Board Decision
Authorizing a Five-year Funding Agreement with NEEA

November 4, 2009

Summary

Authorize the General Counsel to sign a contract with the Northwest Energy Efficiency Alliance ("NEEA") committing Energy Trust to pay up to $39,356,800 over the 2010-2014 period, contingent on supplemental funding.

Background

- NEEA has been Energy Trust's primary electric market transformation program delivery contractor since Energy Trust's inception.
- NEEA savings primarily come from:
    - Market transformation: developing markets for various efficiency technologies;
    - Working with businesses to help them manage efficiency as a profit strategy;
    - Training practitioners in efficient commercial building design and operations; and
    - Working with business and government on specifications and code improvements
- Historically, Energy Trust has contributed 16.4% of the NEEA budget and derived approximately 20% of NEEA energy savings.
- Over the last two years, NEEA developed a Strategic Plan and Business Plan in an extensive process. Margie Harris participates on the NEEA board on Energy Trust's behalf, and has been actively involved.
- Some of the Business Plan activities emerge directly from the Northwest Energy Efficiency Task Force (NEET), in which Energy Trust has also actively participated.
- In July, the board authorized the Executive Director to sign 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."

Discussion

- The NEEA Business Plan proposes 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.
- The Business Plan proposes to accelerate emerging technology, increase training and education, and coordinate utility efforts to work with upstream suppliers. These activities would play an important role in implementing the Energy Trust draft strategic plan's five-year strategy to "encourage innovative technologies and practices that create significant, additional and diversified" efficiency opportunities. As the draft strategic plan notes:

    > Making investments in these technologies and methods is key to moving beyond current energy efficiency resource projections, which are based on known technologies . . . (Draft plan, page 15)

- 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
- PGE and PacifiCorp, whose funding will drive the contingency in the NEEA agreement, have not yet filed supplemental efficiency rate schedules. We hope these filings will occur before the board meeting so we can evaluate our stance vis-à-vis NEEA funding.
- Because the Executive Director is Vice Chair of the NEEA Board, to avoid even the appearance of a conflict of interest the contract negotiations did not include her. For the same reason, we recommend the General Counsel sign a contract for Energy Trust.

Recommendation

Authorize the General Counsel to sign a contract with NEEA committing Energy Trust to pay up to $39,356,800 over the 2010-2014 period, contingent on supplemental funding, by adopting resolution 530, below.

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: Seconded by:

Vote: In favor: Abstained:

Opposed: [list name(s) and, if requested, reason for "no" vote]

ATTACHMENT 1

9. Exceptions to Funding Commitments. The following exceptions shall apply to the Trust's funding commitments:

    a. Energy Trust shall not have an obligation to provide funding for NEEA for that portion of its total funding commitment that is not approved by its public governing or regulatory body.
    b. Energy Trust may elect to reduce or discontinue NEEA funding under this agreement upon the implementation of restructuring legislation or other legislation which eliminates the responsibilities of the Trust to provide benefits under a public purpose charge.
    c. Energy Trust funding may be discontinued with 60 days notice to NEEA if there is a change to the NEEA Bylaws with which Energy Trust disagrees.
    d. Energy Trust may reduce its funding commitment if it does not receive adequate assurance of funds from its funding utilities.