Board Meeting Minutes—131st Meeting

October 1, 2014

Board members present: Rick Applegate (by phone),Susan Brodahl (by phone), Ken Canon, Melissa Cribbins (by phone), Dan Enloe, Roger Hamilton, Mark Kendall, Debbie Kitchin, Alan Meyer, John Reynolds, Anne Root, Dave Slavensky, Warren Cook (ODOE *ex officio*), John Savage (OPUC *ex officio*, by phone)

Board members absent: none

Staff attending: Margie Harris, Ana Morel, Hannah Hacker, Debbie Menashe, Amber Cole, Steve Lacey, Peter West, Courtney Wilton, Fred Gordon, Elaine Prause, Taylor Bixby, Jay Ward, Pati Presnail, Thad Roth, Cheryle Easton, John Volkman, Kim Crossman, Adam Bartini, Phil Degens, Scott Clark

Others attending: Jim Abrahamson (Cascade Natural Gas), Holly Valkama (Coraggio Group), Phil Welker (PECI), Gino Porazzo (CLEAResult), Jennifer Williamson (Bonneville Power Administration), Celeste Becia (CLEAResult), Eric Bell (Westside Drywall and Insulation, Inc.), Christina Cabrales (CSG), Laysan Unger (Cascade Policy Institute), Brian Simmons (CLEAResult), John Morris (CLEAResult), Don Jones, Jr. (PacifiCorp), Lauren Shapton (Portland General Electric), Lisa Wojcicki (PECI), Bob Stull (PECI), Heather Beusse-Eberhardt (EDF Renewable Energy), Jill Eiland (Intel)

Business Meeting

President Debbie Kitchin called the meeting to order at 12:15 p.m.

General Public Comments

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) July 30 Strategic Utility Roundtable meeting notes
2) July 30 Board meeting minutes
3) Revise Equity Policy—R715
4) Revise Economic Development Policy—R716
5) Retire Screening New Opportunities Policy—R717

Moved by: Anne Root		Seconded by: Dave Slavensky
Vote:	In favor: 12	Abstained: 0
	Opposed: 0	

RESOLUTION 715
AMENDING THE EQUITY POLICY

WHEREAS:

1. **The Equity Policy was originally adopted by the board in 2002 to set forth principles for designing energy efficiency programs and allocation of public purpose charge funding among various electricity and gas customer classes;**

2. **The Equity Policy has undergone small revisions since its adoption, and was reviewed by the Policy Committee in August 2014 as part of the Committee's regular cycle of policy reviews**;

3. **Policy Committee members suggested some editing of the current policy to ensure that the policy clearly states the underlying and high level objectives and principles. As a result of the Committee's recommendations, staff revised the policy language as reflected in the suggested amended policy attached as Attachment 1; and**

4. **The Policy Committee supports the suggested amendment and recommends approval through the board's consent agenda.**

It is therefore RESOLVED that the Board of Directors hereby approves amendment of the Equity Policy as shown in Attachment 1.

ATTACHMENT 1 (Resolution 715)

4.08.000-P Equity Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	May 22, 2002	Approved (R104)	May 2005
Policy Committee	March 5, 2005	Postpone review	11/05
Board Decision	September 7, 2005	Revised (R352)	September 2008
Policy Committee	December 2, 2008	Replaced references to numerical electric and gas goals	September 2011
Board Decision	October 5, 2011	Revised (R595)	October 2014

Introduction
Recognizing the Energy Trust's long-term goals to save electricity and natural gas, and that other public purpose funds have been earmarked for schools and low income housing needs, the Energy Trust of Oregon, Inc., Board of Directors hereby adopts as policy using the following principles in designing energy efficiency programs and allocating funding among various electricity and gas customer classes:

Policy
- Make programs available to all eligible electricity and gas customer classes by implementing programs in the residential, commercial, and industrial sectors.
- Design and implement programs for private utility electricity and gas customers that have not had access to prior conservation programs and/or where penetration rates have been historically low, such as rural ~~or agricultural~~ customers.
- Monitor penetration rates for all programs and adjust them as needed to ensure that all private utility electricity and gas customer classes are being served. ~~The~~ Energy Trust will pay particular attention to programs for underserved ~~electricity and gas~~ customers ~~to ensure that they achieve penetration rates that are comparable to other successful programs operating to serve these markets~~.

- ~~Improve program effectiveness to increase conservation savings and reduce costs, thereby making it possible to serve more households and businesses.~~
- ~~Improve and disseminate information about the cost and availability of conservation in each private utility electricity and gas customer class.~~

RESOLUTION 716
AMENDING THE ECONOMIC DEVELOPMENT POLICY

WHEREAS:

1. **The Economic Development Policy, originally adopted by the board in 2004 in connection with discussions with State of Oregon economic development personnel, demonstrates Energy Trust's interest in supporting state economic development efforts and outlines a process for quick and coordinated responses to inquiries on economic development matters;**

2. **The Economic Development Policy has not been revised since its adoption, and since its adoption, staff approval limits have increased permitting staff approval of renewable energy incentive funding support of up to $500,000;**
3. **In the interest of ensuring the underlying objective of the Policy to permit quick and coordinated response to economic development inquires, Energy Trust staff recommends that the Policy be amended to increase the authorization for staff to make commitments for renewable energy projects from $125,000 to $500,000 and to make other clarifying editorial revisions as indicated.; and**
4. **The Policy Committee supports the suggested amendment and recommends approval through the board's consent agenda.**

It is therefore RESOLVED that the Board of Directors hereby approves amendment of the Economic Development Policy as shown in Attachment 1.

ATTACHMENT 1 (Resolution 716)

4.18.000-P Economic Development Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	April 7, 2004	Approved (R265)	June 2004
Board	June 9, 2004	Econ. Dev. Initiative (R277)	June 2007
Policy Committee	October 3, 2007	No changes	October 2010
Policy Committee	October 12, 2010	No changes	October 2013

RESOLUTION AUTHORIZING ENERGY TRUST INVOLVEMENT IN ECONOMIC DEVELOPMENT INITIATIVES

WHEREAS:

1. **Economic development is a significant side benefit of Energy Trust energy efficiency and renewable energy production, helping to make Oregon businesses more competitive by lowering production costs and increasing operating reserves and profits.**

2. **It is consistent with Energy Trust's strategic plan and ~~mission~~ vision and purpose to cooperate with public entities and utilities that are seeking to convince businesses to come to, expand in, or stay in Oregon.**

It is therefore RESOLVED:

1. **Energy Trust staff should make available information~~develop integrated materials~~ to ~~that~~ help economic development entities understand how Energy Trust programs support new and existing commercial and industrial facilities;**

2. **Staff should provide a ~~single~~ contact person to coordinate quick responses to inquiries on economic development matters from the State of Oregon or others ~~economic development entities based on analysis by the Oregon Department of Energy (or if that is unavailable or impractical, an outside contractor~~);~~,~~ ~~and~~ such responses to be reviewed by ~~an internal~~ Energy Trust ~~team~~staff or a designee. Staff is authorized to contract with an outside consultant to provide a back-up source of information-gathering and analysis.**

3. **For projects with high economic development potential, staff is authorized to make commitments to cost-effective energy efficiency projects consistent with existing program standards, and up to $~~125,000~~500,000 per project for renewable energy projects, consistent with SB 1149's above-market requirement.**

RESOLUTION 717
RETIRING THE SCREENING NEW OPPORTUNITIES POLICY

WHEREAS:

1. **The Screening New Opportunities Policy, attached as Attachment 1, was originally adopted by the board in 2004 to document the board's interest in encouraging Energy Trust to identify and act upon new strategic opportunities and to set out an efficient process to screen and intentionally chose to purpose new strategic opportunities;**

2. **The process identified by the Screening New Opportunities Policy reflects Energy Trust's current operating procedures, particularly with respect to the review of strategic opportunities with the board at its annual strategic planning board retreat and with RAC, CAC, and the Policy Committee outside the annual retreat process.**

3. **The Screening New Opportunities Policy was reviewed by the Policy Committee in September 2014 as part of the Committee's regular cycle of policy reviews;**

4. **Policy Committee members discussed whether the policy is still helpful guidance, given that the processes identified are incorporated into Energy Trust operations. Members believe that the policy is superfluous and, as a result, suggest that it be retired; and**

5. **The Policy Committee supports the suggested policy retirement and recommends approval through the board's consent agenda.**

It is therefore RESOLVED that the Board of Directors hereby approves retirement of the Screening New Opportunities Policy.

ATTACHMENT 1 (Proposed for Retirement) (Resolution 717)

4.19.000-P Screening New Opportunities

History			
Source	Date	Action/Notes	Next Review Date
Policy Committee/Board	8?24/04,9/8/04, 1/26/05	Review and discussion	2/16/05
Board	2/16/05	Approved (R318)	7/05
Policy Committee/Board	7/05	Reviewed; no changes	7/08
Policy Committee	12/08	Reviewed; deleted reference to 3 Person Team and changed to Strategic Planning Committee	7/2011
Policy Committee	11/11	Reviewed; no changes	11/2014

Introduction

Identifying and acting upon new strategic opportunities is a welcome and continuous part of being an innovative "learning organization."

An efficient process to screen and intentionally choose to pursue new strategic opportunities is desirable.

Assessments of new strategic opportunities will be concentrated within, and not limited to, the action plan update and budget preparation cycle initiated with the joint board/staff planning meeting held publicly each summer.

Policy

That the Energy Trust of Oregon, Inc., Board of Directors authorizes the Executive Director, in cooperation with the Strategic Planning Committee and other interested parties, to screen major new strategic opportunities using the following pre-screening and minimum full-screening criteria:

1. Pre-screening - Staff proposes to pre-screen opportunities to determine if there is an obvious fit for the Energy Trust, if the opportunity is plausible, is within existing budget and resources and can be absorbed into current efforts. The result of pre-screening can be either an immediate action to absorb such opportunities within existing efforts or programs, to transfer the opportunity to another potentially interested party or to not pursue the opportunity at all.

2. Minimum Full-screening - At a minimum, opportunities that warrant additional consideration beyond pre-screening will be assessed as follows:
   - Does it meet Energy Trust legal requirements?
   - Would it help us to achieve organization mission and goals?
   - Are the costs and benefits anticipated reasonable?
   - What would be the timing and what resources would it require?
   - Are partnership and leverage opportunities present?
   - Are the resources required plausible?
   - Other considerations?

3. Board and staff will plan for and include an analysis of strategic opportunities and corresponding choices for discussion as a focus of the annual board/staff public planning meeting held each year, usually in summer.

4. Ideas outside of the annual planning meeting will follow the usual course of business, being analyzed by staff with involvement from interested board members for presentation to the CAC and/or RAC and policy committee prior to consideration during a public board meeting.

5. An Energy Trust board member from either the strategic planning and/or policy committee will update the full board on the status of ideas being considered and, for those items requiring board action, bring such new ideas forward for action during public board meetings.

President's Report

President Debbie Kitchin provided information on recent eco-district presentations delivered during meetings of the Building Owners and Managers Association and the Portland Business Alliance. A few years ago, the City of Portland chose approximately six areas to pilot eco-districts, two of which are further along in development. The purpose of the eco-district is to take a smaller geographic area, like a business district or neighborhood, and have the residents collaborate on being more sustainable in the areas of waste management, water management, energy, equity and others. Energy Trust works on sites and projects individually, but an eco-district looks at the area as a whole. For example, the Lloyd District is a business improvement district that has had a large impact on alternative modes of transportation in its zone. Lloyd District owners, occupants, neighbors and residents formed an eco-district to make the community more sustainable. Eco-districts are grassroots in that they choose the activities to pursue and secure funding to carry out those activities. The area South of Market, called SOMA, is another eco-district that is showing leadership in energy efficiency. Margie Harris mentioned Energy Trust has been monitoring eco-districts for quite some time and program staff look for opportunities to be involved. The board suggested a future board presentation could highlight Energy Trust's involvement with eco-districts.

Audit Committee

Ken Canon introduced Holly Valkama of Coraggio Group to present on the Energy Trust 2014 Management Review. Under the grant agreement with the Oregon Public Utility Commission (OPUC), Energy Trust must perform a Management Review every five years. The review is one of the primary focus areas of the board Audit Committee. The committee has been working on the review since the beginning of 2014. The OPUC grant agreement directs the Management Review to focus on administrative costs and program operations. The Audit Committee also added benchmarking with notable, regional utilities successful in delivering energy-efficiency programs. After developing the scope, Coraggio Group was selected through a competitive Request for Proposals process. The majority of work was completed from May to June. Since then, the committee and staff have been working on the Management Review in draft form. There was plenty of interaction with Energy Trust staff from all levels of the organization to ensure Coraggio Group understood aspects of Energy Trust that might be different from other entities. The board mentioned the Coraggio Group provided good pace and timing for the development of the Management Review.

Holly presented on the Management Review Report, highlighting various areas and directed the board to the full report for all the details and recommendations. She reviewed the four main areas their review addressed: administrative cost efficiency and effectiveness, administrative cost allocation and productivity, program delivery, and staffing planning and levels. Coraggio Group interviewed Energy Trust staff, the OPUC, board members, funding utilities, Program Management Contractor (PMC) staff, evaluation firms and marketing firms. For the benchmarking exercise, Coraggio Group interviewed and reviewed data from Avista, Puget Sound Energy, Seattle City Light and Snohomish Public Utility District (PUD). She noted Puget Sound Energy was closest to Energy Trust in terms of funding.

There are two major themes in the report. First, Energy Trust's performance and practices are generally strong and well-respected by others within the industry. For instance, Energy Trust has one of the most conservative methods for allocating costs when determining cost-effectiveness, has an organizational environment open to new ideas, and has a culture that shows a willingness to change and improve. Second, as the energy-efficiency industry matures and savings acquisition costs increase, Energy Trust will benefit by bringing additional focus and resources to the efficiency and productivity of its operations. Possible areas include budgeting, forecasting, reporting and resource planning, including staffing justification. Holly noted such changes and transitions are very typical for an organization moving out of an early phase of development to a maturing phase.

Regarding the cycle of acquiring the majority of savings during the last part of the year, the board asked whether changing the fiscal year might have a positive impact and result in a better distribution of completed projects. Holly mentioned organizations interviewed included a company with a fiscal year that ends in September. That company still had a skewed year in terms of the majority of activity coming in at the end of the fiscal year. Due to the annual nature of the budget cycle, the early part of year is focused on startup, affecting the ability to smooth out energy-efficiency acquisition. Customers, especially industrial and agricultural customers, are also working on an annual budget cycle that ends in December. Energy Trust does not influence customers' own budgeting constructs. The California Public Utilities Commission is considering changing some program cycles to be five years to allow for a longer period to plan programs; in effect, smoothing out the heavy year-end activity. Holly mentioned Energy Trust might pilot efforts to see if behavior can be changed. The board mentioned one method could be to modify annual PMC bonuses to be quarterly.

The board noted some organizations reduce span of control and others focus on continuous improvement practices. They asked if Energy Trust increased span of control, does that free up time for continuous improvement. Holly recommended having dedicated staff as managers to ease day-to-day pressures from overtaking time for continuous improvement.

The board discussed why Energy Trust administrative costs and span of control are both very low, when it would seem they would be the inverse of each other. Holly mentioned Energy Trust is generally an organization that takes seriously the fiduciary responsibility of its cost structure and is generally an efficient organization. Energy Trust has a culture of looking at efficiencies. She agreed the correlation is not necessarily intuitive. The board discussed span of control, including pros and cons of staff with main responsibilities being staff management and development and contract management.

The board asked for Courtney Wilton's observations. Courtney mentioned Energy Trust benefits from an outside perspective. The Management Review is a comprehensive report and the Energy Trust management team will meet next week to discuss the recommendations. He noted staff will respond to all recommendations.

The board noted the openness of staff and interest and willingness to continue to improve. Courtney added the benchmarking exercise was educational and beneficial.

The board asked why the level of Snohomish PUD savings growth was greater than Energy Trust's in the same time frame. Coraggio Group will follow up on this question, noting the different ways the organizations deliver their programs is not always an absolute or easy comparison.

The board asked what more continuous improvement looks like. Coraggio Group suggested to start small, with one or two areas, so those doing the work are able to participate and business priorities are still being attended to.

The board asked for Commissioner John Savage's observations. Commissioner Savage noted the report was thorough and clear, especially the comparison against other utilities, and that Energy Trust fared well. Coraggio Group dug into areas the OPUC wanted assessed. The OPUC will still look for key performance metrics or internal operations metrics it can use to gauge how Energy Trust is doing.

The board noted the report provides recommendations and does not offer metrics to provide ability to benchmark Energy Trust against other utilities. The board looks forward to seeing those and being able to use them in the future.

Margie noted appreciation for the work completed by Coraggio Group. Next steps are to develop a matrix of all management review recommendations and suggestions, responding to them and noting the timing of addressing the various recommendations. Staff will bring this matrix to the November board meeting, highlighting what staff intends to pursue. Potential examples include the metrics development especially related to quantifying efficiencies, and options related to our reporting.

The board thanked Coraggio Group for its work and the Management Review Report.

RESOLUTION 718
ACCEPT MANAGEMENT REVIEW REPORT

WHEREAS:

1. **The grant agreement between the Oregon Public Utility Commission (OPUC) and Energy Trust requires Energy Trust to contract at least every five years for an independent review and evaluation of the efficiency and effectiveness of Energy Trust operations.**
2. **In March of 2014, the Energy Trust Board retained Coraggio Group to conduct the review under the auspices of the Audit Committee.**
3. **Coraggio Group submitted the review in final form on September 22, 2014. The Audit Committee reviewed the recommendations and recommended that the board accept the review at its October meeting.**
4. **The Board expresses its appreciation to the Audit Committee, Coraggio Group, the OPUC and Energy Trust staff for their efforts.**

It is therefore RESOLVED:

1. **That the Board of Directors of Energy Trust of Oregon, Inc. accepts the final Coraggio Group management review and instructs the executive director to submit it to the Oregon Public Utility Commission.**

2. **The Board and Executive Director are fully committed to carefully examining the report and taking appropriate follow-up actions in response to its findings and recommendations.**

Moved by: Alan Meyer		Seconded by: Dan Enloe
Vote:	In favor: 12	Abstained: 0
	Opposed:0	

Strategic Planning Committee

Rick Applegate, speaking by phone, introduced the topic of the 2015-2019 Strategic Plan adoption. He, noted the extensive involvement of the Strategic Planning Committee and the full board in the Plan's development and review. He noted the strategic plan will be a good guide for the organization.

Margie provided an overview of the development of the draft plan and outreach conducted to introduce and promote the plan, including the opportunity for public comment. Margie acknowledged the Strategic Planning Committee's involvement and guidance, and highlighted contributions from staff on delivery of the plan. Strategic plan outreach and promotion included a Portland-based meeting, joint meetings with Pacific Power to speak with business customers, presenting at Cascade Natural Gas customer meetings, a public webinar, other business-oriented meetings and ongoing staff engagement. All events were well attended and provided an introduction to Energy Trust and overview of the draft strategic plan. After a month-long public comment period, Energy Trust received 20 written comments from a variety of audiences. Margie noted she was pleased to have that kind of representation and feedback. The majority of comments fit within four high-level themes: strong support for the energy-efficiency goals and objectives, feedback that the renewable energy generation goal was too modest, agreement and ideas for expanding customer participation, and suggestions to acknowledge risk in meeting goals and objectives. The board packet includes a summary of comments received and staff responses, and all written comments are available on the Energy Trust website.

Staff responded to all comments received and made modifications to the draft plan, presenting the proposed final 2015-2019 Strategic Plan to the board today. Margie highlighted the changes made to the proposed final plan, and described next steps with the final plan, if approved by the board.

The board acknowledged the effort and involvement of the Strategic Planning Committee and staff, and those who participated throughout the process. The board appreciated how the plan dovetails with the Management Review. The comments were noted as being thorough and overall encouraging. The board commented the plan will serve Energy Trust and the state of Oregon well.

RESOLUTION 719
ADOPTING STRATEGIC PLAN

WHEREAS:

1. **Energy Trust is required by its grant agreement with the Oregon Public Utility Commission to adopt and revise a strategic plan every five years. The current plan, which covers the period 2010-2014, expires at the end of 2014.**
2. **In 2013 and 2014, Energy Trust carried out an extensive analytical and consultation process regarding a 2015-2019 strategic plan.**
3. **A draft plan was discussed at the June 2014 board retreat, and released for comment this summer.**
4. **Staff and board members engaged the Oregon Public Utility Commission, Portland General Electric, Pacific Power, NW Natural, Cascade Natural Gas, members of our Conservation and Renewable Advisory Councils, and many stakeholders through webinars and regional meetings throughout the state to invite and collect comments on the draft plan. The staff and board have carefully considered these comments.**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon, Inc., adopts the attached five-year strategic plan for the period 2015-2019 and authorizes staff to release the attached comment summary and corresponding responses *incorporating any changes made at today's meeting* to the public.

Moved by: Alan Meyer		Seconded by: Roger Hamilton
Vote:	In favor: 12	Abstained: 0
	Opposed: 0	

The board took a break from 1:50 p.m. to 2:00 p.m.

Dan Enloe recused himself from the meeting at 2:00 p.m.

Energy Programs

Waive Program Cap and Authorize Incentive for an Intel Production Efficiency Project—R721, Kim Crossman

Kim introduced Jill Eiland, Intel's Oregon corporate affairs manager. Kim provided background on the project with Intel. In December 2009, Intel started working on D1X, Mod 1 and Mod 2. Intel asked how Energy Trust could help to make the manufacturing site more efficient than what Intel would otherwise construct. The first phase mega project, for Mod 1, was approved by the board in 2011, and it achieved a significant amount of savings. Today, staff is bringing to the board a Production Efficiency project for Mod 2, which is, at a high level, a mirror image of Mod 1. Mod 2 is a discrete and new project, and staff is requesting from the board an exception to the $500,000 incentive cap and permission for Margie to approve incentives. Staff presented to the Policy Committee in September; since then, a slight change was made to the incentive structure and is reflected in the resolution. The proposed incentive would not exceed $2.4 million, payable in annual increments over multiple years. The project before the board today underwent the customary review and analysis by staff to quantify savings and costs, including an Allied Technical Assistance Contractor (ATAC) analysis by California-based Integral Group, which is world-renowned in this type of project.

The criteria needed for the board in its consideration to waive a project incentive cap is that the site will not self-direct for three years after the final incentive payment, the project will save energy at a very low cost to ratepayers and Energy Trust will have available incentive budget for it.

Kim described how the Intel phase two project meets the criteria. This project will bring in savings at 6 cents per first-year kWh. The average for custom projects in the Production Efficiency program is about 17 cents per first-year kWh. Intel phase 2 levelized cost is less than half a cent per kilowatt hour, similar to the levelized cost of phase 1.

Incentives are estimated to be paid out in 2016-2018, with some possibility of a relatively small amount of incentives to be paid in 2015. Kim noted budgets are not yet set for those years, but staff has been making projections in anticipation of 2015 and 2016 budget planning as well as in consideration of the large customer funding cap. Staff completed an analysis this June and July on the large customer funding cap in Portland General Electric (PGE) territory. This analysis revealed that Energy Trust is likely to cross the spending threshold for PGE and will need to scale back spending in that territory as early as 2015. The analysis also indicated, though, that if Energy Trust would need to constrain funding, there would still be roughly $2.5 million to $4 million in incentives per year for large customers in PGE territory. Funding this project could mean there are less incentives for projects about which staff does not yet know. Given these projects, staff anticipates adequate budget, but proposes an annual incentive cap of $800,000 per year to minimize impact on future years' funding for large PGE customer projects.

The board asked if staff has a systematic way to determine future projects participating in the program. Kim described the program's 2015 pipeline and that in any given year, the pipeline accounts for about 30 percent of savings goal. In general, the program does not have a sense that projects are waiting to be funded.

The board modified the resolution to clarify self-direction by Intel will be suspended for three years after the final incentive is paid, incentives will be paid annually with a maximum of $800,000 per year, and the name of the site of the project.

Kim noted staff attention on the project will continue, including concurrent evaluations and verification of savings throughout the project. Kim cited Intel's attention and collaborative working relationship on the efficiency portion of the Mod 2 project.

Jill noted the positive, mutual partnership with Energy Trust. D1X Mod 1 and Mod 2 is a substantial site and the most advanced semi-conductor plant in the world. Energy Trust helped Intel keep focused on energy efficiency. She said Intel competes on a global basis, and three-quarters of its manufacturing is in the U.S. while three quarters of revenue is from outside the U.S. She noted investments in plants can go anywhere. In building Mod 1 and Mod 2, Intel employed 17,000 building tradespeople and 17,000 Intel employees. D1X is a world-class facility that is energy efficient.

The board discussed the project, including the use of a baseline site that is of a different facility when there is a mirror facility in Mod 1. Kim noted that the question of baseline seems to include both technical baseline and the question of influence. On the technical side, use of a highly qualified ATAC for the baseline study and review by multiple engineers and the evaluators have determined that we are using the correct baseline. Regarding influence, the energy-efficiency measures incorporated are not standard practice at Intel. Technical studies provided by Energy Trust informed the design and plans were made to implement based on assumed availability of incentives.

RESOLUTION 721—REVISED
WAIVING PROGRAM INCENTIVE CAP AND APPROVING INCENTIVES FOR THE INTEL D1X MOD 2 EFFICIENCY PROJECT

WHEREAS:

1. **The Energy Trust Production Efficiency program has worked with Intel to identify comprehensive energy saving measures for a new facility in which to develop advanced technologies. It is expected to be the largest construction project in the Portland metro area.**
2. **Energy efficiency aspects of the project were reviewed through standard Energy Trust processes for complex custom-track industrial projects, including a technical energy analysis study commissioned by Energy Trust and carried out by a nationally-recognized expert in high tech manufacturing efficiency.**
3. **The project's energy savings will cost less than half the cost of savings from the average custom project. The incentive for the project is budgeted at $.06/ first-year kWh, a levelized cost of ~$.004/ kWh; while custom capital projects average $.17/ first-year kWh, or about 1 cent levelized.**
4. **Energy Trust funding would be contingent on Intel's agreement to suspend self-direction at this site for at least three years.**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon:

1. **Waives the Production Efficiency Program's incentive cap for purposes of this project; and**
2. **Authorizes the executive director to negotiate and sign an incentive agreement with Intel for up to $2.4 million total in incentives payable in annual increments of up to $800,000 over multiple years at a rate of not more than .06 cents per first-year kWh in savings, such incentive commitment contingent on Intel's agreement to suspend self-direction at the D1X Intel site for at least three years after the final incentive payment.**

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

Dan Enloe joined the meeting at 2:33 p.m.

Exemption to the board approved Balanced Competition Policy—R720, Debbie Menashe & Peter West

Debbie Menashe introduced the resolution. Portland Energy Conservation, Inc. (PECI) is being acquired by CLEAResult in 2014, which includes acquisition of Energy Trust contracts with PECI. PECI will continue to operate as an Oregon nonprofit organization in the energy efficiency sphere but will not be a deliverer of energy efficiency programs. The acquisition raises a potential conflict and violation of the board's Balanced Competition Policy. If Energy Trust's contracts with PECI are transferred, CLEAResult would become program management contractor for three program management contracts: its current contract on the Existing Homes program and then PECI's current contracts on the New Buildings and New Homes & Products programs. The Balanced Competition Policy states no one program management contractor should hold more than two program management contracts. The stated rationale for this policy, as it relates specifically to program management contractors, is to maintain a robust market. It is also a good policy to mitigate and manage risk for the organization. Staff is asking the board for a temporary exemption to the policy. At this time, if Energy Trust complied with the board policy and did not consent to the transfer of PECI's two contracts to CLEAResult, it would be necessary to end one of the program management contracts immediately and the result would be significant program disruption. Staff believe an exemption is appropriate at this time. The risk to the organization is outweighed by risk to program disruption at this late time of the year when the majority of savings are acquired.

Peter mentioned that over the last year in the energy efficiency realm, AEG, Franklin, CLEAResult, Nexant, ICF International and Ecova have all acquired or been acquired. Other companies, like Opower, have created strategic alliances. He noted there is a large trend of consolidation in the industry. When staff comes back with what steps to take after the temporary exemption, he encouraged the board to have a discussion on what the consolidation trend means to the Balanced Competition Policy. In order to compete, the industry needs to get larger to have competitive, low delivery costs. He notes this is a factor not just in Oregon, it is a national trend.

Peter noted the three programs, Existing Homes, New Buildings and New Homes & Products, are currently running well. CLEAResult will absorb PECI staff currently working on the programs. CLEAResult is currently working on a redesign of the Existing Homes program. Staff is confident the programs will continue doing well after acquisition. If the board did not approve a policy exemption, Energy Trust would have to immediately compete one of the programs, which would be a highly disruptive process, especially at the end of the year. When Energy Trust undergoes a program transition, it is a five-month process. Though there have been attempts to even out participant activity throughout the year, the highest level of activity is still at the end of the year and approximately 60 percent of all Energy Trust savings come in during Quarter 4. Bidding a program during Quarter 4 risks the program's ability to acquire savings and meet goals, and will draw time and resources from other staff. The risk to Energy Trust is fairly low if the policy exception is provided.

The board discussed the extent to which the consolidation trend might continue and its significance to Energy Trust and the Balanced Competition policy. Peter noted such consolidation is also occurring on the evaluation side and will come back to the board on whether this might impact other programs.

The board noted the policy was waived in the past, in 2004, and the next review is not until May 2015. The board discussed Whereas 6 and how it relates to the policy language. Staff said the language is to ensure Energy Trust is brought back in line with the policy in 2015 by selecting one or two of the programs to be rebid. The intent is to provide flexibility for the market until the board reviews the policy next spring. The board struck Whereas 6 from the resolution, noting the wording in the resolution does not preclude or guarantee changes to the policy. The board requested review of the policy be expedited, especially given the exceptions to the policy in the past and the trend of consolidation in the market.

RESOLUTION 720—REVISED
TEMPORARILY EXEMPTING CERTAIN PROGRAM MANAGEMENT CONTRACTS FROM THE POLICY ON BALANCED COMPETITION

WHEREAS:

1. **The Energy Trust Policy No. 4.09-000-P Rules to Assure Balanced Competition for Energy Trust Program Manager Contracts (the Balanced Competition Policy) provides that no single firm may be a contractor of more than two concurrent Energy Trust program management contracts The purpose of the policy is to ensure competition for Energy Trust program management contracts.**
2. **Portland Energy Conservation, Inc. (PECI) is currently the program management contractor for two Energy Trust programs: the New Homes and Products and the New Buildings programs. PECI was anticipated to be the program management contractor for two programs beginning in 2015: the new Homes and the New Buildings programs.**
3. **CLEAResult LLC (CLEAResult) (formerly operating under the name Fluid Market Strategies) is the program management contractor for the Existing Homes program.**
4. **CLEAResult and PECI recently announced that CLEAResult will acquire PECI's energy efficiency program implementation contracts. Closing of this acquisition transaction is expected between now and the end of 2014. Assuming the transaction is completed, CLEAResult would be the Program Management Contractor for three Energy Trust programs, which would pose an issue of compliance with the Balanced Competition Policy.**
5. **A termination of one of the program management contracts at the time of the CLEAResult acquisition would result in significant program disruption, and Energy Trust proposes a more gradual transition to minimize such disruption.**
6. ~~**Energy Trust proposes to rebid one or more program management contracts during 2015 providing an opportunity to limit the number of program management contracts awarded to CLEAResult to two or less and to thereby restore Energy Trust compliance with the Balanced Competition Policy not later than the end of 2015.**~~

It is therefore RESOLVED that the Board of Directors hereby exempts the New Homes and Products program management contract ~~(~~through 2014~~)~~ and New Homes, ~~(beginning in 2015),~~ Existing Homes and New Buildings program management contracts from compliance with Energy Trust Policy No. 4.09.000-P Rules to Assure Balanced Competition for Energy Trust Program Management Contracts until the end of 2015.

Moved by: Mark Kendall		Seconded by: Dan Enloe
Vote:	In favor: 12	Abstained: 0
	Opposed:0	

The board asked to hear from CLEAResult and PECI representatives on the transition process and acquisition trends in the industry.

Phil Welker, executive director of PECI, spoke about the transaction, which is first "do no harm." The transaction is to bring leverage and more resources to the delivery of energy efficiency programs. There is commitment to put a team together that can bring more resources to Energy Trust without changing programs or the program management structure. Going forward there may be staff movement as is typical in any organization.

Gino Porazzo, chief operating officer of CLEAResult, mentioned that in terms of activity in the industry, the industry is challenged in being more cost effective in services and delivery. When any company gets to a certain size, it faces cost management, investment and staff advancement decisions. CLEAResult is a collection of entrepreneurial companies that share the same vision and culture. The employee bases of CLEAResult and PECI are remarkably similar and share passion for this industry. The transaction allows a pooling of resources to invest in technology and people. It is hard to predict how much more the industry will consolidate. With PECI staff, CLEAResult will have 1,900 employees; of which, 450 are in Portland. CLEAResult views itself as a local business and Portland is a hub for the company.

Phil mentioned the challenge for the industry is to get deeper savings out of every building and customer interaction and to ensure savings persist. Consumer decision making will become more complex and the industry has to be able to deliver with that complexity in mind, which takes resources. Acquisition is happening not to buy the same thing, but to deliver on new things.

Committee Reports

Evaluation Committee, Alan Meyer
The committee met last Friday and will report out at the next board meeting when the notes are in the packet.

Finance Committee, Dan Enloe
The May Finance Committee meeting notes are in the board packet. Highlights include revenue tracking above last year, incentives ahead of the same time last year, Existing Buildings behind budget, Production Efficiency on budget and New Homes & Products ahead of budget. Energy Trust is working on a fairly strong year. Available cash was $112.9 million at the end of May and $115.9 million by the end of August.

The committee looked at banking services, and is considering changing banks. Umpqua is doing a good job, though shows weakness in e-business. To be competitive, it needs to get strong in e-business quickly and the committee is awaiting Umpqua’s answers to questions in this area before making decisions on how to proceed.

The committee reviewed Energy Trust’s line of credit and decided not to renew given strong cash availability.

Nominating Committee, John Reynolds
The committee recently interviewed four candidates and selected a replacement for Kenneth Mitchell-Phillips, Jr. The committee will present a resolution at the November meeting to elect to the board Heather Beusse-Eberhardt of EDF Renewable Energy.

Policy Committee, Roger Hamilton
The August and September committee meeting notes are in the packet. Today’s consent agenda included resolutions on amendments to the Equity Policy and Economic Development Policy, which the committee also reviewed. There were minor changes to the policies. The Equity Policy was streamlined by removing details thought to be unnecessary, such as details on what is meant by equity and participation rates of gas customers. The Economic Development Policy was revised to align the mention of the incentive cap with $500,000.

The committee approved membership of Elizabeth McNannay, owner of Resource Consultants, to the Renewable Energy Advisory Council.

The committee suggested retiring the Screening New Opportunity Policy, as its operating practice at Energy Trust. The policy was retired with the board's consent agenda. The committee also reviewed the Intel resolution. The committee requested review of the Eligibility of Self-Direct Businesses for Energy Trust Incentives Policy and whether three years is the right term length or whether it should vary depending on the amount of the incentive.

Staff Report

Highlights, Margie Harris

Margie described the Boise Cascade Kinzua Lumber Mill's recent participation in the Production Efficiency Strategic Energy Management initiative. The mill set a goal of 5 percent annual energy savings, and by implementing continuous energy management strategies, the mill actually saved 14 percent on annual energy consumption.

Yesterday, the OPUC Commissioners ruled on the gas cost-effectiveness docket (UM 1622, Order 13-256). Staff will send follow-up information to the board detailing this decision. For more than two years, staff has been working with OPUC staff on this docket. Energy Trust's role throughout the process was as a technical resource. The OPUC staff memorandum went forward almost unchanged from the Commissioners' decision; the Commission added consideration of an incentive cap for moderate- and low-income homes. Margie reviewed the measures given an exception to cost effectiveness and those measures no longer excepted. Impacts are largely for the gas portion of the Existing Homes program, and changes will be addressed as staff develops the 2015 annual budget and two-year action plan. The benefit/cost ratio of the Existing Homes program will continue to be evaluated as a combined electric- and gas-saving program. An OPUC annual performance measure for pilots will be developed. Margie noted the Existing Homes redesign is already underway as the program worked to anticipate these changes. Upcoming presentations on the draft budget will highlight reductions staff plan on making in the delivery of the Existing Homes program, as well as changes in administrative, management and general budgets.

The board discussed the OPUC decision, and how changes in natural gas prices may impact cost effectiveness going forward. Margie noted the importance of communicating with customers around their expectations that natural gas prices will go up. The board asked if there will be any reflection in the amount requested in rates with utilities for the 2015 annual budget. Staff will discuss with gas companies as funding negotiations get underway, which will start mid-October.

Margie previewed the 2015 annual budget development schedule. The first round of the budget is in development and will be informed by the Management Review, 2015-2019 Strategic Plan, cost-effectiveness dockets and ongoing operational efficiency strategies. The board will review the draft budget at the November meeting and a final proposed budget in December.

Margie described recent outreach activities, including hiring Southern Oregon outreach manager Karen Chase, program outreach efforts, draft Strategic Plan outreach events, and community relations activities and state legislator briefings by senior community relations manager, Jay Ward. She reviewed Energy Trust engagement on OPUC rulemaking with SB 844 and tracking on the Environmental Protection Agency's 111(d) rules. Staff recently completed improvements to program processes, including various solar soft cost reduction efforts, and integrating Oregon Department of Energy Residential Energy Tax Credit applications with Energy Trust's software for solar incentive applications. A delegation from Pakistan recently visited Energy Trust. Energy Trust was ranked by Oregon Business magazine as one of the best nonprofits to work for in Oregon.

Margie concluded her report with an update on the recently completed Edward C. Allworth Veterans Home in Lebanon, which includes high-efficiency design and equipment and a 336-panel rooftop solar electric system supported by Energy Trust incentives.

Integrated Solutions Implementation quarterly update, Scott Clark
The purpose of the Integrated Solutions Implementation (ISI) project is to support program goals, process improvements, productivity gains through ease of use, improved data quality, and overall system improvements to modernize and strengthen integration of systems among internal and external systems. Phase two of the project is replacement of FastTrack, Energy Trust's system of record for energy savings and generation, and the main program management and delivery tracking system. FastTrack replacement will occur through three releases. The first release is to move customer and site information into the Customer Relationship Management system. The second release is administration of master data, such as measures, markets and offerings. The third and final release is core functionality of FastTrack, which is tracking customer projects, measures, savings and generation. Staff has nearly completed the first release, and minor modifications remain. The ISI team is providing program staff time to review and test the first release prior to implementing and to avoid added work during the large amount of activity that occurs in Quarter 4. While the ISI team is engaging with staff on release 1, work has begun on the other two releases. Scott reviewed the timeline for the three releases, February 2015 for release 1, April 2015 for release 2 and June 2015 for release 3. The third release in June 2015 will mark completion of the overall ISI project.

Energy Trust first started working on the ISI project in 2011. Margie reviewed the details, cost and timing to phase one of the project. Scott provided information on the budget for phase two. Staff expects phase two to cost approximately $400,000 more than originally budgeted due to the complexity of the data model, additional engagement with program and PMC staff, and extended time in the project to allocate resources to the PMC transitions in 2013. This amount will be included in the draft 2015 annual budget the board will review in November.

The board asked whether e-banking is part of the ISI project. The functionality is available in Great Plains, and would be in addition to the current scope of work for the ISI Project. The board discussed budgeting strategies around long-term projects like these, particularly as there are new discoveries and information gathered throughout the project that may modify the scope or budget two or three years into the project.

Adjourn

The meeting adjourned at 4:05 p.m.

The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, November 5, 2014, 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