EnergyTrust of Oregon, Inc.

Policy Committee of the Energy Trust Board of Directors

July 17, 2007, 5:00-7:00 pm

Attending: Jason Eisdorfer, Lizzie Giles, Tom Foley, Caddy McKeown (by telephone), John Reynolds, Fred Gordon, Steve Lacey, Elaine Prause, Sue Meyer Sample, Jan Schaefer, Jill Steiner, Peter West, and John Volkman.

1. Production Efficiency Program delivery model.

Elaine provided background: The PE program is not broken – it is functioning reasonably well. The program delivery model evaluation identified a couple of areas where the program could function better, however: complications in communications, program management and potential lack of program continuity when program management contracts are rebid.

Staff proposes to eliminate a management layer that contributes to these complications and bring those management functions in-house. Otherwise, the program structure be unchanged.

Staff contacted a number of program participant regarding this idea. Most were unaware of these management issues and either indifferent to the proposal or supported the principle of simplifying management. One firm did not like the idea on the theory that having the ability to appeal to two different levels of management could work to its advantage. All firms said that it is essential for the program to have appropriate technical expertise.

Most of the program's expertise would remain with sub-contractors. Staff has received expressions of interest from individuals with the required technical management expertise.

The committee thought the staff's recommendation was responsive to the board's concerns.

2. Cascade/Washington expansion study.

Staff has completed phase one of its study of the idea of expanding efficiency programs into Washington, and at this point sees no show-stoppers. Phase one does not cover organizational, tax and legal ramifications. Phase two of the study, which will be finished by the end of July, will include these matters. If Energy Trust managed these programs, it would require two additional FTEs, and an additional contract employee in the first year. We assume the initial contract for program management would be for a 2-3 year term.

The Washington Utilities and Transportation Commission is generally neutral on the idea of Energy Trust administrating Cascade's Washington programs. They are sensitive to the idea of having Washington expertise in energy conservation, and want to be sure this would not just be a way for Cascade to get rid of its energy conservation responsibility. The WUTC does feel the numeric conservation goals assumed in the study are fair. The Oregon PUC wants to be sure expansion would have no impact on Energy Trust's ability to continue to expand its services in Oregon, and is reserving judgment until the phase two study is complete.

Committee members said several factors would influence their reaction to the prospect of expansion: whether expansion would offer opportunities for innovation and/or significant impact

that Energy Trust would not otherwise have; whether expansion would be a platform for providing similar services for other utilities in Washington. The committee asked that staff schedule a meeting of the Policy and Strategic Planning Committees to review this matter before August 8 and after the phase two study is complete and staff has a recommendation.

3. Renewable energy program:

a. Green tags and new homes. For some years, Energy Trust has been trying to interest builders in installing solar on new homes and we now believe we have succeeded. Initially, this would be a relatively small number of homes, perhaps 35. The question is how we can apply Energy Trust's green tag policy, which normally would require Energy Trust to take title to all green tags associated with these homes. However, at the time Energy Trust pays incentives to the builders, no green tags actually exist (because green tags are created by generating renewable energy, not before) and the ultimate owner of the green tags is unknown. We have discussed two options with builders: (1) having the builder assign green tags to Energy Trust when the incentive is paid (and assuming that is legally effective), which allows us to comply with the policy; or (2) exempting from the green tag policy new homes with solar. However, the builders' reactions range from mild distaste to staunch opposition. For the latter builders, dealing with green tag complications would be a deal-breaker, they would simply not install solar. We have discussed this matter with the OPUC, which generally takes the view that Energy Trust needs to acquire green tags for residential projects. While they would like the same policy to apply here, they would not object to an exemption from this policy if builders are adamant. The committee asked that when the matter goes to the board, staff make the case for the value to Energy Trust of waiving the policy for new homes. If that case is strong, the committee could endorse a temporary (2-3 year) waiver to see if the effort is paying off.

b. Renewable energy goals/performance measures. Peter provided his analysis of the generation Energy Trust might expect to develop over the 2009-2016 period. The analysis is based on a number of assumptions, including that the federal production tax credit continues. The analysis estimates a low case of 4-5 megawatts of generation per year, and a high case of 6-8.5 megawatts per year. After further work on the analysis, staff would discuss performance measures with the OPUC staff.

c. "Constructing and operating" language in SB 838. At the June retreat, Alan Meyer asked if, in saying that public purpose funds must be used to defray the above-market cost of "constructing and operating" renewable energy resources, the Renewable Energy Act imposed a new limitation on Energy Trust funding. Staff has reviewed the issue and the OPUC is discussing it with the Oregon Attorney General's office, with no result as yet.

4. Briefings:

- SB 994: an update on a bill that would take $4.6 million from the public purpose fund and use it to retire an OMSI loan. The Governor is still considering the matter.
- To-do list from June 8-9 meeting: staff's list of follow-up tasks from the June retreat.
- Program management contract rebids: there were four notices of intent to respond to the Existing Buildings and Home Energy Solutions request-for-proposals, but only CSG submitted proposals. A review panel with two outside and three internal reviewers awarded high scores to the CSG proposals and we intend to award the contracts accordingly. The committee noted that more competition for these contracts would be healthy. Steve said that CSG is perceived by competitors to be a highly credible firm, which may have discouraged other firms from investing in proposals. In addition, we may be seeing the effect of massive funding for energy efficiency programs in California.