EnergyTrust of Oregon, Inc.

Draft Board Meeting Minutes – 76th Meeting

August 8, 2007

Board members present: Rick Applegate, Jason Eisdorfer, Tom Foley, Julie Hammond, Debbie Kitchin, Alan Meyer, John Reynolds; joining via teleconference for action items: John Klosterman and Preston Michie. Bill Nesmith arrived at 1:15 pm.

Board members absent: Al Jubitz, Vickie Liskey, Caddy McKeown, John Savage

Staff attending: Kacia Brockman, Alan Cowan, Fred Gordon, Margie Harris, Nancy Klass, Steve Lacey, Brooke Nelson, Elaine Prause, Linda Rudawitz, Sue Meyer Sample, Jan Schaeffer, Adam Serchuk, Greg Stiles, John Volkman, Peter West

Others attending: Steve Bicker, NW Natural; Greg Damon, Moss Adams; Michael Early, Industrial Customers of Northwest Utilities; Hallie Gallinger, PacifiCorp; Margie Gardner, Executive Director, Northwest Energy Efficiency Alliance; Christine Kaufman, Cascade Natural Gas; Chuck Klang, homeowner participant; Chris Kradjan, Moss Adams; Lynn McIntier, Moss Adams; Nick Parsons, Lockheed Martin; Aaron Wines, Lockheed Martin

Business Meeting

President Tom Foley called the meeting to order at 12:07 pm. Margie Harris presented Tom Foley a colorful paper crown in honor of the 75th board meeting (originally, this was the 75th meeting but a meeting was added June 20).

Agenda

Tom explained the agenda has been changed to facilitate telephone participation on action items by John Klosterman and Preston Michie.

Discussion of Action Items

May 9, 2007, Meeting Minutes. Tom Foley pointed out a date error in resolution 436 (should be November 2006 not 2007).

June 20, 2007, Meeting Minutes. No corrections noted.

New solar homes exemption from Green Tag Policy (R445). John Volkman explained we have tried to break into the new homes market with solar, believing it to be an important market. Energy Trust pays the incentive to the builder. Under the current green tag policy, green tags would be owned by the eventual homeowner, who often is not identified at the time of the new home construction and who must convey tag ownership back to Energy Trust. Builders believe that to explain such a requirement and transaction would be complex and would hurt their efforts to build and sell solar homes. If required to do this, builders indicated they would simply not include solar on homes they construct. A few

developers indicated their willingness to install systems provided they do not have to complete a complicated transaction involving green tags.

Staff has identified approximately 35 homes to be constructed with solar in the coming year. An exemption for up to 100 such homes is being requested. During the year the exemption is in place, staff will continue to work with builders to devise a workable approach. The OPUC is comfortable with this limited-term exemption.

Tom asked if builders are now entitled to the 50% Residential Energy Tax Credit. Elizabeth Giles said homebuilders will be able to claim a Business Energy Tax Credit equivalent to the Residential credit, up to $6,000 per home. John Reynolds asked what we expect to change over the year? Will builders be more comfortable explaining green tags? John Volkman said we cannot guarantee this result but noted in California builders are comfortable. (Later conversation clarified that California builders are not required to have their buyers release green tags to another party.)

Peter West said the plan is to have further dialogue. We would move forward with one builder and create a model for others. The first part will be education. Julie asked if it could be an option for the homebuyer to give up the green tags. Peter said this is a possibility but we have not had the chance to discuss such options with builders.

Alan Meyer voiced concern with the proposal. He wondered if there could be a requirement that the homebuilder retire the tags on behalf of the homeowner and ratepayers. He did not support funding projects if they did not bring long-term value to ratepayers, as occurs via retirement of green tags. Julie said builders investing in solar would be nervous about making the homeowner do something they cannot explain. It's going to be a red flag for the homeowner. We are trying to move the builder market. She asked about the value of the green tags. Peter said the tags are about $150 per home for a three kW system. Julie thought we could look at this small amount of money as a grant to develop the market.

Debbie Kitchin asked what the different RAC positions were, noting the meeting notes comment that the RAC could not reach consensus. Peter said concerns ranged from the considerations Alan raised to those who said Energy Trust should not own green tags at all. It became a philosophical discussion. There were no conclusions and no one opposed this proposal going forward to the board. Alan was the strongest spokesman not in favor of the proposal. Utilities and the Bonneville Environmental Foundation (BEF) were absent. Subsequently Peter contacted PGE and BEF, and found they support the proposal. Julie asked what the builders said. Peter said staff did a survey of builders and the green tag give-back provision was a deal breaker.

Tom noted there is no reference in the resolution that the green tags go to the homeowner and asked that such a reference be added to the end of the first resolved item. Alan asked a series of questions about the size of PV systems on new homes (2 kW) and the amount of Energy Trust incentives (approximately $4,000-$4,700).

Debbie said she thought this is worth doing and did not want to set a long-term precedent. She was willing to try this for a year to see if we can get the market to move. She would not support extending the exemption. Rick and Preston agreed.

East Portland Community Center solar project (R443). John Reynolds introduced this project, which came in under the Open Solicitation program. Peter West said Energy Trust proposes to pay up to 100% of the above-market costs of this 90 kW system. Staff supported the project for three reasons. First, this is the

first time a solar system is essential for the project to earn a LEED gold rating. Second, PGE is participating and will make a $100,000 grant to the project. Finally, it is an innovative ownership model involving an LLC composed of BEF and a major investor, who will claim the project's tax benefits in the project's early years, and then the majority ownership will "flip" to BEF, at which point the LLC may or may not continue to exist, and the city might purchase the solar system.

Swalley Irrigation open solicitation project (R444). Julie Hammond declared a conflict of interest, in that a partner in this project is one of Julie's company's clients. When the project is completed, she will have to insure it and her commission will increase. After board discussion of the conflict, Julie abstained from discussion and did not vote on this measure.

John Reynolds introduced the proposal. Peter West explained the irrigation district plans to pipe the first five miles of the canal, reducing water loss by a quarter to a third. Half of the saved water would be routed into the Deschutes river, where it would be beneficial to fish. Energy Trust proposes to pay, over a 15-year period, $895,609 in above-market to install a 750 kW generator at the end of the 5.1 mile pipe. The project is expected to generate 2,752 MWh per year.

John Klosterman joined by teleconference at 12:50 pm. Preston Michie joined a few minutes later, also by teleconference; he missed the first vote.

Swalley Irrigation open solicitation project (Resolution 444)

RESOLUTION #444

APPROVING FUNDING FOR THE SWALLEY IRRIGATION DISTRICT HYDROPOWER PROJECT

WHEREAS:

1. **Swalley Irrigation District proposes to pipe 5.1 miles of what is now an open irrigation canal that diverts water from the Deschutes River in Bend. The pipe would conserve water, a significant portion of which the District would restore to the Deschutes.**
2. **Swalley seeks an Energy Trust incentive to pay the above-market costs of installing a 750 kW generator (nameplate capacity) at the end of the 5.1-mile pipe. If paid over 15 years, the above-market costs of the project's electric generation would be $895,609.**
3. **Energy Trust funding would be contingent on approval of a State Energy Loan and Swalley securing a pass-through partner under the state's Business Energy Tax Credit program.**
4. **The project will demonstrate the benefits of cooperation among diverse parties in a water-challenged part of the State.**

It is therefore RESOLVED:

The board of directors of Energy Trust of Oregon, Inc., authorizes the Executive Director to negotiate and execute a contract with the Swalley Irrigation District to

pay up to $895,609 of the above-market costs of the electric generation aspect of this project, consistent with the following terms:

1. **Payment will begin upon commissioning of the project after an inspection shows standards are met for commercial operation.**
2. **Swalley will manage the project to meet agreed construction and operation milestones.**
3. **Funds will be paid on actual production over a 15 year period.**
4. **Energy Trust will receive all the green tags generated by the project.**

This vote occurred before the others and before Preston Michie had joined by teleconference.

Moved by: John Reynolds Seconded by: Rick Applegate

Vote: In favor: 7 Abstained: 1 (Julie Hammond declared a conflict of interest)

Opposed: 0

Adopted on August 8, 2007, by Energy Trust Board of Directors.

May 9, 2007, Meeting Minutes

MOTION: Approve minutes from the May 9, 2007, meeting minutes with editorial change.

Moved by: Debbie Kitchin Seconded by: Jason Eisdorfer

Vote: In favor: 9 Abstained: 0 Opposed: 0

Adopted on August 8, 2007, by Energy Trust Board of Directors.

June 20, 2007, Meeting Minutes

MOTION: Approve minutes from the June 20, 2007, meeting minutes.

Moved by: Rick Applegate Seconded by: Debbie Kitchin

Vote: In favor: 9 Abstained: 0 Opposed: 0

Adopted on August 8, 2007, by Energy Trust Board of Directors.

New solar homes exemption from Green Tag Policy (Resolution 445)

RESOLUTION #445

APPROVING AN EXEMPTION FOR NEW SOLAR HOMES FROM THE ENERGY TRUST GREEN TAG POLICY

WHEREAS:

1. **Until recently, builders have been reluctant to install solar systems as a standard feature on new homes, citing concerns about cost, complexity and increased financial risk.**
2. **With heightened consumer interest and stronger solar incentive programs, a few builders have applied for Energy Trust incentives.**
3. **To comply with the Energy Trust green tag policy, staff proposed that homebuilders cede ownership and potential sale of future green tags to Energy Trust and inform the homebuyer of this transaction. Homebuilders saw this proposal as a potential disincentive for solar installations and it is unclear whether such an agreement would be valid.**
4. **Exempting a limited number of new homes from the green tag policy for one year will allow Energy Trust to enter into and test solar in the highly significant new construction market while exploring other longer-term options.**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon, Inc.:

1. **For a period of one year, authorizes Energy Trust incentives to homebuilders for approximately 100 new homes constructed with eligible solar energy systems, exempting such systems from the Energy Trust green tag policy, and authorizing homeowner ownership of green tags for the life of the systems.**
2. **During this same year, directs staff to explore other solutions to address homebuilder concerns and comply with the Energy Trust green tag policy.**

Moved by: Jason Eisdorfer Seconded by: John Reynolds

Vote: In favor: 7 Abstained: 0

Opposed: 2 - Julie Hammond voted no, preferring the process start with ownership of green tags from the beginning. Alan Meyer doesn't believe we should be investing in projects unless we own the green tags; staff is creative enough that it shouldn't take them a year to come up with a solution.

Adopted on August 8, 2007, by Energy Trust Board of Directors.

East Portland Community Center solar project (Resolution 443)

RESOLUTION #443

APPROVING FUNDING FOR THE EPCC SOLAR PROJECT

WHEREAS:

1. **EPCC Solar LLC proposes 90 kW (nameplate capacity) solar photovoltaic array to be placed on the East Portland Community Center. The LLC consists of an outside investor and the Bonneville Environmental Foundation.**
2. **The LLC seeks an Energy Trust incentive to pay 100% of the above-market costs of the solar project, $166,440.**
3. **The project will encourage solar in Oregon by demonstrating that solar photovoltaic projects can play a key role in achieving LEED ratings in the Portland area, and demonstrating a financing model that other municipalities and non-profits can use to finance such projects.**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon, Inc., authorizes the Executive Director to negotiate and execute a contract with EPCC LLC to pay up to $166,440 of the above-market costs of the solar project, consistent with the following terms:

1. **1. Energy Trust's payment will be made after the system is commissioned and an inspection shows the project meets Energy Trust's solar program installation standards and is ready for commercial operation.**
2. **2. EPCC LLC will manage the project to meet agreed construction and operation milestones.**
3. **3. If after the start of commercial operation, the project fails to generate at least half of its 92,434 kWh generation in any 12-month period, the LLC will repay a pro-rated portion of the Energy Trust incentive.**

Moved by: John Reynolds Seconded by: Debbie Kitchin

Vote: In favor: 9 Abstained: 0

Opposed: 0

Adopted on August 8, 2007, by Energy Trust Board of Directors.

Preston Michie and John Klosterman left the meeting at 1:00 pm.

General Public Comments

Michael Early, ICNU - He briefly commented on the homebuilders and green tags issue. He thought the problem is that builders want to market the home as green. In order to market it as green, the builder has to permanently transfer the tag to the homeowner. If this is their position, he did not see a solution coming in a year. Tom Foley said he supported staff's proposal because he believes it will end up getting us more green tags in the future. Alan said he thought the situation was analogous to the desire of the city of Portland to be green and, to that end, to hold ownership of green tags. This is preventing them from working with Energy Trust. Further discussion of green tags and "being green" ensued.

Margie Gardner, Executive Director, Northwest Energy Efficiency Alliance (NEEA). Margie Gardner presented her annual report on accomplishments of NEEA in Energy Trust territories. She provided background on her four-state organization funded by the largest utilities in the region. Energy Trust provides about 16% of the organization's funding. NEEA leverages regional resources to get more savings at lower cost than a local program could obtain on its own. Last year, NEEA provided about 25% of Energy Trust's efficiency savings. She said the savings are at a peak as a result of market acceptance and changes in lighting. As NEEA gets out of the lighting market, savings may come down.

She explained NEEA's role in development projects for emerging markets, including small rooftop HVAC, 80% efficient computers, high performance schools, and efficient distribution systems. NEEA also puts effort into building codes and appliance standards. NEEA collaborates with local programs to support the exponential growth of technologies, such as lighting.

Alan Meyer asked whether NEEA's budget is broken out by sector, and whether it reflects the amount of funding by sector coming in from Energy Trust? Margie said yes, but funding to each sector does not precisely match revenue from each sector. Spending levels are intended to be roughly proportional, and only on a five-year average, not year-to-year. Alan noted Energy Trust contributes more in commercial than the other sectors but doesn't get a commensurate return. Margie said she believes in the next five years commercial and industrial will claim a higher share of savings. She noted as an example of technology development projects a mini-split heat pump system that will provide benefit in the residential market in the next few years. John Reynolds asked what NEEA is doing with LED lighting? Margie said USDOE is investing a lot in this; NEEA is tracking and monitoring and may have a role for general use lighting LEDs when the technology is ready for the mass market.

Jason Eisdorfer asked about plans to change NEEA's board structure. She said the board has preliminarily decided to reduce its size from 28 to 14, including 11 funders. The largest financial contributors will have permanent seats; smaller contributors will rotate membership. The other slots will rotate among state energy departments and public utility commissions.

Margie Harris thanked Margie Gardner and noted their staffs work well together. She also acknowledged Fred for his service on the NEEA board and committees.

Bill Nesmith arrived at 1:15pm during Margie Gardner's presentation.

Break

The board took a 15 minute break at 1:30 pm.

President's Report

Bill Nesmith was out of the room.

Tom Foley said he participated in a forum on energy efficiency and demand response in Chicago. He said there is a proposed measure to require all utilities to implement demand response programs.

Tom described a meeting he asked staff to arrange on August 17 to listen to a company called Air Advice and discuss several products in development. BPA and The New Buildings Institute will participate in addition to Energy Trust.

Finance Committee

Debbie Kitchin introduced finance reports under tab 2. The committee last met in June. She said expenditures are running a bit under budget, while revenues are coming in a bit higher. Sue reviewed incentive forecasts for year end. Sue noted only incentive expenditures were forecasted at this time, because we just rebudgeted in March. She said our forecast is a little below budget, but not significantly so. Budget is $38.3 million; forecast spending is $36.9 million.

Alan noted the report shows spending $2-3 million per month until December, for which we expect to spend $16 million.

Debbie thought it interesting to note where we are over and where under in our spending. She will monitor this through the year.

Sue and Margie noted explanations for budget variances included in the finance report.

Audit Committee

Julie Hammond said the audit committee met today and reviewed the conflict of interest documents submitted by all board members. They did not see anything that caused any concern or alarm. They also asked John Volkman if he saw any threats to Energy Trust on the legal side; nothing needed particular attention. The committee is creating a self-evaluation tool for the board to complete, and will arrange education and training opportunities based upon board feedback.

Policy Committee

Jason Eisdorfer said the policy committee met in May and July, and jointly with the strategic planning committee a couple weeks ago. The recent meetings have been dominated by a couple of issues: whether to provide services to Cascade Natural Gas in Washington, and whether to move the Production Efficiency program in-house. These will be covered by staff later in the meeting.

Regarding the definition and interpretation of the new "constructing and operating" renewables language in SB 838, Jason said an opinion from the state Attorney General is expected next week or the week after.

Julie Hammond observed the green tag issue keeps hanging us up. The board needs to come to terms with this and give direction to staff. Obviously RAC had problems too. Tom said there is no one fix policy that works in every situation. The policy needs to remain flexible. Alan Meyer thought we would be getting additional guidance from the OPUC. Tom said we continue to seek and get advice from OPUC, such as we did for the item on the agenda today. Alan suggested requesting fundamental guidance from OPUC. With SB 838, utilities must own green tags to comply with the renewable energy standards. Tom thought the OPUC, the utilities and the board want us to maximize the number of green tags we get. Having an inflexible policy that requires us to own all green tags from a project may result in our getting less than the maximum possible number of tags. Could the utility and Energy Trust share green tag ownership? Jason said he thought rulemaking for SB 838 will take a year to complete. For the smaller scale stuff, he thought it would be hard to have a single policy. A strict "we get the tags" policy could cut off an entire technology.

Bill Nesmith returned to the meeting at 2:15 pm during the Green Tag Policy discussion.

Julie thought we should advise the OPUC about the direction we would like to go and why, rather than seeking direction from them. Jason thought the discussion would never stop. The Commission does not yet know the boundaries.

Peter noted green tags are a policy creation. We are going to have to figure out a language to explain them to people. We are working on it.

Program Evaluation Committee

Debbie Kitchin said the committee had a couple of meetings since the last report. One meeting was devoted to free riders – our net-to-gross methodology. At the meeting after that, we reviewed a couple of evaluations and the trade ally survey. She noted the packet contains an executive summary of the trade ally plan as well as a staff report and plan responding to the survey results.

Tom Foley said he is troubled by the fact that forms are still a problem. He mentioned that 25% of trade allies are not informed about state tax credits, and the fact that some trade allies are unfamiliar with the reservation system. He asked Bill Nesmith how ODOE markets the tax credits; Bill responded that ODOE approaches this strategically. Margie noted half or more of trade allies serve the residential sector; many residential measures are not eligible for tax credits and that many residential trade allies do not need to participate in the reservation system. Regarding forms, Margie said there is an initiative underway to make forms electronic, so that data for state tax credits and Energy Trust incentives could populate a single form and be entered only once. Both legal and technological issues are now being explored. That said, Margie added we will continually need to educate and inform trade allies.

Strategic Planning Committee

Rick noted at the strategic planning workshop some members raised the question of whether Energy Trust is overly Portland-centric. As a follow-up, Jan Schaeffer prepared a series of maps and lists showing considerable activity outside Portland. Board members discussed map number 1, incentives per capita; wondering why spending per capita is low in the mid-Willamette Valley and robust in southern Oregon. Fred Gordon said there are many factors involved, including 1) opportunities such as aging pulp

mills in southern Oregon, 2) gas-only opportunities in Eugene and Lane County, 3) relatively large projects in areas of low population and other considerations.

The board changed the agenda to discuss Cascade Natural Gas while Christine Kautzman was available via teleconference. This portion of the meeting is reported under Energy Efficiency for clarity. The board then resumed the Strategic Planning Committee report.

Jason asked if we are doing all we can to reduce pages for clippings in the board packet? Jan noted board members have been asked in the past whether they preferred to discontinue copying clippings; responses conflicted, so we continue copying them. Margie suggested condensing utility inserts together on a single page as we do ads.

Legislative Update

Jason said SB 994, a late session budget bill, included $4.6 million from PGE public purpose money to help pay down an OMSI loan from ODOE. A diverse group of stakeholders, including large customers, AOI, PGE, customer groups, LOC and others, objected. They sent a letter to the governor expressing concern about the legality of this step. The group then met to identify ways to pay down OMSI's debt without tapping public purpose funds. On July 30 the governor listed the section of this bill on a list of possible vetoes. He has until midnight tomorrow to act and is expected to indicate his decision tomorrow morning. Bill Nesmith said the situation involving OMSI is a loser for everybody and a solution has to be found.

Energy Efficiency Program

Cascade Natural Gas – Washington. Christine Kautzman from Cascade Natural Gas joined by telephone conference for this item. Margie noted we have completed a study evaluating the advisability of Energy Trust expanding into Washington State to serve residential and commercial customers in Cascade's service territory. She expressed appreciation to staff and Quantec for preparing the study. The study is very thorough and helpful. Margie said she does not recommend expanding into Cascade's Washington territory at this time. She believes that we need to focus our attention on changes created by SB 838. In addition, there was a lack of support for expansion by stakeholders in both Washington and Oregon, primarily because of SB 838 priorities and a desire for Cascade to develop its long-term capacity for program delivery. Margie said we have offered interim support to Cascade, which will go forward in a competitive process depending on the outcome of Christine's discussions with the Washington Utilities and Transportation Commission. Cascade found the report valuable; it helped them gain a sense of what they need to do to manage the programs.

Christine said Cascade is disappointed and understands Energy Trust has been given an increased workload. Cascade is moving forward with plan B. The study is a good tool for Cascade to leverage. She hopes in the future to work with Energy Trust in Washington.

Tom Foley, followed by Jason Eisdorfer, expressed disappointment that this decision had to be made. Jason noted we can use this to educate our own state and legislature about the demand for Energy Trust's participation and interest in Energy Trust's model. Rick Applegate said he had hoped we could find a way to get into this. He understands the workload we face but hopes down the road we can take what has become a very valuable institution here in Oregon to serve needs elsewhere. Tom noted that,

notwithstanding the regret, not expanding to Washington is the right decision given current circumstances, and other members agreed. Tom and Margie thanked Christine for calling in.

Bill Nesmith left the meeting.

Production Efficiency program delivery. Margie Harris introduced the proposal. Elaine Prause summarized reasons supporting a change in the delivery model for the Production Efficiency program: opportunity to create more efficient management, to establish more effective communications and to build long-term relationships with larger customers who bring repeat business with large savings. She said surveys of medium-sized industrial participants show that 75% were unaware of the current structure. They were concerned only that incentives remain available to them and that they can continue to work with our Program Delivery Contractors (PDCs). The remaining 25% are aware of the management structure and do support creating a closer link to Energy Trust. Elaine noted she has talked with two strong candidates for a technical manager position.

John Reynolds said many of the reasons she raised could be applied to other programs. He asked what one other program is closest to Production Efficiency and could benefit from such a change? Steve Lacey said New Buildings comes closest but would require considerably more staff and does not benefit as much from relationship building. Julie Hammond recalled at the June meeting talking about whether to bring the program in-house. Margie said Production Efficiency is the only program with both PMC and PDCs, and Allied Technical Assistance Contractors (ATACs). It is the only program she would recommend bringing in house. This change will also strengthen Energy Trust's ability to directly communicate with and manage PDCs and ATACs. Steve added this is the only program the Program Delivery Model evaluation singled out to recommend bringing in-house on a pilot basis.

Steve said the proposal would be budget-neutral on an ongoing basis. Staff would like to hire a technical manager this fall to assist in making a seamless transition. Lockheed Martin's Production Efficiency services would terminate when their current contract expires at the end of the year.

Alan Meyer said he generally supports the proposal, especially because Energy Trust staff will gain a better understanding of the needs of the industrial sector. He thought it is important for the technical manager to have a background in industry rather than nonprofit energy program management. Debbie agreed.

Tom Foley supported the proposal. He thought it had been vetted enough. No one made the case that it was a bad idea. The change does not require board action. Aaron Wines, Lockheed Martin, said the company would continue supporting the program in any way, shape or form.

Renewable Energy Program

Renewable energy strategic goals discussion. John Reynolds introduced the topic, which was raised by the fact that SB 838 takes Energy Trust out of the utility-scale market. John said the clear effect will be to reduce the number of megawatts Energy Trust can develop, and increase the price of projects. Peter West said he would describe his proposed approach, and asked for feedback. He said we think we can acquire approximately 19.7 aMW cumulatively by the end of 2008, of which 14 aMW would come from Warm Springs. Because installed costs have increased 20-50% for biomass and wind, and because of continued lack of availability of equipment, we estimated the low end of the range of potential generation to be about what we obtain now from smaller-scale generation, or 3.28 aMW/year. At the other end of the range, assuming increased capacity and supply, we could obtain approximately 5

aMW/year. By 2016, Peter forecasted 30 aMW on the low end and 50 aMW on the high end. SB 838 says 8% of renewable energy should be obtained through smaller community-scale projects; our funding could meet only 18-28% of this.

Peter identified uncertainties. The number one factor is state and federal tax policy. Elimination of the federal production tax credit would raise Energy Trust costs and reduce potential results by at least 20-35%. Differences in funding for the mix of individual programs can also change results. Changes in revenue forecasts will impact results. He has taken his proposal to the RAC. He asked the board if this approach seemed reasonable and whether there are other considerations to take into account, etc. He expected to propose benchmarks as part of the budget process.

Debbie said she thought Peter did a good job with the sensitivity analysis. Tom expressed concern about whether an 80% increase in funds truly will not increase results and suggested Peter review more recent data before talking to the OPUC about this. Alan expressed concern at $4 million/aMW for renewables compared to $1 million/aMW for efficiency. Jason said any benchmark needs a big asterisk because the impact of changing state and federal projects could have a very large impact on the Energy Trust.

Protocol for considering renewable energy demonstration projects. Peter proposed guiding principles for all demonstration projects. Number one: they must lead to projects. There must be a dissemination plan. They must follow Energy Trust's approved above-market cost methodology. They must deliver benefits to Energy Trust stakeholders. We propose to consider funding projects using pre-commercial technology or approaches, so long as they are demonstrated in realistic conditions, not laboratories; demonstrate delivery of power for at least 5 years, with priority to projects delivering power over 15-20 years; projects must be owned by stable business entities; and they must uniquely fill a clear market niche. We will fund demonstration projects of commercial technology not widely available in Oregon or not commonly used by that market segment. RAC thought these criteria were appropriate and sufficiently flexible for the present.

Alan expressed concern about supporting projects that must deliver power, or green tags, or both. Peter said he meant to state the projects must deliver power *and* green tags, or just green tags. Julie noted her willingness to consider allowing nonprofits like Mosier Community School to own the green tags for a period. Jason said the criteria look pretty good. He thought there is a danger that the policy will lead us to support riskier projects. How does the board assure the projects are reasonable to support? Peter said the open solicitation process would require board action for projects that come through that program. For projects coming through other programs, staff would periodically provide the board with status reports so everyone would understand how the protocol was applied.

Staff Report

Architecture review recommendations. Margie introduced Greg Damon, Lynn McIntier and Chris Kradjan from Moss Adams, consultants who conducted the information technology architecture review. Chris explained Moss Adams' capabilities and introduced his team. Greg Damon said the purpose of the study was to assess key business applications vs. business goals, assess the Energy Trust IT environment vs. that of selected peers, evaluate the IT organization and skills vs. future needs, and compare results to "best business practices." He listed strengths, including strong executive leadership, many IT best practices in place, hard-working staff, an IT manager with excellent analytical skills who is good at keeping applications working, and a strong customer service ethic within department.

The peer review showed Energy Trust supports three primary applications (FastTrack, Great Plains, and Goldmine), while the peer organizations (Vermont Energy Investment Corp. and Redwood Energy) support two. Energy Trust has done a lot to integrate our three systems, where other organizations operate them on a stand-alone basis.

Observations include that Energy Trust's enterprise architecture lacks strategic planning and direction. Integration between applications is problematic. Many excel spreadsheets and access databases are used to supplement application functionality. Reporting is difficult and not readily available to users. The IT department operates in a reactive mode. The IT manager is tied up with data analysis work. IT strategic planning is not actionable or measurable.

Lynn reviewed proposed strategies, including replacing Great Plains, strengthening FastTrack, strengthening the IT department structure by creating a layered structure and converting contractor positions to permanent positions to avoid excessive turnover and repeat training, and developing an IT strategic plan.

Margie reminded the board we designed our systems prior to having a full complement of programs. The timing of this study is ideal as we prepare to absorb the changes created by SB 838. There is a manageable set of steps to take. We will review the draft with IT staff, get comments back to Moss Adams, and develop priorities, a work plan and schedule. Study priorities will show up in the budget over time.

Tom asked if changes of this scale can be absorbed without destroying the organization? Lynn and Linda Rudawitz said from their experience this can be done, with advance planning and organization. Debbie Kitchin appreciates the high-level strategic analysis. Julie concurred.

Jason Eisdorfer left the meeting at 4:50 pm.

Feature presentation by Business Energy Solutions, Greg Stiles, Sr. Business Sector Manager. This was deferred to the next board meeting, when more members are expected to be present.

Highlights of staff report. Margie noted Conservation Services Group (CSG) was again chosen as our Program Management Contractor for the Home Energy Solutions program. They were the only proposer. She noted CSG has done a terrific job and would have been stiff competition for anyone else. She has noticed increasing requests for her to present the Energy Trust model to other organizations and states. She asks for her travel and accommodations to be paid for by the meeting sponsors. She made note of the move by the Oregon wine industry to go carbon neutral. She noted we have finalized Blue Heron's final estimated savings, reduced to 70% of original estimates due to foreign markets overbidding the waste paper market. She mentioned use of the "flip model" for solar projects. She noted 350 people attended solar workshops held during the May-August reporting period. She said we have posted an on-line survey of residential customers. She said the town of Independence is exploring pursuing a community-based program with the Energy Trust and NW Natural. We received $550,000 in conservation rate credits from PGE. We conducted a salary survey with the MBL group in concert with NEEA. We also did our annual employee survey; she cited some highlights.

John Reynolds asked what happened July 18 when our telephones and email both went down. Linda Rudawitz said the telephone failure resulted from errors by a repair person. The email crash was unrelated and was triggered by a glitch in the system.

Adjourn

The meeting adjourned at 5:17 pm

Next meeting. The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, October 3, 2007, 12:00 noon at Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, 12th Floor, Portland, Oregon. The meeting is open to the public.