EnergyTrust of Oregon

Board Meeting Minutes—137th Meeting

July 29, 2015

Board members present: Susan Brodahl, Ken Canon, Heather Beusse Eberhardt, Dan Enloe, Roger Hamilton, Mark Kendall, Debbie Kitchin, Alan Meyer, John Reynolds, Lyndsey Hardy, Warren Cook (Oregon Department of Energy, special advisor), Mark Kendall (by phone)

Board members absent: Melissa Cribbins, Eddie Sherman, John Savage (OPUC ex officio)

Staff attending: Margie Harris, Ana Morel, Debbie Menashe, Amber Cole, Steve Lacey, Fred Gordon, Peter West, Courtney Wilton, Marshall Johnson, Oliver Kesting, Kate Scott, Julianne Thacher, Brooke Graham, Andrew Lunding, Andrew Shepard, Mike Bailey, Phil Degens, Thad Roth, Jed Jorgensen, Susan Badger-Jones, Karen Chase, Scott Clark, Shane Vaughn, Sam Julien, Brian Newman, Asher Atkinson, Brian Rogers, Scott Swearingen, Ally Hoffman

Others attending: Jim Abrahamson (Cascade Natural Gas), Don Jones, Jr. (Pacific Power), Anne Snyder-Grassman (Portland General Electric), Elaine Prause (Oregon Public Utility Commission), John Charles (Cascade Policy Institute), Kari Greer (Pacific Power), Jeffrey Schwartz (ICF), Janice Boman (Embertec), Bob Stull (CLEAResult), Ken Nichols (EQL Energy), Mark Farrell (Oregon Solar Energy Industries Association)

Business Meeting

President Debbie Kitchin called the meeting to order at 12:15 p.m. Reminder that consent agenda items can be changed to regular agenda items at any time.

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 request from any member of the board.

MOTION: Approve consent agenda

Consent agenda includes:
1) May 20 Board meeting minutes
2) June 5-6 Board strategic planning workshop minutes
3) Amend Farmers Irrigation District Contract—R749

Moved by: Alan Meyer		Seconded by: Dan Enloe
Vote:	In favor: 11	Abstained: 0
	Opposed: 0	

RESOLUTION 749
AUTHORIZING AN INCREASED INCENTIVE FOR THE FARMERS IRRIGATION DISTRICT PLANT 2 HYDROPOWER PROJECT

WHEREAS:

1. **In December 2013, the board approved an $825,000 incentive for the Farmers Irrigation District (FID) Plant 2 hydropower project;**
2. **Before seeking Energy Trust funds for this project, FID sought to identify any changes that might be needed for interconnection. At the time, FID was told by the utility that no changes**

would be needed. In January 2015, FID was told instead that the project would be a material change and an interconnection study would be required.

3. **A study was completed and equipment upgrades were requested to enable the utility to acquire data. Study, equipment and other associated costs amount to an estimated $150,000.**
4. **Energy Trust does not typically change participant incentives once they are agreed upon. However, these expenses would have been included in calculating the project's above-market cost and resulting incentive had they been known; FID cannot be faulted for not knowing of them; the utility has worked closely with FID to find a solution, and supports an incentive increase.**

It is therefore RESOLVED that the executive director is authorized to increase the incentive for the Farmers Irrigation District (FID) Plant 2 hydropower project by $75,000 to offset costs associated with interconnection studies and related equipment upgrades.

Energy Programs

Multifamily Program Management Contractor Agreement with Lockheed Martin—R750, Kate Scott

Kate Scott, Commercial program manager, presented a proposal to approve a contract with Lockheed Martin for program management services for Energy Trust's Existing Multifamily program. Lockheed Martin has been delivering the Existing Multifamily program since 2011.

Following a competitive request for solicitations, staff and external reviewers identified several strengths of Lockheed Martin, including very high customer satisfaction. In its proposal, Lockheed Martin provided strategies for expanding participation by hard-to-reach customers, including increased outreach to rural areas through a dedicated representative to Central, Eastern and Southern Oregon, and strategies for overcoming each market segment's barriers to participation. Lockheed Martin also proposed a 3 percent reduction in delivery dollars compared to its 2015 budget and a 5 percent increase in savings and incentives.

The board asked if Lockheed Martin provided new ideas, and Kate responded that they recommended several new strategies.

The board asked if Energy Trust debriefed with the second choice candidate to provide feedback, and Kate responded that Energy Trust debriefed with all candidates.

RESOLUTION 750
AUTHORIZE A PROGRAM MANAGEMENT CONTRACT FOR THE MULTIFAMILY PROGRAM

WHEREAS:

1. **With assistance from a selection committee including outside parties, staff has conducted a fair and open procurement process to select a program management contractor to manage Multifamily program services for the next 3-5 years;**
2. **Lockheed Martin was selected and contract terms are being negotiated;**
3. **Staff has assumed and estimated a total first-year program management budget for 2016, including first-year incentives, contracted delivery, and possible performance compensation of approximately $9.9 million, which includes approximately $4 million in delivery, $5.8 million in incentives; and**
4. **Actual savings and costs will be reviewed by the Energy Trust board as part of the annual budget and action plan process. Based on current assumptions, staff estimates the following program savings and fully loaded costs in 2016:**

	Electric	Gas
Savings	**25,378,240 kWh**	**316,199 therms**
$/Unit Savings	**$0.34/kWh**	**$3.65/therm**
Levelized Cost	**$0.035/kWh**	**$0.36/therm**

IT IS THEREFORE RESOLVED:

1. **Subject to determination of a final contract amount based on the board-approved 2016 budget, the executive director or her designee is authorized to enter into a contract with Lockheed Martin to manage the Multifamily program for an initial term from January 1, 2016 through December 31, 2018.**
2. **First-year contract costs and savings goals included in the contracts shall be consistent with the board-approved 2016 budget and two-year action plan. Thereafter, the contract(s) may be amended consistent with the board's annual budget and action plan decisions and the executive director or her designee is authorized to sign any such contract amendments.**
3. **The final contract may include a provision allowing staff to offer one-year extensions beyond the initial term if the program management contractor meets certain established performance criteria. In no event would the total term of the contract plus extensions exceed five years.**
4. **Before extending this contract beyond the initial term, staff will report to the board on the program management contractor's progress and staff's recommendation for any additional extension time periods. If the board does not object to extension, contract terms would remain as approved in the most recent action plans, budgets and contract at the time of extension, and the executive director or her designee is authorized to sign any such contract extensions.**

Moved by: John Reynolds Seconded by: Ken Canon
Vote: In favor: 11 Abstained: 0
Opposed: 0

CLEAResult Contract Extension as Existing Homes Program Management Contractor, Marshall Johnson

Marshall Johnson, Existing Homes program manager, presented a proposal to extend the Existing Homes program management contract with CLEAResult Consulting, Inc. for one year, through December 31, 2016. This would be the second one-year extension out of three possible one-year extensions. The Existing Homes program provides technical assistance and financial incentives for energy-efficiency improvements in single-family and manufactured homes.

In August 2012, the board authorized a program management and delivery services contract beginning January 1, 2013, with a first-year budget of $7.2 million for Oregon services and $250,000 for Washington services. The contract was amended in 2014 with budget and savings goals consistent with Energy Trust's 2015 Budget and 2015-2016 Action Plan. The 2015 budget is $6.6 million for Oregon and $267,000 for Washington services. The original contract was with Fluid, subsequently acquired by CLEAResult.

CLEAResult demonstrated success in all five contract extension criteria, including cross-program referrals, project pipeline, innovation, teamwork and satisfactory execution of statement of work deliverables.

The board asked about efforts to reduce program delivery costs. Marshall described recent program improvements to lower delivery costs, including discontinuing in-home review services, which cost $250 per home, and offering online Home Energy Review services, which cost $25 per home. In addition, Energy Trust and CLEAResult transitioned to online and automated incentive processing, significantly reducing operational costs. Marshall described additional efforts to reduce program delivery costs, including field-based quality assurance, mid-stream strategies, leveraging trade ally contractors to reach customers and using utility data to target marketing for potential customers.

The board asked about using CLEAResult's contract extension as an opportunity to renegotiate terms, as was suggested in the last board meeting. Marshall explained that CLEAResult's budget and goals will be negotiated during the 2016-2017 Budget and Action Plan process.

The board asked if savings will become harder to achieve in the residential sector over time. Marshall described the Residential Sector Strategic Plan, which indicates that available cost-effective savings are not expected to grow in the next five years. Energy Trust's Existing Homes, New Homes and Existing Multifamily programs serve some of the same customers, and in the next few years Energy Trust may consider consolidating delivery of services to these residential customers to increase cost-effectiveness. Program management contracts may transition to program delivery contracts, which will make the sector more nimble to adapt to changing federal standards and continue to deliver cost-effective services through a variety of strategies.

The board asked about the residential sector's low incentive payments to date in 2015. Marshall explained that Program Management Contractors (PMCs) receive performance compensation for achieving mid-year targets. CLEAResult achieved its mid-year targets and shifted savings earlier in the year. Peter explained that some program offerings are not delivered through a PMC, such as the Existing Homes Home Performance with ENERGY STAR® track. Energy Trust does not hold PMCs accountable for savings delivered from other agents in the market. Fewer Home Performance projects have completed so far this year, which explains the slightly low incentive spending through the second quarter. Marshall noted that Existing Homes achieved more savings at a lower cost through Energy Saver Kits. In addition, weatherization activity was lower than usual due to a mild winter and spring. These shortfalls were offset by other successes. Marshall also noted that a behavioral offering originally budgeted for $2 million was put on hold.

The board had no objections to the contract extension.

ICF Contract Extension as Existing Buildings Program Management Contractor, Oliver Kesting
Oliver Kesting, Commercial sector lead, presented a proposal to extend the program management contract with ICF Resources, LLC (ICF) for Energy Trust's Existing Buildings program for one year, through December 31, 2016. This would be the second one-year extension out of three possible one-year extensions. The Existing Buildings program provides technical assistance and financial incentives for existing commercial businesses, nonprofits and government buildings in all market sectors throughout Energy Trust territory.

In August 2012, the board authorized a program management contract with ICF for 2013 and 2014. In July 2014, the contract was extended through 2015. The 2015 budget is $9.2 million in Oregon and $187,000 in Washington.

ICF performed well in all five contract extension criteria, including cross-program referrals, project pipeline, innovation, teamwork and satisfactory execution of statement of work deliverables. ICF excelled in cross-program referrals by proactively coordinating across Energy Trust programs and offerings, including New Buildings, Production Efficiency, Solar and Strategic Energy Management (SEM).

In 2015, ICF's pipeline of savings is promising in Pacific Power and Cascade Natural Gas territories, with savings projected at 126 percent and 120 percent of goals, respectively. ICF still needs to add to its pipeline of expected projects to achieve gas efficiency goals in PGE and NW Natural Oregon and

Washington territories, where energy savings are projected at 92 percent, 80 percent and 61 percent of goal, respectively.

In early 2015, ICF conducted a comprehensive review of the Existing Buildings program and identified ways to improve program efficiency, streamline customer participation and expand program offerings to achieve aggressive savings targets in a mature market. Energy Trust staff is working with ICF to raise gas incentives, which will increase savings in both gas and electric territories through dual-fuel projects.

ICF has targeted small- and medium-sized businesses, developed administrative efficiencies and come very close to meeting aggressive goals.

The board observed that results seem mediocre, and asked if Energy Trust staff are working with the PMC to achieve goals. Oliver explained that efforts to improve results are underway, as a result of an evaluation completed early this year.

The board asked if Energy Trust saw more opportunities for energy saving in rural areas. Oliver responded that comprehensive custom projects have already been completed in cities but not in rural areas.

The board asked about distributor lighting buy-down efforts. Oliver explained that buy-down efforts are upstream and midstream approaches that involve working with businesses and distributors rather than with customers. Jeffrey Schwartz, senior manager at ICF, explained that customers receive the same discount with buy-down offerings because the distributors reduce the sale price. The buy-down is currently for screw-in LED bulbs.

The board asked about areas of improvement for ICF. Peter responded that ICF brought in additional Eastern Oregon staff to better serve rural customers, which has been effective. Oliver noted that ICF also added staff to work with Energy Trust's Planning staff to develop new measures.

The board asked about high Existing Buildings incentive spending through the second quarter, even though progress to goals was low. Oliver explained that the budget incentive spending number includes other offerings besides those provided by ICF, such as commercial SEM. Peter added that incentives are tracking proportional to savings goals. Existing Buildings has some delivery strategies that are more expensive than other Energy Trust programs, such as direct installation efforts. Going forward, strategies will become more expensive and the program will focus on driving down delivery costs.

The board had no objections to the contract extension.

The board appreciated that the board packet included a two-page summary of all PMC and Program Delivery Contractor (PDC) contracts, and members requested to see this table periodically as contracts change.

The board asked why expiration dates for all PDC contracts are aligned. Peter responded that this is intentional. These PDCs serve different territories, so simultaneous contract expiration dates allow PDCs to expand contract territories during rebid processes.

Committee Reports

Audit Committee, Ken Canon

Energy Trust's three-year contract with Moss Adams for annual financial auditing services has expired. Energy Trust issued a request for proposals (RFP) and received submissions from several accounting firms and interviewed one firm. Based on strong performance, the committee selected Moss Adams for another three-year contract.

To proactively protect ratepayer investments, the committee asked Moss Adams for additional auditing work this year, specifically to investigate PMC check processing procedures and billing hours. Overall results have been positive, and Moss Adams delivered recommendations.

The board noted that Energy Trust used its previous audit firm for six years. Ken affirmed the importance of soliciting new contractors periodically.

Executive Director Transition Committee, Ken Canon
The committee decided to announce initial desired traits and characteristics for a new executive director. Ken asked for board input on these traits and noted that a discussion is planned for the September board meeting. The committee also developed an outreach plan, which includes engaging with and informing the public utility commission, utilities, staff, program management contractors and trade allies.

The board asked if an executive director discussion is appropriate use of executive session time. Ken responded that the committee determined that discussion of this topic is appropriate and consistent with criteria for executive sessions. Debbie Menashe, Energy Trust general counsel, confirmed this approach.

The board recommended gaining insights from professional recruitment consultants now, even if one is not ultimately hired.

The board discussed the appropriate amount of transition time for both Margie and the new executive director to work at Energy Trust. Margie clarified that Energy Trust plans a three-month overlap, from October 1 through December 31, 2016, during the 2017 Budget and 2017-2018 Action Plan process.

Evaluation Committee, Alan Meyer Alan deferred an update to the next meeting.

Finance Committee, Dan Enloe
Incentive spending is strong and program reserves have declined, as expected and planned. Existing Buildings, Production Efficiency and Solar programs incentive expenditures were more than expected, while other programs spent less incentives than expected. Overall, spending is over budget.

Peter explained that New Buildings spent more than budgeted because the spring construction season was accelerated by unusually mild weather. Existing Buildings and Production Efficiency spending are expected to align with budget by year-end. Margie added that staff were asked to budget more conservatively in 2015 and to rely on reserves as needed.

Dan noted investment funds are diversified well. The board inquired if investment earnings are considered as part of Energy Trust’s OPUC administrative cost performance measure. Margie responded that investment earnings are separate and do not impact OPUC performance measures.

Policy Committee, Roger Hamilton
The Renewable Energy Certificate (REC) policy discussion was postponed to the September board meeting to allow more time for feedback to be solicited from the Renewable Energy Advisory Council.

Strategic Planning Committee, Mark Kendall
The committee was pleased with the June board retreat content and logistics, and discussed potential guest speakers for future retreats. The committee appreciated strategic input from Ann Kohler, and John Volkman’s summary of actionable next steps. The committee thanked Margie for follow-up discussions with board members who were not able to attend the retreat. Margie noted that Ana Morel is already working on scheduling the 2016 retreat.

Energy Trust Planning staff will work with the committee to discuss the basis for measuring new energy technology and metrics for expanding participation. Staff also will report back to the committee on assessments of new opportunities.

In response to the 2014 Management Review, Margie is working with staff to report on key operations process areas for continuous improvements, and our work on metrics.

The board took a break from 1:28 p.m. to 1:40 p.m. Debbie left the meeting at 1:50 p.m.

Ken began facilitation of the meeting.

Staff Report

Highlights, Margie Harris

Margie presented Energy Trust's 2014 Public Annual Report, which features some of the thousands of customers Energy Trust served in 2014, including Edward C. Allworth's Veteran's Home in Lebanon, Stanley Hydraulics in Milwaukie and homeowner Priscilla Martin in Bend. Margie provided a summary of the cumulative benefits Energy Trust has delivered through its investment of $1.1 billion to date.

Margie summarized early highlights from Q2 2015, which indicate that the organization is on track with expectations in all utility territories. Energy Trust saw strong savings from new residential and commercial construction and LED sales. Growth continued for small commercial projects. Marketing efforts resulted in high demand for Energy Saver Kits. Two renewable energy projects completed construction in Q2, and demand for residential offerings and commercial solar installations was very high. As planned, revenues were very close to budget and significantly less than last year, following efforts to reduce reserves.

Energy Trust is beginning work on the 2016 Budget and 2016-2017 Action Plan, which starts with sector strategic plans that inform sector and program annual budgets. Margie summarized the stages of Energy Trust's annual budget and action plan development cycle, which begins in July and completes in December. This year, Energy Trust has increased engagement with the Oregon Department of Energy.

At the June board strategic planning workshop, Energy Trust shared information about the Diversity Initiative now underway. Building upon preliminary research completed in 2014, more detailed research is currently being completed to inform our understanding about participation and where we have clear opportunities to expand our efforts. Results are expected in December. Margie described other dimensions of the initiative, including a cultural competency survey distributed to board and staff by a consultant, the first step in an assessment process to eventually help shape organization initiative strategies.

Margie described Energy Trust's recent integrated marketing campaign, including print, online, television, public relations, social media and a dedicated website. LED lighting is promoted as the hook to engage customers, given the current excitement around LEDs and their affordability. The campaign includes cooperative marketing opportunities for trade allies, and has been successful so far. Margie presented the television commercial, and several board members noted that they have seen it.

Integrated Solutions Implementation quarterly update, Scott Clark

Margie acknowledged Scott Clark, IT director, and the IT team for the upcoming completion of this comprehensive and critical IT project effort.

Scott summarized the Integrated Solutions Implementation (ISI) project, which is designed to modernize existing core applications and incorporate business process improvements. The ISI project was initiated to support program goals through process improvements, increased data quality, and systems improvements to modernize and strengthen integration among Energy Trust systems and with external parties. The project consisted of two phases. Within Phase 2, there were five major project milestones or releases. The fifth and final release will occur in August. Four of the five releases of functionality were launched in the first six months of 2015. Feedback on the new system has been positive.

Phase 2 is currently forecasting expenditures for June 2015 through August 2015 to be $385,000, bringing the total cost of the project to approximately $2,042,000, an anticipated overage of 2.1 percent. Several factors contributed to the project being slightly over budget, including its length and complexity, an expanded scope and significant staff turnover due to a very competitive Portland market for IT personnel. This turnover led to additional costs for project delays, on-boarding new staff and greater reliance on contracted resources.

Scott thanked and introduced several developers who made significant contributions to the project, including Shane Vaughn, Sam Julien, Brian Newman, Asher Atkinson, Brian Rogers and Scott Swearingen.

The board expressed appreciation for this significant project, and asked when the organization will need to start the next big IT project. Scott assured the board that the ISI solution uses very stable architecture and can be effective for many years.

The board suggested Energy Trust consider implementing electronic check payments, and acknowledged that this will be challenging, both for Energy Trust and for other entities. The first stages of this effort are already underway with electronic payments to some of our PMCs.

Legislative update, Debbie Menashe and Jay Ward

Debbie Menashe, general counsel, and Jay Ward, senior community relations manager, presented an update on bills Energy Trust watched in the 78th Oregon legislative session.

As a reminder, Energy Trust tracks on a wide variety of legislative issues, provides information upon request and does not take a position on any pending or potential legislation or ballot initiatives. Jay described several bills that could have impacted Energy Trust, but did not pass. A special session prior to the 2016 state legislative session is not expected, and staff will continue to monitor any initiatives that may impact Energy Trust.

Debbie added that staff also tracked some relevant non-energy bills. HB 3025 was passed to prevent employers from asking prospective candidates about felony convictions on job applications, and will go into effect on January 1, 2016. Energy Trust will update its employment application to omit this question. SB 454 instituted a paid sick leave requirement, and Energy Trust is already in compliance. On the federal level, the fair labor standards act has new regulations that change criteria for classifying exempt and nonexempt hourly employees, which may impact Energy Trust.

The board asked what bills Energy Trust anticipates may come up in the 2016 session, such as a transportation funding bill. Jay responded that another attempt to pass a transportation funding bill may be likely, and it may or may not be coupled with a repeal of SB 324.

The board asked if HB 2193, which directs electric companies to procure energy storage systems, will impact Energy Trust. Jay responded that the impact is not clear.

Feature Presentation

How we do evaluations, Phil Degens

Phil Degens, evaluation manager, presented on Energy Trust's evaluation process, and described three recent evaluations. Energy Trust conducts about 60 to 70 evaluations per year. The purpose of evaluations is to provide credible and unbiased information to decision-makers, including Energy Trust programs, board and OPUC. Evaluations are typically bid out to third-party, independent contractors.

The board asked how evaluation firms are selected. Phil responded staff release a competitive request for proposals to a list of relevant contractors. Energy Trust also has a list resulting from a request for qualifications, and staff may send a short RFP to two or three select, specialized firms from this list of qualified firms. The evaluation team reviews and scores proposals.

The evaluation process includes developing a scope, hiring a third-party contractor if necessary, the contractor performing the evaluation, staff reviewing draft results and presenting them to the Board Program Evaluation Committee (a.k.a., Evaluation Committee), staff writing a response memo, and staff sharing final results with the organization and the public by posting a final report with the response memo on Energy Trust's website.

Types of evaluations include process evaluations, which document and make recommendations for improving program processes, and impact evaluations, which determine realized program savings and average realization rates. Realization rates impact true-up of prior year savings, which is performed on an annual basis. Impact evaluations are focused on energy savings and outcomes. Energy Trust also surveys program participants to determine free ridership and customer satisfaction.

The board asked about the willingness of customers to participate in surveys. Phil responded that because Energy Trust follows up promptly after participation and surveys are short, customers are typically receptive.

The board asked about Energy Trust's focus on evaluation compared to similar organizations. Phil responded that Energy Trust's evaluation efforts are very strong, and its database is robust, accurate and goes all the way back to 2002. Energy Trust leads in this area as many organizations do not true up savings on an annual basis.

The board asked how the Evaluation Committee has evolved over time. Alan noted that he has learned how the evaluation process is a valuable way to examine and improve programs and understand results. Evaluation is critical to helping Energy Trust reach goals. Margie noted that Energy Trust's evaluations are more rigorous than in other organizations, such as in Vermont and Wisconsin. The annual true up of savings is important because it validates the energy resource Energy Trust has acquired to meet integrated resource plan targets.

Fred emphasized that the Evaluation Committee is critical to guiding effective budgeting for evaluation activities. Multiple experts and perspectives help staff make decisions about what to evaluate.

The board asked about potential research to assess new strategies, such as real-time metering and smart meters. Phil responded that staff research emerging technologies, and pilots evaluate new types of efforts. Fred noted the Northwest Energy Efficiency Alliance's (NEEA's) work on emerging technologies. With thermostats, Energy Trust may move into demand management activities and collaborate with utilities.

Adjourn

The meeting adjourned at 3:30 p.m.

The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, September 30, 2015, 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