EnergyTrust of Oregon, Inc.

Policy Committee of the Energy Trust Board of Directors

December 2, 2008, 3:00-5:00 pm

Attending: John Reynolds, Roger Hamilton (by telephone), Caddy McKeown (by telephone), Margie Harris, Steve Lacey, Sue Meyer Sample and John Volkman

1. Routine policy reviews: Several policies (attached) were reviewed for routine, three-year review:

Fuel-switching: The current policy commits Energy Trust to neutrality about the pros and cons of different fuels. Financial and technical assistance are geared to help people increase the efficiency of their current fuel use, not to induce them to switch fuels. Moreover, we are still unable to forecast relative fuel prices and so we are not in a position to recommend best value among fuels. Staff recommended no changes to the policy, and the committee agreed.

Equity: While Energy Trust's quantitative goals (megawatts, therms, levelized cost) tend to drive funding toward bang-for-the-buck, the equity policy pushes Energy Trust to offer services to all the sectors that contribute to the public purpose fund – residential, commercial and industrial sectors – and try to reach difficult-to-serve groups. The policy has played a role in past budget decisions. The equity policy may have less relevance going forward as Energy Trust is funded at higher levels to get all cost-effective measures. Nevertheless, staff recommends leaving the policy as it is, except to replace references to the numerical electric and gas goals with more generic references. The committee also suggested two editorial changes: delete "agricultural" from the first bullet, and insert "such as rural or agricultural customers" at the end of the second bullet. The deletion acknowledges that program sectors are residential, commercial and industrial only. The insertion retains the concern about agriculture and acknowledges that the concern is broader: to reach rural sectors.

Screening new opportunities: This policy describes the process Energy Trust uses to screen and develop new ideas. Staff thinks the process continues to work, and recommends no changes other than to recognize the role of the strategic planning committee. The committee agreed.

Combined heat and power: This policy allows Energy Trust to offer incentives for cost-effective CHP insofar as the generation is used on-site; that portion of generation is regarded as an efficiency resource. CHP energy that feeds the grid is treated as a generation resource, not efficiency. Incentives are calculated at 80% of those offered for other efficiency projects because CHP entails higher risk. We have implemented the policy and find it useful. Staff recommended no changes except to delete the implementation provisions, which have already been completed. Roger Hamilton observed that the reference to utility buy-sell arrangements sounded like a gray area. Is it possible that these arrangements would muddle the policy's distinction between on-site efficiency and sales to the grid? Steve Lacey said that staff scrubs these projects thoroughly to be sure the distinction is respected. John Volkman said that the provision on buy-sell arrangements mirrors the Oregon Department of Justice analysis on which the distinction is premised.

3. Moving funds between programs within a program sector. Steve said that he would like flexibility to move budget funds between program budgets within a given sector (residential, commercial and industrial). The policy would be changed by changing the highlighted phrase to read: "staff may move budgeted funds from one program to another within the same program sector, without further board approval." This flexibility will allow Energy Trust to respond more nimbly to market changes, and capitalize on new opportunities. He mentioned this at a prior board meeting and there seemed to be support for the idea. Margie observed that this flexibility will be particularly valuable in the challenging economic times we expect in the coming year(s). The committee endorsed the idea and suggested it be put on the consent agenda for the December meeting.

4. CAC membership: The committee approved the substitution of Allison Spector as the CAC representative for Cascade Natural Gas, replacing Lisa Espinosa.

5. Budget outlook. Margie briefed the committee on the 2009 budget and 2009-2010 action plan. Electric revenues are slightly higher, and staff is proposing to use the increase primarily to restore funds to the multi-family program. This was our intention anyway, and it also responds to comments that we received on the budget. PacifiCorp revenue projections have dropped, however, and this will hit the renewable program. Staff is still evaluating the implications of this decrease.

Margie noted that although the board had suggested it did not need to approve new positions, the issue had come up in the PUC's review and she wanted to be sure the board was aware that the proposed budget reflects some increases: two contractor positions would be converted to full-time staff (at reduced cost); a .5 FTE increase is proposed for administrative support; and there would be four new FTEs. Margie believes that with these increases Energy Trust staff will level off unless the organization's functions change.

6. Space. Energy Trust offices are crowded and will be more so with additional positions. The current lease runs through 2011, and we are exploring additional space in the current building. In February, Margie would like to talk to the board about how far Energy Trust should go to pursue the idea of constructing or refurbishing a building that more closely reflects Energy Trust's goals, even though it would come at a higher price than conventional space. We have discussed previously with the board the possibility of joining in a Living Building Initiative, and will likely have to make a decision about it this spring.

4.03.000-P Fuel-switching Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	February 27, 2002	Approved (R84)	February 2005
Board Decision	May 4, 2005	Amended (R331)	May 2008

Summary:
The Energy Trust Board needs to provide guidance to the staff on a number of issues that will be important in designing Trust programs. This decision memo addresses fuel-switching. In their discussions, the Conservation Advisory Council and the Energy Policy Committee concluded that these guidelines are consistent with the PUC guidelines and advance Trust objectives.

Purpose:
Give Trust staff guidance on technical and policy issues as it develops new Energy Trust programs.

Policy:

- **This policy applies only to energy efficiency measures, not to solar-thermal, geothermal or other renewable energy systems.**
- **Energy Trust should not advocate fuel-switching, but may provide fuel-neutral technical information on efficiency options. That is, Energy Trust may undertake technical studies to identify efficiency opportunities and make recommendations for making an application more efficient for an energy source specified by the energy user. If the energy user expresses interest in converting to another energy source, Energy Trust may perform analysis showing the economics of alternative systems, including the savings and incentives for installing high-efficiency options for the energy source. This type of assistance should help customers consider the merits of their options.**
- **However, the Energy Trust should not provide financial incentives for converting or replacing electric or gas equipment to another fuel.**
- **Energy Trust should work with gas and electricity suppliers who wish to provide efficiency information and/or incentives for conversion, where the customer deems that appropriate.**
- **Energy Trust should revisit the Policy periodically to assess whether the Energy Trust is missing compelling opportunities.**

4.08.000-P Equity Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	May 22, 2002	Approved (R104)	May 2005
Policy Committee	March 5, 2005	Postpone review	11/05
Board Decision	September 7, 2005	Revised (R352)	September 2008

Introduction

Recognizing the Energy Trust's long-term goals to ~~attain 300 average megawatts of~~save electricity and ~~19 million annual therms of~~ natural gas, and that other public purpose funds have been earmarked for schools and low income housing needs, the Energy Trust of Oregon, Inc., Board of Directors hereby adopts as policy using the following principles in designing energy efficiency programs and allocating funding among various electricity and gas customer classes:

Policy

- Make programs available to all electricity and gas customer classes by implementing programs in the residential, commercial, ~~agricultural,~~ and industrial sectors.

- Design and implement programs for private utility electricity and gas customers that have not had access to prior conservation programs and/or where penetration rates have been historically low, such as rural or agricultural customers.

- Monitor penetration rates for all programs and adjust them as needed to ensure that all private utility electricity and gas customer classes are being served. The Energy Trust will pay particular attention to programs for underserved electricity and gas customers to ensure that they achieve penetration rates that are comparable to other successful programs operating to serve these markets.

- Improve program effectiveness to increase conservation savings and reduce costs, thereby making it possible to serve more households and businesses.

- Improve and disseminate information about the cost and availability of conservation in each private utility electricity and gas customer class.

The Energy Trust will strive for this kind of equitable distribution of programs over the next five years. Annual results may vary; however, the Energy Trust is committed to achieving these results over the course of the five-year program planning period.

4.19.000-P Screening New Opportunities

History			
Source	Date	Action/Notes	Next Review Date
Policy Committee/Board	8?24/04,9/8/04, 1/26/05	Review and discussion	2/16/05
Board	2/16/05	Approved (R318)	7/05
Policy Committee/Board	7/05	Reviewed; no changes	7/08

Introduction

Identifying and acting upon new strategic opportunities is a welcome and continuous part of being an innovative "learning organization."

An efficient process to screen and intentionally choose to pursue new strategic opportunities is desirable.

Assessments of new strategic opportunities will be concentrated within, and not limited to, the action plan update and budget preparation cycle initiated with the joint board/staff planning meeting held publicly each summer.

Policy

That the Energy Trust of Oregon, Inc., Board of Directors authorizes the Executive Director, in cooperation with the ~~Three Person/Innovation Team~~Strategic Planning Committee and other interested parties, to screen major new strategic opportunities using the following pre-screening and minimum full-screening criteria:

1. Pre-screening - Staff proposes to pre-screen opportunities to determine if there is an obvious fit for the Energy Trust, if the opportunity is plausible, is within existing budget and resources and can be absorbed into current efforts. The result of pre-screening can be either an immediate action to absorb such opportunities within existing efforts or programs, to transfer the opportunity to another potentially interested party or to not pursue the opportunity at all.

2. Minimum Full-screening - At a minimum, opportunities that warrant additional consideration beyond pre-screening will be assessed as follows:
   - Does it meet Energy Trust legal requirements?
   - Would it help us to achieve organization mission and goals?
   - Are the costs and benefits anticipated reasonable?
   - What would be the timing and what resources would it require?
   - Are partnership and leverage opportunities present?
   - Are the resources required plausible?
   - Other considerations?

3. Board and staff will plan for and include an analysis of strategic opportunities and corresponding choices for discussion as a focus of the annual board/staff public planning meeting held each year, usually in summer.

4. Ideas outside of the annual planning meeting will follow the usual course of business, being analyzed by staff with involvement from interested board members for presentation to the CAC and/or RAC and policy committee prior to consideration during a public board meeting.

5. An Energy Trust board member from ~~either the Three Person/Innovation Team~~the strategic planning and/or policy committee will update the full board on the status of ideas being considered and, for those items requiring board action, bring such new ideas forward for action during public board meetings.

4.11.000-P Combined Heat and Power Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	December 19, 2002	Approved (R149)	March 3, 2004
Board	March 3, 2004	Reviewed-No Change	February 2005
Board	February 16, 2005	Reviewed & deferred for 6 months	August 2005
Board	September 7, 2005	Revised (R348)	Report to board in early 2006; review implementation in 9/08

Introduction

Combined heat and power (CHP) projects may have certain economic and environmental advantages, including potential energy efficiencies, which make them of interest to the Energy Trust.

Energy Trust currently supports only renewable energy CHP projects, small market transformation CHP projects, and the use of waste heat for limited purposes.

The Oregon Public Utility Commission has encouraged the Energy Trust to support CHP projects that reduce customers' on-site energy requirements.

Policy

~~1.~~1. ~~Replace the existing CHP policy (resolution 149) with the following:~~
~~a.~~In addition to incentives under current policy, Energy Trust should offer incentives for CHP generation that is more cost-effective than the alternative resource and would be used on-site, not for sale (other than utility buy-sell arrangements).
~~b.~~2. Energy Trust will use budgets and structures of existing building and production efficiency programs, and adjust incentives to reflect any higher level of risk compared to other industrial projects.
~~c.~~3. Energy Trust will evaluate projects using a cost-effectiveness methodology that is comparable to that used for other industrial projects, but which accounts for unique CHP features.
~~d.~~4. Energy Trust will limit eligibility to facilities that use Pacific Power or PGE electricity.
~~e.~~5. Energy Trust will provide no higher incentives for CHP projects funded through efficiency programs than comparable CHP projects funded through the renewable program.
~~1.Implement the policy as follows:~~
~~a.September-November:~~
~~i. work with Power Council staff to develop estimates of alternative costs for typical large CHP projects;~~
~~ii. work with PUC staff to develop a way to credit CHP generation toward Energy Trust energy efficiency savings goals~~

~~b.October January: select a consultant and develop rules for determining eligibility, procedures, cost-effectiveness, etc.~~

~~c.Report to the board in early 2006, or as soon as this program element is ready to be launched.~~

~~d.Review implementation in two years to see if adjustments are desirable to promote a more diverse CHP portfolio (as opposed to a few big projects).~~

4.22.000-P Program Approval Process

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	February 16, 2005	Approved (R319)	February 2008
Policy Committee	April 15, 2008	No changes	April 2011

Purpose:

1. **Historically, the Board has approved programs in resolutions that specify projected energy savings and cost/aMW and estimated budget allocations for such items as incentives, marketing, administration and evaluation. Specific terms of program management have typically been addressed in separate resolutions authorizing program management contracts.**

2. **Experience has shown that if staff and contractors adhere to the original terms and conditions identified in Board resolutions authorizing programs, the programs may lose momentum while staff seeks approval to change program delivery, and considerable Board and staff time are consumed in complex and confusing adjustments.**

3. **Energy Trust has enough experience with these programs to warrant revising this process to make it more efficient.**

It is therefore RESOLVED:

1. **That the Energy Trust of Oregon, Inc., Board of Directors hereby authorizes all existing programs to:**
    a. **Operate under a not-to-exceed budget cap established by the Board in the annual budget approval process or by special resolution; staff is authorized to manage the program within this budget until the next annual budget review; staff may not move budgeted funds from one program to another without Board approval.**
    b. **Be managed to achieve a best-case energy savings and cost/aMW goal, recognizing that actual performance may achieve only a more conservative level below which the program would be reevaluated.**

2. **The Board will continue to review and approve program management contract terms.**

3. **Staff will provide the Board with quarterly status reports based on energy savings by program and sector (not individual contract). Reports would identify variances and reasons for them, including:**
    a. **Where long-term cost-effectiveness is trending ($/aMW or levelized cost per kWh and therm) compared to the most**

recent action plan forecast, and whether the program is apt to be cost-effective once it hits steady-state.

b. Whether the program is expected to achieve significant savings over its life.

c. If a quarterly report shows that a program is trending below the conservative end of its authorized $/aMW range, the Board may call for an action plan to address the short-fall.

4. The Board retains discretion to modify or discontinue a program if it is not meeting expectations.

5. The Board will review program status at Board meetings on a rotating basis so that all programs are reviewed over the course of a year.

6. The Board will use the budget and action plan process to review, modify and adjust program budget caps.

Moved by: John Reynolds Seconded by: Tom Foley

Vote: 8 in favor 0 abstained 0 opposed

Adopted on February 16, 2005, by Energy Trust of Oregon, Inc., Board of Directors.