Board Meeting Minutes – 105th Meeting
May 4, 2011

Board members present: Julie Brandis, Dan Davis, Jason Eisdorfer, Dan Enloe (via teleconference for a portion of the meeting), Roger Hamilton (via teleconference), Julie Hammond, Debbie Kitchin, John Klosterman (via teleconference for a portion of the meeting), Caddy McKeown, Bob Repine (ODOE special advisor), John Reynolds

Board members absent: Rick Applegate, Jeff King, Alan Meyer, John Savage *(ex officio)*

Staff attending: Debbie Blanchard, Matt Braman, Pete Catching, Amber Cole, Tara Crookshank, Kim Crossman, Sue Fletcher, Diane Ferington, Lakin Garth, Brooke Graham, Fred Gordon, Hannah Hacker, Margie Harris, Marshall Johnson, Oliver Kesting, Nancy Klass, Steve Lacey, Debbie Goldberg Menashe, Spencer Moersfelder, Jessica Rose, Sue Meyer Sample, John Volkman, Peter West, Aaron Zahler

Others attending: Jim Abrahamson (Pacific Power), Juliet Johnson (OPUC), Lauren Shapton (Portland General Electric), Murali Varahasamy (Lockheed Martin), Aaron Wines (Lockheed Martin), Terry Miller (Conservation Services Group)

Business Meeting

President John Reynolds called the meeting to order at 12:07 p.m.

General Public Comments

There were none.

Consent Agenda

The consent agenda may be approved by a single motion, second and vote of the board. Any item on the consent agenda will be moved to the regular agenda upon the request from any member of the board.

MOTION: With resolution 585 removed for discussion, consent agenda approved

Moved by: Debbie Kitchin   Seconded by: Caddy McKeown

Vote: In favor: 10   Abstained: 0

Opposed: 0

Consent agenda included four items; one item (Resolution 585) was removed from the consent agenda for further board discussion:

1) *March 30, 2011, board meeting minutes. Approved with the following changes:*
   a. *"Jeff King left the meeting" was deleted from Page 5*
   b. *Subsequently, the roll call vote of 11 in favor of adopting resolution 581 was modified to 12 on Page 6, reflecting the presence of King*

2) *Amend a contract with ActiveSource, resolution 596*

RESOLUTION 596
AMEND A CONTRACT
WITH ACTIVE TELESOURCE.

WHEREAS:

1. **In May 2008, Energy Trust selected Active TeleSource to provide call center services.**
2. **The contract provides for inbound and outbound calling services.**
3. **Effective April 29, 2011, inbound call services are being provided by a new contractor. In May, Energy Trust expects to identify a new contractor to provide outbound, fast-feedback call services. Extending the Active TeleSource contract for an additional month, through May, will facilitate training for the new inbound call services contractor and allow selection of a new contractor for outbound calling.**
4. **The cost of an additional month of service would be no more than $15,000, which would bring the Active TeleSource contract to more than $500,000.**

It is therefore RESOLVED:

1. **That the Board of Directors of Energy Trust of Oregon, Inc., hereby authorizes the executive director to amend the Active TeleSource contract by adding up to $15,000 to the contract amount and extending the contract term through May, 2011.**

3) *Retiring the reliability versus risk policy, resolution 583*

RESOLUTION 583
RETIRING THE RELIABILITY-VERSUS-RISK POLICY

WHEREAS:

1. **The reliability-versus-risk policy, adopted in 2002, provides guidelines regarding how Energy Trust should invest in proven technologies versus less proven, riskier technologies.**
2. **In 2009, the board adopted a strategic plan, which also addresses innovation.**
3. **Staff and the board policy committee believe that the strategic plan provides a more current and cohesive way to balance risk and innovation than the broad principles of the risk-versus-reliability policy.**

It is therefore RESOLVED: The board of directors of Energy Trust of Oregon hereby retires its reliability-versus-risk policy.

4) Amending the green tag policy, resolution 584

RESOLUTION 584
AMENDING THE GREEN TAG POLICY

WHEREAS:.

1. **The green tag policy provides that when Energy Trust provides funding for a renewable energy project, it takes title to a share of the project's green tags in proportion to Energy Trust's share of the project's above-market costs, and in relation to their market value.**
2. **The policy also allows for the sale of Energy Trust tags. These provisions have never been used.**
3. **Energy Trust's financial auditor advises that as green tag market values increase, Energy Trust may have to record unrealized gains and/or losses on its income statement merely as a result of changes in the green tag market, or amortize the value over their life. However, if Energy Trust revised its policy to say that it does not intend to register and sell green tags, these questions would not arise.**
4. **The term "green tag" is outdated. "Renewable energy certificate" and "REC" are the terms now in use.**

It is therefore RESOLVED: The board of directors of Energy Trust of Oregon hereby amends its green tag policy to: (1) remove provisions allowing sale of tags; and (2) using the term "renewable energy certificate" or "REC" instead of "green tag."

ATTACHMENT 1:

4.15.000-P ~~Green Tag~~Renewable Energy Certificate (REC) Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	March 3, 2004	Approved (R256)	February 2005
Board Decision	February 16, 2005 (residential tags)	Amended (R313)	
Board Decision	April 6, 2005	Rescind R313	February 2008
Board Decision	March 28, 2007	Amended R433	February 2010
Policy Committee	October 12, 2010	Reviewed, no changes	October 2013
Board Decision	May 4, 2011		

BE IT RESOLVED: That Energy Trust of Oregon, Inc., Board of Directors adopts the following principles and policies regarding the ownership of ~~green tags~~renewable energy certificates (RECs):

Principles

The following principles should guide Energy Trust's ownership of ~~green tags~~RECs generated by renewable resources:

- **~~Green tags~~RECs generated by renewable energy are one of the multiple values for Oregonians provided through investing in renewable resources.**
- **RECs ~~Green tags~~ are for the long-term benefit of customers of Pacific Power and Portland General Electric.**
- **The disposition (retention, transfer or sale) of RECs ~~green tags~~ will coordinate with and further the goals of Energy Trust, state policies and regulatory requirements.**
- **The minimum ownership of RECs ~~green tags~~ should reflect the market value of the RECs ~~tags~~ and the relative above-market support provided by Energy Trust.**

Policies

1. Ownership

- **Energy Trust's minimum share of a project's RECs ~~green tags~~ will be determined as follows:**
  - **Energy Trust will ascertain market values and forward price curves for relevant types of RECs~~green tags~~, and update them periodically. Energy Trust will consult with PGE, Pacific Power and the OPUC staff before publicly announcing referent prices. Energy Trust will announce such prices unless it creates competitive concerns.**
  - **If Energy Trust's above-market incentive exceeds the referent REC ~~green tag~~ market value, Energy Trust will take title to all RECs~~green tags~~.**
  - **If Energy Trust's above-market incentive is less than the referent value, Energy Trust will negotiate for enough RECs ~~tags~~ to fairly recognize that Energy Trust provides an assured revenue stream that reduces the project's market risk.**
  - **In no case will Energy Trust accept fewer RECs ~~tags~~ than Energy Trust incentive could buy on the referent RECs ~~green tag~~ market.**
  - **Energy Trust will negotiate either a reduction in Energy Trust incentive or retain additional RECs ~~green tags~~ if the above steps would accord the project owner/developer a higher-than-reasonable rate of return.**
- **Energy Trust's ownership of RECs ~~the tags~~ should be flexible over time, while reinforcing incentives for long-term project performance.**
- **A developer or project owner could propose to retain RECs ~~tags~~ to market them in the near-term, provided this lowers Energy Trust's funding.**
- **Up-front retention of RECs ~~tags~~ by a developer or project owner must include contractual assurances that future RECs ~~green tags~~ will revert to Energy Trust.**

Item Removed from Consent Agenda

Authorizing amendment of a contract with Conservation Services Group for software support, resolution 585.

Jason Eisdorfer requested the item be removed from the consent agenda. He had concerns about amending a software contract concurrent to the development of Epicor, the Integrated Solutions Implementation project (ISI). Margie explained we have had a longstanding contract with Conservation Services Group (CSG) to provide ongoing support for FastTrack. The amendment to add up to $130,000 is to retain the capability for upgrades until Epicor is ready. Jason asked why it wasn't factored into the Epicor budget. Margie responded that we have a separate FastTrack budget and corresponding activity that will continue until Epicor is ready and fully operational.

Steve Lacey added reference to new program initiatives we are undertaking that require FastTrack modifications in the coming months before Epicor is ready. In addition, we contract for a CSG expert database developer to provide IT support for programs and new initiatives independent of FastTrack.

RESOLUTION 585

AUTHORIZING AMENDMENT OF A CONTRACT WITH CONSERVATION SERVICES GROUP FOR SOFTWARE SUPPORT

WHEREAS:

1. **In 2003, Energy Trust contracted with the Conservation Services Group (CSG) to help develop the FastTrack program management software. The term of the contract has been extended twice since 2003, and the work is ongoing.**
2. **CSG's work has helped increase transaction volume, developed a more open, service-oriented architecture to support web forms, and integrated other functions.**
3. **Energy Trust is replacing FastTrack with an Epicor system, which will integrate program management functions now done by FastTrack with financial, accounting, and customer contact management functions now done by other software.**
4. **Until the conversion to Epicor is complete, Energy Trust will continue to use FastTrack. FastTrack requires continuing support in order to integrate with Clean Energy Works Oregon, HomeCheck, trade ally webforms and other functions.**
5. **The additional support will add $130,000 to the CSG contract, bringing the total contract amount to $630,000, which is beyond the executive director signature authority.**

It is therefore RESOLVED that the Board of Directors of Energy Trust of Oregon, Inc. authorize the executive director to negotiate and sign an amendment to Energy Trust's contract with the Conservation Services Group adding $130,000 for FastTrack support pending conversion to the new Epicor software system.
MOTION: With Resolution 585 removed, consent agenda approved

Moved by: Jason Eisdorfer Seconded by: Julie Hammond

Vote: In favor: 10 Abstained: 0

Opposed: 0

President's Report

John Reynolds mentioned he was pleased with the letter announcing Energy Trust receiving the ENERGY STAR® Sustained Excellence Award for the delivery of Home Performance with ENERGY STAR in 2010.

John presented on Village Homes near Davis, California. Built in the 1970s, it was one of the first major developments of solar in the world and included solar electric, solar thermal and passive solar systems. All homes were arranged on east-west oriented streets. Half the south sides faced the street, and the others face a garden and bike path. John predicted a resurgence in home building and it will go beyond construction and incorporate how the buildings relate to each other. Village Homes was built in an area with very little annual precipitation. He described the rainwater swales, resulting in minimal amounts of water going into the sewage system. He described the edible landscape featuring fruit, nuts and trees.

Photos compared the solar collectors, swales and bike paths from 1980 to 2010. He mentioned what a difference a mature landscape has on the surrounding environment, especially the air conditioning effect of the vegetation. He reiterated it's not just the buildings; it's the relationship between the buildings.

Michael Corbett of Village Homes was honored in 1999 by Time Magazine for the design of Village Homes as a "Hero for the Planet".

Board committee appointments.

RESOLUTION 580
BOARD COMMITTEE APPOINTMENTS

WHEREAS:

1. **The Energy Trust of Oregon, Inc. Board of Directors is authorized to appoint by resolution committees to carry out the Board's business.**
2. **The Board President has nominated several new directors to serve on the following committees.**

It is therefore RESOLVED:

1. **This resolution supersedes Resolution 578, adopted by the board at its February 9, 2011, meeting.**
2. **That the Board of Directors hereby appoints the following directors to the following committees for terms that will continue until a subsequent resolution changing committee appointments is adopted:**

Audit Committee	
	Julie Hammond, Chair
	Caddy McKeown
	Julie Brandis
	Shirley, Cyr, CEWO
	John Reynolds (ex officio)
Board Nominating Committee	
	Alan Meyer, Chair
	Rick Applegate
	Roger Hamilton
	John Savage, OPUC (ex officio)
	John Reynolds (ex officio)
Compensation Committee *(formerly 401(k) Committee)*	
	John Klosterman, Chair
	Dan Davis
	Jeff King

	John Reynolds (ex officio)
Executive Director Review Committee	
	Caddy McKeown, Chair
	Roger Hamilton
	Jeff King
	John Klosterman
	John Reynolds (ex officio)
Finance Committee	
	John Klosterman, Chair
	Dan Enloe
	Debbie Kitchin
	John Reynolds (ex officio)
Policy Committee	
	Jason Eisdorfer, Chair
	Rick Applegate
	Roger Hamilton
	Alan Meyer
	John Reynolds (ex officio)
Program Evaluation Committee	
	Debbie Kitchin, Chair
	Dan Davis
	Tom Eckman, NWPCC
	Dan Enloe
	Ken Keating, expert outside reviewer
	Alan Meyer
	John Reynolds (ex officio)
Strategic Planning Committee	
	Rick Applegate, Chair
	Jason Eisdorfer
	Jeff King
	Bob Repine, ODOE
	John Savage, OPUC
	John Reynolds (ex officio)

3. The executive director and general counsel are authorized to sign routine 401(k) administrative documents on behalf of the board, or other documents if authorized by the Compensation Committee.

Moved by: Debbie Kitchin Seconded by: Julie Brandis

Vote: In favor: 10 Abstained: 0

Energy Programs

Contract extension briefings:

1. *PMC: Lockheed Martin – existing buildings*
2. *PMC: PECI – new buildings*

3. *PMC – CSG Existing Homes*
4. *Production Efficiency custom track PDCs:*
   - *Cascade Energy Engineering, Inc.*
   - *RHT Enterprises, Inc.*
   - *Portland General Electric Company*

Jason Eisdorfer began the discussion. Peter West gave a brief overview of the contract extension considerations before the board. Peter mentioned there is a confluence (due to the timing over the years) that we could have seven contracts to rebid this year. To avoid this, Peter proposed an alternative sequence to stagger the rebidding process of the contracts over a period of four years: two starting in 2011, two or three starting in 2012, two or three starting in 2013, and two starting in 2014. Then the cycle would begin again.

A list of the specific contracts and potential rebidding schedule was then presented:

- 2011: Small Industrial lighting program delivery
- 2012: Existing Homes, Existing Buildings; new contract awarded pending the budget
  - Multifamily contract rebidding could start in 2014 or we could rebid it in combination with Existing Buildings in 2012. Even though Multifamily is within Existing Buildings, it has a separate contract from the Existing Buildings program management contractor. Staff would like to examine the market to assess the potential impact on bidders and competition if the two contracts were combined. We need to better understand where greater competition would be encouraged.
- 2013: Production Efficiency has two types of contracts: 1) Those that engage trade allies (lighting, prescriptive track for small industrial) and that contract is within 2011. The other contract type is for Production Efficiency studies related to, custom projects, tailored for each factory/facility. Such studies are provided through program delivery contractors (PDCs) and tailored to specific types of industries. We view these as one type of Production Efficiency contract even though they are delivered through three separate PDCs.
- 2014: New Homes & Products contract rebidding process would need to start in 2014. We will examine options to potentially divide parts of the program into two different contracts, or to bring one piece in-house. The last contract RFP for this program resulted in only one bidder. To create more competition, we could separately bid program elements. Even though there may be some inefficiencies to address, we may also gain efficiencies. In addition, there's no longer a consensus that New Homes and Products should continue to be delivered together.

This schedule assumes all contracts would continue to perform well. As indicated in the packet, all contracts are performing at this time.

Peter discussed the contract with Nexant, a new PDC in the Production Efficiency program delivering new industrial gas services. There is a potential to rebid their contract now and at this time, program staff believe it's too early. Staff would prefer to come back to the board with the recommendation to give Nexant more time. This is new territory for Energy Trust, an expansion into a new industrial market, and Nexant is also a new PDC focused on, Central Oregon. Early indications show progress is going well. Because the contract began in January, staff believes it's too early in the year to determine if we should or should not rebid. Staff recommends having at least another four months to make that judgment and allow Nexant time to achieve, consistent with their contract.

Staff proposes to sequence the contracts according to the schedule presented and seeks board input and questions.

Dan Enloe brought the discussion to the industrial custom track PDCs and RHT's portion of the contract related to gas. He said on the electric side, RHT did a good job but that there's a significant gap on RHT's gas savings. Kim Crossman mentioned all this work was done under the NW Natural demand-side management pilot, which had set funding and time. The program and PDC had strict "do not exceed" budget caps. During the period of the pilot we could not over deliver. RHT had two large gas projects that did not proceed through the program. One project alone would have brought in 200,000 therms. In mid-2010, the PDC had to slow activity because the pipeline looked full due to those projects. When the projects dropped out in late 2010, there was no time left in the year to backfill the anticipated savings. Now, the program is no longer a pilot and there is more leeway to work within the budget. Overall, on the custom track for gas, the program underperformed in relation to our savings goals, and we did not underperform in regard to bringing in cost-effective therms under the pilot. This viewpoint is shared by staff, NW Natural and the OPUC. The program started with brand new activity and the initial estimate of how fast we could ramp was not achievable.

Jason Eisdorfer asked why the projects dropped out. Kim said one plant was shut down and sold, and the new owner did not want to go through with the project, which was a complex heat recovery project. The other project did not proceed strictly because of a lack of capital. Names of the companies are confidential. Kim said we initiated this pilot right as the economy took a dive. Peter added that for gas, the ramp rate was good: 12,978 annual therms in 2008 jumping to 606,117 in 2010. At the start of the pilot, we looked at existing programs and predicted twice what we ended up getting in 2010. Even so, 2010 savings reflect a good ramp rate. The utility felt, and the evaluations show, the launch of the pilot was successful. Dan gave guidance on renewing RHT's contract by mentioning the program should micromanage what is going on in the gas section and consider modifying the scope depending on results seen between gas and electric. Peter said we will come back during the budget process to show you what is happening in regards to the expected ramp rate.

Julie Hammond asked for clarification on the years covered in the Existing Buildings contract with Lockheed Martin. It was clarified that the initial, three-year contract covered year 2008, 2009 and 2010. The first of two, one-year extensions was for the year 2011. The upcoming, second one-year extension will be for 2012.

Debbie Kitchin mentioned the sequence strategy is clear, especially when taking into account the upcoming office space move and the Epicor project.

No resolution needed as Margie Harris is authorized to extend the contracts as executive director.

Committee Reports

Policy Committee. Jason Eisdorfer presented. He highlighted the review of the Reliability-Versus-Risk Policy that was retired with the approval of the consent agenda today. The five-year strategic plan discusses risk and innovation in greater detail than the policy did. Plus, with the understanding of the risk-to-innovation analysis undertaken during the budget season, the committee felt the basis of the policy was covered and the board could retire the policy.

Jason mentioned the draft agenda for the board's strategic retreat in June, which may only take one day. He mentioned the committee discussed a Legislative update and a potential Cascade Policy Institute report. General consensus is our story is a good one and we can address whatever comes from Cascade Policy Institute by describing what we do, how we deliver it and what we accomplish.

Margie further discussed the board retreat. Nick Viele has agreed to be the facilitator of the retreat and we think he will do a good job of keeping board members focused and will allow John Reynolds the ability to participate. The agenda is set at one day, 8 a.m. to 5:30 p.m. Board and senior staff will have dinner afterward in a nearby neighborhood (possibly Sellwood), and there will not be a board/staff BBQ this year. Any topics from the retreat that are not addressed will be taken up at a later time.

Audit Committee. Julie Hammond presented. She said the main agenda item from yesterday's audit committee meeting was putting the financial accounting out for rebid this year. We decided to not put it out for bid due to the change in the office space lease and move and because the Epicor IT project is also happening at the same time. We've had Perkins & Co. perform the audit for several years. For the 2011 audit, we will have Perkins & Co. and ask for a rotating partner. An RFP will be issued in early 2012 for that year.

Finance/Compensation Committee. John Klosterman presented. He said the notes from March 18 have been discussed and the board took action on the financial audit during the teleconference meeting March 30. The April 18 meeting included financial statements from January and February. The lease negotiation is complete. The audit is complete and we are now shifting into tax preparation. We made the accounting and payment adjustments relevant to the findings from the Secretary of State audit. There will be a more complete report from the compensation committee next time, especially on the following two large pieces: modifying investment policy statements (final bit of work with The Standard) and monitoring our 401K plan.

Sue Meyer Sample continued. Within the January financial statements, the third page in, "ending cash MM" indicates where we added a highlighted section showing the dedicated funds adjustment, the committed funds adjustment and the cash reserve fund adjustment. This is in response to previous board questions regarding "available" funds. These items will now be displayed on the monthly Cash Flow Projections report included as part of the Finance Committee packet.

Sue pointed out that while we are under budget for the year in incentive payments, in February, we came close to budgeted incentive payments for the month. Through March, we are below budget in incentives by about $.7 million. The variances are primarily in the renewables program and the new construction programs where availability of capital to complete projects is negatively influencing completions.

Despite the revenue adjustment experienced this year with Pacific Power, we are ahead of budget in revenue receipts as of April 30th, with the exception of Cascade Natural Gas. . The variance in total is roughly $3.7 million.

Construction documents for the office move will be completed May 20, not May 12 (as the packet shows). We are still s on track to relocate November 16, 2011.

Evaluation Committee. Debbie Kitchin presented. There were no notes in this packet, though there were in the previous packet. The committee had a meeting last Friday. They are trying to schedule meetings so notes can get in the packet in a more timely way. April notes will be in the next packet. Debbie acknowledged the valuable work of the Evaluation staff.

Dan Enloe left the meeting at 12:56 p.m.

Staff Report

Highlights. Margie Harris presented on brief updates of staff items.

She covered updated annual results, which encompass 2010 activity. From 2002-2009, participating customers saved $600 million on their energy bills, it is now nearly $800 million. These savings mean dollars are kept in the pockets of customers, and represent all types of customers. Deferred, or avoided costs, were $1.5 billion from 2002-2009. This is the investment the utilities did not have to make for fuel, storage, transmission or distribution of any of the infrastructure to deliver the equivalent amount of power that we have saved through energy efficiency. That number has increased to $1.8 billion. All customers benefit, whether or not they've participated in our programs. An EcoNorthwest report updated our program's economic impacts: $76 million in wages increased to $79.6 million; $11 million in small business income is now $12 million, and nearly 2,300 jobs is now more than 2,400 jobs. These figures are developed by a third party, are conservative and are reported to the Legislature. Julie Brandis asked if EcoNorthwest breaks down the jobs figure into wage figures. Fred Gordon said EcoNorthwest looks at the jobs market with an input/output multiplier model, which has assumptions for different wage jobs. The way the model works is by looking at it in total. Jobs are affected because of the economic benefits from the bill savings.

Margie then discussed Quarter 1 activity: increases in call and web visits. Existing Buildings pipeline is the strongest we have seen since 2006. Production Efficiency remains strong on lighting projects and the Renewable Energy sector looks like we will be closing on a few biopower projects. Clean Energy Works Oregon (CEWO) went live with a statewide launch. In some of the new communities statewide, a credit union will provide CEWO financing without utility bill repayment. This enables us to see how the two different approaches compare.

The Better Living Show attracted 16,000 visitors; Energy Trust was present with an interactive booth (house of pressure that shows where leaks are and how to contain them; solar display). These smaller exhibits are very portable, and will be used at other events. Unlike past years, Energy Trust was no longer title sponsor or sponsor of house. Instead, our booth focused specifically on our services and afforded positive contact and engagement with the public.

There will be new fridge recycling advertising in May. Previously, we saw correlated spikes last year in program activity when the ads ran.

A new call center contract with CSG started this month for our general call center. CSG has always had a call center for Existing Homes, and we've had a separate call center also. They are now combined. Margie thanked ActiveSource for its services in being our call center these past years. The board approved in the consent agenda up to $15,000 for ActiveSource to provide transition services while CSG gets up to speed. The CSG general call center contract is separate from the Existing Homes contract. ActiveSource will continue to provide assistance conducting Fast Feedback surveys using outbound calls.

The new Lincoln Building office lease has been approved and we are moving forward with the layout of the space.

The Epicor, ISI, project is about two weeks behind schedule. We have new relationships engaging upper level management at Epicor intended to enhance coordination and to allocate needed resources in advance. We are hoping to move forward and complete the project before the move. We'll know more in the next two to four weeks. One major outcome is that less customization is needed to serve our purposes and this limits project costs.

The final redesign report is in the packet this month and will be presented to staff tomorrow. This is the closure piece on a 1 1/2-2 year endeavor. John Reynolds said one of the goals was to enable us to double, then double again, our services. Margie said we did double our services last year and we are moving in the direction of doubling again this year. The largest variable out of our control is the economy. We have the funding mechanisms in place to support continued growth, assuming tariff filings are supported by the utilities and approved via the OPUC. John asked if we are faced with a barrier with the Residential Energy Tax Credit and Business Energy Tax Credit discussions. Margie said that is also a significant factor, and asked Bob Repine to give the board a quick briefing.

Bob Repine said the most important change is that "betsy" will change to "connie", "genny" and "manny". Tomorrow, the Residential Energy Tax Credit bills are up for public discussion in the joint tax credit committee. Primarily, the two houses have the same bill, though the House bill keeps appliances and the Senate bill removes appliances for Residential Energy Tax Credits. Business Energy Tax Credit: the working group started with a sense of commitment to keep the program in some form. There are many ways to revise the current BETC. For example, transportation Business Energy Tax Credits range from truck conversions to buying a bike to parking a bike. The Oregon Department of Energy cannot predict what changes will be made.

The legislature is considering a cap for "connie", (conservation) as well as changing the thresholds (amount of credit, eligible costs). The "genny" bill (renewable energy) will also have a change in the cap to the program (like it is today), and changing the level of eligible project costs from $20 million to $2 million; this equals less monetary awards on a project by project basis. "Genny" will continue the tiering process, where projects of certain sizes go through different processes, and the bill is recommending changing from three to two tiers. The committee wants to implement a tiering process for "connie". While we go through the policies, there is still uncertainty as to whether budget will be allocated because the program is to sunset in 2012 and the line item was zeroed out by Revenue for the 2012 budget. Everyone is looking toward the May 12 budget forecast to see if there is any money in play. There is a proposal for both “genny” and “connie” to let the programs run today as they are constituted in the law and let them run to their sunset time, having a parallel system that will come on as those original programs sunset. Current sunset is June 30, 2012, which means any Business Energy Tax Credit project in play today, equal to about $700 million in credits as of now, must be complete around April of 2012 for them to remain eligible to take the credits. The law says the projects need to be finalized with final applications and receipt of final certifications which takes the department 60 days. And there are projects out there today that won’t complete by that time. It is unknown whether the law will be extended to allow for those projects. If not, the projects will have to go through the entire process from pre-certification to final certification again.

Margie said this impacts Energy Trust as we have some projects in the queue (i.e. Swalley Irrigation). Bob raised to the working group the consideration of needing a methodology for projects on track to completion and facing materials shortages or capital delays to be given an extension. Removing the Business Energy Tax Credit at that time could be the detriment of those projects. All projects going through the selection process in the first months of 2011 had to acknowledge that their project needed to be completed by a certain date in 2012. Margie asked what the status of these credit bills is in the legislature, and what is the feedback about the pass-through option. Bob said pass-through is up for change: one proposal is for state government and private industry not to be allowed to take a pass-through and for schools, municipalities and nonprofits to use a pass-through. A new idea is to have the credit determined not on project costs but on expected energy generation or savings moving to an “outcome based” methodology. Another change being considered is on the conservation side, the five-year credit could be taken in four years, with the fifth year as the balance year based on whether energy saving predictions were achieved. The Oregon Department of Energy would also have the ability to revoke credits if fraud or illegal activity was discovered. Revenue says they can revoke a pass-through credit but there’s not language on how they would do it.

Bob said the good news is that bills were introduced and are still moving forward. Senator Dingfelder during a presentation yesterday on all the tax credit bills that came out of her senate committee and moved to the tax committee, presented them with a priority system. The first priority was given to SB 688, the Residential Energy Tax Credit bill. The working group is focused on HB 2414 and HB 2208. After the tax credit committee, the bills would go to the revenue committee and then ways and means. Margie mentioned the March 25 Residential Energy Tax Credit workshop hosted at Energy Trust at the request of Senator Dingfelder, Representative Cannon and Representative Gilliam. Bob said Energy Trust was mentioned by Senator Dingfelder yesterday in appreciation of Energy Trust hosting the workshop.

Margie said all the energy tax credit bills will have a significant impact on Energy Trust activity. The sunset of the bills would result in market backlash, market dip and a subsequent rebuilding period. The tax credits have been great leverage tools. Bob said there is interest by some tax committee members of moving to “selling or marketing” the credits to purchasers. The money would be aggregated. At the end of the day, projects get money and it would eliminate the process of getting the credit and would monetize the projects.

Margie continued the staff report. Energy Trust recently received the ENERGY STAR Sustained Excellence Award. Also, Corvallis received the Governor’s Sustainability Award, received it in large part because of Energy Trust's effort in the community in 2008. Margie was awarded the Nonprofit Woman Executive of the Year Award by the Portland Business Journal.

Margie gave a risk management briefing about large projects: The project at Blue Heron Paper Company, which changed out low-efficiency equipment with high-efficiency equipment, was also our first "mega-project." It delivered the savings we projected. A subsequent mega-project with SP Newsprint delivered cost effective, low cost savings though below what we projected. Margie reminded the board of the extensive criteria used when evaluating any mega project, a process designed to minimize risk and maximize opportunity. The criteria includes making sure the owner of the project makes an investment of their own. Our incentives cover only a portion of the project costs. We also exercise due diligence regarding project requirements and financial viability. The board approves all projects greater than $500,000, and we only pay when the project has been completed, inspected and commissioned—ensuring installation meets our specifications and standards. In addition, there are ongoing site visits and savings evaluations conducted to validate savings and generation outcomes over time.

The Renewable Energy sector requires a pro-rata payback provision for any lack of operation. Julie Brandis asked how many mega-projects Energy Trust has supported. There have been three: Blue Heron in 2005, SP Newsprint in 2007 and the newly completed combined heat and power project at the Oregon State University in 2010. With Blue Heron, we did two independent analyses of its market and the plant continued to operate two years beyond our three-year contract. We received all the benefit for what we invested. This reinforces why the measure lives of industrial projects typically have a 10-year life, because of factors beyond our control and the project owner's control. Ratepayers received the benefit projected for Blue Heron.

Jason mentioned the experience to approve Blue Heron in 2004 was harrowing at times and the board pushed the staff on greater analysis because of the recognized risk of the project. With the three-year limit, it was approved. The conditions we put in the contract reflected that uncertainty. Julie Hammond asked if there are ongoing financial checks after projects like these are running. Margie said not on finances, but on the project performance. Julie asked if Blue Heron had closed earlier, would we have gotten our investment back. John Volkman said the theory was we could sell the equipment and get our investment back, and we retained a security interest in the project.

Debbie Kitchin asked about the analysis for SP Newsprint. Fred said that at the time SP Newsprint came forward, we were getting 6 aMW for $1 million, a good deal. In the end, we got about 12 percent of expected savings; still a good, though not as great, an investment. All analyses concerning SP Newsprint did not rely on 100 percent operation. SP Newsprint is in bankruptcy and not closed. The program has trouble getting access to the site, though an evaluator was on site a few years after the project installation. Julie asked if staff would have presented the project at just 12 percent realization, do you think the board would have approved it. Fred said the benefit-cost was good on the societal test. Cost effectively, it would have been approved. Margie said the biggest impact on us is it performed well, just not as well as expected, and that affected our true up numbers.

Debbie Kitchin asked if we go back and revisit the average cost we are paying; when we have a significant impact like this, do we relook at how it affects our performance to OPUC metrics (i.e. levelized costs). Margie said we use a continuous process. Caddy asked if we have any mega-projects in the pipeline. Kim said there is one in the industrial program, and in a few months we will know more. Caddy asked how the CHP project at OSU is doing. Staff said the project is meeting contract terms, and has a “claw back” provision if generation is less than predicted, a payback is required.

Jason said this supports having a diverse portfolio in commercial, industrial and residential sectors. He said we haven’t had pressure about the equity policy, and this is partlybecause there are strengths and risks in each sector. Margie said the natural evolution of the programs has balanced out our investment portfolio pretty equally across all three sectors. By diversifying, we are protecting our investments in entirety.

Margie showed the board pictures from, and explained her trip to, the 9th Ward in New Orleans, where new highly energy efficient homes with solar PV are being constructed.

Jason Eisdorfer left the meeting at 1:53 p.m.
John Klosterman left the meeting at 1:56 p.m.
The board took a 15 minute break at 1:57 p.m., and resumed at 2:11 p.m.

True-up 2011: Tracking estimate corrections and true-up of 2002-2010 savings and generation presentation (Matt Braman). Margie informed the board Matt has recently taken a new position within Energy Trust as the New Homes and Products program manager. Matt, Pete Catching and Fred prepared the true-up report.

True-up is the evaluation process where we go back and look at actual energy savings, adjusting our savings results if needed. The purpose is to apply the most current information available to savings and generation calculations to help ensure validation of the results claimed. Evaluations sometimes encompass several past program years. Adjusted results are reported in the Energy Trust annual report. Most adjustments were from 2008-2010; one adjustment in 2007 and no adjustments to 2011.

Summary of impacts:

- 2002-2010: Electric savings decreased 5 percent (12 aMW) to 254 aMW; gas savings decreased 2 percent (0.4 million therms) to 18 million therms.
- 2010: Electric and gas savings both went up slightly. Electric savings increased 2 percent (1 aMW) to 46 aMW; gas savings increased 1 percent (50,000 therms) to 4.6 million therms.
- Almost every program in 2010 met stretch goal.
- With this true-up in 2010, 2009 savings went down and 2010 savings went up, which makes 2010 savings more impressive.
- There was no change in renewable generation.

Matt showed graphs of electric efficiency and gas efficiency goals and savings compared to savings post true-up. Both indicated results from 2007-2010 in 4 areas: 1) board approved budget stretch goal; 2) conservative goal; 3) as reported in the annual report; and 4) post 2011 true-up.

Major drivers for changes to electric savings: This past year, we changed the method we use to calculate free riders by surveying them sooner after project completion (“fast feedback”). This resulted in more participators saying our incentive dollars were influential to them completing the project. By talking to people sooner, we are getting larger samples and feel it’s a better representation of free ridership. This year’s true-up had a decrease in savings for 2008 and 2009 because of increased free riders. In 2010 lower free rider rates resulted in an increase in savings for a number of programs. Lower free rider rates are also an indication the programs are better able to target customers.

- 2008-2009 free rider rates: -2.8 aMW
- 2010 free rider rates: +2.2 aMW
- 2007 SP Newsprint: -5.8 aMW: annual savings will be less in each year for the measure life of the project
- 2008-2009 NEEA: -3.3 aMW: because of changes in lighting assumptions and decreased sales in the lighting market; going forward, we are working closer with NEEA to better forecast their savings
- 2008-2010 fridge recycling: -1.8 aMW: we had been using deemed savings defined by the Regional Technical Forum; recently, they revised savings per unit recycled from 900 kWh down to 500 kWh due to errors in initial calculations. In addition, more people are replacing old units with new energy-efficient units and recycling newer and newer units. We’ve incorporated these new factors into our future savings estimates.

Debbie mentioned the Existing Buildings free rider rates dropped from 36 percent to 19 percent in 2010, but New Buildings seems to be on the track of increasing from 33 percent to 45 percent. Matt said one explanation is we are at the end of building code cycle and should expect to see higher free rider rates as everyone gets ready for the new code. We will hopefully see in 2011 and 2012 that those numbers go down since the code went into effect in fall 2010. Debbie said that’s something to track on for New Buildings, especially as LEED becomes more popular and expected in some markets (public). Matt reminded the board that NEEA savings will reflect electric market transformation savings due to the code change.

Major drivers for changes to gas savings:

- 2008-2009 free rider rates: -0.5 million therms: Existing Buildings and New Buildings
- 2010 free rider rates: +0.4 million therms: Production Efficiency and Existing Buildings went up, New Buildings went down
- 2008-2010 residential weatherization: -.1 million therms: we took a hit in all gas weatherization savings last year and are using that evaluation to build into the program going forward; moving forward, we have honed in on good, deemed savings
- 2008 residential code change: +0.5 million therms: have already claimed the electric savings for this code change; moving forward, these savings will continue into the future as the new code continues until the baseline catches up. Levelized costs for the New Homes and Products program decreases by about 50% when these code savings are included. For example in 2009 the program levelized costs drop from 80 cents per therm to 40 cents per therm.

Fred described true-up at other organizations. A lot of our peers make profit decisions based on one-year evaluations and continue to look forward. BPA just evaluates going forward and that can create complexities. Some companies look back a few years. It's very rare for organizations to use the process we have that looks back and adjusts. We go back 3-4 years, which is pretty unusual. Some of the process and impact evaluations we conduct take years to complete. Fast feedback is quicker and it still takes a while.

Julie Hammond asked if the time and resources spent on true-up is worth the information we get. Fred said because we have an evaluation committee and a conservation advisory council, we discuss when we have enough evidence to implement a change. Only 3.5 percent of the Planning and Evaluation budget is used for evaluations and it needs three FTE. Because of our consultative process, we can reason what is good enough evidence. Unlike many of our peers, we don't operate in a regulatory environment where such results can be adversarial and where corporate profits are at stake. Instead, we're using true-up results to also fix our processes and enhance our programs going forward.

Julie Hammond said it does give us a more qualified number when compared to our peers, plus we're doing it cost effectively and to improve our programs. Fred said we have an environment where it can be a learning process. Dan Davis said it speaks well of the organization, that we are willing to give up savings we claimed we achieved for greater accuracy. Margie said it is an iterative process that distinguishes us from other organizations of our type. We have a higher standard of accountability. The environment we operate in as an independent nonprofit is distinctive from other organizations that are regulated. Fred said Idaho Power is under regulatory directive to do more evaluations. In Washington, with efficiency built into the Renewable Portfolio Standard, the electric utilities are also being required to do more evaluation. Evaluation is revving up in other places in the Northwest because those who are ultimately accountable say the evidence is not good enough as is.

Adjourn

The meeting adjourned at 2:36 p.m.

***Next meeting*. The Energy Trust Board of Directors will hold its annual strategic planning workshop June 3 at Reed College, 3203 SE Woodstock Boulevard, Vollum Lounge, Portland, Oregon**

Caddy McKeown, Secretary