EnergyTrust of Oregon, Inc.

Policy Committee of the Energy Trust Board of Directors

September 4, 2007, 3:00-5:00 pm

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

1. Three-year policy reviews:

Economic development policy: This policy assures that economic development projects will get expedited attention from Energy Trust. The policy does not authorize incentives that vary from those available to other projects, but gives staff authority to make commitments more quickly. The committee and staff recommended no change in the policy. The committee will report this recommendation at the October board meeting.

Contract execution and oversight policy: This policy regulates authority to sign contracts. For contracts involving more than $500,000, the board must approve basic terms.

Staff recommended two changes, the first prompted by the transition of the production efficiency (PE) program in-house. Under the Lockheed PE program, incentives were approved by Lockheed. With the program in-house, the current contract policy would require Margie to sign all incentive agreements under $500,000. Staff suggested that the policy authorize a department director or his/her designee to authorize incentive payments under standard programs. This would preserve roughly the past level of control in the PE program. The committee suggested several revisions to clarify that: the proposed authorization would apply only to programs managed by Energy Trust; the authorization would be limited to incentive agreements requested through standardized program forms; the authorization would apply only to incentives less than $500,000; and department directors could delegate authority only to people in management positions. In presenting this recommendation to the board, staff should explain the various internal controls in place to ensure that this authority is exercised reasonably.

The second change would allow sector and program managers to sign agreements not involving an expenditure – this would apply primarily to confidentiality agreements, where an individual manager needs access to another party's confidential information in order to assess a project. This recommendation prompted no discussion.

The committee suggested the contract execution policy recommendations be put on the consent agenda for the October meeting.

2. PMC contracts. Staff expects to take basic contract terms for two PMC contracts to the October board meeting: Home Energy Solutions- Existing Buildings, awarded to Conservation Services Group PMC, and Business Energy Solutions-Existing Buildings, awarded to Lockheed Martin. Steve Lacey briefed the committee on the process that was used to solicit and evaluate proposals for these programs. The Home Energy Solutions – Existing Homes program budget is expected to be $8.3 million, and the PMC contract is expected to be $3 million. The Business Energy Solutions – Existing Buildings program budget is expected to be $4.3 million, and the PMC contract is expected to be $1.4 million. Because final dollars will not be known until the board makes budget decisions in December, the resolutions that the board considers in October will be relatively simple, and dollar authorizations will be subject to the board's later budget decisions.

3. Funding a PGE solar project from the utility-scale budget. Staff has proposed a solar project with Prologis, a firm that owns and operates a large amount of warehouse space nationally. The project could be as large as 4.7 megawatts of photovoltaic facilities that would be installed on 18 different warehouse roofs in PGE service territory, and deliver all energy to the grid. The requested incentive is $3.4 million. PGE supports the project and sees it as a peaking resource to address a growing summer peak. PGE proposes to process the project under the master agreement and fund it from the 2007 utility-scale budget. We have $4 million left in the utility-scale program and no other projects identified to use these funds. The committee thought it would be appropriate to use uncommitted utility-scale funds for the project.

4. Status reports

CAC membership: The committee endorsed reinstatement of Joe Esmonde to the CAC and the substitution of Charlie Grist for Tom Eckman of the Northwest Power and Conservation Council.

Budget, staffing and supplemental efficiency funding decisions: Staff has engaged in a further strategic planning process following the board strategic planning retreat in June. As a result of anticipated priorities identified in these processes, staff is developing options for new staffing. The priorities relate to: (1) internal operations, particularly Information Technology, Financial Administration and Trade Ally coordination, which were identified in the 2006 five-year strategic plan; (2) new work to implement the renewable energy aspects of the Renewable Energy Act; and (3) new efficiency funding under the Renewable Energy Act. Margie asked whether the committee would feel comfortable with her making decisions about ten or so new staff positions to meet these priorities. In the organization's early years, new staff positions were reviewed and approved by the board. More recently, new staff positions were identified in the course of budget preparation and review, but not highlighted. Board approval of a budget was deemed approval of the new positions. Now, with the results of the IT architecture study in hand, a growing volume of transactions, and the prospect of new funding for energy efficiency, staff would like to hire for at least some new positions before the board makes budget decisions in December.

The committee had several concerns. First, because new positions are sensitive decisions, the extent of the executive director's authority should be discussed by the full board. Second, the committee did not think it advisable to assume that supplemental efficiency funding would be approved on any given timeframe. Any new staff associated with that funding should be considered after the OPUC/utility decisions about supplemental efficiency funding are made. Third, the committee thought the board would want to know how the added staff would affect our ability to meet the OPUC's administrative cost performance measure.

We expect to see a budget from PGE for supplemental efficiency funding under the Renewable Energy Act by the end of September. At that point, we may have a better feeling for how the supplemental efficiency process will work. Over the last few weeks, there has been discussion of which customers are large customers under the Renewable Energy Act (using more than one average megawatt) and it is not clear whether the issue will be controversial.

Risk policy in light of Renewable Energy Act: At the June board strategic planning meeting, we anticipated needing to take additional risk in investment decisions and committed to review the board's risk-versus-reliability policy to see if it would require amendment. Fred Gordon reported that the current policy applies solely to energy efficiency and provides sufficient flexibility for anticipated investments. No change is needed.

Green tag policy and impact of Renewable Energy Act: the newly-adopted green tag policy is being implemented, and staff has no concerns about that process. Although we expect to make some changes in how we handle green tags under the Renewable Energy Act, we expect to follow the model established in the utility master agreements and don't see a likely need to amend the policy

The Renewable Energy Act's "constructing and operating" language: The Oregon Renewable Energy Act directs public purpose funds to "… the above-market costs of constructing and operating new renewable energy resources with a nominal electric generating capacity . . . of 20 megawatts or less." The board asked the OPUC to clarify whether the addition of the words "constructing and operating" significantly limit the kinds of activity Energy Trust will be able to undertake. Staff met with OPUC and Oregon Department of Justice personnel earlier in the day to review the Justice Department's analysis. With the benefit of the ensuing discussion, that group suggested Energy Trust propose a definition of the term. The OPUC can then consider using the proposal in its general rulemaking process under the Renewable Energy Act, scheduled to begin in October.