Policy Committee of the Energy Trust Board of Directors

April 20, 2010, 4:00-5:30 pm

1. Strategic Utility Roundtables/June 11th Strategic Planning Session.
   The committee thought the April 7 roundtable went well.

   The committee reviewed the agenda for the board's June 11 workshop. Within a week, staff will make a recommendation about whether to address various contingencies that might affect Energy Trust – the economic downturn, industry developments, BETC changes, etc. John Reynolds suggested we include a discussion about future board make-up in light of potential resignations. The committee thinks the board will need a full day and a half.

2. Analysis of new Energy Trust renewable energy services.
   The renewables program is exploring ways to accelerate development of small- and medium-scale renewable energy projects. Elaine Prause noted that there is a critical gap between early funding (e.g., for feasibility studies) and project completion. In the gap, i.e., the construction period, it is extremely difficult for projects to find funding. Of the projects for which we have funded feasibility studies, approximately 10% result in completed projects. Staff has explored a range of options to help, including making our above-market cost incentive available for construction working capital. Margie said she understands this option as relating to: (1) the transition from large, proven technologies to smaller projects and technologies involving less experienced developers; (2) the likelihood of our ability to achieve our generation goals; and (3) the need to manage the risks competently. Jason expressed a desire for more background context and information about the reasons for changes in our approach and corresponding options, opportunities and risk. Roger observed that we also cannot meet our goals with failed projects. Alan Meyer said everyone supports the objective, the question is how to get there. John Reynolds observed that this idea had a very positive reaction in the RAC. Alan said he has a concern whether financing is a symptom of a different problem, or the problem itself. Is it true that a really solid project cannot find funding? Might we solve the financing problem only to have the project fail because of interconnection problems? Is this an area in which we could do an evaluation to more closely understand the nature of the problems? Next Steps: staff will develop a clear statement of the problem we are trying to solve, an explanation of how realigning our program in new ways would address the problem, and develop due diligence/risk mitigation criteria for these projects. We will also work with ODOE to understand how these projects might fall under the new BETC process. This may be a June 11 retreat item.

3. Routine policy reviews: Public interest policy (Attachment 1): Staff recommended no changes. The committee suggested that unless the June 11 meeting suggests otherwise, the policy be left as-is.

4. Status reports:

Information sharing rules and policy. On April 12, the OPUC staff convened a workshop with utility and other parties to discuss Energy Trust's proposed changes in the OPUC data-sharing rules and Energy Trust policy. The meeting went well and another is scheduled on April 27. The goal is to see if agreement can be reached on two separate rules: an amended rule for the electric utilities and a new rule for the gas utilities. Staff briefed the committee on the issues identified in the workshop.

California REC market. The committee had expressed interest in effects the California REC market might have on Energy Trust's renewable energy program. The California PUC just adopted rules allowing California utilities to use energy from out-of-state renewable energy projects to meet RPS obligations only if: (1) the project's first connection to the Western Energy Coordinating Council system. system is with a California balancing authority, and (2) the project's energy is "dynamically transferred" to the California balancing authority. We understand these requirements to mean the project must be intended to serve California load in real-time. The new requirements are meant to rule out transactions in which some utilities had purchased out-of-state RECs, and energy was transferred to California only on paper. In effect, the new rules say California utilities can only use out-of-state RECs if they are bundled with renewable energy that serves Californians.

Some commentators think the new rules should quiet concerns that the California REC market will drive up REC prices in other states. A recent Bloomberg energy report reasons that the new CPUC rules won't allow stranded RECs from Texas and other parts of the country to be used in California, and the deals that will satisfy the CPUC rules will make only a tiny dent in California utilities' RPS compliance.

Some Oregon projects could be close enough to California to deliver energy to California customers, and so would meet the CPUC requirements. We have discussed this possibility with PacifiCorp. The company's tentative response is that projects of the Energy Trust size would have to be aggregated before they would be suitable for delivery to California. Projects would receive a higher REC value but a portion of that added value would be offset by the cost of delivery. It is unclear whether this would be a positive proposition for such a small number of projects that we can dismiss the potential effects of the California market.

The California IOUs have filed petitions to reconsider the rules, and the Governor has reportedly criticized them, so there may be changes. The committee asked staff to continue to follow the issue.

Home Star, federal grant/EEAST pilots.
The federal Home Star bill, S. 3177, has cleared its House subcommittee and, as this is written, is being considered by the Senate Finance Committee, where it is sponsored by Senators Bingaman, Graham and Warner. The bill would offer rebates on two tracks for homeowners, who would receive rebates at the time of sale or installation: (1) the Silver Star track would provide specified rebates for individual energy conservation measures; and (2) the Gold Star track would provide a richer incentive for whole-house improvements. Both programs would use "rebate aggregators" chosen by DOE to receive rebate applications from retailers and

installers, send them to DOE in batches, receive money from DOE, and disaggregate it to pay retailers and installers. There also would be a quality assurance element overseen, most likely, by the state. The state program would use “QA Providers” to verify installations at a sample of homes. Energy Trust hasn’t determined what its role may be, but if the bill passes it could have a significant effect on our residential programs.

A $20 million federal grant is expected to be announced Thursday for the City of Portland, Clackamas County, and others to use as loan funds for EEAST pilots. The original request was $75 million. Negotiations will take place next week to begin to identify different options that correspond to a smaller and still significant grant.

Risk assessment. Last fall, the committee decided to test a risk evaluation process to see if it may add value to Energy Trust planning. Staff suggested a small group convene to conduct a trial run and make a recommendation to the committee. Facilitated by Rob Fenty of the Coraggio Group, the process began in mid-January and concluded April 2. John Reynolds, Preston Michie, Rick Applegate, Margie, Sue, John Volkman and Hannah Hacker participated. The trial group found the process useful and recommends incorporating the practice on an ongoing basis. Energy Trust is working with Coraggio on a more extensive planning approach, in which risk assessment will be incorporated. Jason will think about next steps to bring the value of this process to the board. Staff will think about whether this is another good subject for the June 11 retreat.

ATTACHMENT 1

4.01.000-P Public Interest Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	April 11, 2001	Adopted (R19)	April 2004
Policy Committee	May 24, 2004	Reviewed – no changes	May 2007
Policy Committee	April 17, 2007	Reviewed – no changes	April 2010

The Board of Directors of the Energy Trust recognizes that one of the strengths of the organization is the diverse experience and backgrounds of the Board members.

Acknowledging this strength, it is the policy of the Energy Trust of Oregon that issues coming before the Board shall be decided by Board members not on the basis of any diverse special interests represented on the Board, but rather shall be based on what is perceived by Board members to be in the general interest of the public.