Board Meeting Minutes – 95th Meeting

April 7, 2010

Board members present: Dan Davis (joining by webconference), Jason Eisdorfer, Dan Enloe, Julie Hammond, Al Jubitz, Debbie Kitchin, John Klosterman, Mark Long (ODOE special advisor), Caddy McKeown, John Reynolds and Theresa Gibney (representing John Savage, ex officio)

Board members absent: Rick Applegate, Roger Hamilton, Alan Meyer, Preston Michie and John Savage

Staff attending: Matt Braman, Kacia Brockman, Sarah Castor, Pete Catching, Amber Cole, Phil Degens, Fred Gordon, Hannah Hacker, Margie Harris, Ben Huntington, Sue Jamison, Nancy Klass, Debbie Menashe, Elaine Prause, Thad Roth, Sue Meyer Sample, John Volkman

Others attending: Jim Abrahamson, Cascade Natural Gas; Linda Arakelian; Bart Catching; Grant Jones and Mark Schuessler, Perkins & Co.; Brad Rafish and Brad Stevens, Talbot Korvola & Warwick; Sara Patton and Steve Weiss, NW Energy Coalition; Jan Schaeffer; Lauren Shapton, PGE

Business Meeting

President John Reynolds called the meeting to order at 1:10 pm. He noted the board met prior to this meeting with utility representatives in the strategic roundtable.

Consent Agenda

MOTION: Approve Consent Agenda. Resolution 551 was removed from the Consent Agenda.

Moved by: Debbie Kitchin			Seconded by: Caddy McKeown	
Vote:	In favor:	6	Abstained:	1
	Opposed:	0		

February 3, 2010, meeting minutes adopted as part of the Consent Agenda on April 7, 2010

Resolution 551, authorizing a change in executive compensation part of the Consent Agenda. Debbie Kitchin moved to table this resolution. John Klosterman seconded the motion. 8 voted in favor, no abstentions, no votes against.

General Public Comments

Representing NW Energy Coalition, Sara Patton, executive director, and Steve Weiss, senior policy associate, presented Energy Trust the Conservation Eagle Award. Sara noted the coalition formed in 1981. It has broad membership with more than 110 organizations in British Columbia, Oregon, Washington, Montana and Idaho. Every year the board votes to award the Conservation Eagle Award. She referenced Energy Trust of Oregon accomplishments and quoted statistics regarding jobs created, megawatts saved and generated and tons of carbon reduced. She noted Energy Trust is making waves in state, region and world as the model for delivery.

Sara described the legacy of Bob Olson, in whose memory the award is bestowed. The award is presented to an organization whose work contributes to a clean energy future. She noted that among the states working on these issues, Oregon has the least contention and most collaboration among groups who should be aligned. Steve Weiss added appreciative comments saying that we demonstrating how much can e done and providing an example of what other organizations can be doing, bringing them up to this level. He stated that of all the activities in his long career, he is most proud of having written the initial legislation with Jason that created Energy Trust. Steve added that we are doing the job beyond expectations. Margie and John Reynolds received the award on behalf of Energy Trust.

Al Jubitz asked if there is a Cascadia set of values that could be jointly adopted. Sara noted Energy Trust is a member of the NW Energy Coalition. She said coalition members need to work together to make sure the 6th Power and Conservation plan is implemented. She noted the importance of service on the NEEA board; both she and Margie have been members. The Northwest Energy Efficiency Task Force is another vehicle for regional collaboration. Bonneville Power Administration is another platform. She noted NWEC has two annual meetings, the next one of which occurs in May in Missoula. Members attending will discuss wedge issues that threaten to divide some members. The fall meeting will be in Oregon. She noted energy efficiency is moving forward but at a slower pace in Montana and Idaho compared to Oregon and Washington. Sara noted another area in which Oregon is leading is PGE's initiative to close down Boardman early.

Jason said it is an honor to have Sara and Steve here. They are heroes. The award is one of the most coveted energy award in the Northwest, and it is a great honor to receive it.

Margie noted 25 years ago she first had the privilege of working with Sara and Steve, and is very pleased they remain active in the energy field.

President's Report

John Reynolds postponed his report on a large solar installation until the May meeting.

Audit Committee

Review results of financial audit Grant Jones and Mark Schuessler, Perkins & Co. Julie Hammond introduced the auditors, and noted they had issued an unqualified opinion upon completing the audit. Mark noted the audit went smoothly. Because the audit report was brought

forward by the Finance Committee, the resolution did not require board members to move or second it.

Resolution 550, acceptance of audited financial report for period ending 12/31/09

RESOLUTION 550
ACCEPTANCE OF AUDITED FINANCIAL REPORT

BE IT RESOLVED: That Energy Trust of Oregon, Inc., Board of Directors accepts the audited financial statement report, including an unqualified opinion, submitted by Perkins & Company, P.C. for the calendar year ended December 31, 2009.

Vote: In favor: 9 Abstained: 0

Opposed: 0

Adopted on April 7, 2010, by Energy Trust Board of Directors.

Management Review (Brad Rafish/Brad Stevens, Talbot Korvola & Warwick). Brad Rayfish summarized his company's review. He said that Energy Trust has the opportunity to enhance its effectiveness and build on its momentum. He said Energy Trust is doing a good job considering the economy and other challenges it faces. The report offers suggestions for consideration.

Al Jubitz asked if the auditors had comments about our IT initiative; Brad said he had no specific comment. Dan Enloe asked about recommendation #8, regarding legislative action, and wondered if Energy Trust is reaching out to policy makers for assistance with this. Margie noted the utility roundtable meeting this morning, which Dan was unable to attend, gave evidence of our expanding efforts to closely collaborate with utilities to achieve IRP goals, and with other stakeholders. Mark Long noted that consistency of message is important. He feels that, on an ongoing basis, Oregon's energy sector could do a better job of outreach to legislators, although he recognizes we pull together very effectively when issues arise. Theresa Gibney observed the OPUC took note of policy issues raised when Energy Trust presented its budget and its strategic plan last fall.

Jason Eisdorfer asked if the auditors saw a flexibility in Energy Trust management and leadership that would indicate ability to accommodate new directions, new funding. Brad responded that yes, he feels the organization has sufficient flexibility to respond to changing market and policy conditions.

Debbie Kitchin asked about recommendation #4, allocating resources to efficiency programs with lowest cost and highest savings. She noted there may be actions to take now that may have higher cost in the short term, such as market transformation, that over time can have large, low-cost results. She noted we do not always know what the lowest cost options are, as a lot of this depends on the marketplace. We find this out in evaluations, which come later. For instance, we had felt the industrial sector was much lower in cost compared to other sectors but found, through evaluation, that there were more costs than had been forecast. She thinks this recommendation ties to recommendation #3 as well.

Brad Stevens explained recommendation #3 was to document reasons why strategies and approaches are selected or not in the annual budgeting process. He knows there is a planning process, and to consider options; the recommendation is simply to document these. Brad Rayfish explained the intent of recommendation #4 is to outline reasons for choosing programmatic direction. He found the Equity Policy is used for guidance and possibly hinders flexibility. Jason thinks strict adherence to the Equity Policy is one end of the spectrum, and getting the cheapest megawatt is at the other end. In practice, the board avoids either/or choices by looking for the lowest cost, diverse portfolio with best prospects for good results over the long term.

Theresa said she has the same high-level perception the auditors do that the organization is bringing its management talent to bear toward continuing improvement. She doesn't have the benchmarks that the folks who presented the award today possess, positioning Energy Trust as an organization to emulate. She asked the auditors where she and Energy Trust should go to construct a benchmark that could be used to measure Energy Trust in the face of a hostile world. Brad Rayfish said the organization is unique. Direct comparisons with other programs are difficult. He is aware the ACEEE ranks state efforts each year, and Energy Trust scores well on their scale. Theresa asked if the auditors saw inefficiencies in Energy Trust operations. Brad said nothing unusual was found.

Resolution 543, accepting submission of Management Review

RESOLUTION 543
ACCEPTING SUBMISSION OF INDEPENDENT MANAGEMENT REVIEW

WHEREAS:

1. **The grant agreement between the Oregon Public Utility Commission (OPUC) and Energy Trust requires Energy Trust to contract at least every five years for an independent review and evaluation of the efficiency and effectiveness of Energy Trust operations.**

2. **In the summer of 2009, the Energy Trust Board retained Talbot, Korvola & Warwick, to conduct the review under the auspices of the Audit Committee.**

3. **Talbot, Korvola & Warwick submitted the review in final form on February 26, 2010. The Audit Committee reviewed the recommendations and recommended that the board accept the review at its April meeting.**

4. **The Board expresses its appreciation to the Audit Committee, Talbot, Korvola & Warwick and Energy Trust staff for their efforts.**

It is therefore RESOLVED:

1. **That the Board of Directors of Energy Trust of Oregon, Inc. accepts the final Talbot, Korvola & Warwick management review and instructs the executive director to submit it to the Oregon Public Utility Commission.**

2. **The Board and Executive Director are fully committed to carefully examining the report and taking appropriate follow-up actions in response to its findings and recommendations.**

Brought forward by the Audit Committee.

Vote: In favor: 9 Abstained: 0

Opposed: 0

Adopted on April 7, 2010, by Energy Trust Board of Directors.

Energy Programs

Resolution 549, approving funds for the Revolution Energy Solutions, LLC Generation Project. Thad Roth introduced this project. He urged the board to consider this project to be a biogas plant. A biogas plant utilizes anaerobic digestion to produce a number of co-products, including electricity but including a range of other benefits, such as nutrient management, odor reduction, pathogen reduction, carbon reduction. He highlighted some aspects of the project:

- Board is requested to authorize $1.767 million for a methane-fueled 795 kilowatt capacity plant at four dairies; annual output 6,000 megawatt hours
- The plant would be constructed, owned and operated by Revolution Energy Solutions, LLC; comprised of two individuals with strong background in finance and biogas operations
- Dairy manure digestion is done internationally as a common practice; the technology being applied here is commercially developed and in use in Canada
- Waste streams to be used have been sent to labs for testing; the manufacturer is offering a performance guarantee for use on a particular manure stream
- BETC is a key component of the financing plan; the developers are on top of recent changes in Oregon and have a sophisticated understanding of the federal tax process as well

Thad reviewed project finances, including $8.9 million revenues, $11.7 million project costs. Costs include $1.3 million in carbon offset verification and biosolids handling. Including taxes related to our incentives, total above market cost is $2.7 million.

The first component is a digester for Emerald PUD. We are not helping fund this but will use its construction as a milestone triggering a partial payment. As each site comes on line, we will pay about $110,000. Each facility would receive an additional three payments over the ensuing three years, based on performance. If a project at a given site fails, the developers will either replace that component or reduce the total incentive in proportion to percent of reduction in capacity. Goal is to have all five digesters completed in 12 months.

Dan Enloe asked if the dairies are profitable, and is the project cash positive for the dairies. Thad said the dairies are in transition from fathers to sons in three cases; a younger person owns the fourth one. Mark Long said ODOE has done research and development on one of the sites.

Al Jubitz asked who will operate the digesters. Thad said the developers will assign one individual to operate the five sites.

Dan Davis asked several questions. He thinks the project could be a model for a lot of other projects. The risk of the technology should be low.

Al asked about the location of the sites. Thad said about 4200 cows, located in the mid Willamette Valley. Al asked if the generators would work with manure trucked in; Thad thinks so.

Jason asked to add the word "annually" into the first "whereas" clause.

RESOLUTION 549

APPROVING FUNDS FOR THE REVOLUTION ENERGY SOLUTIONS, LLC GENERATION PROJECT

WHEREAS:

1. **Revolution Energy Solutions, LLC proposes to develop a 0.795 megawatt facility (expected to generate 0.68 average megawatts annually over a 15-year operating life) fueled by methane produced by manure processed through digesters at four separate dairy farms.**
2. **Staff and an independent contractor reviewed the project design and costs and found them to be standard and reasonable for projects of similar type and design.**
3. **The net-present value of the project's above-market costs is $2,695,296 over 15 years.**
4. **Staff proposes a $1,766,640 incentive, to be paid in equal amounts ($441,660) to each of four facilities over the course of four years.**
5. **At the proposed payment, the project's energy would cost Energy Trust about $2.6 million per average megawatt (aMW).**
6. **Energy Trust's biomass generation portfolio is currently 4.9 MW. At 0.795 MW, the project would be a 13% increase.**
7. **The proposed project is expected to demonstrate an innovative solution that manages the high capital cost and technical complexity of anaerobic digester at dairies while addressing the environmental effects of Concentrated Animal Feeding Operations.**

It is therefore RESOLVED, that the board of directors of Energy Trust of Oregon, Inc. authorizes:

1. **Payment of up to $1,766,640 into escrow to be paid to Revolution Energy Solutions, LLC to offset the above-market costs of the multi-site biogas plant;**

2. **Energy Trust will take ownership of at least 60% of the green tags produced by the project annually; and**
3. **The executive director to enter into a contract(s) consistent with this resolution.**

Moved by: Jason Eisdorfer Seconded by: Caddy McKeown

Vote: In favor: 9 Abstained: 0

Opposed: 0

Adopted on April 7, 2010, by Energy Trust Board of Directors.

Mark Long left the meeting at the break.

Break

The board took a 15 minute break at 2:50 pm.

Committee Reports

Policy Committee. Jason Eisdorfer noted the Policy Committee has met twice since the last board meeting. He referred to notes of these meetings included in the packet.

Resolution 547, allowing the self-generators policy to lapse. John Volkman noted this policy was developed in 2003. The policy reflected concern that a large facility, a co-generation facility is an example, would not pay much public purpose charge yet seek a large incentive. The policy requires such entities to go to the end of the line. Since the self-generator policy was adopted, two other policies were adopted that are affect the usefulness of this one. First, board policy now requires all large projects (involving expenditures of $500,000 or more) to come to the board. Second, the board's combined heat and power policy favors incentives for self-generators that use combined heat and power. Amending the self-generation policy to account for the combined-heat-and-power policy would be complex, and because these projects would require board approval anyway, the self-generators' policy seems unnecessary. In addition, no project has been subject to the policy. The committee recommends that the policy be allowed to lapse.

RESOLUTION 547

ALLOWING THE SELF-GENERATORS POLICY TO LAPSE

WHEREAS:

1. **In 2003, the question arose whether large self-generators, who seek a large efficiency or renewable incentive yet pay little to the public purpose fund, should have access to Energy Trust incentives on the same basis as others.**
2. **The board adopted a policy allowing large energy users that self-generate up to $500,000 in incentives per site/calendar year; and giving priority to non-self-generators for incentives over $500,000.**
3. **Energy Trust has never encountered the situation with which the policy is concerned. Other policies require board approval of any incentive above $500,000, which would seem to address the original concern.**

It is therefore RESOLVED:

The Board of Directors allows the Self-Generators policy to lapse.

Brought forward by the Policy Committee

Vote: In favor: 9 Abstained: 0

Opposed: 0

Adopted on April 7, 2010, by Energy Trust Board of Directors.

Jason Eisdorfer left the meeting.

Finance Committee. John Klosterman said the committee met last week. He highlighted items in the finance committee reports. Debbie Kitchin noted she was in a green building meeting recently when an Energy Trust consultant reported existing commercial incentives were down 30 percent; this appears to be erroneous.

He reported the banking RFP has been released. He noted the lease on Energy Trust's current space ends in 2011. Sue Meyer Sample asked if the board wishes to weigh in on criteria to be used in selecting a new space. John Reynolds asked for daylight in the meeting room. John Klosterman wants to have the board weigh in on items such as location, cost, energy efficiency, etc. Debbie asked for staff to develop a weighting system, and have the board comment on how much weight to assign to particular criteria. Al Jubitz discussed his thoughts about square feet per employee.

Resolution 548, renewing $4 million line of credit at the Bank of the Cascades. John Klosterman noted the line of credit has expired. We use it as a back up. John Reynolds confirmed we could end the line of credit if we change banks. Bank of Cascades prefers we provide 60 percent of our accounts in their bank but would accept a lesser amount, down to 50 percent, while continuing to offer the line of credit with no fee required.

RESOLUTION 548

RENEW $ 4 MILLION LINE OF CREDIT AT THE BANK OF THE CASCADES

WHEREAS:

1. **Energy Trust wishes to renew its $ 4 million line of credit at the Bank of the Cascades provided with no fee.**
2. **The Bank of the Cascades has authorized a commitment for a revolving line of credit in the amount of $ 4 million at an interest rate of prime minus .50 basis points conditioned upon the board's approval by resolution.**

It is therefore RESOLVED:

1. **That this corporation, Energy Trust of Oregon, may:**
    - **Borrow up to $ 4 million from a revolving unsecured line of credit offered by the Bank of the Cascades at an interest rate of prime minus .50% to bridge timing issues of revenue receipt and program expense.**
    - **Repay the line of credit with monthly interest payments and principal due at maturity, within one year from the date of the agreement.**
2. **Any two (2) of the following officers of this corporation, one a representative from management and one a representative from the board:**
    a. **President**
    b. **Vice President**
    - **Treasurer**
    - **Executive Director**
    - **Chief Financial Officer**

    are hereby authorized and directed, in the name of this corporation to execute and deliver to Bank and Bank is requested to accept the credit agreements, other instruments, agreements and documents which evidence the obligations of this corporation under the credit facilities obtained or to be obtained pursuant to this resolution.

3. **The Bank is authorized to act upon the foregoing resolution until written notice of revocation is received by the Bank, and the authority hereby granted shall apply with equal force and effect to the successors in the office of the authorized officers.**

Brought forward by the Finance Committee.

Vote: In favor: 8 Abstained: 0

Opposed: 0

Adopted on April 7, 2010, by Energy Trust Board of Directors.

Evaluation Committee. Debbie Kitchin listed the evaluations reviewed by the committee and included in the packet. She welcomed comments and discussion. John Reynolds took note of a suggestion to brief the board on new technologies. Fred said this might be done but there are a lot of them. He is planning a brown bag presentation, spending about three minutes on each one. John Reynolds suggested a workshop. Debbie said in general the staff is doing a good job of tracking a lot of initiatives and getting feedback on a timely basis. Margie noted the evaluations are reporting a high degree of customer satisfaction.

Staff Report

True-up 2010: Tracking estimate corrections and true-up of 2002-2009 savings and generation presentation. Margie explained we do a true-up annually to improve the accuracy and credibility of our projections going forward, an important matter for data used in IRPs, for instance. Matt Braman explained the evaluation results are applied during true-up, although typically programs received and reacted to the results some time ago. He reviewed evaluations over the past several years, the results of which shaped true-up, and presented overall impacts:

- Overall electric savings decreased by .02 percent to cumulative 222 aMW
- Gas savings increased 7% to 13.1 million annual therms
- Renewable generation remained the same at 115 average megawatts

Matt noted savings were updated for gas weatherization based on billing analysis. This analysis will be repeated annually to gain accuracy.

He reviewed multifamily results from a billing analysis. This was the last program to receive an initial evaluation. Adjustments ranged from 25-56 percent.

He noted savings for NEEA were updated for 2005-2008, resulting in increased savings of over 5 average megawatts. This increase just about offset the decreases on the electric side.

He noted gas furnace market transformation savings of 1.24 million annual therms. We have concluded the gas furnace market has been transformed. Theresa noted the challenge of maintaining a message in the market that high efficiency furnaces are important to install, particularly when Energy Trust continues to offer incentives for high efficiency heat pumps. Fred noted we are considering a trade ally tiering, in which furnace vendors would get credit for volume of efficient sales even though Energy Trust is ending furnace incentives.

2009 accomplishments and highlights. Margie Harris reported electric savings of 32.3 average megawatts in 2009. In most cases programs achieved conservative goals but not stretch goals. She noted we did not meet electric IRP targets for 2009. This makes achieving 2010 goals more challenging. We're well within performance measures for levelized costs, although they are coming in higher compared to 2008.

She highlighted great success with existing homes and new homes and products coming in within 6 percent of stretch goals. More participation is happening, but participants are biting off less, presumably due to the economy.

Overall, we saved 2.6 million annual therms. This is up 11 percent over 2008. We are within our 60 cent cap, at 48 cents, the performance measure for levelized cost. Production Efficiency

experienced significantly increased savings, 1,500 percent, coming in at 82 percent of stretch goal. On the gas side, all of our programs achieved conservative goals.

On the renewables side, we generated 2.64 average megawatts and met our conservative goal. Solar activity and generation grew significantly.

She noted we are 81 percent toward the original 300 average megawatt electric savings goal, 62 percent toward the 21 million annual therm goal, and 66 percent toward the 150 average megawatt generation goal on the renewables side.

Through 2008, the money not spent by ratepayers as a result of programs we were doing is $440 million. Through 2009, the amount saved is $593 million.

ACEEE Energy Efficiency Scorecard for 2008 presentation. Pete Catching presented an analysis of ACEEE ranking of states on a 50-point scale. We had been at #2 and last year slipped to #4. Pete noticed we got 0 points over the past two year on a criterion that scores up to 4 points for having mandatory efficiency requirements with penalties for non-compliance. He re-ranked the states with that criteria removed. Doing this moved us back into second place.

Other. Margie showed off the 2010 ENERGY STAR Award presented to Energy Trust last month. She read from a letter to her from Lee Beyer upon his stepping down from his OPUC post. She also read from a customer email from Grants Pass who lives in a manufactured home. She had ducts fixed and reduced her electric bill.

Margie noted the Solarize program has expanded in Portland and will be done in Pendleton. She said we are going to have Kill-a-Watt meters in libraries around the state. We have a new on-line form, for HVAC. We created a quarterly newsletter for employees of businesses with tips for saving energy. She noted a number of events celebrating the completion of major projects supported by Energy Trust. She noted the Better Living Show took place two weekends ago and was well received. She noted the packet includes the first quarterly report on progress implementing the redesign initiatives.

Adjourn

The meeting adjourned at 4:45 pm.

***Next meeting*. The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, May 5, 2010, 12:00 noon at the Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, 12th Floor, Portland, Oregon**

Debbie Kitchin, Secretary