EnergyTrust of Oregon, Inc.

Draft Board Meeting Minutes – 84th Meeting

September 3, 2008

Board members present: Rick Applegate, Dan Enloe, Roger Hamilton, Julie Hammond, Al Jubitz, Debbie Kitchin, John Klosterman, Caddy McKeown, Preston Michie, John Reynolds, John Savage, *ex officio* and Betty Merrill, *ODOE special board advisor*

Board members absent: Jason Eisdorfer, Vickie Liskey, Alan Meyer

Staff attending: Fred Gordon, Margie Harris, Nancy Klass, Steve Lacey, Sue Meyer Sample, Jan Schaeffer, John Volkman, Peter West, Kendall Youngblood

Others attending: Jeremy Anderson, WISE; Larry Easterly, Oregon State University; Lori Koho, OPUC; Emily Moore, PECI; Lauren Shapton, PGE; Phil Welker, PECI

Business Meeting

President John Reynolds called the meeting to order at 1:05 pm.

He announced that Vickie Liskey has resigned from the board due to family needs. Vickie's resignation is effective this meeting. John thanked Vickie for her welcome perspective and commitment of service to Energy Trust; she will be missed.

June 13, 2008

MOTION: Approve minutes from the June 13, 2008, meeting.

Moved by: Caddy McKeown Seconded by: Debbie Kitchin

Vote: In favor: 10 Abstained: 0

Opposed: 0

Adopted on September 3, 2008, by Energy Trust Board of Directors.

General Public Comments

There were none.

Consent Agenda

The consent agenda may be approved by a single motion, second and vote of the board.

Resolution 484 amending contract 754 with Sockeye Creative, Inc. to increase payment and extend contract term.

RESOLUTION 484

AMEND CONTRACT 754 WITH SOCKEYE CREATIVE, INC. TO INCREASE PAYMENT AND EXTEND CONTRACT TERM

WHEREAS:

1. **Energy Trust has entered into a contract with Sockeye Creative for advertising, messaging, and web-related services, up to a total expenditure of $435,300;**
2. **NW Natural is projecting record-setting 35-40% rate increases this fall, Cascade Natural Gas projects 15-20% rate increases and Avista natural gas anticipates 10-15% rate increases, all stemming from increases in commodity costs;**
3. **In cooperation with NW Natural and Cascade Natural Gas, Energy Trust has established higher incentives for natural gas customers to help them manage their energy use over the 2008-09 heating season;**
4. **An enhanced advertising campaign, requiring additional expenditures of $165,000, would inform and motivate customers about Energy Trust programs and the limited time offers to access higher incentives, encouraging actions to be taken to better manage increasing energy costs;**
5. **The additional campaign expenditures would increase the total for the contract to $600,300, exceeding the $500,000 threshold for executive director signature authority above which board approval is required;**
6. **Energy Trust intends to continue its work with Sockeye Creative on additional advertising and website activities in 2009, the details of which will be developed as part of the 2009 budget and action plan process;**
7. **As part of the budget and action plan review, Energy Trust staff will highlight for the board any changes or additions to the Sockeye Creative contract;**

It is therefore RESOLVED that the Board of Directors of Energy Trust of Oregon, Inc., hereby:

1. **Authorizes the executive director to amend the Sockeye Creative contract to commit total expenditures of $600,300, including up to $165,000 for an enhanced media buy in connection with pending gas rate increases.**
2. **Authorizes an extension of the Sockeye Creative contract term through December 31, 2009.**
3. **Authorizes the executive director to sign future contract amendments consistent with a board-approved 2009 budget and two-year action plan.**

Adopted as part of the consent agenda on September 3, 2008, by Energy Trust Board of Directors. See vote record below Resolution 483.

Moved by: Dan Enloe Seconded by: Roger Hamilton

Vote: In favor: 10 Abstained: 0

Opposed: 0

Resolution 483 amending resolution 480 approving funds for a solar project. Debbie Kitchin noted the involvement of an unnamed LLC and asked if we will do a background check before entering into a contract. Peter West said because PGE and US Bank are involved, he believes the LLC will have adequate financial backing. Debbie asked if PGE's involvement constitutes a conflict of interest. Peter said no, it is the same as would be available to any other LLC.

Betty Merrill asked how the RPS influences our incentive offer. Peter said we contribute all or a share of the above market costs. It is up to the OPUC to determine whether the utility could pay for the project out of a rate increase allowed through the RPS. Roger Hamilton said it would be interesting to have a briefing on above market costs and whether they are growing or not. Peter noted in solar our incentives have been reduced, and above market costs are dropping. He said our forecasts suggest this as well.

Al Jubitz asked what could go wrong that would lead us to request repayment. Peter said repayment is triggered when a system underperforms. We seek repayment in proportion to the amount of underperformance. Dan Enloe asked about timing of payment, and whether the board will need to vote again to support payment related to the second stage of construction, which is contingent on approval of the federal Production Tax Credit. Peter said the funds will be held in escrow and PGE will have a certain timeframe to install stage II.

RESOLUTION 483
AMENDING RESOLUTION 480
APPROVING FUNDS FOR A SOLAR PROJECT

WHEREAS:

a. **On June 13, 2008, the board approved Resolution 480 authorizing up to $3,405,000 in funding for at least a 3.5 megawatt PV project owned by MMA Renewable Ventures on multiple buildings owned by ProLogis.**

b. **ProLogis now wishes to have the project built and owned by an LLC formed by PGE.**

c. **In all other respects, the terms of the project would be unchanged.**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon, Inc. amends Resolution 480 approving an agreement with an LLC formed by PGE and an investor, and consistent with the following basic terms included in previous resolutions:

1. **The LLC will deliver a project up to 3.5 MW.**
2. **Energy Trust will provide a maximum of $3,405,000 for 3.5 MW.**
3. **The funds provided by Energy Trust will be reduced on a proportional basis if the completed project is less than 3.5 MW.**
4. **Green tags will be delivered to PGE and held in trust by PGE for the benefit of ratepayers for compliance with Renewable Energy Act obligations.**

Moved by: Dan Enloe Seconded by: Roger Hamilton

Vote: In favor: 10 Abstained: 0

Opposed: 0

Adopted as part of the consent agenda on September 3, 2008, by Energy Trust Board of Directors.

President's Report

John Reynolds showed slides from the August 7 groundbreaking for the Oregon "solar highway" project. He noted the story in Tab 11 of the packet, numbered page 19. The project is located at the intersection of I-205 and I-5. Preston Michie asked if this can be replicated along highways due to concerns about danger from errant vehicles. John said he is more concerned about glare from the panels creating a hazard for traffic. Betty Merrill said federal transportation requirements are limiting.

Energy Efficiency Program

Resolution 486 authorizing a contract with PECI to manage the Business Energy Solutions-New Buildings Program. Steve Lacey provided background on the rebid of the New Buildings program. He noted the current contract with SAIC expires at the end of January. The request for proposals was released in June. We received two proposals. A review team with representatives from Energy Trust, Cascadia Green Building Council and Northwest Energy Efficiency Alliance reviewed the proposals, interviewed both proposers. PECI was unanimously selected, based on the strength of their proposal and interview. Steve said the first year budget is assumed to be $9.5 million, including delivery cost of about $3.1 million and incentives of $6.3 million. We project 4.43 aMW and 469,000 annual therms in 2009 savings, at a best case cost of $2.31 million/aMW and $3.12/annual therm. To make the transition seamless, we will enter into a three month transition contract from SAIC to PECI for the period October-December 2008. The three-year contract could be extended by up to two years.

Dan asked what the margin was between the two competitors. Steve said the scores were close: 4.02 compared to 3.76. PECI offered additional capabilities in program design and new measures. Al expressed concern that SAIC might leave the Portland market. Steve said there are other contracts SAIC might seek. He added that the PECI team includes Nexant, a national company that is new to this area.

RESOLUTION 486
AUTHORIZING A CONTRACT WITH PECI TO MANAGE THE BUSINESS ENERGY SOLUTIONS-NEW BUILDINGS PROGRAM

WHEREAS:

1. **The current Energy Trust contract with its New Buildings program management contractor terminates December 31, 2008.**
2. **With assistance from a selection committee including outside parties, staff has conducted a fair and open procurement process to select a contractor to manage the program for the next 3-5 years.**
3. **PECI has been selected through this process and proposed contract terms are in the process of being negotiated.**
4. **Staff has assumed a total first-year PMC budget for 2009 of approximately $9,575,000, including a first-year delivery contract cost of about $3,131,000, incentives of $6,344,000, and potential performance compensation of $100,000.**

5. **Staff analysis projects the following program savings and fully-loaded costs in 2009:**

	Electric	Gas
Savings (Best case)	4.43 aMW	469,107 Therms
$/ Unit Savings (Best case)	$2.31 million/aMW	$3.12/Therm
Levelized Cost (Best case)	$0.023/kWh	$0.28/Therm

6. **The above numbers are based on assumptions. Actual savings and costs will be reviewed by the Energy Trust board as part of the annual budget and action plan decisions.**

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

1. **Subject to later board review of cost/benefit ratios and projected savings numbers in the annual budget process, a contract with PECI to manage the Business Energy Solutions - New Buildings Program from January 1, 2009, through December 31, 2011. Provided PECI meets certain established performance criteria in the final contract, the contract may be extended for up to an additional two years.**
2. **First-year contract costs and savings goals will be included in the contract consistent with the board-approved 2009 budget and two-year action plan. Thereafter, the contract may be amended annually consistent with the board's approval of the annual budget and corresponding action plan decisions.**
3. **The executive director is authorized to sign an initial contract and any contract amendments consistent with this resolution and board-approved annual budgets and corresponding action plans.**
4. **To maximize program savings and benefits, staff may reallocate funds among different categories within the program budget as long as such reallocation is consistent with the board-approved annual budget and action plan decisions.**
5. **Before extending this contract beyond December 31, 2011, staff will report to the board on PECI's progress and staff's recommendation whether to extend the contract for up to two years. See Appendix II for extension criteria. Contract terms for the extension period would remain as approved in the most recent action plans, budgets and contract at the time of the extension. Absent board objection to extending the contract, the executive director is authorized to sign the contract extension.**

Moved by: Preston Michie Seconded by: Debbie Kitchin

Vote: In favor: 10 Abstained: 0

Opposed: 0

Adopted on September 3, 2008, by Energy Trust Board of Directors.

Resolution 487 approving terms of four program delivery contracts for the Production Efficiency Program. Steve introduced Production Efficiency senior industrial sector manager, Elaine Prause, to provide background on the recompete for Production Efficiency Program Delivery Contractors. The contracts were due to expire at the end of the year. The request for proposals was released in spring. Seven proposals were received. Proposals were reviewed by a committee of internal Production Efficiency staff, Charlie Grist from Northwest Power and Conservation Council and Ken Canon, independent consultant and formerly of Industrial Customers of Northwest Utilities. She reviewed spending and savings projections.

Preston noted different expiration dates for the small industrial program contractor; Steve and Elaine explained that rebid schedules were not aligned because the small industrial track was started last year and staff wanted to execute a contract that would span more than one year. Staff will endeavor to realign the contracts during the next cycle.

RESOLUTION 487

APPROVE BASIC TERMS OF FOUR PROGRAM DELIVERY CONTRACTS FOR THE PRODUCTION EFFICIENCY PROGRAM

WHEREAS:

1. **The current Energy Trust contracts with medium–to-large-sector Program Delivery Contractors (PDCs) for Production Efficiency terminate December 31, 2008.**
2. **With assistance from a selection committee including outside parties, staff has conducted a fair and open competitive procurement process for contractors to serve the medium-to-large sector over the next 3-5 years.**
3. **R.H.T Enterprises Incorporated DBA RHT Energy Solutions, Portland General Electric Company, Cascade Energy Engineering, Inc., Nexant, Inc., and HST&V, LLC DBA Strategic Energy Group have been selected through this process.**
4. **The PDC contracts with RHT Energy Solutions, Portland General Electric, and Cascade Energy Engineering for the medium–to-large sector are anticipated to exceed $500,000 for 2009.**
5. **Similarly, the current Energy Trust contract with Cascade Energy Engineering, Inc. for the Small Industrial Initiative (initially signed by the executive director) is expected to exceed $500,000 for 2009. The term of that agreement is through December 31, 2010, with the potential for up to a two-year extension.**
6. **In total, the 2009 budget for these four contracts is $13,700,000. This includes $10,700,000 in incentives and $3,000,000 in delivery expenses. The total Best Case savings for these four contracts are estimated at 71 million kWh or 8.10 aMW.**
7. **Current budget and savings numbers for the program are based on projections. Actual savings and costs will be reviewed by Energy Trust board as a part of the 2009 annual budget and corresponding action plan decisions.**

It is therefore RESOLVED:

1. **Subject to board review of cost/benefit ratios and projected savings numbers in annual budget processes, the board authorizes contracts with RHT Energy Solutions, Portland General Electric, and Cascade Energy Engineering to deliver the Production Efficiency program to the medium-to-large sector from January 1, 2009 through December 31, 2011. Provided each contractor meets performance criteria in the final contract, the contracts may be extended up to an additional two years.**
2. **The term of the Small Industrial Initiative PDC agreement is from January 1, 2008 through December 31, 2010, and may be extended up to an additional two years provided that the contractor meets certain established performance criteria.**

3. **All contract cost and savings goals will be included in each contract consistent with the board approved 2009 budget and corresponding action plan. Thereafter, each contract may be amended annually in accordance with subsequent board approved annual budgets and action plans.**
4. **The executive director is authorized to sign the initial contracts for the medium to large sector PDCs and any contract amendments to those contracts, during the term, provided such contracts are consistent with this resolution and board-approved budgets and action plans.**
5. **The executive director is also authorized to sign any contract amendments to the Small Industrial Initiative PDC contract, during the term, provided such contract is consistent with this resolution and board-approved budgets and action plans.**
6. **To maximize program savings and benefits, staff may reallocate funds among categories within the program budget as long as such reallocation is consistent with the board-approved annual budget and action plan decisions.**
7. **Before executing the two-year extensions to any of these contracts beyond the initial term, staff will report to the board on the contractor's progress and staff's recommendation whether to extend the contract for up to an additional two years. Extension criteria appears in Appendix II. Contract terms for the extension period would remain as approved in the most recent budget, action plan, and contract at the time of the extension. Absent board objection to extending a contract, the executive director is authorized to sign the contract extensions.**

Moved by: Roger Hamilton Seconded by: Preston Michie

Vote: In favor: 10 Abstained: 0

Opposed: 0

Adopted on September 3, 2008, by Energy Trust Board of Directors.

APPENDIX I

Energy Trust of Oregon followed a comprehensive competitive Request-for-Proposal (RFP) process.

Program Delivery Contractor (Medium-Large industrial) Re-bid: (RFP issued May 12, 2008)

Eight organizations submitted intent to respond forms for the program RFP but only seven submitted a proposal. A review team consisting of four Energy Trust staff, one member of the NW Power and Conservation Council and a former director of Industrial Customers of Northwest Utilities considered, evaluated and numerically scored the proposal on three overall major factors:

1. Proposal strength (40%) – Including such factors as ability to achieve a large volume of cost-effective energy savings; expanding program offerings; marketing outreach approach; and quality control.
2. Management & Team strength (30%) – Including such factors as proposed management, program design, implementation and operations team members; coordination with existing programs; marketing and outreach; incentive processing; customer service; and technical knowledge.
3. Price proposal (30%) – Including overall budget; total program delivery and staffing costs; incentive amounts; budget management; and overall specificity and measurability of costs compared to tasks.

Five proposals moved forward to the next round of review where new entities or those with proposals for new assignments were asked to present their strengths. Based on this review the following contractors were selected to deliver program services as listed.

Cascade Energy Engineering will provide general PDC services in northern Pacific Power territory including Portland, Hood River, Astoria, and Pendleton. They will also take on two industry specific PDC roles, pulp and paper and food processing. Staff engineers have deep local experience in each of these markets and will be able to deliver a comprehensive efficient approach to meeting their efficiency needs. They also plan to work closely with relevant industry associations for each of these markets.

Nexant, new to the Production Efficiency program, will take on the role of general PDC for the Bend/Redmond/Warm Springs region as well as deliver a 1 year focused approach to High Tech. The scope of the High Tech focus will be to act as PDC as well as to formulate an overall strategy to analyze our role with these high tech organizations. This activity is meant to provide long-term benefits to the program. After one year, we'll evaluate if this effort and make the decision on how to proceed. Two initial exceptions to the new High Tech territory will be Intel and Hewlett Packard which will continue to work with existing PDCs who have established relationships.

Portland General Electric Customer Technical Services will continue to provide program delivery services for industrial sites within Portland General Electric service territory excluding pulp and paper and food processing sites which Cascade Energy Engineering will assist and excluding large High Tech which Nexant will cover.

RHT Energy Solutions, Inc will continue to deliver the program in Southern Oregon including Medford, Klamath Falls, Roseburg, Corvallis, and Albany excluding food processing sites in the Albany region where Cascade Energy Engineering will fill that role.

Strategic Energy Group is another new addition to the PDC team. They will provide continuous energy improvement (CEI) services focused mainly on the PGE service territory through a two-year pilot effort. The industrial sector of NEEA is currently developing CEI through working with food processing and pulp and paper facilities only. This pilot will focus on all other types of facilities with the main goal of integrating energy management into manufacturing and facility management.

Three of the PDC contracts will exceed $500,000 and require board approval.

<u>Program Delivery Contractor (Small industrial) Competitive Process: (RFP issued August 31, 2007)</u>

Four organizations submitted intent to respond forms for the program RFP and all parties also submitted a proposal. A review team consisting of four Energy Trust staff and one member of the NW Energy Efficiency Alliance reviewed and scored the proposals on the same three overall major factors with variations on focus with each category for small industrial:

4. Proposal strength (40%) – Including such factors as ability to achieve a large volume of cost-effective energy savings; expanding program offerings; enrollment of trade allies; incentive calculation tool development; marketing outreach approach; and quality control.
5. Management & Team strength (30%) – Including such factors as proposed management, program design, implementation and operations team members; coordination with existing programs; marketing and outreach; incentive processing; tool creation experience; customer service; and technical knowledge.
6. Price proposal (30%) – Including overall budget; total program delivery and staffing costs; incentive amounts; budget management; and overall specificity and measurability of costs compared to tasks.

The top three respondents were invited to participate in an interview to provide further information about their strategies and capabilities. Based on this review Cascade Energy Engineering was selected to deliver the Small Industrial Initiative.

Cascade Energy Engineering's proposal included a strong trade ally delivery approach which is new to the industrial program but believed to be the most effective means to reaching the small industrial market. Over the years of working with Cascade as a medium to large industrial PDC and ATAC for the program, they have used their

technical expertise to develop simplified analysis tools for relatively small scale projects to increase their cost effectiveness. These skills are expected to fit well with the new strategy for penetrating this small industrial market.

APPENDIX II
Contract Extension Metrics

1. Cross program and territory referrals
    a. Problems don't arise
    b. Appreciable savings being realized in referred programs
    c. Procedure for working well with other programs and PDCs that will facilitate smooth referral process
2. Project pipeline
    a. Based on goals and available funding, balancing next year's savings and budget targets
3. Innovation
    a. Proposing new measures
    b. New delivery approaches (reaching focused market sectors and/or customers)
4. Teamwork
    a. How well PDC staff works with Energy Trust staff (flexibility and responsiveness)
5. Satisfactory execution of contract statement of work deliverables
    a. Program savings
    b. Budget management
    c. Data management
    d. Customer services
    e. Marketing
    f. Quality control

APPENDIX III

Energy Trust's Production Efficiency program is managed in-house by Energy Trust staff yet delivered to participants mainly through the use of contractors. In addition to the four contracts listed in Resolution 487, there are other components of the program with contracting and incentive costs and savings which all together make up the industrial Production Efficiency program.

The following table is a preliminary estimate of the costs and savings attributable to each component of the program within the 2009 budget. These numbers will be further refined through the budgeting process and presented to the board in December 2008 for final approval. These numbers are presented here for informational purposes only to help give the full picture of the program components. Preliminary total program cost, which includes Energy Trust costs, the PDC contracts and other program efforts, is estimated to be approximately $19 million. The projected total savings is estimated to be 10.5 aMW (92 million kilowatt hours) at an annual cost of $0.21/kWh and levelized to $0.027/kWh.

Program Delivery Contractor	2009 Contract Amount	2009 Incentive Estimate	2009 kWh Estimate
RHT Energy Solutions	$ 905,310	$ 2,845,108	18,967,386
Portland General Electric, Customer Technical Services	$ 903,186	$ 3,254,522	21,696,814
Cascade Energy Engineering (Medium to Large)	$ 615,258	$ 3,053,400	21,810,000
Cascade Energy Engineering (Small)	$ 626,824	$ 1,530,000	8,500,000

Nexant*	$ 375,000	$ 750,000	5,000,000
TA Lighting Contractor*	$ 250,000	$ 810,000	6,750,000
Strategic Energy Group*	$ 450,000	$ 300,000	4,500,000
Green Motors*	$ -	$ 250,000	1,500,000
Non PDC managed projects*	$ -	$ 850,000	2,833,333
Energy Trust other expenses*	$ 1,300,000	$ -	-
TOTAL	$ 5,425,578	$ 13,643,030	91,557,533

* indicates these are placeholder best estimate values at this point in time which will be further refined

Resolution 485 authorizing waiver of funding cap for an Oregon State University combined heat and power (OSU CHP) project. Steve Lacey provided background on this project, which has been in the works for a number of years. OSU representatives initially brought the project to the board in 2005 during the strategic planning retreat. The $2.23 incentive recommended by staff exceeds the New Buildings program cap and therefore requires board approval. Steve noted that CHP projects simultaneously produce electric and thermal (heat) energy from a single fuel. OSU's natural gas fueled CHP plant will provide central heat and generate electricity for the OSU campus. Based on ODOE's extensive energy analysis, we are confident the project will save 28 million kWh of electricity per year. The project is very cost effective at a levelized cost of $0.007/kWh.

Preston noted the project has transmission and distribution benefits and potential peak capacity load reduction. He thinks we should accentuate these benefits in decision documents.

Larry Easterly, OSU project manager for the project, came forward. He noted the plant will provide approximately half of the campus' electric load. Roger asked why it took so long to get the project completed, and why there are not more such projects elsewhere in Oregon. Larry said the university system is looking into other potential applications, including on the U of O campus. The university will save about a half million in annual energy bills from this OSU project. Dan Enloe asked what the fuel is (it is natural gas) and asked if our policies would allow supporting a CHP project that burns coal. Steve thought the policy is silent as to fuel type but a coal burning project would probably not be able to secure an air quality permit.

Debbie noted the OSU request was for $3.5 million from Energy Trust, while we are offering $2.3 million, and asked how the gap will be covered. Larry said F bonds would be used. Al asked if the plant could be used for emergency power for the local hospital, other facilities or the community at large. Larry said the plant allows providing emergency service to the university, freeing up power for the remainder of the community.

Margie noted the project will also receive funding from The Climate Trust. This is the second collaboration between Energy Trust and The Climate Trust. The first such collaboration was the Blue Heron project.

RESOLUTION 485
WAIVE THE NEW BUILDING INCENTIVE CAP FOR AN OSU CHP PROJECT

WHEREAS:

1. **Combined heat and power (CHP) systems simultaneously produce electrical and useful thermal energy from a single fuel. CHP projects can be a considerable source of efficiency, reduce greenhouse gases and defer investment in transmission and distribution lines.**
2. **OSU has been planning a CHP plant to serve campus needs for about 7-8 years. The project is expected to meet State Energy Efficiency Design (SEED) program requirements, exceed the Oregon building code by 20 percent or more, and save 28 million kWh of electricity per year.**
3. **Energy Trust analysis shows that:**
   - **Power from the proposed project will be used on site;**
   - **At an incentive of $0.08 per kWh, the project is cost-effective;**
   - **assuming savings of 28 million kWh per year, a total incentive payment of $2.23 million is warranted;**
   - **The project would save energy at a very attractive cost: $700,000 per average megawatt, and a levelized cost of $0.007/kWh; and**
   - **Project savings are expected to persist beyond 20 years.**

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

1. **An incentive payment to OSU of $2.23 million from the 2009 New Buildings program budget for the proposed CHP plant; and**
2. **The executive director to negotiate and sign an agreement consistent with the terms and assumptions of this resolution.**

Moved by: Caddie McKeown Seconded by: Debbie Kitchin

Vote: In favor: 10 Abstained 0
Opposed: 0

Adopted on September 3, 2008, by Energy Trust Board of Directors.

John Savage left the meeting.

PECI contract extension for Home Energy Solutions-New Homes and Products program. Residential sector manager Kendall Youngblood briefed the board on the decision to extend the New Homes and Products program contract through December 2009. This action is part of the current contract provision whereby the program management contract may be extended for an additional year

contingent on the PMC meeting predetermined milestones and criteria, which have been met. The board gives the executive director authorization to extend the contract given no objection by the board. She noted their stellar performance in terms of cross program referrals, building the project pipeline, innovation, teamwork and satisfactory execution of deliverables. Dan Enloe asked if adding the New Buildings program stretches PECI's capacity. Steve noted the New Buildings work will be done by a completely separate team from the one working on the New Homes program.

Phil Welker, PECI executive director, came forward. He explained the way his 27-year-old nonprofit company is organized. It is one of the largest implementers on the west coast. Margie Harris noted she had the pleasure of having helped create PECI when she worked for the City of Portland 27 years ago. She noted how fast PECI has grown – 100 new staff added last year. The board expressed no objections to extending the New Homes and Products program contract with PECI through December 2009.

Renewable Energy Program

Resolution 488 authorizing funds for the Stahlbush Island Farms biopower project. Thad Roth, biomass program manager, presented information about this resolution asking the board to authorize up to $800 million for the Stahlbush Farms biopower project located across the Willamette River from Corvallis. The project would use an anaerobic digester to create methane gas from farm waste to fuel a 1.6 MW generator. The effluent from the project would be applied as fertilizer for the farm's organic acreage. The project would sell output to Pacific Power and use the waste heat to offset the farm's natural gas for process drying. Thad explained Energy Trust's green tag policy requires Energy Trust either to own green tags in proportion to its contribution to the amount of above-market costs that Energy Trust paid (78%) or match the green tag market price if it is projected to be higher. We forecast the value of the tags to be a real, levelized $11.29, which translates to about 6,000 green tags that the Energy Trust would retain. The 6,000 tags is less than a 78% share, and represents the annual number of tags that Energy Trust's incentive would buy at our forecasted market price.

Al Jubitz asked about the forecasting methodology; Peter described it. He noted this is the clearest presentation we have made to the board applying the new green tag policy, which allows for forecast of future green tag value. Preston Michie noted our incentive represents about 12% of the project cost, and said he supports the project. Our policy allows us to negotiate with the developer between the two ways of defining Energy Trust's share of green tags. Peter noted the policy allowed us to work out a deal that is advantageous to the farm, to us and the ratepayers.

RESOLUTION 488
APPROVING FUNDS FOR THE STAHLBUSH FARMS BIOPOWER PROJECT

WHEREAS:

1. **Stahlbush Island Farms, a family-owned farm, proposes to use an anaerobic digester to create methane gas from farm residuals to fuel a generator with a name-plate, maximum capacity of 1.6 MW, expected to generate 1.3 aMW annually.**
2. **The project would sell its output to Pacific Power under standard QF terms, generate waste heat to meet the digester's thermal load, and offset the farm's**

natural gas for process drying, apply effluent from the digester to land to expand the farm's organic acreage, and offset about 4,327 tons of CO_2 per year.

3. **Energy Trust analysis shows:**
   - **The project's above-market costs are about $1.067 million**
   - **The applicant seeks an incentive of $827,000, which would cost Energy Trust about $636,000 per aMW. In comparison, the Rough & Ready biomass project cost $1.48 million/aMW, and the Columbia Boulevard biogas project cost $241,000/aMW**
4. **Green tags:**
   - **The Energy Trust green tag policy requires Energy Trust either to take ownership of green tags in proportion to its contribution to above-market costs (which would be 78% of the tags), or match the green tag market price if it is projected to be higher.**
   - **A 78% share of green tags translates to $7.54 per tag, levelized. Energy Trust's low market forecast shows green tags at $11.29, levelized. Taking ownership of 6,000 green tags would meet the future market value of the tags consistent with the green tag policy.**

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

1. **An incentive payment to Stahlbush Island Farms of $827,000 from the 2008 Biopower program budget for the proposed project; and**
2. **Energy Trust shall take ownership of 6,000 of the project's green tags annually;**
3. **The executive director to negotiate and sign an agreement consistent with the terms of this resolution.**

Moved by: Preston Michie Seconded by: Rick Applegate

Vote: In favor: 10 Abstained 0

Opposed: 0

Adopted on September 3, 2008, by Energy Trust Board of Directors.

Break

The board took at 20 minute break at 3:05 pm.

Preston Michie left the meeting.

Committee Reports

Finance and Compensation Committees. John Klosterman said the compensation committee met in executive session with the board today. They identified some work items to be completed by the end of the year. The finance committee reviewed the second quarter report and raised several questions related to this. They also reviewed the status of the preliminary internal controls evaluation project.

Strategic Planning Committee. Rick Applegate noted the board expects to adopt a new strategic plan next spring. He said Nancy Klass is seeking to establish dates for two workshops this fall, one on innovation and risk management and the other on SmartGrid and demand management He noted staff had drafted a new vision statement, mission statement and goal areas, along with draft interim goals for 2013. The materials drew from discussion at the June board strategic plan work session. Margie then asked for comments, either now or by email.

Debbie applauded reference to reduced energy use in the new draft vision statement, implying lifestyle and behavior changes, Rick echoed her comments. Julie thought the references in the vision statement to types of clean energy may be limited. John Reynolds worried that eliminating references to renewables and efficiency might make it possible to misconstrue our vision to include clean coal. Julie was concerned that the word "reduce" connotes sacrifice. John Klosterman thought reducing waste should be stressed. Julie was more comfortable with references to waste and conservation than to "reduce."

Margie asked for comments on the draft new goal areas, which are non-quantifiable, in contrast to current goals. Roger suggested adding reference to sustainability. Al suggested strengthening the reference to using less and living more sustainably. Roger and Rick suggested politicians do not embrace language about cutting back.

Lori Koho suggested referring to ratepayer resources not to Energy Trust resources, to make clear where the money came from. Rick recalled during the retreat we discussed the aspect of our work aimed at lowering the overall cost of energy. Long term, if we need to build more plants the cost of energy will go up. Betty noted ratepayers will have received their largest bills of the year in January just as the legislative session begins, and we can expect this to influence legislators.

Margie and John Volkman were glad to receive the board's comments and will incorporate them into revised versions of these statements for further consideration by the strategic planning committee and full board. Such revisions will be included as part of the final draft strategic plan for future board consideration.

Audit Committee. Julie Hammond reported that the audit committee met and reviewed the status of the internal controls evaluation. She added that the committee is looking for new members. The committee is getting ready to start the management audit process. They will gather feedback from the internal controls study, staff and the board on areas to focus on. Management audits are required by the OPUC every five years.

Policy Committee. Jason Eisdorfer was not present. John Reynolds explained that he has a new position with BPA and had thought he may need to resign from the board and therefore elected not to attend the board meeting until this was formally resolved. Margie stated that in an email from Jason, he was hopeful that because we are a non-stakeholder board, he may be able to stay. John noted Vickie Liskey was to have been with us today for her last board meeting but her mother became gravely ill and in fact had passed away this morning. Vickie did not travel to Portland.

Margie reviewed highlights of the policy committee report. She commented on proposed natural gas utility rate increases, bonus incentives and the fall advertising campaign, which will feature cobranded print ads with logos of all our participating utilities. Responding to a question from Julie, she reviewed many ways in which Energy Trust has been preparing to meet additional demand this heating season. Margie expressed concern about whether there will be enough contractor resources to serve the growing demand.

Margie noted the work of the regional Northwest Energy Efficiency Team effort, led by BPA.

Program Evaluation Committee. Debbie Kitchin noted the packet includes summaries of the Home Energy Solutions and Production Efficiency program evaluations. She said some of the issues raised include treatment of free riders and spillover. Phil Degens said the team has agreed on an approach to considering free riders and spillover that can work across all programs.

Staff Report

Kendall Youngblood provided a special feature presentation of the New Homes and Products program. She noted the refrigerator recycling program. Over 500 units have been scheduled for pickup. Homeowners get $30 for the free removal. We have processed over 450 efficient new fridges. The program has processed over 13,000 $100 clothes washer incentives this year, a 12% increase over this time last year. We've sold over half a million CFLs. The Change a Light fundraiser has sold 822 bulbs through 11 organizations, raising $1,600 for them. Kendall provided statistics on green certified homes – they sold for $27 more per square foot than traditional homes, made up 13% of all new homes sole in July (36 compared to 238), average cost was $61,155 more than average homes, and green homes were on the market for 17 days less than traditional homes.

Kendall then showed a chart of new home starts nationally and in Oregon. We're projecting 7,800 homes next year, compared to earlier projections of 16,000 homes. She introduced the new Energy Performance Score certificate. The certificate is tied to software called RemRate. Program staff uses it to model new homes based on building plans, and then later performs two inspections – one before drywall goes up and the other a blower door test after completion. The certificate also includes a carbon rating, which is useful to mortgage and insurance providers who give discounts for low-carbon properties. Going forward, every new home will be modeled and actual savings calculated by RemRate will be used rather than deemed savings from meeting ENERGY STAR. We will pay for savings, $50 per index point plus bonus at milestones.

Margie mentioned highlights from the second quarter report, which shows increases in savings and generation compared to the same time in 2007. She covered highlights from the staff report.

Margie then reviewed the Northwest Energy Efficiency Alliance strategic plan. Margie serves on the board. Four major strategic issues have been identified for further consideration, including adopting a "fuel-blind" mission inclusive of all forms of energy, including but not limited to electricity and natural gas. Dan Enloe suggested that "fuel blind" opens the door to clean coal and nuclear. Several others made the point that the reference is in the context of being fuel-blind to efficiency and end use, not generation. She suggested board members review the summary report and she welcomes any comments received. The final draft plan will be published mid September and a final plan will be presented for adoption by the Alliance board on October 29. Margie noted the Alliance has been responsible for 15% of Energy Trust savings, mostly through compact fluorescent light bulb sales. We have a big stake in how they continue to perform. She will send the plan to board members and seek their comments.

Adjourn

The meeting adjourned at 5:10 pm.

Next meeting. The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, November 12, 2008, 12:00 noon at the Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, 12th Floor, Portland, Oregon. The focus will be on the draft 2009 budget and 2009-2010 draft action plan.