Policy Committee of the Energy Trust Board of Directors

April 12, 2011, 4:00-5:30 pm

Attendees

Attending: Jason Eisdorfer, John Reynolds, Rick Applegate (by telephone), Margie Harris, Amber Cole, Kim Crossman, Steve Lacey, Elaine Prause, Sue Meyer Sample and John Volkman

1. Green Tag Policy

(a) Energy Trust's auditors made the following observation in this year's audit: Renewable energy certificates represent an intangible asset, as defined in generally accepted accounting principles (GAAP). Energy Trust assigns value to its RECs based on their estimated fair value at acquisition using the guidance also contained in GAAP. The fair values of Energy Trust RECs (range of $0-$180,000) are not considered material to the 2010 audited financial statements. However, as the values and volatility increases, this may not continue to be the case and Energy Trust could find itself in the position of having to record unrealized gains and/or losses on its income statement merely as a result of changes in the "market" for RECs, or alternatively, having to amortize the value over their life. On the other hand, if Energy Trust revised its REC policy to say that it does not intend to register and sell its RECs, these accounting questions would not arise.

Energy Trust has never sold a REC. While a sale could generate revenue with which to fund more renewable projects, it could also permit a purchaser to build more non-renewable generation. If the board removed the sale provisions from the current policy, we could reinstate them later if we changed our mind. The committee discussed the pros and cons of selling RECs. The committee saw no down-side to removing the sale provisions, recognizing that the board could reinstate the sale provisions later. Staff will draft a resolution for the consent agenda eliminating these provisions.

(b) Staff proposed to change the policy's terminology from "green tags" to "renewable energy certificates," or "RECS," consistent with current usage. The committee concurred.

(c) Elaine Prause briefed the committee on discussions concerning how Energy Trust RECs may be used to meet renewable energy requirements. ODOE chose the WREGIS system to track transactions. However, using the WREGIS system for our numerous, small, net-metered RECs may be prohibitively costly. For larger projects, WREGIS makes sense but entails expense and we would need to hire and train someone to use the WREGIS system, update project meters, etc. We are discussing with the utilities the idea that they undertake the WREGIS process for these RECs, given that they already perform this function for their other RECs. We will explore these issues with the utilities and ODOE and brief the RAC in May.

2. Major contract renewals:

Staff reviewed major contract renewals for the May board meeting. The board resolutions for these contracts allow extension if specific criteria are met. Staff has evaluated the contracts in terms of those criteria, and will make the following recommendations:

(a) Production Efficiency Program development contracts:
- re-bid the Evergreen (lighting contractor) and Cascade small industrial initiative contracts
- extend the Cascade custom-track, RHT Engineering and PGE program development contracts
- Defer a decision on the Nexant contract, to gain more experience with the contractor.

(b) New Building Program: staff recommends a one-year extension of the incumbent, PECI. Staff may recommend re-bidding the contract next year.

(c) Existing Homes Program: staff recommends a final year's extension of the incumbent, CSG. The contract would be re-bid next year.

(d) Existing Building Program: staff recommends a final year's extension of the incumbent, Lockheed Martin.

3. Policy review:

The reliability versus risk policy, adopted in 2002, asks whether Energy Trust should invest exclusively in proven technologies or use a portion of its budget for less proven, riskier technologies. Staff believes the policy has been supplanted by the 2009 Strategic Plan's "Five-Year Activities" discussion (see http://energytrust.org/library/plans/2010-14_Strategic_Plan_Approved.pdf, "Encourage Innovative Technologies," at pp. 16-17). The strategic plan lays out a more current and cohesive way to balance risk and innovation than the broad principles of the risk-versus-reliability policy. The committee agreed that the policy should be retired, and asked that staff provide the committee with a better sense of how we are implementing this part of the strategic plan to manage risk in our investment portfolio. The board should also discuss how we balanced risk in the Blue Heron project.

4. Updates and status reports

(a) For some time, we have heard that the Cascade Policy Institute is about to release a report on Energy Trust. If and when the report becomes available, Staff will review it, determine whether to respond and will coordinate with John Reynolds as the board representative/spokesperson.

(b) Legislative update
- The public purpose fund bills, including the bill authorizing collection of supplemental efficiency funds from large customers, are reportedly not moving.
- HB 3535, which included the EPS and energy efficiency priority, is also stuck.

- HB 3227 would require Oregon Business Development Department to certify capital companies whose investments in “Oregon green energy and conservation businesses” qualify for tax credits up to $30 million per year (total). A work session is scheduled for April 13.
- BETC is expected to sunset in 2012, with three successors: a generation program (“Jennie,” run by ODOE), a conservation program (“Connie,” run by ODOE) and a manufacturing program (“Mannie,” run by Business Oregon with ODOE technical support). Draft bills from legislative counsel are expected next Monday, with lots of blanks. Credits would be based on output or savings, not cost; there would be a competitive process for larger projects.

(c) The committee discussed the latest draft agenda for the June board retreat. The committee suggested the retreat’s theme will likely be how to best manage programs and risk in an unpredictable economy. The morning presentations will take stock of where we are in relation to goals. The afternoon presentations will focus on the theme, exploring risks and opportunities going forward. The afternoon session would start with a stage-setting presentation on risk-management, followed by presentations on the renewable, electric and gas programs, in that order.

(d) Contractors paid more than $500,000/year. The contract execution policy, which the board amended in February, provides: “Not less often than annually, staff shall report to the Policy Committee all instances in which Energy Trust has paid more than $500,000 to an individual contractor in a given calendar year.” Staff reviewed a list of all contractors, and called out those with board-approved contracts. At the next committee meeting, staff will provide a brief account of each of these.

(e) Lease. Margie signed a lease for the Lincoln Building on Friday. We are awaiting the landlord’s signature. Meeting space is configured so that when we have a big meeting, staff will have to take the long way around. There will be columns to contend with in big meetings, but we have ideas on how to configure things to minimize any problems.