Energy**Trust** of Oregon

Board Meeting Minutes – 106th Meeting

July 13, 2011

Board members present: Jason Eisdorfer

Board members participating via teleconference: Rick Applegate, Julie Brandis, Dan Davis, Dan Enloe, Roger Hamilton, Julie Hammond, Jeff King, Debbie Kitchin, John Klosterman, Caddy McKeown, Alan Meyer, Bob Repine (Oregon Department of Energy special advisor), John Reynolds and John Savage (OPUC ex officio)

Staff attending: Pete Catching, Amber Cole, Fred Gordon, Hannah Hacker, Margie Harris, Susan Jamison, Steven Jonas, Nancy Klass, Steve Lacey, Sue Meyer Sample, Kate Scott, John Volkman, Peter West

Others attending: Jim Abrahamson (Cascade Natural Gas), Lauren Shapton (Portland General Electric), Stephanie Gray (CSG), Murali Varahasamy (Lockheed Martin)

Business Meeting

President John Reynolds called the meeting to order at 11:59 a.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: Approve consent agenda

Moved by: Debbie Kitchin Seconded by: Jason Eisdorfer

Vote: In favor: 13 Abstained: 0

Opposed: 0

Consent agenda included two items:

1) *May 4 board meeting minutes.*

2) *June 3 board meeting minutes*

a. Two corrections to the minutes on the working groups listed on page 22
   i. Julie Hammond worked with Dan Enloe, not Rick Applegate
   ii. Caddy and Julie Brandis worked with John Klosterman, not John Savage

Staff Report

Margie presented on two main topics. The first is a briefing on preliminary Energy Trust impacts stemming from new state energy tax credits, House Bill 3672, passed by the Oregon legislature. Bob Repine clarified Governor Kitzhaber is expected to sign the bill into law in the beginning of August. The second presentation is an update on the integrated solutions implementation (ISI) project.

A summary of 2011 Legislation and related energy tax credit analysis
Board members were supplied two documents recapping the 2011 legislative session: "Legislative Updates", a handout included in the board packet, summarizes the factual changes included in HB 3672 and also references Cool Schools (HB 2960). The second handout describes the "Process Underway for New Energy Tax Credit Analysis", a briefing paper emailed to the board and available at the meeting and on our website describing Energy Trust's analysis of impacts, mitigation options being developed and key progress dates. Margie said we are moving quickly and want to engage the board and key stakeholders in the process of considering understanding impacts on current year goals and potential mitigation. Today will be a verbal report building off the documents prepared for the board with additional participation opportunities planned.

Activity now underway: the Oregon Department of Energy will be transitioning from existing energy tax credit programs to a series of new replacement tax credit programs. The transition will impact a variety of different projects and stakeholders. Energy Trust is undertaking a detailed analysis of the proposed new tax credits and their short-term impacts on 2011 annual goals as well as longer term impacts on goal setting for 2012.

Potential mitigation strategies are aimed at maximizing savings results this year and on managing the market going forward. We've had state energy tax credits in our state for 30 years. We don't know what the market will do without them. Nor do we believe we can or should try to close the entire gap left by the changes in available tax credits. Our philosophy is to remain calm during this transition and to develop options to help mitigate tax credit impacts on 2011 Energy Trust goals. We also will engage parties during the next four to six weeks, seeking feedback on our assumptions and proposed strategies. What we don't want to do is act too quickly, or pay too much or too little for savings, or establish market precedents that we cannot sustain. Instead, we are seeking a reasonable balance that helps to partially close the gap left by the loss of the business energy tax credit in particular, where the impact on this year's goals is the greatest.

Our work is focused in three main areas:

1. Coordinate with Bob Repine and the Oregon Department of Energy. We continue to review data requested from ODOE regarding who is and is not eligible to receive a business energy tax credit this year. This pool includes an estimated 400 participants who hold ODOE BETC project pre-certifications and whose projects come after the new eligibility date of April 15, 2011 established by the legislature. These projects will be denied a tax credit this year. We are also collaborating to deliver clear answers to project owners and the public, reinforcing messages developed with ODOE and referring questions to the Department to resolve. Bob has been helpful sharing information from his team. We also plan to participate in the development of new tax credit rules.

2. Prepare customer communications. We are collaborating with and preparing our call center, PMCs, PDCs, trade allies and utilities to reinforce tax credit information from the Department and to refer customers with tax credit questions and customer service needs to the Department. We are preparing to assist these various audiences and communicate with them when we have the best factual available information. Resources and reference documents will be developed for this purpose.

3. Share our tax credit analysis with stakeholders - We will present our tax credit analysis to individual utilities between now and August 10, meet with and engage the Conservation and Renewable Energy Advisory Councils on August 10 and discuss options with John Savage of the Oregon Public Utility Commission, utility representatives and the board of directors at the utility roundtable on August 17. Based on these stakeholder discussions, we will seek board support for potential mitigation approaches at the August 17 board meeting in order to put them into place this year, thereby enhancing opportunities to meet annual savings targets this year.

2011 tax credit impact analysis on Energy Trust programs and goals. The analysis we are currently completing is focused on 2011 goals and utility IRP targets. Future 2012 impacts will be more significant and that analysis will be initiated after our review and options for 2011 are developed.

When the Oregon legislature passed HB 3672, Peter immediately initiated work with program staff, and planning staff and contractors to separate and quantify mid-year savings and generation already booked and savings/generation from those projects close to completion. A complementary analysis of HB 3672 identified which programs were not impacted either at all or only minimally this year due to the timing of new tax credit programs. These two steps helped identify programs where savings impacts were greatest this year.

Programs predicted to have little or minimal impact in 2011 from tax credit changes:

- Renewable energy projects: There is a mix of projects in the pipeline, and we largely know their status for both 2011 and 2012. An established working relationship between Energy Trust and the Oregon Department of Energy enables us to know what to expect, to be familiar with the tiering process, and to identify generation impacts this year and into next. There may be an impact on the residential solar electric program stemming from increased activity this year potentially offset by less activity in the commercial sector. We will monitor that activity closely and remain in communication with the trade allies.

- Residential energy efficiency programs: There is limited impact on these programs in 2011 because the current RETC remains in place until 2012 when new rules will address legislative changes. We therefore have some time during which we expect residential programs to hold steady. There may be a bump in applications and tax credits for appliances, some of which will no longer qualify for a tax credit starting in 2012.
- Market transformation savings: These savings are not impacted by tax credit changes.
- Commercial and Industrial/Agricultural programs: We predict there will be no effect on operations and maintenance, strategic energy management, manufacturer rebates, insulation, windows, savings in new buildings built less than 10 percent beyond code, any projects holding pre-certifications, prescriptive and non custom measures (food service, grocery, HVAC), smaller efficiency projects and multifamily projects, which often include measures, such as windows, that are not eligible for tax credits.

This analysis concluded that 2011 tax credit impacts are greatest within the Existing Buildings and Production Efficiency programs, where projects are most dependent upon business energy tax credits. Deeper analysis is underway regarding impacts on annual savings goals and potential mitigation in specific areas of two programs:

1. Existing Buildings: Impacts are highest on popular lighting projects and larger custom capital projects. Program staff and the PMC estimated which customers are likely to go forward without a tax credit, and will utilize ODOE data and outreach to customers to determine if a BETC pre-certification is in hand.
2. Production efficiency: Impacts are also highest on lighting projects and custom capital projects.

John Savage asked if we have a plan to backfill those dollars. Margie mentioned that is the next step. Savings impacts vary by utility. For example, gas utilities are more dependent on residential savings which are less impacted and electric utilities are more dependent on commercial and industrial lighting, which is impacted. Now that we know which programs are most impacted, we will focus our attention on outlining mitigation strategies to help us close the gap left by the tax credit changes and to acquire savings to help get closer to our annual goal.

Next steps

- Vet program staff analysis with our Planning team
- Draft mitigation options, which will include an analysis of expenditures and whether any unspent funds can be shifted from other parts of the organization to program incentives and help fill the gap. Present more detailed analysis and mitigation options to the joint Policy and Strategic Planning board committee meeting on July 19
- Meet with each utility in late July and before August 10
- Gather feedback from the Conservation Advisory Council and Renewable Energy Advisory Council meetings on August 10
- Engage the board and utilities on our findings at the utility roundtable and board of directors meetings on August 17

- Further engage the OPUC and utilities as we plan further for the year and make decisions on how to fill the gaps, keeping in consideration benefits and costs
- Begin determining the impacts to next year's budget and new savings goals and funding requirements.

Margie thanked Peter and his program staff who immediately began working on this when word got out; Ted Light, Pete Catching and Fred Gordon from Planning; John Volkman for his informative summary; and the communication tools developed by Amber and her team. This was a large, collective effort. We could not have done this work in such a short time a few years ago. We now have cross functional teams, better forecasting tools and improved data access and quality. Peter also thanked Elaine and the Renewable Energy teams for their work.

Dan Enloe asked for further clarification around the Renewable Energy sector. Peter answered the Renewable Energy team has a firm idea on what projects will go forward. The tiering process has led to renewable energy projects having long lead times (12 months to two years) and we know what to anticipate.

Bob mentioned another unknown is what happens in the future with the $3 million renewable energy tax credit budget allotted for the next biennium. Peter said that will be part of the 2012 budget discussion. For 2011, with the Oregon Department of Energy's data and the long project lead time, we typically know by this time of the year how the year will end. People contacting us mid-year are typically discussing projects for 2012 or 2013. Bob said all the renewable energy credits have been awarded ($300 million), there is no longer any credits available for these projects and starting the fall of this year there's only $3 million for the next biennium. Peter said this will lead to a different strategy for the sector in 2012.

Jason asked what will be presented at the August 17 board meeting. Will the board be faced with needing to take any action on this year's budget? Margie said we will know what direction to take but may not know the complete budget impacts at that time. We will know some options and will be costing them out, but we don't know at this time if we will be asking the board to consider any changes to the budget. The conversation on August 17 will depend on the feedback we get, other analysis that comes to light and our comfort level with the options. Today, we know where to focus, and what programs are impacted and not impacted. Next up is to quantify those impacts and the corresponding budget to address them.

Jason asked what percentage of energy-efficiency savings are at risk. Peter said we don't know that net number for 2011. We know what's not affected. What's left is dependent on whether the large capital projects in the pipeline for the Commercial, Industrial and Agricultural programs will move forward without a Business Energy Tax Credit. We need another review of the actual percentage affected before we start talking about it, and we think we have the right judgments but we've had to make some judgment calls. There is more analysis to do. We don't want to publicize a number yet as our focus will move into managing reactions instead of firming up the estimate. Margie added that we have to have a managed process predicated on the information we develop.

Alan praised Margie and the staff on the process and approach they are taking.

John Reynolds asked when planning will begin for 2012. Margie said roughly mid to late August; as soon as the 2011 analysis is wrapped up.

Jason asked, once you know the impacts to 2012, is that when we will work with the OPUC to discuss the metrics and what's now achievable. Peter said yes. Some of the early 2012 talks are influenced by renewables; and we need to recognize it will take time for new tax credit rules to be final, for the rules to be accepted by the market and for market actors to recast their business plans. We are in a time of uncertainty. Peter suggested flexibility in setting the 2012 goals. We won't have the certainty that we've been used to, especially as the rulemaking timeline is unknown and we don't have any certainty they will be in place as we begin planning for 2012.

John R asked if our participation in the Oregon Department of Energy rulemaking is certain. Bob said the Energy Advisory Council which Margie is a member of is where we will go with the proposed vision and initial outlook. Energy Trust staff is always invited to provide input during the public participation periods for rulemaking.

ISI quarterly update

Margie gave a briefing on the IT Integrated Solutions Implementation (ISI) project involving Epicor software installation. At this point, we have assessed the budget and timeline. We are well within budget and need to extend the timeline likely into Feb 2012, potentially into March 2012. We don't think we can meet the original October deadline and combine that transition with our budget and AP preparation, final year-end close and office move. If we don't make the October date, we'll look to early February to go-live. We don't have the resources to manage a full transition to the new IT systems during the busy fourth quarter.

Margie reminded the board that IT Manager Debbie Blanchard accepted a new position at an outside firm. We have a strong candidate pool for the position. There are four finalists, and interviews will be conducted in the next few weeks. We are looking for people with background in communicating and translating technical work into layperson language, as well as experience implementing enterprise resource projects. We are hopeful we can act quickly to fill the position. Margie recapped that the ISI project is within budget, though we are likely to extend the timeline.

Margie told the board we've been working more closely with higher management at Epicor. We are getting the right people on the team and to be present on-site. Epicor is primarily manufacturing-based software tool and we've had to modify the software to fit our needs.

Debbie Kitchin said Margie mentioned that there wouldn't be a budget impact from the delay. Debbie asked, since we have had to extend other contracts related to our existing data systems such as FastTrack, for example, will there be a budget impact on these other contracts? Steve said the FastTrack contract includes other updates that are needed beyond those related to the ISI project. Steve expects there will be some budget impact to extending the ISI deadline, and anticipates that those changes are well within the approved ISI project budget for contingencies. We figured we would run into situations that require more time and would be more difficult. And we have. This has been incorporated in the board-approved project budget.

Sue Meyer Sample clarified the office move is November 18.

Home Energy Makeover Contest briefing paper
Prompted by the board, highlights of the Home Energy Makeover Contest were presented. Kate Scott delivered the summary. The contest involved choosing four winning homes based on highest energy use and best opportunity for Home Performance with ENERGY STAR® comprehensive assessments. In 2009, Home Performance was still new to the marketplace and their consumers lacked complete understanding of the offering. More than 6,000 participants entered the contest in 2009, 20 received free Home Performance assessments performed by CSG; and the homes with the best potential for savings were chosen for the makeover contest.

All four homes had extensive work completed, and we were fortunate to have generous donors contribute equipment and materials. We engaged 27 trade allies, manufacturers and distributors to donate products and services. Each home realized good savings. There was a 38 percent reduction in savings from the Medford home alone.

Of the contest entrants, 20 percent participated in our programs, and 61 percent had not participated before. One success with this approach was our ability to reach new customers. The contest media value came in at around $300,000 and included positive stories being published statewide.

The board asked if this contest will be done again. Kate said this was a marketing effort that can be used again, though Home Performance has a stronger positioning in the marketplace now.

Roger asked if some of the savings in the winning homes are behavioral savings. Kate said, judging by the savings in the homes and the feedback from the winning homeowners, some of the savings could be attributed to behavior change.

Jason said the Medford home had dramatic energy savings, and asked if Energy Trust has been able to share the homeowners' experiences. Kate said the stories were leveraged during makeover in the summer of 2009, as well as during the home "unveilings" that fall and one year later to communicate the results with a full year's worth of savings.

Board members Caddy, John R., Dan D. and Julie H. expressed interest in conducting another contest to see if we can get as good as or better results and focus on other communities around the state. They suggested the contest had positive results and even though we might have to change the strategy to fit today's economy, all the positives point to a great PR and activity generating strategy. The contest could be modified and repeated, especially in those areas where Energy Trust is not as visible.

Amber said this strategy is something that we can replicate and we will look into the benefits of conducting it again, but we want to make sure we get the same bang for the buck.

Other discussion
Debbie Kitchin reminded the board members of the reports from the evaluation committee that are included in the July packet and can be discussed at the August 17 board meeting. She asked that board members keep this packet for the next board meeting. Margie also said the packet is online and Nancy will send a reminder to the board to make reference to the July packet when preparing for the August meeting.

John R indicated this may be the appropriate time to survey the board on whether a paper packet is still needed for the meetings.

Dan Enloe mentioned he has a business conflict for the next board meeting and won't be able to attend.

It was mentioned to add the paper authors to the briefing papers in the packet.

A brief discussion was held on the board strategic retreat for 2012, including whether to hold it earlier or later in June and if it should be at a different location than Portland.

Adjourn

The meeting adjourned at 12:59 p.m.

***Next meeting*.** The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, August 17, 2011, 12:00 p.m. at Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, 12th Floor, Portland, Oregon

Caddy McKeown, Secretary