# Draft Board Meeting Minutes – 70th Meeting

**December 13, 2006**

**Board members present:** Jason Eisdorfer, Tom Foley, Julie Hammond, Al Jubitz, Debbie Kitchin (arrived 12:20 pm), John Klosterman (arrived at 12:30 pm), Vickie Liskey, Caddy McKeown, Alan Meyer, Bill Nesmith (ODOE special advisor), John Reynolds

**Board members absent:** Rick Applegate, Preston Michie, John Savage (OPUC ex-officio member)

**Staff attending:** Fred Gordon, Margie Harris, Nancy Klass, Steve Lacey, Elaine Prause, Pati Presnail, Linda Rudawitz, Sue Meyer Sample, Jan Schaeffer, Adam Serchuk, Jill Steiner, John Volkman, Peter West, Kevin Whilden

**Others attending:** Joe Barra, PGE; Dan Dettmer, consultant; Lori Koho, OPUC; Patrick McCarthy, Lockheed Martin; Aaron Wines, Lockheed Martin

## Business Meeting

President Tom Foley called the meeting to order at 12:16 pm.

**Agenda.** Agenda stands with no changes.

**November 2, 2006, Meeting Minutes.** Comments were:
Page 1: add Jon Patterson to attendees list
Page 7, 4th paragraph from bottom, last sentence: add the word "not" provide funding
Page 8, 3rd paragraph under Draft Action plan, last sentence: change 55 aMW to 65 aMW
Page 10: 3rd paragraph, medical costs were assumed at 15% and came in instead at 4%. Tom asked if this was correct. Margie replied yes.

MOTION: Approve minutes from the November 2, 2006, meeting.

Moved by: Jason Eisdorfer Seconded by: Julie Hammond

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

Adopted on December 13, 2006, by the Energy Trust Board of Directors.

## General Public Comments

None

## Consent Agenda

**Establishing 2007 401(k) employer contribution.**

**RESOLUTION #417**

**APPROVING EMPLOYER CONTRIBUTION TO 401(k) PLAN FOR 2007**

**WHEREAS**

1. **The Energy Trust wishes to provide a reasonable compensation package to its employees; and**

2. **The Tompkins Group previously recommended an employer contribution of 6% of base salary (gross salary excluding benefits) to the Energy Trust 401(k) retirement savings plan as comparable to contributions made by similar organizations. The board, and its Compensation Committee, have reviewed more recent information showing that a contribution of 6% of base salary remains reasonable.**

**It is therefore RESOLVED:**

1. **That for the plan year ending December 31, 2007, the Energy Trust of Oregon, Inc. Board of Directors authorizes an employer contribution to the 401(k) plan equal to six percent (6%) of calendar year 2007 base salary for all eligible employees.**

Moved by: John Reynolds Seconded by: Al Jubitz

Vote: In favor: 8 Abstained: 0

Opposed: 0

Adopted as part of the consent agenda on December 13, 2006, by the Energy Trust Board of Directors.

**Self Generation Policy**

**RESOLUTION #420**

**CONTINUING SELF-GENERATION POLICY**

**WHEREAS:**

1. **Energy Trust routinely reviews its board policies every three years to see if they warrant continuation, revision or termination.**

2. **The self-generation policy addresses eligibility for Energy Trust programs of industrial firms that generate power on-site and also are connected to the grid and pay public purposes charges.**

3. **The policy provides that customers that generate more than a megawatt or seek more than $500,000 in incentives per year across all programs will be accorded lower priority than customers that do not self-generate.**

4. **The board's Policy Committee has reviewed the policy and concluded that it continues to serve a useful purpose.**

**It is therefore RESOLVED that the Energy Trust board authorizes continuation of the Self-Generation policy with the following revisions to improve clarity:**

**The Energy Trust of Oregon, Inc., Board of Directors directs staff to employ the following policy with respect to self-generators.**

1. **This policy applies to Oregon customers of Pacific Power and PGE who generate power from nonrenewable sources at a site, whose generation capacity at the site is one megawatt or greater, and who pay a public purposes charge, either on power purchases, standby charges, or both. These customers are defined for this policy as "self-generators." This policy has no bearing on efficiency services for natural gas conversion.**

2. **For Energy Trust electric energy efficiency or renewable energy technical assistance and financial incentives with a combined value of up to $500,000 per site per calendar year, self-generators will have the same access to Energy Trust efficiency programs as other Oregon customers of PGE and Pacific Power and will be subject to the same program rules.**

3. **The Energy Trust may, in its sole discretion, provide more than $500,000 per year in technical analysis services and financial incentives to self-generators consistent with the rules of individual programs. However, Pacific Power and PGE customers who are not self-generators have priority over self-generators for this additional funding. This means that, should funding be available from a program for only one project requiring more than $500,000, and both a self-generator and a non-self-generator have projects that meet the program criteria for such large projects, the project of the non-self-generator will be funded.**

4. **The $500,000 threshold in this policy was set to conform to the incentive cap in the Production Efficiency program. This $500,000 threshold also applies to activities under all Energy Trust programs combined. Should the threshold for the Production Efficiency program be moved, staff may**

**move the threshold in this self-generation policy to conform to the Production Efficiency program threshold.**

Moved by: John Reynolds Seconded by: Al Jubitz

Vote: In favor: 8 Abstained: 0

Opposed: 0

Adopted as part of the consent agenda on December 13, 2006, by the Energy Trust Board of Directors.

*Debbie Kitchin arrived at 12:20 pm.*
*John Klosterman arrived at 12:30 pm*

## Proposed Final 2007-2008 Action Plan and Proposed Final 2007 Budget

**General Overview.** Margie Harris noted energy efficiency and renewable energy this year have gained wider recognition and acceptance, in part fueled by growing concern regarding global warming. She referenced more comments on the budget and action plan this year, 18 in total, and generally summarized them. Margie then highlighted additions made to 2007-2008 Action Plan themes stemming from comments received, including:

- Maintaining flexibility to address possible future funding opportunities
- Evaluating the PMC delivery model
- Applying cash reserves guidelines for investing interest earnings
- Pursuing BPA conservation rate credit funds

Margie then identified $875,000 reallocated from the original draft budget and explained the changes made in detail. Alan Meyer queried why the process evaluation budget for Production Efficiency was delayed, adding that this is our most cost-effective program and we recently had some problems with it. Steve Lacey said the reason staff recommended delaying this evaluation is that the program is scheduled to be re-bid this year. Delaying an evaluation until after the re-bid process is completed could yield more relevant information. Al Jubitz asked if this delay is an anomaly compared to other program evaluations. Steve replied that the recompete of the program was moved up by six months to bring the contracting cycle in line with Energy Trust's annual budgeting process. All programs will be brought in alignment and that future evaluations will take this into account. The cost of the evaluation is about $60,000.

Margie reviewed proposed guidelines for investing interest earnings. She recommended that interest earnings be used first to create a $2.3-2.6 million cash reserve to address any revenue shortfalls, and then allocate a portion of the remaining $2.6 million in reserves to energy efficiency program incentives ($1.5 million in 2007) and renewable energy program incentives ($1.1 million in 2007 and $1.5 million in 2008).

Combining the proposed reallocation of the $875,000 from the original draft budget combined with the $2.6 million in interest earnings, Margie then summarized additional proposed reallocations in the final

budget, representing a total of $7.7M in increased program incentives in the final budget to be allocated as follows:

- $4.7 million for Utility Scale
- $250,000 for Solar Electric
- $110,000 for Open Solicitation
- $1 million to Production Efficiency
- $500,000 for Business Energy Solutions – Existing Buildings
- $500,000 for Business Energy Solutions – New Buildings
- $500,000 for Home Energy Solutions – Existing Homes
- $175,000 for Home Energy Solutions – New Homes and Products

Total: $7.7M

Tom Foley asked if we were increasing incentives for individual measures. Steve Lacey said we are changing incentives in three programs. Some of the incentives will go up.

Margie noted the total proposed final 2007 budget provides $52 million for energy efficiency and $12 million for renewable energy. We project savings of 22-29 aMW and 2.0-2.6 million annual therms, and production of 115-191 aMW of renewable energy.

Margie summarized efficiency spending. The 2007 budget and action plan would target markets in PGE territory, increase outreach in the commercial sector, focus on investing gas funds, and pursue BPA conservation rate credits. This is largely the same information presented on the draft budget in November. She reviewed electric savings projections, which increased slightly over the projection included in the draft budget. She noted the main change in the renewables budget is the provision of additional funds for a Pacific Power utility-scale project, only recently identified.

Margie noted we expect to meet 2007 OPUC performance measures in every category. She referenced discussions underway with the OPUC to determine whether the performance measure for the levelized cost of gas savings acquired in 2007 should be revised and possibly increased to allow additional savings to be captured.

*Bill Nesmith left the room at 1:10 pm*

She reviewed the status of the 2007 operations work plan and mentioned the Architecture Review RFP.

For 2008, we project a $50M energy efficiency and a $32M renewable energy budget, expected to acquire 22-29 aMW electric savings, 2.0-2.6 million annual therms of gas, and 26-50 aMW of renewable energy generation. Spending plans target reducing gas fund carryover to $4.4M by the end of 2008, down from the ending fund balance of $6.0M projected for 2007. Margie noted Fred Gordon is reanalyzing expectations about reaching 2012 electric efficiency goals. Whereas previously we thought we might acquire 240-260 aMW, current analysis indicates that we may come closer to 286 or more aMW by 2012. Analyses are being refined.

Tom Foley said the Northwest Power and Conservation Council has developed charts showing NW utilities' progress toward in the 5th Power Plan efficiency goals. Their numbers include free riders whereas ours typically do not. Fred said we are working on adding free riders back into our savings numbers, and that this will likely represent a 10% increase in our savings.

Margie said next steps include incorporating comments received, submitting the final budget and action plan to the OPUC by the end of the year, reconciling the final budget in March based on year-end activity and final carryover results, and possibly adding conservation rate credit funds.

Tom led discussion of Alan's recommendation to add back funds for a Production Efficiency (PE) process evaluation. Margie noted the PMC process evaluation, which will commence in late December, should give us feedback regarding the PE program. Jason Eisdorfer wondered if the value of the evaluation would be lost if a new PMC is selected. Fred noted we completed a process evaluation of the Home Energy Savings program at the time we were starting up under another PMC; the information was helpful. Nevertheless, he thinks there is more advantage in timing the PE process evaluation to correspond to ramp up of the PE program if there is a new PMC. Alan said because this is the largest program, and there were issues with it in the past, he thinks the players would appreciate knowing the results of an objective third-party evaluation. Alan and John discussed the option of having funding for restoring the PE evaluation come from the proposed PE program incentive budget. John stated he would support this funding approach. Alan agreed. Alan explained his concern that the industrial community could view the decision not to fund the evaluation as being intended to avoid receiving negative results. Margie said this certainly is not the motivation. The difficulties a year ago resulted in heightened focus on the program, leading to better understanding of how the program is performing and closer oversight monitoring.

**MOTION: Move $60,000 from Production Efficiency incentives to fund the PE process evaluation.**

Moved by: Alan Meyer Seconded by: John Reynolds

Vote: In favor: 7 Abstained: 0

Opposed: 3 - Vickie Liskey voted no because she feels the incentives have more value in alleviating any lingering dissatisfaction with the program among those in the manufacturing community. Al Jubitz voted no because he wishes to support the staff's efforts to shift funds into incentives. Caddy McKeown voted no because the board directed staff to pursue shifting monies into incentives.

Alan Meyer said that when he stripped out the NEEA contributions, residential and commercial levelized costs go up. He referenced a paper from Charlie Grist and Tom Eckman called When Enough is not Enough. He concluded the benefits of industrial spending, including first cost benefits, are greater than those from the other sectors. He is disappointed that the budget doesn't reflect this. Vickie Liskey said she believes there is strong support for equitable distribution of funds across the programs, and she believes the budget does this. Jason said you can't strip out NEEA, as NEEA provides some of the most cost effective savings available. Tom said this is a discussion we have had several times, and the board has always come down on the side of "rough" equity and a balanced approach. He stated that we do collect dollars from all sectors. Al Jubitz sees the benefits of supporting the best short-term savings opportunity in light of the desire to offset the urgency associated with global warming. Alan said he thinks Energy Trust should make choices that optimize savings for the benefit of all ratepayers. John Klosterman said he takes a long view: residential programs work by changing behaviors, a result that likely has great benefit and he is happy to put dollars there. Julie asked if Alan is suggesting we should

report separately on NEEA and non-NEEA savings. She noted how hard it is to move people in the direction of making sustainable choices, using her own experience as an example. Margie emphasized market transformation is in the law and is part of what we are expected to do. She said the budget is a purposeful balance and believes this balance is necessary to meet the expectations of the public. Debbie said the most important metric from her perspective is levelized cost. Measures with long-term persistent effect have low-cost benefit over time; this perspective favors some measures in all sectors. She feels the budget is a good balance and addresses our strategic goals.

*Bill Nesmith returned at 1:40 pm*

Lori Koho, speaking for herself, noted the recent announcement by Freightliner to close a facility. The benefits of any efficiency investment there would be lost, while benefits attached to residential improvements made by their employees would remain. Speaking for OPUC, she said OPUC wants to hold Energy Trust accountable for achieving performance measures but looks to the board to determine how they wish to achieve those measures.

Debbie Kitchin asked for information on the solar program related to the proposed $250,000 shift to solar incentives. Peter noted the additional incentives represent a shift into 2007 for projects delayed by poor weather in November and December. He said the solar program took two years to get its first megawatt, acquired a second megawatt in one year, and just received a proposal for a single project of close to one megawatt.

**Reserve fund guidelines recommendation.** Sue Meyer Sample reviewed a briefing paper on this topic. Jason asked how she arrived at a $2.6 million cash reserve. Sue explained this amount would cover a 10% reduction in revenues over four months, as might occur in a mild winter. Al Jubitz said the amount is the same as would be achieved by the rule of thumb he uses for nonprofit reserves, which is the same size as the reserve would need to be to meet six months of operating (administrative) costs. Margie noted our analysis also looked at the possibility of lower utility revenues as might occur in the wake of rate cases, and the effect of an increase in the number of customers who self direct.

**Public comment/discussion.** None.

**Resolution approving the 2007-2008 Action Plan**

**RESOLUTION #416**

**ADOPTING 2007-2008 ACTION PLAN**

**BE IT RESOLVED: That Energy Trust of Oregon, Inc. Board of Directors approves the two-year 2007-2008 Action Plan as presented in the board packet.**

Moved by: Al Jubitz Seconded by: Debbie Kitchin

Vote: In favor: 9 Abstained: 0

Opposed: 1 Alan Meyer voted no because the action plan is tied to the budget that he plans to vote against

Adopted on December 13, 2006, by the Energy Trust Board of Directors.

**Resolution approving 2007 Budget**

**RESOLUTION #415**

**ADOPTION OF 2007 BUDGET**

**BE IT RESOLVED: That the Energy Trust of Oregon, Inc., Board of Directors approves the 2007 budget as presented in the board packet, *with the following change: shift $60K from the Production Efficiency incentive pool to the evaluation budget to fund the Production Efficiency process evaluation.***

Moved by: Caddy McKeown Seconded by: John Reynolds

Vote: In favor: 9 Abstained: 0

Opposed: 1 Alan Meyer voted no because he thinks the budget invests too much in sectors with the smallest opportunities and highest cost and not enough in the sector with the lowest cost and highest results.

Adopted on December 13, 2006, by the Energy Trust Board of Directors.

## Break

The board took a 15 minute break at 2:05 pm.

## President's Report

Tom Foley made reference to a couple of articles in the clippings illustrating his sense that new approaches, such as those affecting transmission and distribution, will change the effect energy efficiency will have in the future. He noted a comment from NW Natural supporting a community energy project in Silverton. He also distributed copies of an article from Microfield about lowering line losses.

Jason Eisdorfer acknowledged Margie and the staff's excellent work putting together the budget, adding that there was a lot of information clearly presented and that Margie, the staff and the finance committee deserve "kudos."

## Audit Committee

Julie Hammond said the committee expects to have an auditor selected in May to conduct the 2007 audit. The committee met with the current auditor to discuss conduct of the 2006 audit. There also will be an independent review conducted of internal procedures.

Julie announced that, in light of an impending promotion at work that will consume much of her time, she reluctantly will step down from the board after selection of the 2007 auditor.

## Compensation Committee

John Klosterman noted the committee recommended board approval of the 401k contribution for the year. He asked if the board wishes the committee to add a requirement for employees to contribute to the 401k. He said presently approximately 85% of staff already contribute 3% or more. Tom Foley said he does not support requiring a match, because such a requirement would be disproportionately burdensome for lower-paid staff in single-earner households. No member suggested this issue be pursued.

## Finance Committee

John Klosterman noted the operations work plan includes tasks related to improving contract review and reporting. He will double back to staff on this.

He also recalled a discussion earlier in the year to bring in some business finance experts to provide a third party review of our financial reporting for the Energy Trust and the Finance Committee. He said he is not an expert in finance and would appreciate outside advice. Margie explained the offer of finance experts came from Julie Brandis of AOI, who has been unable to follow through on this request thus far. Tom Foley noted the auditors are a source of advice. Margie said there are other ways to seek input from an outside financial specialist, possibly who would be willing to serve on the Finance Committee.

John noted a suggestion Al Jubitz had made earlier about establishing criteria to be considered in establishing the cash reserve. John said the committee will take this up.

## Policy Committee

Jason Eisdorfer said Joe Barra briefed the Policy Committee on PGE's proposed plan to increase ratepayer funding by 1.3% for energy efficiency. PGE would collect the monies, and a large share of them would be given to the Energy Trust. He said the committee questioned the suggestion that PGE have strong control over how these incremental funds would be invested. PGE is receiving comments from others and is in discussion with the OPUC.

## Program Evaluation Committee

Debbie Kitchin noted Evaluation Committee notes were distributed today separately from the packet. There are two outside evaluation experts on the committee, Tom Eckman of the Northwest Power and Conservation Council and Ken Keating of the Bonneville Power Administration. Phil Degens, Evaluation Manager, presented the results of the savings impacts from the 2004 Building Efficiency program.

Tom Foley and Phil discussed the finding regarding the overlap between gas furnace customers who claim residential energy tax credits who also receive Energy Trust incentives.

## Renewable Energy Program

**Sherman County Community Wind.** John Reynolds introduced this topic, presented by Peter West. Peter explained he was pinch-hitting for Alan Cowan, who is off site. The 10 megawatt project is in the southwest corner of Sherman County. It is near a transmission line that can accommodate only a small project. Above-market costs are $4.4 million, of which we offered $2.2 million. We will get half of the tags, and the developer will get half of the tags. The project's output will be sold to PGE. This is one of two projects that point the way for the community wind program.

Al Jubitz asked what the total cost of the project was. Peter said about $19-21 million for 10 MW of renewable energy. Prices for the raw materials of steel and copper have increased turbine prices from $1 million to $2 million/megawatt. In answer to Al Jubitz's question, Peter said the Sherman County turbines each are likely to be in the range of 1.5 - 2.0 megawatt in capacity and have not yet been selected.

**RESOLUTION #419**
**APPROVING BASIC TERMS OF A CONTRACT TO FUND ABOVE-MARKET COSTS OF THE SHERMAN COUNTY WIND FARMERS COMMUNITY WIND PROJCT**

**WHEREAS:**

1. **The board authorized a 2006 budget of $4.4 million for the Energy Trust's Community Wind program. The program was expected to achieve at least 1.5 megawatts of capacity in 2006.**

2. **The Sherman County Wind Farmers LLC has proposed a 10-megawatt community wind farm.**

3. **Staff calculates the project's above-market costs at $2.2 million.**

4. **At an expected 10 megawatts, the project represents a considerable extension of Energy Trust's 2006 target for the Community Wind Program.**

5. **The project will be the first community wind project in Oregon. It will also demonstrate a way to connect smaller projects to PGE through customer-owned utilities and the BPA transmission system.**

6. **The project also helps show that projects that are smaller than utility scale can succeed despite small parcel sizes and limits on transmission access.**

**It is therefore RESOLVED that the Board of Directors of Energy Trust of Oregon, Inc., authorizes staff to negotiate and**

**the Executive Director to sign a contract(s) consistent with the following terms:**

1. **On contract execution, Energy Trust shall establish a $2.2 million escrow account, from which Energy Trust may pay the Sherman County Wind Farmers LLC $1.1 million after the project is commissioned and begins commercial operation, and another $1.1 million after a year of successful commercial operation.**

2. **The funding agreement(s) shall identify milestones between contract execution and commercial operation, and give Energy Trust the option of terminating the agreement if milestones are not met.**

3. **If after the beginning of commercial operation the project fails to generate a minimum amount of energy or system availability specified in the contract, the LLC must cure the deficiency or be declared in default.**

4. **Energy Trust shall own 50% of all green tags associated with the project over the 20-year term of the contract.**

5. **If future projects use the project substation, they would pay the LLC, which must reimburse or provide additional green tags to Energy Trust.**

Moved by: John Reynolds Seconded by: Julie Hammond

Vote: In favor: 10 Abstained: 0

Opposed: 0

Adopted on December 13, 2006, by the Energy Trust Board of Directors.

**PGE Biglow Canyon Wind Project.** Peter said this project is the result of PGE's RFP of a couple years back. It is the first project to qualify under our master agreement with PGE. This phase of the project is 125 megawatts; with further phases, the project could grow to 400 megawatts or more. Vestas is the turbine supplier for this and subsequent phases. Because phase one has infrastructure investments loaded up-front, it is likely to be the only one that will require Energy Trust support. We expect to supply all of the above-market costs. The costs have not been finalized yet but will range from $2.5-$6 million.

Al Jubitz noted that Energy Trust is paying a much bigger share of the cost of the community wind project than it is of this project, and asked why. Peter said there are several factors: smaller projects are affected disproportionately by down-time for maintenance; also, utilities can pay lower than market prices for "qualified facilities" ("QF") under the Public Utility Regulatory Policy Act; transaction costs are greater for smaller projects because they entail more risk. John Reynolds noted the community wind

project includes a substation to allow it to serve more customers. Peter said the cost of the turbines is pretty much the same in both cases. Since utilities pay less for the power from a QF, this also adds to relatively higher above-market costs. Once we prove small projects work, costs of subsequent projects will go down. Jason noted the governor's RPS proposal would remove utility scale projects from Energy Trust, leaving Energy Trust to focus on smaller-scale projects.

*Caddy McKeown left the room at 3:10 pm*

Peter noted that because there is so much demand for turbines in the current market, PGE has to take some risk that turbines may not be delivered. Energy Trust would agree that if not enough turbines are delivered to complete a 125 MW project, PGE may deliver a smaller project so long as it is in operation by June 30, 2008, and costs do not exceed those of our next-most-costly projects (two biopower projects) -- $232,000/aMW. Total project costs is estimated at $225-$240M, just shy of $2M/MW.

**RESOLUTION #421**
**PGE BIGLOW CANYON PROJECT**

**WHEREAS:**

1. **Energy Trust's renewable energy goal calls for Energy Trust to achieve 150 aMW by 2012; the Oregon Public Utility Commission (OPUC) performance measures call for 9 average megawatts (aMW) per year as a three-year rolling average.**
2. **To help achieve these goals and objectives, in 2005, Energy Trust and PGE entered into a Master Funding Agreement designating $12 million for to-be-determined utility scale projects. Under the agreement, specific projects would be funded through individual funding agreements.**
3. **The Biglow Canyon project now proposed by PGE, expected to have a nameplate capacity of 125 MW and generating 409,741 MWh/year on average (46.77 aMW), would help achieve Energy Trust's goals and OPUC performance measures.**

**It is therefore RESOLVED:**

**The board of directors of the Energy Trust of Oregon, Inc., authorizes staff to enter into a funding agreement with PGE for the Biglow Canyon wind project as long as the agreement is consistent with the terms stated in the attached term sheet.**

Moved by: John Reynolds Seconded by: Julie Hammond

Vote: In favor: 9 Abstained: 0

Opposed: 0

Adopted on December 13, 2006, by the Energy Trust Board of Directors.

## ATTACHMENT: BIGLOW CANYON TERM SHEET

1. *Size and Output*. The Project nameplate capacity is expected to be 125.4 MW. With an expected capacity factor of 37.3%, the project will be capable of producing an annual average of 409,742 MWh.

2. *Commercial Operation Date; PTC Qualification* – PGE will aim to have the Project in full commercial operation by the end of 2007 in order to qualify for the federal production tax credit (PTC). Failure to complete the project in time to qualify for the full PTC will not affect Energy Trust's above-market cost determination, which assumes that the entire Project Output will qualify for the PTC, but could affect PGE's decision to complete any portion of the Project that does not qualify for the PTC.

3. *Energy Trust Payment* – Energy Trust will pay the above-market costs of the project, expected to be about $2.5 million, and not to exceed $6.0 million. The actual sum will be determined when the major fixed costs of the Project (e.g., key equipment supply contract -- turbines and related equipment -- obligations, Balance of Plant payment obligations, etc.) have been established in early 2007.

4. *Term* – The funding agreement will last for the project's expected operating lifetime, 20 years.

5. *Payout Timing and Security for Repayment* – Energy Trust will pay PGE the entire sum in paragraph 3 when the project begins commercial operation.

6. *Pre-Commercial Operation Events that May Terminate Energy Trust's Obligation to Pay PGE.* Energy Trust's obligation to pay PGE may lapse if it appears likely that the project will not be in commercial operation by June 30, 2008, as indicated by certain conditions to be specified in the agreement. "Commercial operation" means that the project is determined to be capable of generating energy to qualify for the federal production tax credit.

7. *Energy Trust Approval Required for Change in Ownership or Location* – There will be no change in ownership of the Project or its location that is likely to affect rights or obligations under this agreement during the term of the agreement without Energy Trust's permission (which Energy Trust may not unreasonably withhold, delay or condition).

8. *Early Termination or Reduction In Project Size* –
(a) PGE may retire the project after commercial operation before the 20th anniversary of the commercial operation date unless the OPUC determines that retiring the project was not prudent. If PGE retires the project before 20 years of operation, it must acquire for the benefit of its Oregon retail electricity customers a pro-rated portion of additional green tags that would otherwise have been generated by the project, or acquire another renewable energy resource.
(b) *Reduction in project size*;
1) PGE will be excused from completing a 125.4 MW project if it is due to conditions beyond PGE's control, relating to non-performance under key equipment supply contracts. Absent such excuse, Energy Trust is not required to pay PGE any sum.
2) If PGE is excused under paragraph 8(b)(1), PGE still must have a project in commercial operation by June 30, 2008, of a size per unit of energy that corresponds to Energy Trust's next lowest-cost non-utility scale project (i.e., $232,000/aMW). If the project falls below this minimum size, Energy Trust would not be required to pay PGE any sum.
3) If PGE completes a project whose final installed capacity is between 125.4 MW and the minimum size determined in paragraph 8(b)(2), Energy Trust will recheck its above-market calculations using a pre-defined formula that includes damages, penalties and re-purchases paid to PGE as offsets to potentially higher per unit fixed and other costs.

9. *Green Tags: Ownership/Administration* –

(a) In accordance with the PGE-Energy Trust Master Agreement, PGE will hold all the green tags from the project (100%) as trustee for the benefit of its Oregon retail electricity customers.

(b) PGE will register the green tags, and pay costs, if any, for registration.

10. *Allocation of Tax Liabilities* - PGE will be responsible for all taxes, fees, costs and liabilities related to the construction, transfer, ownership and operation of the Project and its related and supporting facilities.

11. *Standard Provisions:*

(a) PGE will make standard representations and warranties, such as to indemnify and hold Energy Trust harmless from liability involving hazardous substances.

(b) Standard provisions specified by the Master Agreement will govern *force majeure* (sections 10.3.1 and 10.3.2), and coordination of media and advertising, confidentiality, indemnity and insurance, etc., taking into consideration PGE's third party commitments on publicity (section 5.3).

12. *OPUC Ratemaking Process* - PGE will not seek to recover in rates any project costs that are compensated by Energy Trust.

## Energy Efficiency Program

**Pursue Bonneville Power Administration Conservation Rate Credit (CRC) Funds.** Fred explained we are working with PGE and Pacific Power to use BPA funds for efficiency programs. We need to begin accounting for CRC projects in January. This is a preliminary step that assumes we later will complete the negotiations to secure the funds.

Board and staff discussed adding language to the resolution clarifying that Energy Trust staff is authorized to enter into an agreement to receive the funds. When we know the amounts, we will amend the budget to reflect the amounts, likely in March 2007.

Alan Meyer asked if the new funds will cover administrative costs. Fred said our plan is to build in the fully loaded cost of the efficiency acquired. Jason noted BPA had limited the discount to be used for efficiency in excess of state law requirements. This will need to change since the Washington State RPS requires all utilities to acquire all cost-effective conservation. Discussion continued. Jason asked for the board to be kept informed as details move forward.

**RESOLUTION #418**
**Pursue Bonneville Power Administration**
**Conservation Rate Credit Funds**

**WHEREAS:**

1. **Energy Trust has an opportunity to secure up to $2M in additional electric efficiency funding through the Bonneville Power Administration Conservation Rate Credit (CRC) for the period October 2006-September 2007.**

2. **This funding amounts to approximately $1.3M from PGE and $.7M from Pacific Power and can be used for any electric efficiency measure or program provided the amounts contracted are spent within the appropriate service territory.**

3. **Energy Trust would like to take full advantage of this opportunity to invest CRC funds and acquire additional cost effective electric savings.**

4. **Between now and the March 2007 board meeting, staff will work with BPA, PGE and Pacific Power to develop a specific plan for how CRC funds can best be invested. It is anticipated that funding will be integrated with existing Energy Trust electric efficiency program offerings and incentives and will be allocated largely to those programs with especially high demand.**

5. **Staff is seeking board approval to proceed with discussions to designate specific efficiency measures for payment by CRC funds and to finalize accounting system improvements and other details necessary to accept and expend these funds.**

**It is therefore RESOLVED:**

1. **The Energy Trust board authorizes staff to pursue acceptance of Conservation Rate Credit funds by:**

   A. **Reaching agreement with PGE and Pacific Power to accept Conservation Rate Credit funds for investment in electric efficiency programs to serve customers and acquire savings.**

   B. **Reaching agreement with BPA regarding the investment, tracking and reporting of Conservation Rate Credit funds in accordance with federal requirements.**

   C. **Revising current accounting systems to report on Conservation Rate Credit funds received in accordance with federal requirements.**

   D. **Providing the board with an update on Conservation Rate Credit funds, savings and customer benefits at the March 2007 board meeting.**

Moved by: Alan Meyer Seconded by: Vickie Liskey

Vote: In favor: 9 Abstained: 0

Opposed: 0

Adopted on December 13, 2006, by the Energy Trust Board of Directors.

## State and Federal Legislative Status

Bill Nesmith said the governor supports several legislative initiatives in 2007:

- Raise BETC from 35% to 50% for renewable projects
- Raise BETC cap from $10M per project to $20M per renewable project
- Expansion of residential tax credit
- Biofuels support
- RPS (PGE is supporting this)

*Caddy McKeown returned to the meeting at 3:30 pm*

On the federal level, control of Congress has shifted to the Democrats. There is interest on the energy front from the committees. Bill expects support from the Bush Administration as well, including the assistant secretary for energy efficiency and renewable energy. The Department of Agriculture is supporting biofuels. The mainstream banking industry is supporting development of this industry.

Bill noted the state revenue office is telling businesses they have to use your tax credit first before you can claim the corporate kicker. Businesses had assumed the two were separate. Those who have purchased credits are deeply upset. If this happens, the passthrough program would be destroyed. Passthrough represents a major piece of the BETC volume. He expects there will be a lot of pressure on the Department of Revenue to fix this. There's also the consensus between the legislature and the governor that the corporate kicker program should be ended.

Margie noted the Carbon Allocation Task Force has completed its work after 15 months. The task force wrote a general letter to the governor describing its work and asking him to prioritize global warming in his second term. Task Force members included separate detailed letters, as well. Margie distributed copies of the Energy Trust letter to the governor, which referenced our limitation on political activity and provided information about our resource assessment indicating that additional efficiency could be acquired with funding beyond the amounts currently coming to Energy Trust.

## Staff Report

Margie noted she and OPUC staff and commission members participated in a multistate meeting of other public utility commissions focused on energy efficiency and global warming matters. She said she is a participant in NEEA's "CEO group" interested in how the Alliance does its work. NEEA members want the Alliance's role to be distinguished from utility roles. The CEO group is reviewing this along with new board structural considerations, and the importance of reporting and evaluating NEEA results.

Margie noted Energy Trust and OPUC have reached agreement on 2007 performance measures, including that the conservation rate credit will not change the measures.

Staff met with Cascade Natural Gas to exchange ideas.

A cooperative marketing incentive was created for builders who install a solar water heating or solar electric system on a model ENERGY STAR® home and promote solar as an option for homebuyers.

In partnership with NEEA and BOMA, Energy Trust is promoting an energy efficiency contest for downtown Portland office buildings called "Office Energy Showdown."

Margie noted the 50 kW solar electric array on the South Waterfront OSHU building is garnering much attention. It is visible from I-5.

She noted staff has begun discussions with the Oregon Dairy Farmers Association regarding potential collaboration on biopower projects.

She said Energy Trust has been recognized by the Oregon Solar Energy Industries Association for contributing to the success of the inaugural Northwest Solar Expo, held in Portland in September.

She noted the spike in web visits in September.

She reported Sung Kokko has left to go to work for one of our IT contractors. We have a new receptionist now on a temporary basis.

SAIC has stopped using its independent cost tracking system and is now relying exclusively on FastTrack.

She reviewed a summary of Energy Trust's track record to date – most impressive numbers.

## Adjourn

The meeting adjourned at 4:15 pm

**Next meeting.** The next regular and annual meeting of the Energy Trust Board of Directors will be held Wednesday, February 14, 2007, at 12:00 noon at Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, Suite 1200, Portland, Oregon.