Board Meeting Minutes – 93rd Meeting
November 4, 2009

Board members present: Rick Applegate, Jason Eisdorfer, Dan Enloe, Roger Hamilton, Julie Hammond, Al Jubitz, John Klosterman, Debbie Kitchin, Alan Meyer

Board members absent: Preston Michie, Caddy McKeown, John Reynolds, John Savage *ex officio,* Mark Long *ODOE special advisor*

Staff attending: Debbie Blanchard, Pete Catching, Amber Cole, Kim Crossman, Phil Degens, Diane Ferington, Fred Gordon, Margie Harris, Nancy Klass, Steve Lacey, Debbie Menashe, Sue Meyer Sample, Thad Roth, Brien Sipe, John Volkman, Peter West, Kendall Youngblood

Others attending: Jim Abrahamson, Cascade Natural Gas; Jeremy Anderson, WISE; Joe Barra, PGE; Jeff Bumgarner, Pacific Power; Tom Doberstein; Michael Early, ICNU; Pat Egan, Pacific Power; Claire Fulenwider, NEEA; Theresa Gibney, OPUC; Shelli Honeywell, ODOE; Bob Jenks, CUB; Cory Kniefel, Sustainable Solutions; Holly Meyer, NW Natural; Bob Stull, PECI; Jan Schaeffer

Business Meeting

Vice President Rick Applegate called the business meeting to order at 12:10 pm.

General Public Comments

Pat Egan, Pacific Power, said he appreciates the collaborative customer outreach done by his team and Energy Trust, including a number of energy efficiency seminars held over the past few weeks. He provided an update regarding where Pacific Power is on pending supplemental efficiency funding through SB 838. The first year after the bill was passed, Pacific Power agreed to divide SB 838 funds 95% for Energy Trust with the utility retaining 5 percent. Efficiency is a big part of our IRP and provides the highest value we can get for our customers, he said. At the same time, as Pacific Power works with Energy Trust on plans for SB 838 funding in 2010, many things affecting rate case filings have to be considered. For next year, Pacific is looking at an increase from one percent to three percent in 838 funds, retaining the 95-5 percentage split. They expect to retain Kari Greer as liaison to Energy Trust and add a couple of individuals/contractors, to help with outreach and follow-up with customers attending energy efficiency seminars. This would include answering questions and having someone be on site to evaluate efficiency opportunities in their facilities.

Jeff Bumgarner, Pacific Power, noted the proposed increase in 838 funding will go up from 1 percent to 3.5 percent — now larger than the public purpose amount under SB 1149. He noted the company is reviewing documentation Energy Trust staff provided on 838 plans to make sure they understand how funds will be expended. He expects Pacific to have recommendations together by the end of November/early December to be ready for a tariff filing.

Pat knows from Energy Trust's perspective, it would be ideal to have 838 funding in place by January 1. He thinks Pacific Power can meet the January 1 timeline but it will be tight. He is hoping the understanding reached will cover two years. He noted that SB 1149 and SB 838 are different pieces of legislation and he thinks the accounting and tracking should also be separate. He recalls OPUC thinking the funds should be separately tracked.

Jason Eisdorfer asked about the level of separate accounting for 1149 and 838 funds how it would work, given that the funds go into the same programs? Pat thinks the funds ought not to be blended and that we ought to have some ability to see how funds have been expended. He understands that blending provides some economies of scale, so long as they are accounted for separately. He noted that large customers are not paying into the 838 funds.

Jeff described 1149 funds as somewhat of a pass-through. He echoed the need to document how 838 funds are being spent to acquire savings. He just wanted to assure understanding and make sure folks are all on the same page. He knows funds will be blended. He added that for 838, there is a greater burden on the utility to ensure those funds are spent appropriately. He mentioned the possibility that Pacific Power would offer some services directly, e.g., demand response programs.

Roger Hamilton asked if the total of 838 and 1149 funds is sufficient to meet the IRP goals. Jeff said the numbers reflect Energy Trust's information about the cost of delivering efficiency to meet the IRP goals. Pat noted the changed context since 838 was enacted. There's much higher interest in energy efficiency programs. He doesn't know if the amount proposed, based on Energy Trust input, is enough or not enough.

Margie Harris said she appreciates the collaboration and endorses the increase Pacific Power is proposing to achieve in the IRP goals. She thinks the discussion points to how important the IRP has become. She said we will break down our budget by utility.

Joe Barra, PGE, said Pat has mentioned most of the important things needing to be said, including the significance of the IRP. He said PGE is further along in the process of determining an 838 amount for 2010. PGE is very comfortable with Energy Trust's numbers, and expects a 1.5 percent increase in rates, starting January. He appreciates the close relationship and collaboration with Energy Trust. PGE will retain the 95-5% split, and looks to add two FTE to support programs, especially for small commercial customers, those in the S. and W. parts of their service territory and some moderate marketing funds. PGE shares PacifiCorp's feeling that the utility is more accountable to explain to its customers why additional 838 funds are needed and how they are being spent. He expects PGE to file its tariff with the OPUC within a week to hopefully take effect January 1, 2010. In terms of accounting, his primary concern is that customers over 1 average megawatt who do not contribute to 838 do not get a disproportionate share of 1149 funds. Other than that issue, he understands blending the funds will happen to obtain economies of delivery.

Al Jubitz asked how much PGE's retained 5 percent would be. Joe said about $1 million.

Michael Early, ICNU, commented that although industrial customers generally are not part of 838 funds, many of his customers do have meters which use less than one average megawatt. It is not apparent to him why if the total revenues increase, the five-percent utility holdback should stay the same. He noted industrial customers support conservation and thinks the Trust is doing good work. He wants to avoid duplication of administrative efforts and have as much of the dollars returned to the customer as incentives.

Consent Agenda

Al Jubitz asked to move the September 2 meeting minutes and resolution 528 from the consent agenda.

MOTION: Approve Consent Agenda (only Resolution 527 remained on it).

Moved by: Debbie Kitchin Seconded by: Jason Eisdorfer

Vote: In favor: 9 Abstained: 0

Opposed: 0

Adopted on November 4, 2009, by Energy Trust Board of Directors.

September 2 meeting minutes. Removed from Consent Agenda.

Al Jubitz requested the minutes be removed from the Consent Agenda to make a correction on page 2, middle of second paragraph should read: "Al spent $72,000 to re-lamp."

Moved by: Roger Hamilton Seconded by: Jason Eisdorfer

Vote: In favor: 9 Abstained: 0

Adopted on November 4, 2009, by Energy Trust Board of Directors.

Amending policy on Waiver of Program Incentive Caps, Resolution 527. Part of Consent Agenda.

WAIVER OF FUNDING CAPS IN ENERGY TRUST PROGRAMS

WHEREAS:

1. **Energy Trust policy requires board approval for any incentive that exceeds the relevant incentive cap of the Production Efficiency, Building Efficiency and New Buildings programs.**
2. **The policy does not limit incentives to any specific dollar amount, however, under a separate policy, the Executive Director is allowed to sign contracts without board approval only if they do not exceed $500,000.**
3. **Although no program currently allows incentives of more than $500,000, for the sake of clarity, staff and the policy committee suggest that incentives be capped at the same level that applies to the Executive Director's contracting authority.**

It is therefore RESOLVED that the Board of Directors of Energy Trust of Oregon, Inc. amends the policy allowing waiver of limits on incentives to clarify that no program incentive may exceed $500,000 without board approval, as shown in the attached mark-up.

ATTACHMENT 1

4.20.000P Policy on Waiving Program ~~Production Efficiency Program Funding~~Incentive Caps

~~Introduction~~

~~Recognizing the Energy Trust's long-term goals to attain 300 average megawatts of electricity and 19 million annual therms of natural gas, and that there are opportunities in the industrial sector to secure substantial energy savings at low acquisition cost, the Energy Trust board has given staff flexibility to waive the incentive cap for extraordinarily cost effective industrial projects.~~

~~Policy~~

The board may approve exceptions to ~~the Production Efficiency, Building Efficiency and New Building Efficiency~~ program incentive limits (which may exceed $500,000 per incentive only with board approval) for projects that meet the following criteria:

1. **Exemptions require suspension of self-direction for a minimum of 3 years.**
2. **Exemptions will be approved only if there is available incentive budget.**
3. **Projects are expected to save energy at a cost per annual unit of energy saved ($ per annual kilowatt-hour/therm) to Energy Trust that is less than the current incentive levels for the applicable program.**

Moved by: Roger Hamilton Seconded by: Jason Eisdorfer

Vote: In favor: 9 Abstained: 0

Adopted as part of the Consent Agenda on November 4, 2009, by Energy Trust Board of Directors.

Waiving Self-direction policy for Service Incentives for an Industrial Pilot, Resolution 528. Removed from Consent Agenda. Al Jubitz feels he does not have an adequate understanding of the self-direction policy. Peter West offered an explanation. Kim Crossman provided context. The pilot's first year is nearly completed, with the first group of participants wrapping up and the second group of 10 participants just beginning the year long process. The pilot services were provided to participants through a delivery contract with SEG. For the 2nd year of the pilot, SEG's services are being provided as service incentives, not delivery, which is more in keeping with the scope of the services. Although delivery is exempt, service incentives are subject to the self-direct policy, which requires self-directors to pay for half of study costs. This re-classifying of costs poses problems for the self-direct businesses in the 2nd pilot group, who have already enrolled and begun the pilot without requirements to pay to participate. The request is to waive the self-direct policy for the service incentives only for less than 3 self-direct participants in

2010. These participants will still be subject to the policy for cash incentives, and therefore only eligible for 50% cash incentives for savings achieved through the pilot.

WAIVING SELF-DIRECT POLICY FOR SERVICE INCENTIVES FOR AN INDUSTRIAL PILOT

Whereas:

1. **Generally, Energy Trust supports projects of energy users who pay public purpose charges by which Energy Trust programs are funded.**
2. **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.**
3. **Under Energy Trust policy, these "self-directors" qualify for a full Energy Trust incentive for a new project only if they agree not to use self-direct credits at the same site for 36 months.**
4. **Under Energy Trust's Industrial Energy Improvement project, a two-year pilot, Energy Trust provides energy management services for industrial customers, the average value of which is about $40,000 per site.**
5. **In 2009, these services were characterized for accounting purposes as PDC costs. PDC costs are not assigned to particular customers, not treated as incentives, and so these services were not limited by the self-direct policy.**
6. **Energy Trust intends to reclassify these costs as "service incentives" in 2010. Service incentives are covered by the self-direct policy.**
7. **Applying the self-direct policy in the second year of the pilot could significantly affect the results of the pilot, and increase the pilot's administrative complexity.**

It is therefore RESOLVED that the Board of Directors of Energy Trust of Oregon, Inc. waives application of its self-direction policy to service incentives paid through the Industrial Energy Improvement pilot for no more than three self-directors that participate in year two of the pilot.

Moved by: Debbie Kitchin Seconded by: Julie Hammond

Vote: In favor: 9 Abstained: 0

Adopted on November 4, 2009, by Energy Trust Board of Directors.

Draft 2010 Budget and draft 2010-2011 Action Plan

Margie Harris thanked all staff, in particular Pati Presnail and Sue Sample, for their work preparing the budget. She noted the comments by utility representatives earlier in the meeting bear on the budget, which assumes increased revenue from SB 838 funding.

She reviewed 2009 forecast savings and generation. Electric efficiency is expected to be 36.4 average megawatts—94 percent of stretch case and a 13.4 percent increase from 2008. Gas efficiency is expected to acquire 2.95 million annual therms—92% of stretch case and a 14.7% increase from 2008. Renewable energy programs are expected to achieve 5.0 average megawatts in new generation and may be less depending upon when projects are actually completed.

John Klosterman asked why the numbers seem out of sync with the economy. Fred said new construction activity has fallen off severely, while retrofit activity has expanded significantly. This is the first recession in Energy Trust history, so we cannot compare with the past. Joe Barra said capital-intensive projects are generally delayed during a recession.

Margie introduced the different factors the budget was designed to address, including:

- Increased utility IRP savings targets
- Fluctuating, decreased utility revenues
- Growth in program demand
- Rising acquisition costs – reflecting going deeper into markets, more customer hand-holding and other factors
- Increased NEEA investment
- Less reserves; we are rebuilding at 5 percent for each utility
- Pending tariff filings
- Legislative initiatives, such as EEAST pilots, SB 3039 (feed in tariff)
- Organizational redesign

Margie showed an adjusted five-year electric goal, reflecting expected IRP/838 funding. Alan Meyer asked why the table shows a 10 aMW gain between 2009 and 2010, and much smaller gains thereafter. Fred said the pattern reflects a blend of factors. Theresa Gibney said the shape of the curve reflects anomalies in Pacific Power's IRP. Fred noted also that the big gain in 2010 reflects one large biopower project.

Al asked whether, if we failed to invest the additional 838 funds, would the IRP curve drop down? Fred said the curves assume no new measures—a conservative assumption. In reality, as low hanging fruit disappears, we will be bringing new measures on line. For the curve to go down, we would have to do less "more" each year.

Margie showed the gas efficiency five-year goal, which shows two scenarios, one with and one without gas industrial spending on efficiency continuing beyond the pilot phase now underway.

She presented the renewable energy five-year goal, cumulative, which reflects the changed mission through 838 that had the effect of reducing renewable generation opportunity.

Alan said the financial cash flow statements show reserves flattened but not declining. Margie said that carryover reserves accrue by utility. Some of the money in the "reserve" category is actually committed for renewable energy projects to be completed and paid in out years. Dan asked when monies reserved for renewable projects can be freed up. Margie said we recently released funds reserved for the Warm Springs project; these decisions are made as one offs.

Margie noted the total 2010 budget proposed is $145 million, reflecting 838 funding. Total energy efficiency budget is $22.7 million for gas, $85.8 million for electric; and renewables budget (accounting perspective) is $32.1 million.

She noted the budget anticipates exceeding all OPUC performance targets.

Julie Hammond says she has not seen any customer service reports to the board and wonders how this information, relevant to one of the performance measures, is gathered. Margie said the data is collected as part of evaluations. She can make a note to report on customer satisfaction to the board as she does to the OPUC.

Dan Enloe asked whether we have considered giving awards to top performers in terms of customer service among our trade allies, as Angie's List does. Margie said we are considering listing contractors in tiers, with the highest tier reserved for trade allies with highest volume and highest demonstrated quality and standards. We currently provide trade ally recognition and rewards. The "Angie's List" approach was not received well when presented to the CAC.

Margie showed slides comparing the renewable energy budget on an accounting basis and activity basis. There is variability depending on when payouts are made. She noted the 2010-11 plan expects to maintain support for a variety of technologies, providing assistance early in the decision process, expanding market opportunities, addressing funding constraints, and continual engagement with our utility partners. There is no mechanism for increasing spending on the renewables side as there is on the efficiency side.

She showed the range of aMW generation for each renewables technology under conservative and best case assumptions in 2010 and 2011. She identified external influences that impact renewable energy strategies, necessitating a flexible and adaptable approach, including changing federal support, BETC changes, renewable energy credit markets, "qualifying facility" avoided cost rates, and outcomes from rulemaking for the solar feed-in tariff.

Debbie asked about the REC market comment. Jason said these uncertainties have to do with, for example, whether carbon markets in California will bid up costs for renewable energy credits. Margie noted passage of a national cap-and-trade system would impact these costs. Board members recognized this topic as deserving strategic attention.

Turning to efficiency, Margie noted the aMW IRP goal for 2010 is 30 percent higher than 2009, although we still are negotiating with utilities. She noted a shift in budget to reflect moving the multifamily program out of residential and into commercial (Existing Buildings). Overall, we are projecting more incentives, some higher delivery costs, greater budget investment and greater savings. NEEA is going up, from in 2009 $4.1 million, 6 aMW; to $6 million, 6-7.9 aMW in 2010.

She then reviewed the gas efficiency budget, which will increase from $19.1 million to $23.4 million in 2010. Savings increase from 3 million annual therms to 3.7-4.7 million annual therms.

She showed a table depicting acceleration to meet IRP electric goals, and another one for gas. By sector, the homes program will invest more in lower-to-moderate income homes, emphasize more home electronics and appliances, retail initiatives, Living Wise kits, and deepening market share for new construction markets. On the business side, targeted, tailored outreach will reach hospitals, universities and community colleges, focus on an expanded operation and maintenance pilot and on multifamily delivery. Industrial and agriculture efforts will focus on food processors, nurseries and greenhouses and operations and maintenance, continuous improvement strategies, wastewater treatment, equipment incentives and small industrial/gas.

She reported on currently expected 838 amounts from PGE and Pacific Power. PGE's expected increase is 1.26 percent; Pacific Power's is expected to be 2.14 percent. NW Natural's 2010 tariff has been approved and includes a 1.18 percent rate adjustment for two years, totaling $2.1

million. Negotiations with Cascade Natural Gas are completed and a tariff filing is anticipated and expected to take effect January 20, 2010.

Margie reviewed identified productivity gains that have resulted from the internal redesign work, including:

- New ways to manage pilots and innovation
- Solar integration with homes and business
- Continuous improvement practices
- Project management protocols
- Improved data entry quality and reporting
- HR and office management support
- Enterprise Resource Project

She discussed planned redesign changes to enhance customer focus, including:

- Structural changes
- Market research and intelligence
- Training
- Expanded services in rural areas
- Trade ally sales force and tiered approach
- Customer relations and marketing emphasis
- Public sector account management
- Simplification

She reviewed opportunities for program innovations, including:

- Sector lead strategic role
- Clean Energy Works and EEAST pilots
- Solarize Portland
- Community Energy
- Behavioral approaches, such as O Energy in Sacramento (comparing neighbor to neighbor)
- Commercial Path to Net Zero
- Energy Performance Score and commercial building rating system

Margie mentioned new technologies we will try out in the coming year, including:

- Efficient residential water heaters
- Efficient gas fireplaces/hearths
- Heat pump repair and commissioning
- Programmable thermostat pilot
- Advanced windows
- Commercial gas roof-top units; economizers
- Waste refrigeration heat recovery
- Development engineer screening role

She then reviewed current IT challenges, including:

- 3 separate stand-alone systems (cumbersome)
- Data quality difficult to manage
- Customer opportunities lost
- Staff time wasted
- Transaction costs high

- Solutions involve different investment levels

There are three solutions under consideration, including:

- Replace one or more of current IT applications
- Continue to make incremental improvements
- Pursue full-scale Enterprise Resource Solution

The 2010 budget includes $2.3 million toward the ERP (Enterprise Resource Project) upgrade to our information systems. Of this estimate, $0.5 million is for software, $1.3 million for consultants, $24,000 for hardware, $156,000 for a contract project manager, $78,000 for a training content manager, $182,000 for training implementation services, and $18,000 for specialized IT training.

Julie Hammond asked when we will know more about the third option. Margie said a consultant (present in the audience) expects to be able to make a recommendation within a month. Julie said in her experience having one system capable of doing all three pieces (accounting, project tracking, customer management) will be hard to find. Debbie Blanchard laid out our systematic approach to determine which path to go down.

Jason asked if the current systems can track 838 funds separately. Margie answered “not easily.” She noted when we built our systems we spent $750,000. Now we’re at a different point, with a bigger mission, different funding, and more complex responsibilities that all point to the need for a different system.

Shelli Honeywell, ODOE arrived at 1:00 pm. She attended the meeting on behalf of Mark Long, ODOE Special Advisor

Al said he is nervous about the effort to have the perfect system. He suggests there be some communication to make sure all board members know what we’re after. Debbie said he thinks his point is well taken; we don’t want to overpromise what this overhaul could accomplish in the short term. We will proceed with deliberation. Margie said greater detail will be provided to the finance committee.

Julie asked if in the process we are looking at data security. Margie said yes. Debbie Kitchin suggested inviting Al and Dan into the finance committee to have a little extra review. Margie will make the meeting open to all who are interested in coming. She would welcome knowledgeable outsiders as well. Dan recommended going with a very big company, for which we are a small customer, rather than one for which we would be the major customer.

John Klosterman asked when we expect to accrue productivity gains through the topics listed on that slide. Margie said she is in dialog with our evaluation staff about how to measure this.

Margie noted that ARRA stimulus funds create opportunities for us. We have applied for only one ARRA grant for ourselves, jointly with our “sister” organizations in Vermont and Wisconsin. If we get it, we would have about $1 million to test new approaches in existing residences.

John Klosterman left at 2:08 pm.

Margie noted the challenges to our accounting practices, procurements and the like if we accept federal funds. She thinks the best option is to avoid being the direct recipient. She thinks the board should weigh this matter. Rick asked if NEEA might be a recipient. Margie said it depends entirely on what the funding is for. Al asked if we can get a waiver from the feds; Margie said she doubted this.

Alan noted some large increases in certain categories in the budget, including customer service and evaluations. Rick asked if Margie could provide additional rationale for categories with large increases. She said she would do this. Roger noted the need to look at overall percentage of overhead; Margie said this is 7 percent, against OPUC benchmark of 11 percent. She said the increases in customer service reflect presence in more remote parts of the state, and the evaluation budget reflects additional market research.

Al asked if we are planning to make sure buildings achieve high levels of energy efficiency before we pay a renewable incentive. Margie said we have open programs we use the opportunity to emphasize the importance of efficiency but don't make this a gate you have to go through. Al asked why not? Peter noted the efficiency and renewables monies in 1149 are separated, with one not linked to the other. Much of what we've done in solar, for instance, has been to assure there is a market and to remove barriers. Many of our customers double dip, into both efficiency and renewables funding. We've found a better route, rather than to deny access to solar, is to do solar when requested and use that good experience to attract them to efficiency programs. We strive to meet the customers where they are, and bring them other offerings.

Al asked if, when we have EPS available for homes, can we graduate our incentives based on the score? Peter said the score works for new homes but is not yet available for existing homes.

Break

The board took a 10 minute break at 2:25 pm.

Budget, continued.

Rick invited public comment; there was none.

Jason asked about outreach. Margie said most of the outreach is through RAC and CAC. We went to the OPUC yesterday and a public hearing will also be hosted by the OPUC . We post on our website and receive comments that way. We also meet with each of the utilities specifically on our budget. All comments received will be summarized for the board to review.

Jason said he would like a summary of the staffing tab. Margie recalled that in September the board discussed four positions she proposed to fill to jump start the organization redesign effort, and address backlog and growth in activity. At the time the board asked for metrics supporting each position. This information has now been provided in the budget briefing book. The budget also includes the NW Natural/Washington position initially identified when the board considered expanding into Washington, along with an office manager/coordinator and a customer relations/marketing manager. Currently the office manager handles all HR duties and is overtaxed. Currently there is one trade ally manager who also handles customer service. In addition, the budget proposed a contractor to serve as a public sector account manager. Demand for this is growing, especially in light of ARRA funding opportunities. It is viewed to be a temporary need.

Alan asked if the 838 funds create new programmatic and administrative needs. Margie said the utilities' desire for separate accounting of the incremental funds could require different reporting. Rick noted we need to talk more with the utilities about this, and with the OPUC.

Julie asked if we have an obligation under 838. Margie said we provide data and analysis for IRP goals established by the utility. Steve Lacey said the utilities "own" their IRP; efficiency goals, to which we contribute, are one piece of the IRP. Jason said that he thinks the 838 and 1149 funding is intended to be administered as a single fund.

Theresa Gibney said the IRP has taken a higher profile since new rules for IRP, established in 2007, for utilities to identify all cost effective energy efficiency and to prudently acquire this. They have the obligation to explain to the OPUC whether it was acquired prudently and, if goals are not met, why this is so.

Joe Barra said PGE does market assessments for energy efficiency every couple of years, jointly with Energy Trust. Efficiency covers only half of their needs going forward. He brought forward the 838 provision to fund efficiency in the IRP. He says he has an interest in making sure large customers exempt from collections to fund the 838 efficiency do not receive any of these funds, but otherwise believes the 838 and 1149 funds need to be comingled. Theresa said Joe had said in an earlier meeting that if Energy Trust were to fall one aMW short of target, this wouldn't have a major impact on PGE—so long as on average over five years, targets are met, or adjusted. Alan noted the sum of money from both sources is required to meet the IRP goal.

Roger said he isn't hearing anything substantially different in the legislative intent of 1149 and 838. Joe said in his mind 1149 established the base level of consistent spending on efficiency, 838 related to the IRP and the possibility of savings over the baseline. As far as the overall objective, he thinks—with the exception of customers over one megawatt—the funds were intended to be comingled. Dan thinks we should consider ways to separately account for 838 spending, especially as we are going after new accounting systems.

Al asked if there is anything we can learn from the BETC revelations. Margie noted Energy Trust has a different approach in that we pay upon project completion and we are not relied upon as an economic development tool. If BETC were to go down, there would be tremendous implications for our programs.

Margie reviewed next steps in the budget process:

- Strategic plan comment period extended through today
- Anticipated tariff filings by end November
- Budget outreach and comment period continues through December 1
- Revise draft final budget for December 18 board meeting

Debbie asked if board members could be sent the comments, on both budget and strategic plan, in advance of the December 18 board meeting. Margie suggested sending the staff summary of comments, as some of them come through meetings and not in written form. She would send any comments that come in letter form.

Committee Reports

Audit Committee. Julie noted we are in the middle of the management audit process. The rough draft has circulated and comments collected from the audit committee and staff. We will give the comments to the auditor and will receive the final document.

Evaluation Committee. Debbie noted minutes in the packet of the meeting in August. The committee also met in October and reviewed numerous studies. The team is cranking out study after study. We have been getting a lot of good information. Alan noted the residential market awareness study has great information. Debbie thinks the board would benefit from a presentation of this study, maybe at the first meeting in 2010. Debbie said the committee reviewed the 838 evaluation in October. She noted the field of outside evaluators is oversubscribed. They are always bringing on new staff. Energy Trust has an experienced staff and end up training evaluators. In particular for billing analysis, Phil is thinking about having staff do this in house and have outside evaluators check their work.

Finance Committee. Sue Sample said the finance committee met in mid October. The packet contains these notes and the September financials and invited questions. Julie asked if we are watching our bank closely for stability. Sue said we met with Bank of the Cascades officers just yesterday. We have moved some money into other banks just to diversify. All funds are FDIC insured.

Board Nominating Committee. Rick said he has received some names from the governor's office and is combining them with names his committee has compiled. He may be ready with candidates by the December meeting but is not sure.

Policy Committee. Jason referred to minutes in the packet. The committee discussed the new NEEA contract, ARRA joint proposal with Wisconsin and Vermont, and other topics.

The larger topic to present today is the committee's recommendation about utility representation on the Energy Trust board, referenced in a memo in the packet. Jason talked with representatives of each utility and brought each to meet with representatives of the policy committee. He took the issue out to some of the stakeholders, and got a very strong response, questioning whether utilities merit seats on the board while other stakeholders do not.

The committee recommends a Utility Strategic Roundtable as a two-year experiment to see if we can address the utilities' interest in communicating with the board. Roundtable members would include Energy Trust board members and representatives of the utilities. Public, customers and other stakeholders would be invited to attend and participate. Meetings would be held quarterly or semi-annually, timed to precede Energy Trust board meetings. Utility representatives were invited to come and give us their feedback today. He would like the board to act on this proposal at the next board meeting.

Rick said he had participated in discussions with utility representatives and believes the policy committee addressed the appropriate considerations. He supports the proposal.

Alan drew an analogy to his company's relationship with major customers, on whose revenues Weyerhaeuser depends. Weyerhaeuser does not put major customers on its board but, should a customer wish to consult with Weyerhaeuser, they would oblige.

Dan thinks the appropriate role for the utilities is input. The annual retreat might provide a good time for this.

Al supports board-to-board communications, rather than staff-to-staff. He would also want to hear from thought leaders in governments and the nonprofit world.

Joe Barra complemented Jason for putting a lot of thought into this. Joe thinks having the utility perspective brought to bear in deliberations would be helpful. Al asked what's driving the request for voting membership. Joe said he hasn't been at many board meetings. Topics Joe thought perspectives from utilities that might be helpful include carbon credits and demand response. Alan said he wishes there were more participation from utilities at our board meetings.

Julie said she welcomes hearing from people and asked if there is anything he would suggest that would welcome participation. Joe said it's different being in the audience than on the board.

Holly Meyer said NW Natural supports the recommendation. She acknowledged that it is very different to be at the table.

Julie noted that today is the first time she's understood what motivates the utilities, as she learned about the IRP and utilities' obligations to meet it.

Al thought it would be productive to get in a room and discuss topics like demand response.

Holly said she is pleased it is a two-year process so it can be tested.

Jim Abrahamson noted that Cascade would be interested in participating. From what he's heard today, and previous information from Jason, he feels Cascade would be supportive.

Michael Early appreciates Jason's handling of the process. He said you are either a stakeholder board or not. If you are, then you need to include all stakeholders. At the end of the day, this isn't utility money, it isn't shareholder money, it is ratepayer money, and ratepayers have a significant stake in how the money is handled. He wants to sit at the table if a roundtable is established.

Bob Jenks appreciates the work Jason did. Jason toned down Bob's comments, and he is very grateful for that. He said CUB thinks the utilities have a fundamental conflict of interest that preclude them from the board. Utilities frequently go before the OPUC requesting costs of renewable energy projects, for instance, to be included in rates. If they sat on Energy Trust's board, making funding decisions about these projects would be a conflict of interest. He thinks if utilities were on the board you would have to have all interests on the board. He has some concerns about the roundtable proposal, namely that it suggests utilities are the most important stakeholders. If these meetings happened, he would like customer groups like CUB and ICNU to be notified and invited to sit at the table.

Julie is trying to figure out whether there is really a sense of different purpose held by the customer advocates and the utilities. Bob said CUB worked with the utilities on 1149, while there are many instances where CUB battles with the utilities before OPUC on money issues. They are allies and adversaries depending on the issue.

Roger noted the inherent tension between customer advocates and utilities whose mission is to make money selling power.

Bob said Margie and the Energy Trust staff are very accessible to CUB and appreciates that Energy Trust operates transparently.

Strategic Planning Committee. John Volkman said because SB 838 funding discussions are still in progress, and funding for the five-year focus of the plan is so important, the comment period was extended through today. The committee meets on November 11 to discuss comments and expects to bring the plan back to the board in December. Rick congratulated everyone who was involved in the discussions.

Energy Efficiency Program

Resolution 529, Authorizing a contract with PECI to manage the New Homes and Products Program. Jason introduced Kendall Youngblood. Kendall noted the first contract with PECI began in 2004. The contract was rebid in 2006, and PECI selected again. This year, another solicitation was released, and PECI was the sole respondent. A review team gave the proposal high scores.

Jason asked what we believe led to only a single proposal. Kendall thinks this resulted from PECI's reputation for performing well on its current and previous contract, bringing savings at goal but below budget. Peter said there's no doubt that competition for program delivery resources from California and elsewhere is a factor. He noted their proposal brings savings to us at a 15 percent reduction over the current contract.

Dan asked what would trigger their failure to meet stretch goal of 5 aMW. Kendall said the conservative case goal is 25 percent lower. Kendall said we retain 3 percent of each month's payment and will not release it if the contractor fails to meet the conservative case goal.

Debbie asked if at some point it would be useful to have a focus group of contractors to find out why they aren't bidding. We have been seeing this pattern for a few years. Is there a concern there are entrenched contractors? We may need to do additional research on why this is happening.

Al asked what the program contains other than new homes. Kendall said market share of new homes has come back. The bulk of the program focuses on efficient appliances, including clothes washers, refrigerators, refrigerator recycling, and specialty light bulbs.

Steve reminded board members about other procurements in which incumbents did not win, and others in which multiple proposals were received but the incumbent won.

Margie noted the longer an incumbent is in place, the harder the challenge of unseating it.

Steve noted contractors look closely at who the incumbent is, how well they're doing, and considering the business case for making a proposal.

Alan said from experience he knows competition helps. He knows one of the tricks in marketing is to have the spec written so no one else can meet the requirements.

Steve said our solicitations include specifications for how we want the program to operate and budget for that.

Resolution 529

AUTHORIZING A CONTRACT WITH PECI TO MANAGE THE NEW HOMES AND PRODUCTS PROGRAM

WHEREAS:

1. **The current Energy Trust contract with its New Homes and Products program management contractor terminates December 31, 2009.**
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 2010 of approximately $13,630,000, including a first-year delivery contract cost of about $6,230,000, incentives of $7,400,000, and potential performance compensation of $180,000.**
5. **Staff analysis projects the following program savings and fully-loaded costs in 2010:**

	Electric	Gas
Savings (Best Case)	5 aMW	154,035 Therms
$/unit savings (Best Case)	$2.32 mill/aMW	$13/ Therm
Levelized cost (Best Case)	$0.04/kWh	$0.96/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. **A contract with PECI to manage the New Homes and Products Program from January 1, 2010, through December 31, 2012, subject to board approval of cost/benefit ratios and projected savings numbers in the annual budget process. 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 2010 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.**
5. **Before extending this contract beyond December 31, 2012, 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: Julie Hammond Seconded by: Al Jubitz

Vote: In favor: 8 Abstained: 0

Opposed: 0

Adopted on November 4, 2009, by Energy Trust Board of Directors.

Resolution 531, Authorizing the Executive Director to sign a contract exceeding $500,000 with Evergreen Consulting, Inc. Kim Crossman explained that Evergreen responded about a year and a half ago to an RFP for managing our lighting network. They are delivering the most cost effective savings her program is going to see this year and will exceed their stretch goal by 10 percent. She wants their support next year, but extending the contract would exceed the $500,000 cap on contracts that Margie can approve.

Debbie noted they were the sole respondent to the RFQ. Steve said Evergreen has been our lighting trade ally contractor since we launched the Existing Buildings contract. They obtained a contract with BPA based on their experience with us. He said they are a unique resource. We did an RFQ to have this open for others. But he thinks it is acknowledged throughout the region that Evergreen occupies a special niche.

Resolution 531

AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN A CONTRACT EXCEEDING $500,000 WITH EVERGREEN CONSULTING, INC.

WHEREAS:

1. **Energy Trust has a two–year contract with Evergreen Consulting, LLC, to deliver lighting consulting services, with a two-year option to extend;**
2. **Evergreen has successfully executed its 2009 scope of work, and is likely to exceed its 2009 stretch goal in a highly cost-effective manner;**
3. **Energy Trust intends to increase the goals and activity level of the Evergreen contract in 2010, estimated to add about $475,000 to the contract, which would cause the current contract amount of $329,031 to exceed the executive director's $500,000 signing authority;**
4. **Because the board has not approved the 2010 budget, the board is asked only to grant contract signing authority in this resolution. The final contract amount and amendments would not be finalized until the board acts on the 2010 budget.**

It is therefore RESOLVED that the Board of Directors of Energy Trust of Oregon, Inc., hereby authorizes the executive director to sign amendments to the Evergreen Consulting contract for expenditures above $500,000, in an amount to be consistent with a board-approved 2010 budget.

Moved by: Al Jubitz Seconded by: Debbie Kitchin

Vote: In favor: 8 Abstained: 0

Opposed: 0

Adopted on November 4, 2009, by Energy Trust Board of Directors.

Resolution 530, Authorizing a five-year funding agreement with NEEA. John Volkman noted that the board previously authorized Margie to sign a contract with NEEA with contingencies. Fred and John negotiated the contract, with the contingencies reflected. The amount for NEEA would be reduced if we do not get expected 838 funds. He and Fred led the effort and kept Margie out of it, as she is on the NEEA board and he did not want the appearance of a conflict of interest. He is asking the board for authority to sign the contract.

Dan said there is no performance requirement in the contract for achieving savings at a certain dollar per average megawatt. He thinks this should be added. Julie said this is market transformation, not direct acquisition. Fred noted establishing a performance goal is complicated by the fact that savings come in over time, likely over the next five years, the term of this contract. Savings from activities underway now and in the past will accrue, and some of the savings under the new contract will not land for years. Fred said this is a regional compact, and it is difficult to establish discrete performance objectives. Margie, vice chair of the NEEA board, would be responsible for oversight. Margie asked if there is an omnibus termination clause. John Volkman said there are several grounds for termination or reduced funding, but there isn't a provision allowing termination without reason.

Al asked for information about NEEA basics, its mission, our role, why the NEEA budget has doubled, and the size and makeup of their board. A discussion ensued.

Roger said NEEA goes way back. He asked if we are satisfied with their metrics for calculating savings. Margie said historically they have delivered a third of our savings, and our cheapest savings. Going forward, she said they will work a more diversified portfolio, as there is no single next technology to replace CFLs.

Debbie thinks NEEA is a special situation. We are looking for long term results that may not come in for five years. Rick thinks NEEA makes some of the best investments nationwide.

Resolution 530

AUTHORIZING A FIVE-YEAR FUNDING AGREEMENT WITH NEEA

WHEREAS:

1. **The Northwest Energy Efficiency Alliance (NEEA) has been Energy Trust's primary electric market transformation program delivery contractor since Energy Trust's inception.**
2. **Historically, Energy Trust has contributed 16.4% of the NEEA budget and derived approximately 20% of NEEA energy savings. The 2010-2014 NEEA Business Plan proposes to correct this imbalance and undertake a variety of initiatives to acquire 100 aMW in regional savings from market transformation over five years at a projected cost of 2-3 cents/kWh. Of this, 20 aMW would be attributable to Energy Trust.**
3. **In July, the board authorized a letter supporting the NEEA 2010-2014 Business Plan and committing in principle to pay up to $39,356,800 for 20 average megawatts (aMW) of electricity savings and other benefits. Funding is to be "contingent on receiving adequate assurance of supplemental efficiency funding from utilities, and negotiation of a contract consistent with this resolution."**
4. **Staff has negotiated a draft contract with NEEA. The draft agreement includes, among others, the following terms:**
   - **Energy Trust's funding obligations would be subject to several contingencies (see attachment 1), and Energy Trust "may reduce its funding commitment if it does not receive adequate assurance of funds from its funding utilities."**
   - **Subject to these contingencies, Energy Trust payments would increase from a current average of $3.32 million per year to the following:**
     - **2010: $6,325,000**
     - **2011: $7,730,712**
     - **2012: $8,433,696**
     - **2013: $8,433,696**
     - **2014: $8,433,696**
5. **Because the Energy Trust Executive Director is Vice Chair of the NEEA Board, to avoid even the appearance of a conflict of interest the contract negotiations have not included her.**

It is therefore RESOLVED:

The General Counsel is authorized to sign a contract with NEEA committing Energy Trust to pay up to $39,356,800 over the 2010-2014 period, subject to the condition that Energy Trust may reduce its funding commitment if it does not receive adequate assurance of funds from its electric funding utilities.

Moved by: Roger Hamilton Seconded by: Debbie Kitchin

Vote: In favor: 7 Abstained: 0

Opposed: Dan Enloe voted in opposition because he would have liked the contract to include a mechanism for correcting or cancelling in the event of a gross failure to deliver desired savings.

Adopted on November 4, 2009, by Energy Trust Board of Directors.

Staff Report

Feature presentation: Lizzie Rubado, Residential Solar Project Manager, Tim O'Neal, SE Uplift Neighborhood Coalition "Solarize Portland". Lizzie introduced the project as an innovative, new to us, approach to helping folks to go solar. Tim explained that his role at SE Uplift is to support community initiatives in the area of sustainability. A volunteer in the neighborhood wanted to see a bulk buy to reduce costs of installing solar. They came to Energy Trust for technical expertise and help making it happen. With Lizzie's guidance, they designed the project. Lizzie crafted an RFP that SE Uplift issued to select a single solar contractor. Imagine Energy was awarded the contract. Through neighborhood newsletters, a website, tabling at events, and word of mouth, they solicited participation from residents in the neighborhoods. Lizzie gave six workshops on the basics of the program and there were three Q & A workshops that went deeper into some areas. Their intent was to give people the information they needed in the workshops to make the decision to move forward.

Lizzie said originally they thought they might get 30 installations. In fact, over 500 people responded, which is anticipated to result in 160 installations, predominately in southeast Portland. Total installed capacity will be over half a megawatt. She said Energy Trust is interested in this project to determine if certain variables influenced greater propensity to action, including asking people to join in a group, providing information up front, and guaranteed, "good deal" pricing. She noted that almost every home in Solarize Portland also had already participated with Energy Trust efficiency programs. Everyone who signed up gets a monthly newsletter making them aware of other opportunities.

Rick asks how do you clone this. Lizzie said she has asked the City of Portland to lead efforts to replicate this in other areas of the metro area. Energy Trust will take action to see how to adapt and apply this model in a rural area.

Debbie asked what percentage reduction the bulk buy achieved. Lizzie said at the time, the offer represented a 25 percent reduction, before incentives and tax credits. But over the course of the project, prices came down. Lizzie said the evaluation will help them learn whether price was the determining factor or comfort in being part of a group and gaining confidence that what they were offered was a good deal.

Margie thinks the learnings that are transferrable include the fact this was grassroots oriented, having the contractor picked in advance, cost savings from bulk buy, limited time offer, hook up with PGE worked well, longer term and ongoing communication with the customer.

Al asked the average size of the system; Lizzie said thus far it's 3.3 kW. He asked how many homes could not participate because of trees. Lizzie said a number of factors can rule a home out, including shading from trees or other buildings, old wiring, old roof. Al asked if there was discussion about taking a public park and putting a big array there. Lizzie said not for this project.

Debbie is nervous about rolling a program out widely with one or a limited number of contractors. Lizzie said this is an excellent comment and they are definitely looking at this for the future.

Margie said she has NEEA's annual report available for board members.

She said her team is in the process of implementing the organization redesign report, which she sent to board members. It will take a couple of years to realize all the benefits. She is receiving support from Coraggio Group in prioritizing and sequencing the implementation and other aspects of acting upon the recommendations.

Debbie congratulated Margie on taking these steps. It's hard work, change can be frightening, and she's happy to hear this is moving forward.

Shelli said ODOE has posted on their website the opportunity to get a share of their $55 million in block grants, and stands ready to provide information on revisions to BETC if requested.

Adjourn

The meeting adjourned at 5:10 pm.

***Next meeting*.** The next regular meeting of the Energy Trust Board of Directors will be held Friday, December 18, 2009, 12:00 noon at the Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, Suite 1200, Portland, Oregon.

/s/ Debbie Kitchin, Secretary