

Board Meeting Minutes—147th Meeting

December 16, 2016

Board members present: Steven Bloom (OPUC ex officio), Ken Canon, Melissa Cribbins, Roger Hamilton (by phone), Lindsey Hardy, Mark Kendall (by phone), Debbie Kitchin, Alan Meyer (by phone), John Reynolds, Eddie Sherman

Board members absent: Susan Brodahl, Warren Cook (Oregon Department of Energy special advisor), Dan Enloe, Heather Buesse Eberhardt, Anne Root

Staff attending: Mike Bailey, Scott Clark, Amber Cole, Michael Colgrove, Hannah Cruz, Phil Degens, Sue Fletcher, Fred Gordon, Mia Hart, Marshall Johnson, Jed Jorgensen, Betsy Kauffman, Corey Kehoe, Steve Lacey, Scott Leonard, Debbie Menashe, Thad Roth, Dan Rubado, Sloan Schang, Mariet Steenkamp, Julianne Thacher, Jay Ward, Mark Wyman, Peter West

Others attending: Whitney Rideout (Evergreen Consulting), Greg Stiles (Ecova), Bob Stull (CLEAResult)

Business Meeting

Debbie Kitchin called the meeting to order at 12:15 p.m 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. November 2, 2016, Board meeting minutes
2. Authorize the executive director to Approve a Contract with Affiliated Media, LLC—R787

Moved by: Ken
Vote: In favor: 9
 Opposed: 0

Seconded by: John
Abstained: 0

President's Report

Mark Kendall joined by phone at 12:17.

Debbie Kitchin described recent travels to China and Vietnam through the Portland Business Alliance. The air quality in both countries was poor, and so was visibility. In Beijing, that's due to a lot of coal generation. In Vietnam, the air quality was poor on the street due to motorcycle and car fumes. In Oregon, air quality standards and Energy Trust's efficiency and renewable energy work prevents these problems. The Portland Business Alliance representatives assured Vietnam officials that Oregon remains committed to energy efficiency.

The board discussed an option for meetings to start and end earlier to help members located outside of the Portland metro area avoid evening travel. Several board members were in favor, and Debbie will request additional board feedback through an online survey.

Final Proposed 2017 Annual Budget & 2017-2018 Action Plan

Executive Director Michael Colgrove (Mike) presented Energy Trust's Final Proposed 2017 Budget and 2017-2018 Action Plan. Energy Trust expects to meet all 2016 efficiency goals at very low levelized costs. Mike reiterated context for the 2017 budget and factors driving the majority of expenditures, including a strong economy contributing to greater project volume, a strong residential and commercial new construction market, and a more challenging business case for investing in energy efficiency for some customers, such as rural customers and customers who have already participated.

Mike summarized budget outreach activities completed from July through November 2016, including outreach with utilities, advisory councils, the OPUC and the public. This outreach ensures an inclusive and transparent budget process.

Themes from stakeholder budget comments included support for acquiring all cost-effective savings, concern about revenue resulting from low reserves and high savings opportunities, desire for more detail about revenue and reserves in the draft budget, and desire for planning assumptions to be more prominent in draft budget materials. Full comments are available in the final budget.

The board ask about comments regarding the budget process, which Mike will address later in the presentation.

The OPUC requested several improvements for the 2017 budget, including earlier stakeholder communications, continued focus on demand management, assessment of strategies and structure needed to handle future challenges and opportunities, assessment of staffing, and continued engagement in OPUC dockets.

The final budget includes investing \$198.6 million to save 56.4 average megawatts, save 7.41 million therms and generate 2.86 aMW. Energy Trust will continue to deliver cost-effective energy at 3.0 cents/kWh levelized and 31.3 cents/therm levelized. Overall renewable generation is expected to decline by 30 percent due to timing of large renewable projects. Two large renewable projects are expected to complete in 2017.

Overall spending is up 5 percent due to increased project volume. The increased need for revenue is because Energy Trust successfully drew down reserves from prior years. Staffing costs are at 6.6 percent of total organization expenditures, well below the OPUC performance measure of 7.75 percent. Administrative and program support costs are 5.8 percent of annual revenue, also below the OPUC performance metric.

Adjustments to the draft budget included reducing expenditures by \$2.6 million by adjusting administration, program support and other costs not directly tied to short-term savings. All changes focused on reducing costs, not savings. Very small reductions in electric and gas savings were due to updated forecasts. There was a small reduction in the solar budget for Pacific Power. Strategies, tactics and areas of emphasis remain unchanged from the draft budget. Expenditure cuts were allocated roughly proportionally across utilities.

Action plan highlights include driving efficiency in new construction, supporting new markets and approaches, serving new Avista customers, reaching rural customers, expanding informational resources

for customers, focusing on cost-savings process improvements, increasing use of data and analytics, expanding renewable project development support and preparing for residential program changes.

Customer benefits following 2017 investments will include \$713 million in future bill savings from energy improvements made in 2017, improved air quality by avoiding 4 million tons of carbon dioxide, enough energy to power 46,000 homes and heat 14,000 homes, expanded participation statewide, and training and support for 2,400 local businesses.

Mike described Energy Trust's reserves practices. Reserves have been a significant part of Energy Trust's budget for the past few years, following identification of lower reserve targets in collaboration with utilities and the OPUC. Energy Trust used reserves to cover part of revenue needs in 2015 and 2016. This successful effort resulted in reducing reserves faster than anticipated. In 2017, revenue will increase to fill the gap filled by reserves in 2015 and 2016. Staff do not anticipate a similar buildup of reserves in the future. Going forward, Energy Trust staff will work with OPUC to ensure revenue needs will be communicated to utility stakeholders as soon as possible.

The board asked about Portland General Electric's budget comment that revenue needs changed substantially in a three-week period. Staff explained that Energy Trust provided PGE with the quarter two forecast a few weeks prior to availability of the quarter three forecast, per a request from PGE. The quarter three forecast was provided to PGE three weeks after the quarter two forecast.

The board observed that savings growth from 2013 through 2017, and asked about continued growth in 2018. Energy Trust expects savings to grow slightly in 2018 and drop-off in 2019 and beyond.

The board discussed impacts on PGE rates, and Mike confirmed that PGE was interested in reducing rate impacts for 2018.

The board discussed potential for reserves to increase in the future, and noted that a recession could cause reserves to increase again. The board appreciated the table showing utility rate increase details.

Mike shared projections for 2018, including a 12.5 percent increase in electric savings, an 8 percent increase in gas savings and a 9 percent decrease in renewable generation. These estimates will be revised in the 2017 budget process. A very large efficiency project is expected to complete in 2018.

The board asked if renewable generation is expected to increase in 2019. Staff responded that a large Opal Springs hydropower project is expected to come online in 2019. Staff cannot predict standard solar installations for 2018 and 2019 due to uncertainty about the Residential Energy Tax Credit and OPUC dockets.

The board asked about the OPUC's request for budget process improvements. Mike noted that the OPUC is open to rethinking Energy Trust's budget process, which is labor-intensive for both staff and stakeholders.

Following a board question, Mike noted that the legislature did not provide any budget comments.

The board asked about the OPUC's request to revise the staffing performance metric. Mike responded that if Energy Trust's sees a temporary drop in savings, it would impact this staffing metric. Energy Trust will address this comment as part of its organizational assessment project. A coordination meeting is scheduled with OPUC staff in January to talk through the organizational assessment, budget forecast and staffing metric comments.

The board noted that Energy Trust has achieved significant and inexpensive savings from a few key technologies in the past ten years, such as CFLs and LEDs. It's unknown if new sources of savings will emerge in the near future. New savings may be more expensive and require more labor to acquire. This is a success story about having acquired the most cost-effective savings.

The board observed that there could be upward pressure on staffing costs even if Energy Trust doesn't add staff, such as new requirements and health insurance costs. Mike responded that when the OPUC instituted this staffing performance metric two years ago, it stated that the metric would be revisited in a few years.

**RESOLUTION 788
ADOPT 2017 BUDGET, 2018 PROJECTION AND 2017-18 ACTION PLAN**

BE IT RESOLVED That Energy Trust of Oregon, Inc. Board of Directors approves the Energy Trust 2017 Budget, 2018 Projection and 2017-18 Action Plan as presented in the board packet.

Moved by: John
Vote: In favor: 10
Opposed: 0

Seconded by: Ken
Abstained: 0

The board took a break from 1:20 to 1:40.

Mark arrived in person at 1:37.

Committee Reports

Evaluation Committee, Alan Meyer

The committee reviewed four evaluations, including Heat Pumps in Manufactured Homes Pilot Evaluation, Solar Impact Evaluation, Commercial Strategic Energy Management Impact Evaluation and Existing Homes Process Evaluation. Dan Rubado, evaluation project manager, and Phil Degens, evaluation manager, summarized the evaluations.

For the Heat Pumps in Manufactured Homes Pilot Evaluation, Energy Trust found high customer uptake with 110 units installed within two months and high customer satisfaction results. The next step in the evaluation is to analyze energy savings after the 2016/2017 heating season. Roughly 80,000 forced air heating systems are in manufactured homes in Oregon, including outside of Energy Trust's territory.

Following a board question, staff explained that Energy Trust did not offer on-bill financing for these heat pumps because it was a small pilot. Some contractors offered financing, but no customers participated.

The board noted that 19 of the participants also installed Nest Thermostats. Staff explained that as a sub-pilot, Nest Thermostats were used to test the feasibility of remote quality control of heat pump operations. Nest Thermostats could be a viable and less expensive way to provide quality control for heat pump installation, and are estimated to work in 90 percent of manufactured homes.

For the Solar Impact Evaluation, Energy Trust surveyed commercial and residential solar customers through email. For commercial customers, systems had a 104 percent realization rate. Residential systems had 117 to 124 percent realization rates for third-party owned and customer owned systems, respectively. The average realization rate for all system types was 111 percent. Energy Trust will use the results to true up data from previous years, and will revamp its methodology for claiming generation in future years.

The board asked if the updated methodology will close the gap between estimated and realized generation. Staff responded that it will close most of the gap, but Energy Trust will still err on the conservative side of generation estimates.

The board discussed the value of using the most up-to-date version of typical meteorological year (TMY) data, TMY3, and staff clarified that TMY3 data does not account for elevation.

For the Commercial Strategic Energy Management Impact Evaluation, Energy Trust determined that the overall program gas and electric realization rates were 91% and 103%, respectively, for 2012-2014. Savings increased and realization rates became more accurate from 2012 to 2014, indicating improvement in the SEM program over time.

The board discussed similarities between commercial and industrial SEM participants, and staff clarified that Energy Trust's models are much more complex for industrial customers.

The board asked how energy champion turnover impacts success of commercial SEM participants, and staff responded that committed organizations were able to find replacements and maintain momentum.

For the Existing Homes Process Evaluation, the objective was to get feedback and recommendations for more effective Existing Homes program delivery. Recommendations were to improve communications with gas utilities, remind trade allies about availability of marketing support, and expand work with distributors. The evaluation also determined installation rates for Energy Saver Kits, which are 75 percent for LED A-lamps (compared to 72 percent for CFLs in 2011) and 50 percent for showerheads (compared to 62% in 2013). A recommendation is to better communicate to customers that water-saving devices are optional in Energy Saver Kits.

Finance Committee, Debbie Kitchin (for Dan Enloe)

Revenues are close to budgeted amounts, and the year-to-date variance decreased from September to October to 1.1 percent lower than budget. Reserves decreased by \$2 million in October. In the past 12 months, Energy Trust reduced reserves by \$31.5 million. October expenditures exceeded budget by 1.4 percent. Year-to-date incentives exceeded budget by \$5.5 million, and overall spending is close to budget. At year-end, staff will move investments to shorter-term options.

The board noted that Existing Buildings is exceeded budget, even more than New Buildings.

Policy Committee, Roger Hamilton

The policy committee will support Energy Trust's diversity work by development of a board level diversity policy. Noting that SB 1149 funding will sunset in 2025, the policy committee also discussed external funding sources for consideration in Energy Trust's next strategic plan.

Staff Report

Three Month Report Out, Michael Colgrove

Mike reflected on his first three months at Energy Trust and shared his vision for the future, including business needs and proposed key projects for 2017. In his first 90 days, Mike attended 30 orientation meetings with staff, 32 meetings with stakeholders, 17 meetings with board members and a dozen conferences and events. He also explored urban and rural parts of the state, and got to know 46 staff members at 16 informal lunches.

Resulting from these experiences, Mike made several observations. Staff bring incredible talent and a range of experiences to the organization, and staff development should be a greater focus. There are opportunities for greater standardization at Energy Trust. Energy Trust is supported by a wide range of

stakeholders, especially the OPUC. Significant savings opportunities still exist in Oregon. While effective and transparent, the budget process is onerous and labor-intensive for Energy Trust staff and external stakeholders. There is room for additional systems improvements at Energy Trust.

Mike will continue learning about Energy Trust, including through the strategic planning cycle, NEEA board membership, meetings with Program Management Contractors and Program Delivery Contractors, engagement with trade allies, legislative session and interactions with customers.

Mike envisions a future for Energy Trust that includes flexibility, reliability, diversity and resiliency. He characterized business needs as four categories: retention, resiliency, redundancy and robustness. Mike shared some results of Energy Trust's 2016 employee engagement survey, including opportunities for improving employee retention. The highly technical and relationship-oriented nature of Energy Trust's work means that every lost employee comes at a very high cost.

The board discussed benchmarking employee survey results against other nonprofits, which is difficult because Energy Trust is high-performing and unique.

The board asked about staff expectations regarding the promotions process, and Mike explained that survey results indicate that staff are not clear whether or not there are opportunities for advancement.

Energy Trust needs to explore ways to enhance redundancy to prevent delays of important work when employees leave the organization or are absent. Redundancy would help Energy Trust become more resilient, and could also support staff growth such as through job shadow opportunities.

Energy Trust needs to be resilient in the face of a changing political and policy landscape, an unknown pipeline of future energy efficiency and renewable energy solutions, and uncertainty of future funding. Integrated Resource Plans illustrate the uncertainty of energy savings in recent years, and the board noted that Energy Trust has predicted savings declines for the past few years that have not materialized.

Drivers of greater resiliency are also drivers of greater robustness. Staff report that Energy Trust's systems and processes can be challenging to learn, and Energy Trust can benefit from better and more documentation of how and why to use them. The organization's project management process is an example of robustness.

Energy Trust's success depends on its adaptability. The organization's strength is not what it does, but how it does it. Staff know how to design and operate successful programs.

Mike proposed five key projects to enhance Energy Trust's retention, redundancy, resiliency and robustness, including an Organizational Review Project, a Diversity Initiative, a Market-Back Customer Development Project, Budget Process Reassessment Project, and Systems and Process Enhancements Project. These projects may be started in 2017, but will not all complete in 2017.

The Organizational Review Project will include reviewing Energy Trust's organizational structure to explore opportunities to enhance retention, improve redundancy and create greater resiliency. This project will start in 2017 with a scoping exercise. This work will inform the board strategic planning retreat in May 2018, when the next five-year strategic planning process will begin. The board recommended that staff consider Energy Trust's five-year management review requirement when scheduling this project.

The Diversity Initiative will create a culturally attentive organization, develop a supportive culture for diverse employees and expand service to diverse customers. A Diversity Initiative project manager is already on board and leading this initiative. Current efforts include evaluating language in the Existing

Buildings request for proposals, compiling customer data from focus groups and evaluating the careers web page through an equity lens.

The Market-Back Customer Development Project will provide staff with tools and skills to design and implement more effective programs, starting with a task force of 14 employees to learn about the approach and determine if it should be applied to Energy Trust. Mike will follow up with a 30-minute overview of market-back customer development for the February or March board meetings. The board discussed how to set up measurable goals to determine success of the market-back approach, which will include quantifying how much Energy Trust learns from the exercise.

The Budget Process Reassessment Project will explore options to streamline and improve the budgeting process while maintaining transparency and stakeholder engagement. Currently, finance staff are analyzing how Energy Trust's second-year budget forecasts compare to actuals. This will help determine if a two-year budget process should be considered.

Alan left (by phone) at 3:15.

The System and Process Enhancements Project will facilitate program use of utility customer information (UCI) data, including development of customer leads and opportunities. In addition, Energy Trust will build a Stakeholder Relationship Management (SRM) tool to track interactions and relationships with stakeholders. Energy Trust will revisit its approach to Business Intelligence (BI) and data reporting, conduct outreach to internal users to better match reporting tools with needs, adopt visualization tools, adopt real-time reporting, improve the measure development process, migrate computing resources to the cloud for greater resiliency, and evaluate and revise the organization's file sharing approach.

For all projects, efforts in 2017 will inform the board strategic planning retreat in May 2018.

The board acknowledged that taking on all five projects will require significant staff time, and suggested noting which projects are already in progress and which are entirely new efforts. It's difficult to estimate how new projects will impact staff time, and some of these projects may need to be adjusted and moderated. Mike responded that staff expect to begin these conversations in January.

The board commended Mike on his thoughtful approach to identifying opportunities for improvement while also learning about Energy Trust.

Steven Bloom left at 3:28.

Residential Sector Update (Thad Roth)

Thad Roth, residential sector lead, presented an update on the residential sector assessment project. The project includes three phases: assessment and recommendation, transition planning and transition. The project goal is to assess the challenges, engage stakeholders and propose a new program design. This presentation includes a preliminary recommendation, and the February board meeting will feature a presentation on the full recommendation.

Project timing is driven by the expiration of the Existing Homes PMC contract at the end of 2017.

Energy Trust staff engaged stakeholders this fall through presentations and meetings, including the board, Conservation Advisory Council, utilities and OPUC staff.

In early December, staff received direction on an initial proposal from Management Team, and will flesh out the proposal with stakeholder feedback.

The current residential program structure includes three programs served by three PMCs: Existing Homes, New Homes and Products. These three programs are largely organized by how customers access offerings, which is through trade allies, builders and retail stores, respectively.

The residential sector is facing two sets of challenges: structural challenges and market challenges. Market challenges include the successful transformation of the lighting market with LEDs and market saturation for showerheads.

Structural challenges include difficulty developing strategies that coordinate across three residential programs. Some technologies are offered by more than one program. For example, water heaters are installed by trade allies through the Existing Homes program, installed by builders through the New Homes program, and purchased by customers in stores through the Products programs. This means three PMCs are working in tandem to deliver the same technology.

To address these and other challenges, staff propose that Energy Trust consolidate the three residential programs into one program with one PMC contract. In addition, Energy Trust could deliver additional offerings through PDCs that bring subject matter expertise and increase flexibility. Staff propose the transition to a single PMC take place on January 1, 2018.

Benefits of this proposal include consolidating strategy at the sector level, targeting technologies across all market channels, and consolidating program management and administrative work that could increase efficiency and potential reduce costs.

The board asked if these concepts were presented at recent trade ally forums. Proposed changes were not shared, but market trends and challenges were presented. Staff will continue to engage trade allies and builders prior to determining changes, including through a workshop in January.

Thad explained that proposed changes will improve Energy Trust's internal program management and operations, but they will not impact trade allies and customers. Energy Trust will move to a midstream incentive model for some measures, like water heaters, but that will happen regardless of program structure changes. Energy Trust can drive more business to trade allies through this midstream approach. Thad further explained that program changes will not impact or be visible to customers.

The board asked if the proposal is for three small PMC contracts to become one large PMC contract. Thad responded that this is true, however the overall residential sector will get smaller because of market challenges. The proposed single program will be smaller than the sum of the three existing programs.

The board requested a written summary of proposed changes, including examples of how some residential measures would work before and after the changes, such as heat pump water heaters. The summary should also explain the benefits of the changes.

Thad will return to the board in February with proposed changes. While the board will not officially approve the changes, it will approve the new contract for a single Program Management Contractor in mid-2017.

Thad clarified that the Existing Homes PMC contract will expire at the end of 2017 with no possible contract extensions. New Homes and Products PMC contracts will complete two-year terms at the end of 2017.

The board asked about the level of engagement with the Conservation Advisory Council in this decision making process, and Thad responded that Conservation Advisory Council members received a presentation and provided initial feedback in November. Members requested a more detailed proposal,

and staff will offer an optional workshop for Conservation Advisory Council members and other stakeholders on January 10, 2017.

Update on New Website (Sloan Schang)

Sloan Schang, senior web manager, presented a preview of Energy Trust's new website that will launch on January 3, 2017. Sloan summarized a usability study conducted in 2015 that informed the new website design in 2016. Users wanted clear direction, including less detailed information and more visual orientation. As part of the website redesign, staff cut the total number of web pages down by 300 to 400 total pages. Redesign objectives were to simplify the website, optimize it for all mobile devices and streamline access to actionable and educational content.

The board praised the new website and asked about staff reactions, which have been positive. Sloan noted that links for high-level pages will remain the same as the existing website.

Board Update on Intercultural Effectiveness Scale Results (Michael Colgrove)

Mike shared the average results of the board's Intercultural Effectiveness Scale results, which were relatively high. Survey results are a great starting place for engaging in Energy Trust's diversity initiative and board policy development. Individual reports are available to board members on request.

Adjourn

The meeting adjourned at 4:20 p.m.

The next regular meeting of the Energy Trust Board of Directors will be held Wednesday February 22, 2017, at 12:15 p.m. at Energy Trust of Oregon, Inc., 421 SW Oak Street, Suite 300, Portland, Oregon.

s/s Alan Meyer
Alan Meyer, Secretary