term benefit of Pacific Power and PGE ratepayers.
- Allow developers a greater share of tags if they do not earn an unreasonably high rate of return.

*Preston Michie arrived at this point in the presentation, at 12:30 pm.*

Peter presented our proposed approach:

- In consultation with utilities and the OPUC, establish a set of forecasted prices for green tags through a third-party analysis of the market.
- Compare the value of the standard, above-market cost offer from Energy Trust to the forecast. If Energy Trust's offer is higher than the market price, we would own all the tags. If our offer is lower than the market price, then we would take up to the amount of tags that we could buy in the market at the same forecasted rate.

- If sharing tags, we would re-check the above-market calculations to assume the value to the project were they to sell their share of tags. If a project would earn higher than a reasonable rate of return, we would either lower the incentive, negotiate for more of the green tags or not fund the project at all.

*Rick Applegate left the room, at 12:45 pm.*

Peter presented two examples.

Bill Nesmith commented that the last step as described above is similar to some performance-based tax credits familiar to him that he thought did not work. In his experience, Bill thought businesses would not like having Energy Trust come back after the fact to reduce an offer. Peter explained that the review would occur before the offer was extended and we would not come back after the fact. If our forecast of prices was wrong, we still would not go back to either give a project more money or to reduce the amount promised.

Tom observed the policy change protects us against Washington and California "poaching" on Oregon projects. He asked what market we are looking at – just Oregon or beyond? Peter said we are headed toward a very broad market. He noted the Bonneville Environmental Foundation is selling tags all over the nation.

Alan Meyer said he supports this policy on an interim basis because if the renewable portfolio standard is enacted in Oregon, we will likely need to revisit our policy with the OPUC to figure out how we should be handling this. Peter stated that he had reviewed changes to the proposed policy in light of issues raised at the Renewable Advisory Council (RAC) and conversations with OPUC staff, anticipating potential passage of a renewable portfolio standard in Oregon.

Bill Nesmith noted he had received an email from Fred Gordon regarding possible impacts of HB 2211, the measure that would increase the Business Energy Tax Credit (BETC) for renewable energy projects. Fred had raised concerns about whether this action would skew the development of renewable energy projects in Oregon by driving down the cost of developing renewables and reduce the value of green tags, spurring Washington and California utilities to out-compete Oregon in the green tag market. The net result would be that if this bill passes, it will cause Oregon renewables to be built at a lower price and that may cause others to come here and buy. However, Bill stated that ODOE did not agree that action would pose a problem for green tag sales because of the large size of the green tag market.

Al Jubitz asked how many green tags we currently own, what is their estimated value, and are we speculating going forward with these assets? Sue Meyer Sample answered we have a little over 4,000 tags. If value is in a range of $1.00 to $10.00 a tag, then at most it is an asset worth $40,000. The tags are not recorded on our balance sheet because the tags are also a liability. We own the tags only for a certain amount of time until we retire them on behalf of ratepayers. She noted if the tag value went up significantly next year, we would need to consider valuing the tags differently. Al asked if there had been any dissent on the policy change. Peter noted that on RAC there was a wide range of opinion, from "our job is all about green tags" to "our job has nothing to do with green tags." This policy goes right down the middle.

Lori Koho, OPUC, said the OPUC has concerns about procuring a consultant to do forward pricing on tags when the market is not mature. She suggests using the utilities, who will be calculating the value themselves. Peter disagreed with this approach because the approach used by the utilities does not reflect the entire market. The market is much bigger than Oregon and Energy Trust needs independent analysis. It may not be in the business interest of PGE or PacifiCorp to have a number published, and so they may not be able to provide us with data on tag values. He said we use consultants frequently to validate rates of return and such matters. We need to get as much information as we can, and we need to know more than just what the utilities can tell us. Julie Hammond asked how often we would recheck the market. Peter said at least once a year, maybe twice a year.

Preston Michie asked whether there is some consortium or group of people with an interest in the forward price so we would not need to bear all the cost. Peter is concerned that seeking this could delay obtaining the information. He said we are losing projects and need to move forward as quickly as we can. Peter said in consultation with the OPUC staff and the utilities we will drive to the best reasonable estimate about values, within a big range. Preston mentioned we may be able to consult with Dow Jones or the Chicago Board of Trade to get some ideas of how to do this. They might provide it at a low cost. Peter agreed that checking with them as we went along would be a good idea.

Alan proposed that, rather than prescribing how you are going to obtain the forward pricing data, we could remove the reference to third-party contractor from the resolution language. Alan made a motion to remove the language; John Reynolds seconded it. He noted the language does not preclude use of a contractor.

## AMENDED RESOLUTION #433
## AMENDING GREEN TAG POLICY

**WHEREAS:**

1. **Under current Energy Trust policies, green tag values are deemed to be equal to a project's above-market costs.**
2. **Energy Trust takes title to green tags in proportion to its payment of a project's above-market costs.**
3. **As the green tag market has strengthened, however, there is a growing disconnect between the Energy Trust policy and green tag market values.**

**It is therefore RESOLVED:**

**The Energy Trust board amends its green tag policy as follows:**

- **Energy Trust will ascertain market values and forward price curves for relevant types of green tags, and update them periodically. Energy Trust will consult with PGE, Pacific Power and the OPUC staff before publicly announcing referent prices. Energy Trust will announce such prices unless it creates competitive concerns.**
- **If Energy Trust's above-market incentive exceeds the referent green tag market value, Energy Trust will take title to all green tags.**
- **If Energy Trust's above-market incentive is less than the referent value, Energy Trust will negotiate for enough tags to fairly recognize that Energy Trust provides an assured revenue stream that reduces the project's market risk.**
- **In no case will Energy Trust accept fewer tags than the Energy Trust incentive could buy on the referent green tag market.**

- **Energy Trust will negotiate either a reduction in Energy Trust incentive or retain additional green tags if the above steps would accord the project owner/developer a higher-than-reasonable rate of return.**

Moved by: John Reynolds Seconded by: Al Jubitz

Vote: In favor: 9 Abstained: 0 Opposed: 0

Adopted on March 28, 2007, by Energy Trust Board of Directors.

Margie noted this will be an interim policy. It will be revisited if a renewable energy standard is enacted.

## Finance Committee

John Klosterman reviewed the notes from the finance committee meeting noting the net effect of adjustments to the finalized December financials was $2,000. He also mentioned the carryover, which is included in the budget revision as part of Margie and Sue's presentation on the revised budget. The finance committee heard from staff that there was some interest in moving to a 2-year budget cycle. Debbie Kitchin and John indicated support for this consideration which will be reviewed with the policy committee, as well.

Alan Meyer noted that he was pleased to see in the notes that Margie would like to have energy efficiency commitments displayed on our financial statements. He also asked if dedicated funds would be included in the financial glossary. Sue noted that the glossary has been updated to include this definition and that board members will see the revision in their next packet

### 2007 Budget Revisions and Proposed Amendment

Margie and Sue presented revisions to the 2007 budget and proposed an amendment. Margie said the principal reason for bringing the budget revision back so soon after the board adopted the 2007 budget in December is to reflect the addition of $1.93 million in conservation rate credit (CRC) funds made available since the budget was adopted. These funds are all for electric energy efficiency and are provided by Bonneville Power Administration. While making this change, we also adjusted the budget to reflect variations from projected to actual year end carryover funds.

Margie noted the net difference between the budget approved in December and the revised budget is $3.7 million. Most of this increase is represented by the $1.93 million in conservation rate credit funds, the remaining $1.8 million reflects increases in carryover above what had been projected. It will not be standard practice for us to revise the budget on a going forward basis. Rather, we will continue to rely upon our forecasting mechanisms to have projected results be closer to actuals and to report any significant variances as part of our quarterly reports to the board.

The revised budget reflects the addition of $5.8 million in carryover from 2006 and the $1.9 million from conservation rate credits. Reductions include $1.6 million less PGE revenue and $.3 million less Avista revenue. The net change in available 2007 resources, coincidentally, is $5.8 million. Margie then described carryover in detail, including $3.1 million less spending on efficiency incentives than forecasted, $.9 million less spending on efficiency delivery, $.5 million less spending on renewable incentives, $1 million less spending on planning and evaluation, $.2 million less revenue and $.1 million unspent in other categories.

The staff proposal would reallocate the $5.8 million into 3 categories: 1) increased incentives, 2) enhanced efficiency program delivery and 3) other program evaluation and marketing needs. Margie provided detail. Efficiency incentives would be increased $1.6 million, of which $1.2 million would be for residential, where we can spend it this year; $.6 million to industrial and minus $.1 million in commercial, reflecting the downturn in the construction market. Proposed renewable incentives would increase $110,000, up $800,000 for Open Solicitation and minus $700,000 in Utility Scale, with all such changes related to the Portland Habilitation Center project previously approved by the board.

To enhance program delivery, staff proposed adding $1.2 million for energy efficiency programs. Other increases, totaling $879,000, support program marketing and community energy program implementation, evaluation services, program management, conservation rate credit staffing, quality assurance and miscellaneous other increases.

Margie noted that the changes result in an increased electric savings goal of +3 aMW (conservative case) to +4 aMW (best case). Gas savings goals decrease by .1 million annual therms (conservative case) and .2 million annual therms (best case). Margie stated that we will seek clarification from the OPUC regarding how to calculate program delivery efficiency (generally referred to as administrative costs plus program support costs). How this is done affects our performance against the OPUC performance measure for percent of spending on administration compared to all spending.

Looking ahead to 2008 anticipated changes, Margie highlighted $1.9 million for increased efficiency incentives, divided between $1.3 million for New Buildings and $.6 million for Production Efficiency and related to efforts to "fill the pipeline" with new projects to be completed next year.

Alan Meyer asked why we raise support for program delivery in the residential sector when we have achieved double the market penetration in that sector compared to the commercial and industrial sectors. Steve Lacey said we had already anticipated moving forward to new market niches in the commercial and industrial sectors, and the adopted budget reflects this. This is why the re-budgeted monies are disproportionately directed toward the residential sector. Margie said she believes we have sufficient funds to support outreach in all sectors.

Bill Nesmith commented that the Business Energy Tax Credit is not producing now. No passthrough partners are signing on because the Department of Revenue said it would reduce “kicker” payments by the amount of a tax credit passthrough. This matter could affect uptake of Energy Trust programs.

Lori said she is curious why, with the increase of gas spending from 30 cents per annual therm to 40 cents per annual therm, do we expect to under-perform in gas compared to the adopted budget? Margie said this reflects an adjustment made to the current year goal based upon the impact of the downturn in new construction. In addition, this year assumes a continued focus on influencing new gas technologies and national market strategies to be promoted in 2008.

**Amending 2007 budget, resolution 431.**

**RESOLUTION #431**
**AMENDMENT OF 2007 BUDGET**

**BE IT RESOLVED: That the Energy Trust of Oregon, Inc., Board of Directors approves the changes to the 2007 budget as presented in the board budget packet and summarized in Attachment A to this resolution*:***

Moved by: John Reynolds Seconded by: Preston Michie

Vote: In favor: 9 Abstained: 0 Opposed: 0

Adopted on March 28, 2007, by Energy Trust Board of Directors.

**The Energy Trust of Oregon**
**Program Budget Expenses by Service Territory**
**For the Twelve Months Ending December 31, 2007**
**Budget 2007-B-05 (March reallocation)**
**with management and general allocated to programs**

| | PGE | Pacific Power | Subtotal Elec. Utilities | Northwest Natural Gas | Cascade | Avista | Subtotal Gas Providers | Total | B-04.7 Previous | Difference |
|---|---|---|---|---|---|---|---|---|---|---|
| Energy Efficiency | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Home Energy Solutions - Existing Homes | 4,914,134 | 4,364,202 | 9,278,336 | 4,252,804 | 226,409 | - | 4,479,213 | 13,757,549 | 12,081,990 | 1,675,559 |
| Home Energy Solutions - New Homes/Products | 3,870,397 | 2,689,328 | 6,559,725 | 2,990,165 | 372,818 | 229,627 | 3,592,610 | 10,152,335 | 9,385,854 | 766,481 |
| Market Transformation (NEEA) | 632,189 | 476,354 | 1,108,543 | - | - | - | - | 1,108,543 | 1,022,954 | 85,589 |
| Total Residential | 9,416,720 | 7,529,884 | 16,946,604 | 7,242,969 | 599,227 | 229,627 | 8,071,823 | 25,018,427 | 22,490,798 | 2,527,629 |
| Commercial | | | | | | | | | | |
| Business Energy Solutions - Existing Buildings | 4,626,251 | 1,567,255 | 6,193,506 | 1,693,471 | 97,870 | - | 1,791,341 | 7,984,847 | 6,633,496 | 1,351,351 |
| Business Energy Solutions - New Buildings | 2,762,060 | 2,130,491 | 4,892,551 | 608,062 | 63,470 | - | 671,532 | 5,564,083 | 6,920,660 | (1,356,577) |
| Market Transformation (NEEA) | 1,028,727 | 775,144 | 1,803,871 | - | - | - | - | 1,803,871 | 1,730,532 | 73,339 |
| Total Commercial | 8,417,038 | 4,472,890 | 12,889,928 | 2,301,533 | 161,340 | 0 | 2,462,873 | 15,352,801 | 15,284,688 | 68,113 |
| Industrial | | | | | | | | | | |
| Production Efficiency | 7,159,160 | 6,788,590 | 13,947,750 | - | - | - | - | 13,947,750 | 13,038,520 | 909,230 |
| Market Transformation (NEEA) | 604,316 | 455,352 | 1,059,668 | - | - | - | - | 1,059,668 | 1,002,395 | 57,273 |
| Total Industrial | 7,763,476 | 7,243,942 | 15,007,418 | 0 | 0 | 0 | 0 | 15,007,418 | 14,040,915 | 966,503 |
| Energy Efficiency Program Costs | 25,597,234 | 19,246,716 | 44,843,950 | 9,544,502 | 760,567 | 229,627 | 10,534,696 | 55,378,646 | 51,816,401 | 3,562,245 |
| Renewables | | | | | | | | | | |
| Utility Scale Projects | 1,565,651 | 2,977,322 | 4,542,973 | - | - | - | - | 4,542,973 | 5,329,109 | (786,136) |
| Solar | 1,827,939 | 1,191,173 | 3,019,112 | - | - | - | - | 3,019,112 | 2,977,391 | 41,721 |
| Wind | 785,381 | 570,413 | 1,355,794 | - | - | - | - | 1,355,794 | 1,359,955 | (4,161) |
| Open Solicitation | 1,703,085 | 427,612 | 2,130,697 | - | - | - | - | 2,130,697 | 1,252,352 | 878,345 |
| Biopower | 1,283,088 | 247,009 | 1,530,097 | - | - | - | - | 1,530,097 | 1,539,749 | (9,652) |
| Renewables Program Costs | 7,165,144 | 5,413,529 | 12,578,673 | 0 | 0 | 0 | 0 | 12,578,673 | 12,458,556 | 120,117 |
| Cost Grand Total | 32,762,378 | 24,660,245 | 57,422,623 | 9,544,502 | 760,567 | 229,627 | 10,534,696 | 67,957,319 | 64,274,957 | 3,682,362 |

## Program Evaluation Committee

Alan Meyer gave the report for the committee. He said the committee feels we are getting value out of the evaluations. One of the major issues the committee discussed involves how free ridership is measured. Different consultants determine free ridership differently. They may not fully count spillover effects. Some measures consistently over-perform, others under-perform. The evaluation committee will look further into these matters.

Margie added that another outcome of the evaluation committee discussion is that staff will be preparing different responses to evaluations. The new approach will be broader and more comprehensive rather than simply a response to the specific points findings or recommendations stemming from the evaluation.

Julie Hammond asked if we are making progress on suggestions regarding documentation issues noted in evaluations, for instance baseline documentation and energy use. Phil said we are going to take a more detailed look from the beginning at some of the megaprojects, such as SP Newsprint, to ensure they are set up to provide baseline data and other data to support post-installation evaluations. Julie asked whether we look closely at participants expressing dissatisfaction noted in some evaluations, such as the recent Building Efficiency evaluation. Phil said because this is an impact evaluation, he did not ask the consultant to focus on delving into reasons for dissatisfaction. He said this year, we will do joint impact and process evaluations and will look harder at customer satisfaction. Margie noted several efforts to better serve customers. Tom noted Debbie and Alan have done a great job guiding the evaluation committee.

The board took at 15 minute break at 1:50 pm.

## Renewable Energy Program

**Warm Springs biomass project, resolution 432.** John Reynolds introduced the topic, observing we have funded three projects in two years – Gresham wastewater, City of Portland wastewater and Rough and Ready Lumber. He commented on the next generation of projects, noting the Warm Springs project comes in under our master agreement with PGE.

Adam Serchuk noted that, at 15.8 megawatt electrical-generating capacity and 14.1 average megawatts, this will be Energy Trust's second or third largest project in terms of generation, following Goodnoe Hills and close in size to Combine Hills. The $5 million in possible incentives would be second only to the Blue Heron project.

Adam introduced Calvin Mukumoto, manager for Warm Springs Biomass LLC, a tribally owned LLC. Cal said the project was designed to take advantage of production tax credits and other tax advantages such as accelerated depreciation. He said Peter West and Adam Serchuk have been extremely helpful. He said forests in Central Oregon have excess downed, dried fuel resulting from 100 years of fire suppression. The tribe worries about fire, and wanted to create a marketplace solution. Federal agencies do not have sufficient budget to fully address this problem. He noted many ways in which the project is environmentally friendly.

*Rick Applegate returned to the meeting during Calvin Mukumoto's presentation at 2:15 pm.*

Calvin noted Warm Springs has a high level of unemployment; the project might produce as many as 70 jobs. This could be highly beneficial for the community.

He said the plant will not be fired exclusively from forest fuels. It will also burn residuals from the wood products plant and clean urban wood diverted from landfills. Overall, the tribe stands ready to support this. The plant and its managers adhere to the principles of the Forest Stewardship Council (although FSC does not certify biomass plants). The timeline is to have investor proposals by next week, to have selected one by April 16 and close on the selection May 15. They are in the process of finalizing the power purchase agreement with PGE by May 1 and plan to start construction in June to meet the next round of the production tax credits. Cal said the tribe issued two resolutions of support and subsequently chartered the LLC, another demonstration of support. One member of the LLC is Warm Springs Forest Products and the other is Warm Springs Power and Water Enterprises, both owned by the tribe.

Adam noted the project is located in Pacific Power territory. The tribe decided to negotiate a power purchase agreement with PGE rather than Pacific Power. The tribe will build a transmission line and this cost is included in the project budget.

Alan Meyer noted there is a plus and minus related to the current BETC. While BETC may be increased to 50%, passthroughs are not going through right now. Cal said currently they are assuming a 35% value for BETC. They continue to explore passthrough options. Alan said he thought the BETC legislation has been changed to disqualify forest thinnings. Bill Nesmith said he did not think anything in the BETC bill that would have this effect. He noted there has been intense negotiation in the renewable portfolio standard bill, which just came out of committee yesterday. Bill had not looked through all the detail there. John Volkman read from the bill definitions in the renewable energy bill; the language clearly does not exclude forest thinnings.

Bill also noted the governor's office is working on different solutions to the BETC passthrough situation. BETC's passthrough provision allows other entities to buy the credits and convert them to an upfront cash payment when the project is completed. This can be an advantage over taking the credits over five years. Last year there were many companies with tax liabilities who bought tax credits. This year, it became evident that there will be a substantial corporate tax kicker. The legislature took the kicker and put it into a rainy day fund. But this is only a one-time change. With a five-year tax credit, the kicker issue will come up again. The kicker is calculated on the value of your tax liability after tax credits are deducted. Players in the market, primarily the banks, have said they will not buy credits until this issue is resolved. Bill said ODOE has buyers for projects less than $20,000, the maximum amount of tax credit that can be taken in one year. Tom Foley said the same people who want to raise the BETC have the authority to fix this problem. Cal noted that Warm Springs is aware of this issue.

Adam noted staff believes the Warm Springs project is an important project for two reasons. One, it is an opportunity to demonstrate that renewable energy development in Oregon is relevant not only to the innovative cutting-edge businesses of tomorrow but to the traditional industries like wood projects. The second reason is that landing a biomass project is hard and takes patience. It is important to establish successful projects to demonstrate they can be done, particularly when the bar is set high, as it is on this project. He said we have agreed with Warm Springs on a term sheet and, depending on the outcome of this discussion, are ready to sign a Letter of Intent. The terms are standard excepting in the following areas:

- Including the project within PGE's master agreement; we are ready to do this with PGE

- "Openers" that would cause us to reduce our financial participation if costs go down to certain levels
- We will extend the term of our payment over 10 years; in the event of default, Warm Springs will forfeit the unpaid portion of the incentive; ordinarily our terms stipulate payment over a shorter period, and require payback of a prorated portion of Energy Trust funds if a project terminates before its expected operating life.

We have negotiated a payment up to $5 million. The $5 million would go into escrow upon signing of the funding agreement. The value of putting money into escrow is that the tribe can show investors the money clearly exists.

**RESOLUTION #432**

**APPROVING BASIC TERMS OF A CONTRACT TO FUND ABOVE-MARKET COSTS OF THE WARM SPRINGS BIOMASS LLC PROJECT**

**WHEREAS:**

1. **In October, 2005, Energy Trust and PGE entered into a Master Agreement reserving funds to offset the above-market costs of new renewable energy projects that benefit PGE customers.**
2. **Energy Trust, following discussions with Warm Springs Biomass LLC, has identified a biomass project, and PGE has proposed that the project be funded through the Master Agreement.**
3. **The project would be located within the boundaries of the Confederated Tribes of the Warm Springs Indian Reservation. It would have a nameplate capacity of 20 megawatts, delivering at least 15.8 net megawatts to the grid (equivalent to at least 14.1 average megawatts).**
4. **Energy Trust has conducted an independent review of the project and applied the above-market methodologies approved by the board and returns on investment approved by the OPUC. As currently evaluated, the project's above-market costs would not exceed $5 million.**
5. **Warm Springs Biomass LLC expects the project to be in commercial operation by the end of 2008.**

**It is RESOLVED:**

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

1. **Authorizes the Executive Director to sign a contract to pay Warm Springs Biomass LLC up to $5,000,000 of the above-market costs of the Warm Springs Biomass project, to be deposited into escrow promptly after the contract is executed.**
2. **The Project shall generate at least 15.8 megawatts (net) of baseload electric energy.**
3. **The project shall use clean wood fuel, such as sawmill residuals, forest-sourced wood and clean urban wood, not**

railroad ties, telephone poles, or other wood that is contaminated by paint, creosote or other chemicals.

4. **The life of the agreement shall be not less than 20 years.**
5. **Payments from escrow shall be made to Warm Springs Biomass LLC over a ten-year term if performance standards to be specified in the contract are met.**

Moved by: Alan Meyer Seconded by: Rick Applegate

Vote: In favor: 10 Abstained: 0 Opposed: 0

Adopted on March 28, 2007, by Energy Trust Board of Directors.

**Referring back to consent agenda**. Tom said the advisory council charters that he asked to be included in the consent agenda were developed in concert with the councils and intended to be amenable to change by the councils. The board agreed with Tom's understanding that the attachments are intended to be examples rather than exact language.

## Legislative Update

Bill Nesmith reported on the status of five bills under consideration in the Oregon Legislature. The bills to increase BETC and RETC passed 57-0 in the House. He thinks the biofuels bill will go through. A commercial appliance efficiency bill would bring Oregon into alignment with the timing of new standards in California and Washington. The RPS bill passed the Senate committee yesterday 4:1. He expects it to pass on the Senate floor but encounter more debate on the House side. The other bill is SB 87, the OPUC bill to extend the Energy Trust sunset and allow the OPUC to increase the public purpose charge. Lori Koho noted that some of the language that was in SB 87 has been incorporated into the renewable energy standard (RES) bill. John Volkman said the amendment to the RES bill would not empower OPUC to increase the public purpose charge but would allow utilities to recover additional efficiency spending from rates, an approach advanced by PGE. Lori said SB 811 goes to public hearing tomorrow; it extends the public purpose charge through 2026. Bill said there are a lot of other bills that have various energy-related provisions.

John Reynolds asked about a bill to give homebuilders tax credits for building renewable energy and high efficiency into their homes. Bill said this provision is included in one of the bills.

Margie asked if anything had happened with regard to John Reynold's request to the OPUC regarding the current language about solar and opportunities to pursue passive solar and daylighting (replacement strategies). John Volkman read a definition that referred to the eligibility of solar electric and solar thermal [however, on further review, it appears that this definition encompasses only generating resources, and would not include passive solar heating and cooling in the definition of renewable energy resources]. John Reynolds agreed that this would be a good time to revisit this issue.

## Staff Report

Margie Harris reviewed the staff report, which covers the period from January 29-March 9. She noted she and Tom Foley were invited to, and recently described, the Energy Trust model to two members and staff from the Washington Utilities and Transportation Commission. There is interest in possibly expanding our services to Washington and/or to Cascade Gas customers in Washington. She wants consideration of this opportunity to be both deliberate and careful.

Margie noted we have completed the annual true-up process, leading to relatively modest changes in savings calculations compared to past years. She noted high turnout at solar workshops, and inclusion of solar information in presentations on green buildings. We intend to launch a targeted suite of incentives for the hospitality (hotel/motel) industry during the second quarter. She noted Buzz Thielemann has been named a finalist for the Daily Journal of Commerce Rainmaker award.

We have been informed by Pacific Power that they are suspending negotiations on what had been a top candidate for a wind project to be supported by Energy Trust; we expect a replacement project to be identified early in the second quarter. We continue to iterate with PGE on contract terms for the Biglow Canyon project. Solar electric incentives for businesses have been raised. The annual trade ally survey is currently in the field.

Margie said Energy Trust selected Moss Adams to review our “enterprise architecture” – the three IT systems, IT staffing levels and skills. Their work will take 10 weeks or more.

She noted Kevin Whilden has accepted a position with a start-up firm in California working on global warming solutions. We were fortunate to hire our planning intern, Matt Braman, to fill Kevin's position. Erin Johnston, who has an engineering degree and worked at NASA, has joined the renewables team.

Margie then mentioned we received special recognition from EPA for our restaurant program.

In response to past questions about the quality of CFLs, Margie described how we continue to monitor the market and keep improving the quality of the bulbs we provide/recommend. John Reynolds noted he has taken to writing the date on each bulb he installs in his home so he can determine how long each one lasts; so far his average is one year, not the 10 years advertised. Tom Foley noted the bulbs are supposed to last 10,000 hours; so the number of years they last depends on their usage.

*Other*. Julie Hammond said that while previously she had told the board she would need to step down because of increased duties at her work, some serious "arm-twisting" by several board members convinced her to stay. She has agreed to remain on the board and asked fellow board members to please help hold her accountable if she is not "pulling her weight."

## Adjourn

The meeting adjourned at 3:15 pm

**Next meeting.** The next meeting of the Energy Trust Board of Directors will be held Wednesday, May 9, 2007, at 12:00 noon at Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, Suite 1200, Portland, Oregon.

Debbie Kitchin, Secretary