Policy Committee of the Energy Trust Board of Directors

July 7, 2009, 4:30 – 5:30 p.m.

Attending: Rick Applegate, John Reynolds and Caddy McKeown (by telephone), Jason Eisdorfer, Margie Harris, Amber Cole, Fred Gordon, Andres Pirazzoli, Sue Meyer Sample, John Volkman and Peter West

1. NEEA funding proposal. The Northwest Energy Efficiency Alliance (NEEA) seeks a five-year funding commitment from Energy Trust. Staff will bring the request to the board on July 29. Over the past 7 years, Energy Trust has had the benefit of deriving 20% of NEEA savings while providing about 16% of the NEEA budget (about $3.2 million of a $20 million/year budget). The new NEEA business plan seeks to better align Energy Trust's funding with its customers and loads, which would bring our funding share to about 20% of the NEEA budget. The proposed Energy Trust funding increase would ramp in over the next couple of years, reflecting investment in additional services to meet greater demand for energy efficiency, rising costs and other factors. The NEEA business plan also proposes much more extensive programs and activities, partly in response to regional initiatives emerging from the NEET process. NEEA's current five-year request calls for about $8 million from Energy Trust per year or $39.4 million over 5 years, starting in 2010. NEEA anticipates delivering 20 aMW of savings for Energy Trust ratepayers during this period. These savings represent a projected cost to Energy Trust of 2-3 cents/kWh. Energy Trust staff believes the funding increase is fully warranted and such an increase is in part dependent upon securing incremental SB 838 funds from the electric utilities. The committee noted that increasing funding contributions during a down economy is always difficult. One alternative would be to make a firm commitment to a base level of funding with more depending on SB 838 funds. The question is whether that would be helpful or hurtful. Staff will clarify the type and timing of commitments NEEA needs and how to approach SB 838 funding contingencies. Even with funding contingencies, staff would urge a strong commitment to NEEA.

2. Utility interactions with board. Committee members have had several meetings with utilities about their potential involvement with Energy Trust, including potential board seats. A continuum of options is emerging as alternative ways to address utility interests and Energy Trust/utility opportunities, from the status quo to board seat options to a strategic roundtable option involving utilities and other stakeholders. Jason stated the he will also contact other stakeholders such as RNP, CUB and ICNU to seek their input on this subject. Jason also agreed to work with Margie and Rick to finalize a description of all options and develop a recommendation for board consideration, possibly by the September 2nd board meeting.

3. Strategic plan status. Staff revised the draft strategic plan to reflect the board discussion at the June retreat and circulated it to the board for comment. No comments were received. The committee would like to allow more time for comments. Staff will add reference to bad economic conditions in either the draft plan itself and/or the cover letter sent with the plan to solicit feedback from interested parties.

4. Risk/opportunity assessment. Margie took an initial crack at identifying potential organization risks at the June board retreat, and the draft strategic plan has

several elements that also address risk. Margie suggested the committee begin a more deliberate and focused risk assessment starting in January. Later this year, the committee will do some pre-planning.

5. Legislation: Reportedly, the governor may veto 2940, which would count older biomass projects, and the BETC adjustment bill (HB 2472). The BETC bill could have significant consequences for the Warm Springs biomass project, creating a potential funding gap that Energy Trust incentives could not fill. In addition, we will need to begin development of other residential and commercial pilot projects beyond the City of Portland, Clean Energy Works as part of HB 2626 (EEAST).

6. Avoided costs. Fred reported on proposed changes to gas avoided costs. We have new numbers, CO_2 value is climbing, and avoided costs are going up. Staff is talking to utilities and PUC staff about them.

7. Updates: NW Natural programs are going great guns and, as anticipated, we will need additional funds to keep them going. We have been discussing this with NW Natural, which has just announced a rate reduction because of lower gas prices. If we need to bridge a gap, we can consider using a line of credit. The committee noted that we can’t count on more funds from a rate adjustment unless it is very well-wired. Peter noted that we need to consider new and different management tools to deal with situations like this now that our funding cushion is gone.