Policy Committee of the Energy Trust Board of Directors

August 14, 2009, 2:30 – 4:30 p.m.

Attending: Jason Eisdorfer, Margie Harris, Amber Cole, Fred Gordon, Steve Lacey and John Volkman; by telephone: Rick Applegate and John Reynolds

Utility-related issues. Jason updated the committee on his conversations with interest groups on the idea of Energy Trust board seats for the utilities. One group he talked to suggested that while utility seats may not be a bad idea, it does open up the entire subject of a representational/stakeholder board. If utilities are represented, why not others? Those Jason spoke with found the idea of utility voting seats flatly unacceptable, and described non-voting seats as poor public policy. The idea of a strategic utility roundtable with periodic, strategic discussions between the Energy Trust board and utilities with others invited to observe and participate, is still open. The committee will outline for the board all options the committee has discussed, focusing more specifically on the idea of two non-voting seats (one gas and one electric) and the strategic roundtable. The committee is inclined to recommend the latter. Jason will give the utilities a heads-up about the committee's outreach and thinking.

Organizational redesign report. Margie briefed the committee on the results of the organizational redesign process. Recommendations address work flow, customer focus, structural and cultural changes. The Audit Committee has talked about whether the management audit should be delayed pending the organization redesign. The Audit Committee decided against delay. One of the firms that submitted a proposal for the management audit had a lot of depth in organizational development and culture issues. Margie said she would brief the consultants retained for the management audit on the organizational redesign, and consider whether the other firm may be helpful in training or implementation as the redesign is implemented.

Risk assessment. Margie has received suggestions that she reach out to legislators about Energy Trust and provide an introduction about what we do and why. John Reynolds said he could be involved in that. Jason said that if the redesign recommendations suggest the need for a capacity to take a longer-term, broader perspective on opportunities and challenges, it might address some of the needs that would be addressed by a risk assessment. We need a risk assessment capability that is systematic and conscious, and this has been left out of the organization's strategic plans and retreats so far. Margie also wants to address these issues along with a unique set of threats/challenges and will bring some ideas to the next policy committee meeting.

NW Natural. Steve outlined staff's thinking about how to report on services to NW Natural customers in Washington. There are several audiences to consider: NW Natural, the board, the WUTC and the OPUC. The committee thinks it is best to provide a lot of information in the beginning and, if experience shows less would be better and sufficient, we can adjust. In any event, reports will segregate Washington spending and results. Steve will check with the OPUC on how much information they would like to see about our Washington services. A similar issue is involved in the NW Natural Industrial program, which will also be separately tracked and reported.
Margie noted that NW Natural is proposing to increase its public purpose charge. We have been discussing this with them for the last several weeks. Yesterday, at a meeting

with the OPUC, CUB and NW Natural, it was agreed that Energy Trust should try to get all the cost-effective gas conservation it can for NW Natural ratepayers, even during this downturned economy. The total NW Natural budget would increase to $23.7 million to do this. The parties also discussed the need for clarification about their respective roles in Energy Trust program delivery, and how they relate to the rate of acquisition to meet IRP goals. Margie's view is that IRP goals should be agreed upon and resolved by the OPUC and the utility. Energy Trust can participate by identifying efficiency potential and identifying corresponding program opportunities and strategies. However, Energy Trust should not in the role of advocating funding levels. Jason said the level of funding and pace of efficiency acquisition should start and end with the OPUC. Utilities are key participants. Energy Trust is not charged with that decision, and has to inform the discussion. NW Natural, OPUC and Energy Trust have a meeting scheduled for September 10 to talk further about roles and how to make determinations about changing the public purpose charge, including the process to be followed on an annual basis. Jason advised that we be careful not to create a solution that causes new problems. Steve noted that we are having a similar conversation with PacifiCorp about SB 838 supplemental efficiency funds. Theresa Gibney, our OPUC liaison, has begun a paper addressing the role issues in preparation for the September 10 meeting.

Short items:

- **Self-direct policy** (attached): At the May policy committee meeting, staff asked for time to consider whether to propose changes in the self-direct policy. Staff's concern had to do with the difficulty of identifying self-direct sites and determining when large users are actually using self-direct credits. After exploring the matter in more depth, staff decided these problems could be addressed in the pending information transfer proposal (see below). Accordingly, staff recommended no change in the self-direct policy, and that it be extended for another three years. The committee agreed.
- **Status report on information transfer proposal.** With a new OPUC liaison, we have reinitiated discussions of the OPUC information transfer rules. OPUC staff sees the logic of eliminating the opt-in feature of the current rules for large energy users. Staff will continue to work with the parties to see if there is consensus about the opt-out process. The committee noted that this issue would likely arise in the management audit.
- **New disclosure requirements.** The legislature adopted new disclosure requirements for Energy Trust directors and officers, and the resemble those that apply to state officials. Staff has prepared a disclosure form that aims to cover the new state requirements and federal form 990 requirements in one fell swoop. The committee agreed that the disclosure form should be developed by staff without board involvement.
- **ODOE.** Margie noted that Betty Merrill has left ODOE and taken an assignment at ODOT. She has left a message with Mark Long, ODOE Executive Director, regarding who will serve as the ODOE representative on our board.

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4.10.000-P Eligibility of Self-Direct Businesses for Energy Trust Incentives

History			
Source	**Date**	**Action/Notes**	**Next Review Date**
Board Decision	May 8, 2001	Approved (R27)	November 28, 2001
Board	November 28, 2001	Reviewed, Revised (R58)	January 30, 2002
Board	January 30, 2002	Reviewed, Revised (R69, R70)	April 3, 2002
Board	April 3, 2002	Reviewed, Revised (R96)	October 30, 2002
Board	October 30, 2002	Reviewed, Revised (R137)	October 2005
Board	May 25, 2006	Reviewed, Revised (R392)	May 2009

ENERGY TRUST POLICY ON SELF-DIRECTION

WHEREAS:

1. **Oregon law allows entities that use over one average megawatt of electricity a year at a single site to direct their own electric efficiency and renewable energy projects and deduct the cost from the public purpose charge on their electric bills.**
2. **In 2002, Energy Trust adopted a policy allowing self-directors a full Energy Trust incentive for the new project only if the self-director agrees not to use self-direct credits at the same site for 36 months. The policy recognizes that self-directors should not have the same access to Energy Trust incentives as electric users who pay the public purpose charge.**
3. **The board wishes to clarify the policy and to make two substantive changes meant to facilitate the policy's administration.**

It is therefore RESOLVED:

The Energy Trust policy on self-direction is as follows:

<u>Purpose</u>: Energy Trust generally supports projects only of energy users who pay into the three percent public purpose fund on which Energy Trust programs are based. At the same time, Oregon's self-direction requirement can lead to situations in which an energy user reduces or eliminates its contribution to the public purpose fund by implementing energy efficiency or renewable energy measures certified by the Oregon Department of Energy. This policy outlines circumstances in which a self-directing energy user nevertheless qualifies for Energy Trust support.

1. <u>Incentives:</u>

A. <u>No incentives for self-directed measures</u>: No Energy Trust incentive will be given for any measure ("measure" includes technical studies and commissioning services) for which self-direction credit is also claimed.

B. <u>Measures exempted</u>: As long as it claims no self-direct credit for these measures, an energy user may receive 100% of the standard Energy Trust incentive for the following measures:

- **unitary HVAC systems;**

- **motor replacement; and**
- **measures determined by Energy Trust staff to have modest costs ($3,000 or less per project) and savings, and where application of this policy's requirements would unreasonably interfere with efforts to encourage participation in an Energy Trust program.**

C. <u>All other measures</u>: An energy user that seeks an Energy Trust incentive for a measure other than those exempted above:

- **must agree not to use any self-direct credits for 36 months at the same ODOE-certified site as the site of the proposed Energy Trust measure, and receive 100% of the standard Energy Trust incentive for the measure. After 36 months, the energy user may resume using self-direct credits, or**
- **if the energy user continues to use any self-direct credits for non-Energy Trust measures at the same site, the energy user will receive 50% of the standard Energy Trust incentive for the measure.**

2. <u>Restrictions on funding for self-directors:</u> No more than $1.5 million/year of Energy Trust funds (combined total) will be paid for efficiency projects to all firms that self-direct. With board approval (in the annual budget process or otherwise), this amount could be adjusted upward if program demand is running behind funding for a sustained period.

3. <u>Allocation by customer class</u>. Allocation of Energy Trust funds to self-directing end-users will not change the allocation of funds by customer class.

4. <u>Repayment requirement</u>: If the energy user accepts a full Energy Trust incentive for a measure and agrees not to use self-direction credits on its electric bill at a site for a 36-month period, Energy Trust staff:

A. Shall require repayment if the self-director begins using credits before the 36 months has ended. If required, recovery will be by the following formula: Refund Amount = 0.5 x A x B, *where* A = total amount of Energy Trust incentives paid and B = 36 minus the number of months elapsed since measure installation or completion, divided by 36. Repayment must be completed within two years of the time the repayment obligation is triggered.

B. May waive repayment for projects whose repayment obligation would be $3,000 or less.

5. <u>Energy efficiency and renewable energy measures considered separately:</u> Energy efficiency and renewable energy measures shall be considered separately for the purposes of this policy. That is, during the 36 months after a measure is installed at a site, a self-director may use self-direction credits for a renewable energy project at an ODOE-certified site if it receives Energy Trust incentives for an energy efficiency project at that site, or *vice versa,* with no repayment requirement.

Adopted on May 25, 2006, by the Energy Trust Board of Directors