

Board Meeting Minutes—140th Meeting

December 11, 2015

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

Board members absent: John Savage (OPUC *ex officio*)

Staff attending: Margie Harris, Ana Morel, Debbie Menashe, Amber Cole, Fred Gordon, Steve Lacey, Peter West, Courtney Wilton, Hannah Cruz, John Volkman, Jed Jorgensen, Betsy Kauffman, Thad Roth, Jessica Iplikci, Mike Bailey, Mia Hart, Sue Fletcher, Oliver Kesting, Karen Chase, Dave Moldal, Dave McClelland, Marshall Johnson, Dan Rubado, Erika Kocielek, Susan Badger Jones

Others attending: Jim Abrahamson (Cascade Natural Gas), Don Jones, Jr. (PacifiCorp), Anne Snyder-Grassman (Portland General Electric), Elaine Prause (Oregon Public Utility Commission), John Charles (Cascade Policy Institute), Ed Wales, Dick Wandersheid (Bonneville Environmental Foundation), BJ Moghadam (NEEA), Bob Stull (CLEAResult), Greg Stiles (Ecova), Julie Davies O'Shea (Farmers Conservation Alliance)

Business Meeting

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 the request from any member of the board.

MOTION: Approve consent agenda

Consent agenda includes:

- 1) November 4 Board meeting minutes
- 2) Suspend WREGIS Registration Requirements for Certain Classes of Renewable Energy Certificates—R762

RESOLUTION 762 SUSPEND WREGIS REGISTRATION REQUIREMENTS FOR CERTAIN CLASSES OF RENEWABLE ENERGY CERTIFICATES

WHEREAS:

1. At its meeting on November 4, 2015, the board of directors of Energy Trust approved a set of changes to Energy Trust's Renewable Energy Certificate (REC) Policy.
2. Among the policy changes approved was the addition of an annual board and Renewable Advisory Council (RAC) review of the market and other value of RECs as compared to the cost and effort of WREGIS registration.
3. WREGIS is the Western Renewable Energy Generation Information System (WREGIS). WREGIS tracks renewable energy generation through registering RECs representing such

generation. Only WREGIS-registered RECs are eligible to count towards Oregon's Renewable Portfolio Standard requirements.

4. Under the revised policy, if the relative cost and effort of registering RECs is prohibitive for certain categories of RECs, the board may authorize staff to take contractual title to RECs, but suspend efforts to register such RECs in WREGIS until such time as WREGIS registration is cost effective.
5. The revised REC policy also calls for Energy Trust staff to confer with Portland General Electric, Pacific Power, and the Oregon Public Utility Commission (OPUC) to determine the market and other values of RECs in order to make a determination of value relative to the cost and effort of WREGIS registration.
6. Energy Trust staff has conferred with utilities and OPUC staff regarding market value of RECs. Based on these discussions and market research undertaken by Bonneville Environmental Foundation in early 2015, Energy Trust staff has concluded that the market value of RECs is small relative to the cost and effort of WREGIS registration for two classes of RECs: (1) RECs generated through Energy Trust's standard solar program projects and (2) RECs generated through Energy Trust's Other Renewables program custom projects where neither the project owner nor the relevant utility are willing to take responsibility for registering RECs in WREGIS. For both of these categories of RECs, WREGIS registration costs far outweigh the market and other value of the RECs involved.

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

1. **Suspends requirements for WREGIS registration of RECs generated in the following categories of renewable energy projects for which Energy Trust incentives are paid:**
 - a. **RECs generated through Energy Trust's standard solar program projects; and**
 - b. **RECs generated through Other Renewables program custom projects where neither the project owner nor the relevant utility are willing to take responsibility for registering RECs in WREGIS.**
2. **Requires Energy Trust staff to continue to take contractual title to the categories of RECs identified in this resolution and to review the relative market and other value of such RECs in not more than one year from the date of this resolution to determine whether the cost and effort of WREGIS registration continues to be prohibitive and to provide an annual update on such values to the board consistent with Energy Trust's board-adopted REC policy.**

Moved by: Dan Enloe
 Vote: In favor: 13
 Opposed: 0

Seconded by: Roger Hamilton
 Abstained: 0

President's Report

Debbie announced that the February 2016 board meeting will include a resolution assigning committee membership for the year. Board members are to follow up with Debbie on whether they would like to change their current committee assignments, and committee chairs are to notify Debbie if they need any particular skills or strengths added to their committees. Unless she hears otherwise, Debbie will propose the 2016 committee assignments to be the same as 2015.

Debbie provided the board with a Board Governance Basics handout. The Energy Trust board exercises good governance through regular review of policies, the adoption of a governance structure and a committee structure. Debbie encouraged the board to consider whether there are other governance issues to address or learnings to apply from their experiences on other boards. She noted board governance is an important part of the process.

The board discussed adding the Conservation Advisory Council and Renewable Energy Advisory Council rosters to the Board Committee Assignments resolution for February 2016.

Warren Cook joined the meeting at 12:22 p.m.

Final Proposed 2016 Annual Budget & 2016-2017 Action Plan

Margie Harris, Peter West, Courtney Wilton

Prior to the budget presentation, Margie announced Energy Trust was just informed it was recognized by the Association of Energy Service Professionals for the Path to Net Zero initiative. The New Buildings program initiative received an award for outstanding achievement in non-residential program design and achievement.

Responding to the board, Jessica said Path to Net Zero has attracted a lot of different customer types and building types, even those well outside the Portland metro area. Participation is not necessarily concentrated in the public sector. Portland Community College is a public sector example.

Margie summarized the final proposed 2016 annual budget and 2016-2017 action plan. Since the November board presentation, staff sought and carefully listened to a variety of stakeholders who commented on the draft budget. She reviewed comments received, which were largely positive. Changes made from the draft budget for the final proposed budget were called out to the board.

Outreach activities were reviewed, and included individual meetings with the utilities, OPUC, the Oregon Department of Energy, Conservation Advisory Council, Renewable Energy Advisory Council, stakeholders and the public. The traditional formal presentation to the executive leadership of each of the four utilities was offered as either a November or February presentation. Pacific Power elected to receive the presentation in November; the rest will receive presentations early next year with a focus on completed year-end activity and board-approved 2016 activity. The outreach component to development of the budget remains an important facet of how Energy Trust completes its budget every year, and maintains transparency in the process.

Staff appreciates the valuable and insightful comments received. The board packet includes staff responses to comments received and includes copies of all comments submitted. Overall, staff heard support for the draft budget and action plan. Most of the comments were specific to strategies provided in the action plans. Comments from the utilities included acknowledgement of good exchange through the budget process, requests for information-sharing when programs or measures specific to their customers will be changing, and requests for continued engagement beyond the budget process. The board noted utilities have consistently valued advance notice, coordination and ongoing information sharing.

The OPUC staff comments on the draft budget and action plan were highlighted. The OPUC commissioners supported the budget and agreed with the staff comments. The OPUC requested Energy Trust, in future years, clarify and make more visible the underlying assumptions used in developing the budget, including reserve requirements assumptions and avoided cost changes.

Staff explained that planning assumptions are examined periodically, and if changed, are clarified on an annual basis in official reports to the OPUC. These changes can be referenced in future budget presentations as well, so they are made more visible to stakeholders. Examples of planning assumptions include changes related to avoided costs and if legislation changes how Energy Trust conducts its work.

Margie reviewed the OPUC comments on drawing down reserves. She sees the comments in line with ongoing efforts to bring reserves down to target levels, providing sufficient minimum reserves. The board commented reserve updates and financial information are provided in quarterly reports, and asked what

more the OPUC is asking for. Margie said the comment is aimed at ensuring Energy Trust has the right reserve amount for each utility. Energy Trust was still in discussion with the utilities on the target reserve amounts for 2016 at the time of the OPUC formal hearing on the draft budget and action plan. The exact percentages with each utility are now known.

With the 2015 year-end forecast and planned 2016 savings and generation, Energy Trust is projected to be at approximately 40 percent of the five-year strategic plan goals by the end of 2016.

Margie clarified the increase in revenues between the draft and final proposed budget is \$6.4 million, not \$5.6 million originally provided to the board on slide 11 of the mailed packet. The increase was made to bring the Pacific Power reserve target to 3 percent.

Energy Trust was able to achieve the reserve reduction goals in two years instead of three. This year, reserves will be reduced by \$22 million and will be \$34.4 million by the end of next year. The total draw down is about \$57 million. Energy Trust has individually tailored reserves for each utility based on what is in the project pipeline and on the horizon. The reserve policy underscores the importance that Energy Trust work together with the utilities. The board requested slide 12 include the year 2014.

Margie reviewed anticipated rate adjustments by utility in the coming year. It is important to note this process depends on what each utility provides to the OPUC and is dependent on what the OPUC accepts in terms of any rate adjustment. Actual percentages will be available when that process completes in the spring. This is a best estimate at this time.

Margie and Peter clarified the Cascade Natural Gas public purpose charge percentage is larger than NW Natural's because the overall revenue base is smaller and a full suite of programs for customers is desired by Cascade Natural Gas.

In summary, the final proposed budget and action plan provide a sustained high level of savings acquisition, low levelized costs and solid renewable energy generation dominated by solar.

In follow-up to a board question from November, Energy Trust will operate under some cost-effectiveness waivers in 2016. Specifically in the Existing Homes program. These waivers represent less than 2 percent of all Energy Trust gas savings and 1.3 percent of electric savings.

Margie reviewed the 2017 budget projection, which is required by the grant agreement and will be adjusted when the 2017 budget is developed next fall.

The board asked how confident staff is in the completion of the 2016 gas mega project and 2017 electric mega project. Peter said the gas mega project is under construction now and staff will know in Q2 the expected date of completion.

The board asked if there was any remaining public comment on the budget and there was none.

The board thanked the staff for the development of the budget, and OPUC, utilities and stakeholders who took time to review and provide comments. The board commented on the successful reserve draw down strategy, and noted that staff needs to stay in close connection with utilities throughout the year to ensure the reserves are adequate if demand for services is greater than anticipated. Margie agreed.

**RESOLUTION 761
ADOPT 2016 BUDGET, 2017 PROJECTION AND 2016-2017 ACTION PLAN**

BE IT RESOLVED That Energy Trust of Oregon, Inc. Board of Directors approves the Energy Trust 2016 Budget, 2017 Projection and 2016-2017 Action Plan as presented in the board packet.

Moved by: Dan Enloe
Vote: In favor: 13
Opposed: 0

Seconded by: Eddie Sherman
Abstained: 0

The board took a break from 1:10 to 1:20 p.m.

Energy Programs

Amend Farmers Conservation Alliance Contract, Jed Jorgensen

Jed introduced Julie Davies O'Shea, executive director of Farmers Conservation Alliance (FCA). Jed is asking the board to authorize an amendment to an existing contract with FCA. The amendment would raise the contract amount over \$500,000, requiring board review and approval. The contract authorizes FCA to support Energy Trust efforts to bring irrigation district hydropower projects to market.

FCA is a 501(c)(3) nonprofit based in Hood River and specializes in developing resource solutions for rural communities. FCA excels at developing relationships with the agriculture community. These relationships boosted Energy Trust's success with those customer types.

Irrigation hydropower one of two main sources of generation for the Other Renewables program; the second resource is biopower. Irrigation hydropower projects produce generation opportunities as well as numerous other non-energy benefits. The work Energy Trust is doing with FCA is the most effective tool to move irrigation hydropower projects forward.

Jed clarified Energy Trust renewable energy programs are authorized under SB 1149 to lower the above-market costs of new renewable energy resources. The OPUC and the Renewable Energy Advisory Council approve of Energy Trust's project development assistance as an approach to lowering above-market costs; this support early in the development of the projects brings more opportunities further along to construction and ultimately generation. Project development assistance activities have been reported in Energy Trust's quarterly reports over the past two years and will continue to be reported.

Irrigation hydropower is a significant opportunity and has been developed so far by a small number of sophisticated irrigation districts. Irrigation modernization through piping open canals provides tremendous benefits like water conservation, improved drought resilience, energy savings, energy generation, reduced operations and maintenance costs, and reduced energy costs. These benefits can attract external funders and the districts need support to do so. For Energy Trust to see more irrigation hydropower within a reasonable timeframe, it is necessary to approach it within the framework of irrigation modernization. Doing so goes beyond staff's current skillset and external relationships.

Jed reviewed the current FCA contract and four main deliverables for FCA. He clarified district outreach is across the state, and projects may not be in Energy Trust territory but are large enough that they can wheel power to a funding utility. The additional budget in the contract will support the program in building a stakeholder and collaboration network, and creating templates and guides for irrigation districts.

FCA's contract performance so far has been exemplary. FCA's goal was to enroll four irrigation districts in project development assistance and 12 are currently enrolled with another one expected to enroll by year-end. There is also a significant amount of outside funds going into these planning processes. Part of the success of FCA is the irrigation modernization initiative was launched in the midst of one of the worst droughts in decades. This issue has received a lot of attention at local, state and federal levels. Energy Trust's interest in irrigation modernization to capture energy benefits is aligned with irrigation districts' significant interest in water conservation.

Jed reviewed a recent project example at Three Sisters Irrigation District. The board asked what percentage of load savings and generation the project represents for the district. Jed will provide the information in follow-up.

The board noted the water source of Three Sisters Irrigation District is surface water, not ground water. In an extreme drought, the district will need to use ground water, adding electricity usage and removing electric savings from now needing to pump water.

Jed confirmed no Klamath Basin districts have indicated interest in working with Energy Trust so far.

The board discussed the benefits of these projects. It was noted some strategies may have intellectual property value. Jed clarified the intention is to have the findings be open for use by districts across the West. How it is shared and how others participate is still being discussed internally. The board commented Energy Trust has a strong negotiation position.

The board asked whether these projects will be more difficult to permit in future and whether the changes in the Army Corps of Engineers will impact them as well. Jed said most of these projects have Bureau of Reclamation background, not Army Corps of Engineers. All projects have permitting and it is about what land the water crosses. Every situation is unique and Energy Trust works with each project individually.

The board discussed funding partners that have been and could be part of projects moving forward. The board supported staff looking for synergies with other external funding sources.

RESOLUTION 763 AMEND FARMERS CONSERVATION ALLIANCE CONTRACT

WHEREAS:

- 1. In January 2015, Energy Trust chose Farmers Conservation Alliance (“FCA”) to perform stakeholder engagement services for irrigation system optimization projects following a competitive process.**
- 2. The contract awarded to FCA authorized funding for less than \$500,000, thereby within the Energy Trust executive director’s signing authority. The term of the contract extends through December 31, 2016.**
- 3. FCA’s stakeholder engagement efforts have been successful in interest and pipeline development. Results have exceeded expectation. Energy Trust wishes to expand the scope of the FCA agreement to provide funding for continuation of these stakeholder engagement and pipeline development efforts.**
- 4. To accomplish these efforts, Energy Trust proposes to authorize additional funding for the contract for amounts consistent with the board-approved 2016 budget and action plan, an amount above the \$500,000 limit of the executive director’s signing authority.**
- 5. If approved by the board, staff would expect to enter into a contract amendment to add \$104,000 to the FCA stakeholder engagement contract for additional outreach services and development of more guides and process tools, bringing the total amount authorized under the contract to \$525,000. If necessary and substantiated for continued successful pipeline development, staff would enter into further possible amendments later in 2016 to provide for additional contract funding in amounts consistent with the 2016 board approved budget and action plan.**

It is therefore RESOLVED:

That the Board of Directors of Energy Trust of Oregon, Inc., hereby authorizes the executive

director or her designee to sign amendments to the current FCA contract for stakeholder engagement services to authorize expenditures above \$500,000 and in amounts consistent with the board's annual 2016 budget and action plan.

Moved by: John Reynolds
Vote: In favor: 13
Opposed: 0

Seconded by: Alan Meyer
Abstained: 0

Committee Reports

Evaluation Committee, Alan Meyer

The board packet includes the staff memo and report on a pilot that looked at combining attic insulation and air sealing in gas-heated homes. The committee also reviewed an Oregon gas hearth market transformation study.

Public comment

John Charles, Cascade Policy Institute, provided public comment that Energy Trust stop providing support for gas hearths. He noted he recently purchased a propane hearth insert with an intermittent pilot ignition system. He indicated he did not receive an Energy Trust incentive because it is fueled by propane, will apply for the Oregon state tax credit and would have purchased the model without either incentive, if available, or tax credit. He highlighted portions of the Energy Trust of Oregon Gas Hearth Market Transformation Study supplied by Evergreen Economics that he said are indications of uncertainty behind the consultant's determination of market transformation savings. He noted Energy Trust's influence on the market will get even more uncertain with the addition of an Oregon state tax credit and if federal standards require intermittent pilot ignition systems. Mr. Charles agreed there is some level of consumers' changing their behavior when there is an Energy Trust incentive but argued it is not evidence of full market transformation. He questioned whether the activity would have happened in the end with no intervention and no incentives.

The board noted some of the questions posed by Mr. Charles were also discussed by the Evaluation Committee. Even though the market may be moving to intermittent pilot ignition systems and high-efficiency gas hearth units, Energy Trust can impact the speed at which the market moves and claim those savings. With any new technology, the challenge is to increase demand and lower costs, a part of the technology development Energy Trust can influence. When the technology has matured, there is an opportunity to go the regulators and say the technology is ready for a standard.

Staff replied the intention with market transformation studies is to understand magnitude and direction. Eventually the market will be fully transformed with market forces and a federal standard. However, Energy Trust is seeing opportunity areas now where hearths that are being sold and the distribution chain has very few intermittent pilot ignition models. The strategy is to capture some hearth purchases and savings. Sometimes standards take a while to advance and an opportunity exists between now and when standards improve for Energy Trust to influence purchases of higher-efficiency equipment.

The committee report-out continued. The last report the committee reviewed at its most recent meeting was about the well-received energy sales professional training.

Executive Director Transition Committee, Ken Canon

The committee continues to meet monthly, and is preparing to post the announcement for the Executive Director position opening. The committee has prepared an opportunity announcement, position description, application form and instructions, and will finalize the documents at its next meeting on Monday, December 14. There will be a dedicated web page for prospective candidates. The committee is also continuing its outreach to key stakeholders. The application period will open January 11 and close

February 22, 2016, and the committee is asking each candidate to supply a cover letter, resume and application form. Once applications are received, committee members will screen all applications.

Finance Committee, Dan Enloe

Existing Buildings, Production Efficiency and Solar programs are ahead of schedule and budget on spending. The month of November was a little under budget and December is very active so far.

Energy Trust's Chief Financial Officer, Courtney Wilton will be retiring soon. An opportunity announcement has been posted and qualified applications have already been received. The board is thankful for Courtney's contributions to the organization, including leading Energy Trust to earn unqualified audit reports, driving down reserves and doubling the amount of money Energy Trust is making on investments. The board thanked Courtney for his efforts at Energy Trust. For hiring his replacement, the board will be involved to a greater degree than usual for a staff hiring given Margie's upcoming retirement and transition. Margie welcomed input from the board, and is looking for a board member to serve on the interview panel. Margie noted Julia Harper from NEEA is also on the interview panel.

At the committee meeting today, it was discussed that Energy Trust is investigating some facility improvements at its leased space. Margie and staff will have a resolution for the board's consideration in the near future.

Policy Committee, Roger Hamilton

The committee reported having reviewed the Farmers Conservation Alliance contract extension proposal and the Renewable Energy Certificate policy implementation proposal, both approved by the board today. The committee postponed discussion on a waste-to-heat proposal and requested additional information on the project. The proposal will be reviewed at the next Policy Committee meeting, and if it moves forward, the project will require board approval. The committee also approved appointment of two members to the Renewable Energy Advisory Council, and received an update on the large customer funding limitations issue, which stakeholders have indicated they may try to address with a legislative proposal during the upcoming legislative session.

Strategic Planning Committee, Mark Kendall

The committee recently completed defining metrics for tracking progress on emerging efficiency resources, formerly called emerging technology, in the 2015-2019 Strategic Plan.

Staff Report

Highlights, Margie Harris

Margie highlighted recently completed customer projects, including LED lighting upgrades at the Portland Arlene Schnitzer Concert Hall, a 2-megawatt solar electric system installed on the rooftop of the Oregon Convention Center, and a 10-kilowatt solar electric system at the Rogue Valley International-Medford Airport. An Energy Trust sponsorship with Sustainable Northwest resulted in two day-long "Making Energy Work for Rural Oregon" workshops in Talent and Hood River. Both led to media coverage and ongoing collaboration and planning around energy opportunities with each city. Two more workshops will be held in 2016 in Klamath County and Douglas County.

Margie reported that Roger Hamilton received the prestigious Headwaters Award from the Northwest Energy Coalition. Roger has been working to advance clean and affordable energy in Oregon and the Northwest throughout his career. Roger said these kinds of things are always team efforts, and he has been blessed with being associated with some brilliant people.

Courtney Wilton is retiring early next year as Energy Trust's chief financial officer. Courtney started in August 2013 and Energy Trust has benefitted greatly from his contributions, insights, perspectives,

speed and dry humor. Each Finance Team member had a story of gratitude for his role, style of management and opportunity to develop their skillsets by working with him. Courtney will stay in his role through January and will help screen resumes. He has also agreed to return in March to help with the transition to the new CFO.

Margie reviewed potential legislative proposals in the February legislative session, potential ballot measures and expected changes in the federal Investment Tax Credit that could potentially impact Energy Trust funding or program offers. The board asked whether the proposed bill to shift the energy efficiency portion of the public purpose charge to the OPUC regulatory process would change the relationship of funding to Energy Trust and whether the governor's office is part of the discussions. Margie replied the bill allows the OPUC to select a third party to implement the investments and, to her knowledge, Governor Brown's new energy policy advisor is aware of the proposed legislation.

Margie ended her report with an update on the Northwest Power and Conservation Council's draft Seventh Power Plan, which is closing in on its deadline for public comment. Energy Trust will be providing comments on the plan, as was done in the past.

Clean Power Plan Update, John Volkman & Debbie Menashe

Energy Trust staff is working on providing comments on the Clean Energy Incentive Program and other components of the federal Clean Power Plan still open for comment.

John Volkman noted the Clean Power Plan is a significant policy nationwide and staff is still determining whether it will affect Energy Trust. More will be known in September 2016. John provided background and history leading up to the plan, Oregon's emissions compliance obligations under the plan, and issues Oregon is assessing related to the type of goal the state will choose and whether the state will trade with other states. The board discussed the plan and decisions before Oregon and other states to comply with the law, including how such decisions may impact Energy Trust.

Adjourn

The meeting adjourned at 3:35 p.m.

The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, February 24, 2016, at 12:15 p.m. at Energy Trust of Oregon, Inc., 421 SW Oak Street, Suite 300, Portland, Oregon.

/S/ Alan Meyer

Alan Meyer, Secretary