Board Meeting Minutes – 107th Meeting

August 17, 2011

Board members present: Julie Brandis, Dan Davis, Jason Eisdorfer, Julie Hammond, Debbie Kitchin, John Klosterman, Caddy McKeown, Alan Meyer, John Reynolds

Board members absent: Rick Applegate, Dan Enloe, Roger Hamilton, Jeff King, Bob Repine (ODOE special advisor), John Savage (OPUC ex officio)

Staff attending: Scott Clark, Amber Cole, Fred Gordon, Hannah Hacker, Margie Harris, Jed Jorgensen, Nancy Klass, Steve Lacey, Sue Meyer Sample, Sloan Schang, John Volkman, Peter West, Aaron Zahler, Lizzie Rubado, Betsy Kauffman, Oliver Kesting, Tara Crookshank, Pete Catching, Elaine Prause, Kim Crossman, Kacia Brockman, Diane Ferington, Marshall Johnson

Others attending: Lauren Shapton (PGE), Kari Greer (Pacific Power), Pat Egan (Pacific Power), Juliet Johnson (OPUC), Theresa Gibney (Corvallis Sustainability Coalition), Marc Thalacker (Three Sisters Irrigation District)

Business Meeting

President John Reynolds called the meeting to order at 1:35 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: Approve consent agenda

Moved by: Debbie Kitchin   Seconded by: Jason Eisdorfer

Vote: In favor: 9   Abstained: 0

Opposed: 0

Consent agenda included one item:

1) *July 13 board meeting minutes.*

President's Report

John Reynolds presented on American Council for an Energy Efficient Economy (ACEEE) state rankings. Each year, ACEEE names champions of energy efficiency. This year, the award went to the Northwest Energy Efficiency Alliance (NEEA).

Past champions:

- Tom Eckman of the Northwest Power and Conservation Council was one of five champions in 2004
- Bonneville Power Administration was one of four champions in 2006
- Northwest Power and Conservation Council – for its plan to meet 85% of load growth with energy conservation – was one of three champions in 2010

John R. congratulated NEEA on receiving the award.

Energy Programs

Three Sisters Irrigation Hydro Project, Resolution 591. Jason Eisdorfer introduced the resolution.

Peter West led the discussion with Jed Jorgensen. Several years ago we launched an initiative to pursue conduit hydropower projects. It's an effective expansion of our programs, particularly in eastern Oregon. These projects have multiple benefits beyond energy, including water-saving benefits for this project as water will be added to the stream – improving steelhead habitat.

This is a project without a Business Energy Tax Credit (BETC), and in effect, is the beginning of what you will begin to see for successful projects in the years ahead. Unlike most projects we bring to the Renewable Energy Advisory Council (RAC), the council was not unanimous in its approval. Pat Egan will address concerns raised by Pacific Power during that August 10 meeting.

This project falls within the "Other Renewables" program and helps meet the goal of developing hydroelectric facilities located outside federal and state protected areas. It also supports our strategic goal to accelerate the rate at which renewable energy resources are acquired, helping to achieve Oregon's 2025 goal of meeting at least eight percent of retail electrical load from small-scale renewable energy projects.

Jed presented the project details and talked about Pacific Power's concerns.

First, there is an error in relation to the Renewable Energy Credit (REC) percentage: 80% should be changed to 69%, the value when the net present value of the incentive is applied. This was an unintentional error.

The project will be awarded up to $1 million over four years for an 800-kW hydro facility in Sisters, OR. It is owned and operated by the Three Sisters Irrigation District (TSID). The project will operate during the irrigation season April through October, generating 3,100 MWh annually.

It will be a qualifying facility with Pacific Power. The project is in Central Electric Co-op (CEC) territory, but the power will be wheeled by CEC to a Bonneville Power Administration substation that connects to Pacific Power. The program has been aware of the project since 2009, and it was subject to a thorough staff review and rigorous third-party review. Based on positive findings from those reviews, the program indicated there is little risk with moving forward with this project.

TSID would be the seventh irrigation district hydro project to receive an Energy Trust incentive. Projects at irrigation districts are the main focus for the program. In the program, costs range from $600,000/aMW (Juniper Ridge) up to $3.7 million/aMW (Farmers Irrigation District). Currently, Energy Trust has 4.7 MW in operation and 4.6 MW under construction. This project would increase generation capacity by 0.8 MW.

The above-market cost using net present value, our standard methodology that looks at 20 years of installation and operation costs compared to revenue, is $1.25 million. TSID was awarded a $600,000 grant from the Bureau of Reclamation; receiving this grant is contingent upon securing matching funds. Again, the project does not have a BETC.

The Energy Trust incentive would be distributed as $700,000 in Year 1, and $100,000 for years 2-4 contingent on meeting a minimum performance goal. The project is given five years to meet the four-year production goal. Oftentimes, the first year is a time when production may be lower as the project team optimizes the system. The net present value of this four-year payment stream is $862,411.

The project's energy would cost $2.8 million/aMW, within the range for what we've paid before ($1.5 million/aMW for Earth by Design, $2.9 million/aMW for Swalley).

Compared to other technologies Energy Trust supports, this is a good value. Cost range from a low of $700,000/aMW (anaerobic digester) to a high of $8 million/aMW for commercial solar and $14.4 for residential solar.

Energy Trust will receive 69% of the RECs over 14 years. [Note the change to the resolution from 80% to 69%.] Approximately $600,000 of the funds will come from the Other Renewables budget and $400,000 from the Biopower budget. In regards to the Biopower project, there is no competition for the funds because two projects are moving forward without an incentive.

During the RAC presentation August 10, Pacific Power voiced concerns with the project. The board received a copy of Pacific Power's letter on the project and Margie's response to the letter. Jed listed Pacific Power's concerns with the project, including it is outside Pacific Power territory, will incur wheeling costs, is not fully developed enough, and won't provide value to their customers.

Energy Trust's response to Pacific Power's concerns were that the REC benefits flow directly to Pacific Power customers, on a net present value basis the wheeling charge is 46% of above-market costs, and even without a wheeling charge the project will have an above-market cost.

Jed said costs for hydro projects depend on site specific conditions. On this project, wheeling is the largest cost. On other projects it's interconnection. This project also has lower than expected costs in other areas, mainly existing penstock which lowers capital costs. There is a wide range of costs we see with each project. TSID is not an expensive project, and is within the range we've paid for in the past. In addition, those past project had BETCs, while this one does not. To stay within Pacific Power territory and secure projects this year, solar would be our only option.

Energy Trust has had a longstanding practice of wheeling and having projects outside of both Pacific Power and Portland General Electric territories, such as Goodnoe Hills, and Combine Hills in WA. We are also considering biopower projects that would be wheeled to Pacific Power and PGE.

This project is typical for the program in terms of timing and level of involvement. The program knew about the project in 2009, has been working closely with TSID since October of 2010, and had the project go through a rigorous third-party review. The $1 million incentive is not guaranteed, and this is not taking money from other projects within Pacific Power territory. The recent changes to BETC will make projects such as these even more difficult in the future. Lastly, the project will likely be delayed or face additional challenges in finding financing if it does not receive an incentive and loses the grant awarded by the Bureau of Reclamation.

Jed mentioned that with the exception of Pacific Power, the rest of RAC supported the project. Rebecca Sherman from the Oregon Department of Energy said Energy Trust is integral to making this project move forward and is allowing the district to avoid levying a fee on their customers. [Her full quote is in the Aug. 10 RAC minutes.]

Marc Thalaker, manager of TSID, presented on the non-energy benefits of the project. TSID has been working with conservation projects for the last 10 years, and has its own construction crew. Historically, Whychus Creek was an important spawning creek. What is otherwise a dry stream will have minimum spawning flow. This project is putting 6 CFS in the river, out of a total of 20 CFS conserved by the district. It has garnered tremendous support (listed in a handout Marc delivered to the board).

Marc said TSID has been building a number of pipelines, and has piped over half of its 60 miles of its open canals. This hydro project is very important. Without the generation revenues, TSID won't be able to pay back the DEQ loan and will have to assess its customers. This would also slow future conservation efforts. Historically (1950), in the last steelhead run there were about 1,000 spawning adults. With the additional water we'll start passing adults past the Pelton dam as early as 2014 and doubling the steelhead population. This is an investment not only in green energy but also in the environment.

Pat Egan, Pacific Power, presented the utility's concerns on the project. RAC member Tashiana Wrangler, Pacific Power, was unable to attend. Concerns led to a letter being sent by Pat to Margie on August 16, 2011, and centered on two issues which Pat described:

- Financial
    - Service territory is an element

- Goodnoe Hills was a unique project, and it was out of state and it had access to Pacific Power transmission lines
- Wheeling charge of $70,000 for this hydro project

  - When comparing incentive to cost of wheeling, it's close. Customer dollars going into this are paying to get access into our system since CEC didn't want to purchase the energy

- Process issue
  - The RAC process is valuable and an opportunity for the Pacific Power team to engage with Energy Trust. The transmission team knew of project but whether that knowledge included that it would receive a $1 million incentive is not known.
  - The purchasing utility should be engaged early to examine the economics of a project, particularly if it's outside the retail territory or transmission territory. Felt that was not done in this case.

Pat said Pacific knows this is a good project and they are fully aware of irrigation hydro projects and he appreciates the time the board has given him to raise these financial and process issues.

Alan Meyer: Will this project service the piping debt? Jed: Most of the piping has been installed, so those costs from installation are not included. There was a $2 million DEQ loan the district intends to pay back using hydro revenue so it shows up on the revenue side of the project. Alan: I'm concerned that debt is in the above-market cost of the project. Why is it being charged as a piece of above-market cost in this project when it already exists? Also, I get 80% for the RECs, where does 69% come from? Jed: We do that on net present value, because we are making future payments.

Discussion ensued on the generation listed in the resolution and the resolution will be modified to indicate generation of 3,100 MWh annually.

Jed: To Alan's first question, projects need the penstock to have the hydro project. Other districts have approached this differently. TSID has gone after grants over the past years; the last piece is a DEQ loan, which they've intended all along to pay down with hydro generation revenues. We believe this is an appropriate expense.

Julie H: What is wheeling, who are they set by and will the cost of acquiring this power be substantially different than the power Pacific Power would normally purchase? Pat: The basic concept of wheeling in this case is the cost to CEC of transmitting the power from the source to Pacific Power. The rate was set by CEC with the help of the Federal Energy Regulatory Commission (FERC) and is based solely on the capacity of the project and is not reliant on the distance (which is 10 miles). Plus, the utility is the purchaser under the Public Utilities Regulatory Policy Act (PURPA) requirements and must accept the power.

Peter: This policy started as a way to promote distributed generation under the Carter Administration and has continued in various ways (federal regulations via FERC, state policy, OPUC regulations). Wheeling is a cost just as interconnection fees are a cost.

Peter said the power generated by renewable energy projects must end up in PGE or Pacific Power systems for Energy Trust to support it. Qualifying Facility (QF) standards mandate the utility to take the power. If we want to relook at that policy and criteria, that is something we should look at on a going-forward basis, but this project should be evaluated on the merits we've always brought to the board.

Julie H: It sounds like this should be something we address in the future.

Pat: Part of our concern is the wheeling cost in this case is similar to the value of the incentive; plus without the incentive, it seems this project wouldn't go forward. Also, it's not in our territory and not directly transferable to our system.

Julie H: Is this more expensive than power you would buy? Pat: On the power side no, on the public purpose charge side, yes.

Julie H: Is this the first time this went through RAC? Jed: Yes, policy requires presenting to RAC once. Peter: We've been working with Pacific Power on this project since 2009 and we don't hide where we are headed. There are ways we can improve this connection moving forward.

Caddy: I would hate to do to this customer what BETC is doing to those customers and that's pulling the rug out at the end. I do understand this is a conversation we are going to need to have. Is Pacific Power paying more for the power than you are selling it for? Pat: I don't have that information at this time. Under PURPA, we need to purchase the power and how it gets set by the OPUC is determined during those rate negotiations. The short answer is it shouldn't be any different than other PURPA contacts. In addition, we see the benefit as not flowing to Pacific Power customers.

Julie H: The benefits still flow to our customers. Peter: The RECs will accrue to Pacific Power.

Margie reminded the board that the points Pat raises are very important to Pacific Power considerations. The reason this project and all of its predecessors are here is we have a different mandate, to encourage renewable energy and help pay for above-market costs. Energy Trust's mandate and Pacific Power's interests may not always align. The policy questions Pat is raising may well need to be addressed.

Jason: The criteria that the investment is in the utility service territory for renewable energy projects is not in statute. Have you raised these issues before or is this relatively new? Pat: We've checked with Kyle Davis (former RAC representative from Pacific power) and he said he raised issues on overall cost. Projects have been generally in our territory or in our transmission system. This project is unique with its wheeling costs almost the same amount as the incentive. If we are going to be required to purchase the power, we need to be at the table during the process.

Jason: Wasn't the utility engaged months ago? Pat: The transmission and interconnection departments handled those communications. I do not know if those departments knew of the incentive and wheeling costs. What's new here is the power is not sited in our transmission territory.

Jason: At what point did Energy Trust engage Pacific power? Is this project being rushed? Jed: Energy Trust staff is not in the habit of contacting the utility to discuss interconnection; that is typically the project owner's responsibility. There has been an interaction on this project, and again, that was not Energy Trust and that is typical.

Jed said the program has working with TSID since October 2010, and received a formal application in June. The duration and thoroughness of the review took two months and was standard. Peter: When you get to the costs (wheeling, interconnection, transmission) there is a range. We need to roll that up and look at the whole. This project is within the range for cost/aMW and generation. Plus, that range is a BETC range and this project does not have a BETC. The next immediate project will be much more expensive. That we haven't engaged PacifiCorp is a fair comment. In terms of process, this has gone through the standard review process.

Alan: I understand Pat's concern with wheeling costs. In the end, how are we spending Pacific Power ratepayer dollars? This project is competitive and a good buy regardless of whether it's in the territory or not.

Dan D.: I agree with Alan's points. Regarding penstock, any project like this would have to have penstock costs and it's just that those costs would show up in the capital cost column and not the debt service column as it does here.

Julie H: Is Pacific Power going to be uncomfortable talking to its customers? Pat: We don't oppose the project but it has a different gloss than other projects that have accessed the renewable energy aspect of the public purchase charge.

Julie: Why did CEC not take the power? Jed: Public power is not regulated the same as investor-owned utility power. They get lower cost power from BPA. Marc: Plus CEC only has a 5% RPS, which it has already met.

Julie B: When you say this project has a different gloss, do you mean that because it is outside the service territory when compared to other public purpose renewable energy projects?

Pat: I'm raising policy and economic questions, not making allegations.

John K: How was the accounting determined when the loan was made? Marc: The stream is listed in 303D (water quality). All the funders listed were aligned over several years and the hydro system is the fourth piece. The district did take a gamble, but with the loss of the BETC, renewable energy will become a significant challenge. That's what we have to do with the loss of Federal dollars and so much BETC.

With the two changes to the resolution, indicated in the discussion, the resolution was brought to a vote.

RESOLUTION 591

APPROVING FUNDS FOR THE THREE SISTERS IRRIGATION DISTRICT GENERATION PROJECT

WHEREAS:

1. **Three Sisters Irrigation District proposes to develop an 800 kilowatt hydropower facility, expected to generate 3,100 megawatt hours annually ~~7.07 average megawatts over a 20-year operating life~~.**
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 $1,251,375 over 20 years.**
4. **Staff proposes a $1,000,000 incentive, to be paid in four payments: $700,000 upon commissioning, and $100,000 on the anniversary of commissioning in the following three years.**
5. **Approximately $600,000 of these funds would come from the 2011 "Other Renewables" program budget. The remaining $400,000 will come from the Biopower program budget.**
6. **At the proposed payment, the project's energy would cost Energy Trust about $2.82 million per average megawatt (aMW).**
7. **The project would increase Energy Trust's hydropower generation portfolio by 800kW, an 8% increase.**

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

1. **Payment of up to $1,000,000 to Three Sisters Irrigation District to offset the above-market costs of the Three Sisters Irrigation District hydroelectric plant;**
2. **Energy Trust to take ownership of at least 69% ~~80%~~ of the green tags produced by the project; and**
3. **The executive director to enter into a contract(s) consistent with this resolution.**

Moved by: Julie Hammond Seconded by: Dan Davis

Vote: In favor: 9 Abstained: 0

Opposed: 0

Adopted on August 17, 2011, by Energy Trust Board of Directors.

In reference to the process, Julie B. mentioned she would rather not be this far in the process and then hear concerns from the utility and to have to amend a resolution at the board meeting. It is our responsibility to check in with all parties.

Julie H: Agreed that the process should be reconsidered.

Margie: Agreed and stated it is our responsibility to initiate conversations with the utility. To our advantage, these projects have long lead times and that helps provide sufficient time for proper communications. We should take Pat's concerns to the Policy Committee and come back to the board. I appreciate we aren't holding up this project.

Committee Reports

Evaluation Committee. Debbie Kitchin presented.
The Industrial Plant Closure study was reviewed by the committee. It looked at industrial plants that have participated with Energy Trust. Many projects, besides lighting, are currently assumed to have a 10-year measure life. Indicators showed the 10-year measure life was too conservative. Staff proposed a 15-year measure life. Question was raised by John R if the sample included mega-projects. Fred: Each mega-project should be evaluated on an individual basis. Staff will do another study in 5 years and for most non-lighting measures, we will use a 15-year measure life. The committee was in favor of this. This change will bring some additional measures within our r cost-effectiveness criteria.

The High Performance T8 Market Transformation study was reviewed by the committee. The policy question came up on how we count market transformation savings. The committee felt there were good reasons to take credit for the savings and we connected with other parties to verify.

Fred: Our standard for counting market transformation is not that we were directly responsible for doing the project but that we were integral to the project outcome. We've been working on this analysis and quantification for nearly 10 years. The result will amount to a little more than 3 aMW/year added annually for 5 years, or 18 aMW. This is almost as significant as NEEA is this year and stems from the most common lighting equipment in office buildings upgrading to a high performance bulb. There is an increasing portion of our goal that we've achieved by influencing federal standards.

Margie: Will this 18 aMW go toward helping offset the BETC gap? Fred: We are taking credit for all the savings we rebated. Additionally, we are saying our programs, as part of many programs nationwide, were crucial to making the federal standards possible. And without our programs, the standards wouldn't have come online for another 5 years.

The Clean Energy Works Portland Process Evaluation was reviewed by the committee. Learnings from the process and the program are continuing to evolve. We're getting more results and more long-term results. We also saw a change in the mix of customers staying in the program.

Financial/Compensation Committee. John K presented.
John K. talked about recasting efforts due to the BETC impacts. The Repo account, page 2, paragraph 3, CDARS investment are at their maximum. The committee agreed to allow the organization to invest a percentage of those funds above the CDARS maximum and earn some

interest return on it. There is some risk with this approach , which we are working to minimize. There is nothing unusual in the June financials: some gaps with our expectations, especially incentives.

Alan: Looks like we're still accumulating cash. Margie: Yes, as usual for this time of year. It is helpful to look at the committed and dedicated funds which Sue has added to our statements. In addition, we are just entering our busiest season. Despite our efforts to stretch activity throughout the year, 50% of our business occurs in the second half of the year with the highest level in the last quarter.

Julie H: Are we being too conservative in our budget calculations? John K: The cash line has been growing and I think it's something we should investigate in the budgeting process. Margie: One of the issues is renewables. Spending has dropped significantly because of the BETC changes. We are also continuing to capture savings at a lower cost and when we do that, we have reserves.

Julie H: Maybe we need to get into the more risky areas. Jason: Energy Trust has never been a steady state organization. Also, on the opposite end of the spectrum, we have overcommitted before.

The compensation committee met last Wednesday, focusing mainly on the 401K plan, reviewed 401K fund performance (actively modifying all the funds), and analyzed plan participation by looking at the breakdown of who the participants are and demographics at a high level.

Policy Committee. Jason presented.
Registering RECs: This topic was discussed at the most recent committee meeting. For 8% of RECs, qualifying facility and net metered projects, Energy Trust would have to spend considerable money to capture those RECS so they qualify for the RPS as part of WREGIS. The cost for registering such qualifying facility projects would be $190,000 through 2025 (about 780,000 RECs). The cost for net metered projects, largely rooftop solar, was over $6 million to yield 260,000 RECs. These costs are too expensive. RAC agreed.

At some future date, Jason would like to be able to count the solar RECs. Energy Trust is in a unique position because we take title to RECs from projects we don't own. Western Renewable Energy Generation Information System (WREGIS) has no system for registering RECs from an organization like us. Instead, they work with REC owners who generally represent larger projects than those we support.

Because Energy Trust is a unique and relatively small market actor, it is challenging to gain attention from WREGIS. ODOE is not interested in solutions outside of WREGIS because of the credibility WREGIS brings. There may be a solution worth pursuing, and despite extensive research, a solution has not been identified.

Alan: Agrees with Jason's position. This is not about law, it's an ODOE policy. To comply with REC registration would require an expensive investment. Peter: We had proposed to RAC to exempt these projects from WREGIS certification. The utilities supported this. Currently, we survey projects to verify the results and the last survey said we are at 99% of the generation results we forecasted. We believe how we are approaching this is the most cost-effective way to do it. ODOE is still opposed to it and has agreed to approach WREGIS, as they are a bigger player than we are. It is up to ODOE to lead and we don't know how high a priority this issue is on their list. We committed to revisit this matter in a year and if we did not make any progress, we would approach the OPUC. We would incur an administrative burden and cost. In summary, the policy will stay as is and we'll continue working on it.

Retreat follow-up: Energy Trust's role in how board members influence legislation was discussed at the last policy committee meeting. Consensus was that Energy Trust will still not take position on individual pieces of legislation. Board members will self monitor any engagement with policy makers. The board meeting preceding the start of each legislative session will include reminding and preparing board members on their appropriate role.

Fuel switching policy: John Volkman described the history of the fuel switching policy since NW Natural came onboard in 2003. The policy reads that Energy Trust will not encourage anyone to switch fuels and can pay customers to invest in a more efficient technology after they have made the decision on what fuel to go with. Clean Energy Works Oregon recently approached Energy Trust seeking clarification on how to address customers that choose to change heating fuels as part of their deep retrofit and financing program. Utilities objected to Energy Trust providing an incentive to customers that have switched fuels. Energy Trust engaged both NW Natural and Cascade Natural Gas and identified this as an OPUC issue. The proposed language in the policy will be delayed until the utilities meet with the OPUC and direction is given hopefully by early 2012. Bill Edmonds commented that NW Natural appreciated the additional time. The policy will be brought to the board in March of 2012.

Amend Conservation Funding for Schools Policy, Resolution 592. Jason Eisdorfer introduced the resolution.

Under SB 1149, schools receive 10% of the public purpose charge. ODOE operates the program in conjunction with Education Service Districts. After school districts complete energy audits on their buildings, schools can receive 100% funding for measures identified in the audit. Energy Trust has coordinated with the program since our inception, providing financial incentives to install cost effective measures. No Energy Trust incentives are provided for measures also funded through the SB 1149 schools fund.

The new “Cool Schools” program (HB 2960) was enacted this session and authorizes use of the 10% public purpose charge schools funds, as well as other funds, to support local school bonds for energy-efficiency improvements and investments. This raised a policy question: if Energy Trust supports a Cool Schools project, would we be duplicating SB 1149 school fund money?

The policy committee proposed to shift how Energy Trust interacts with school projects. The primary barrier facing schools is facilitating and managing projects, such as connecting with trade allies. This is mainly an administrative, technical support function. Though Cool Schools provides a funding source for energy investment, schools still need technical assistance to implement projects. Energy Trust and ODOE have been working together to ensure such services are provided. A draft MOU is in circulation to define roles and report project savings. As drafted now, ODOE and Energy Trust would operate a pilot for up to 10 schools.

Energy Trust would report savings to the IOUs and OPUC and relate them to their IRP targets. No double counting would occur. In addition, the public purpose charge report provided to the legislature every other year would note savings resulting from Cool Schools activity supported by ODOE and Energy Trust. Under this policy modification, Energy Trust would support schools only in our territory. There has not yet been any definition of any possible role in consumer-owned utility service territories.

Debbie Kitchin left the meeting at 3:35 p.m.

Alan: What budget is being used? Margie: The Existing Buildings or New Buildings budget, depending on the project. Steve added that schools leverage their SB 1149 funds and they receive Energy Trust support via SB 838.

Kari Greer of Pacific Power mentioned that HB 2960 also adjusted how utilities remit funds to schools. In the past such funds were provided directly to eight education serviced districts. With the new legislation, utilities provide direct payment to about 75 schools. PGE would do the same for schools in their territory. Assistance to schools on how they can apply the funds is appreciated.

RESOLUTION 592

AMENDING BOARD POLICY ON CONSERVATION FUNDING FOR SCHOOLS

WHEREAS:

1. SB 1149, which requires electric companies to collect three percent of their revenues for public purposes, allocates 10% of the proceeds for energy conservation in schools.

2. To coordinate Energy Trust programs with the schools fund, the board adopted a policy allowing Energy Trust to make electric and gas funds available for schools if measures are cost-effective, and Energy Trust and the schools fund are not used for the same measures.

3. This year, the Oregon legislature adopted HB 2690, known as the “Cool Schools” bill, which will allow schools to use SB 1149 school funds and other funding sources as security for bonds to reduce the cost of energy conservation loans.

4. The board wishes to clarify that Energy Trust may provide technical and administrative support for Cool Schools projects as long as Energy Trust can claim savings from the measures it supports.

It is therefore RESOLVED:

1. The board policy on schools is amended as follows:

- Energy Trust will make electric and gas funds available for SB 1149 schools through its New and Existing Buildings programs, provided the proposed measures meet the relevant cost-effectiveness criteria.

- Energy Trust cash incentives ~~funds~~ and other SB 1149 school funds may not be used for the same energy efficiency measure.
- Energy Trust may provide technical and/or administrative support for school projects, provided Energy Trust can claim savings from the measures it supports.
- Energy savings estimates, measures costs and other data identified in the school district audits will be accepted by the Existing and New Building Efficiency programs.

Moved by: Jason Eisdorfer Seconded by: Caddy McKeown

Vote: In favor: 8 Abstained: 0

Opposed: 0

Adopted on August 17, 2011, by Energy Trust Board of Directors.

Break from 3:40 to 3:50 p.m.

The 2012 strategic board retreat date will be June 8 and 9, 2012, at Edgefield in Troutdale. Nancy will schedule the retreat for this date and location.

Margie mentioned staff will take a concerted effort to invite board members to events within their geographical area.

Staff Report

Margie presented Q2 savings and renewable generation highlights. Complete Q2 results are in the public report mailed to the board Monday. The report is also available on our website. Since the end of Q2, we are at 30% of electric efficiency stretch goal and 34% of gas efficiency stretch goal. The main concern is the renewables sector where we are only at 7% of stretch goal. This was anticipated as a direct result of high dependence on tax credits, BETC changes and uncertainty in the marketplace.

We've seen growth in existing buildings retrofits, industrial projects, home weatherization, new homes and solar projects.

New program initiatives show ways we are diversifying our services to capture savings. We've had collaboration with consumer-owned utilities that overlap with our gas service territories, including working with Efficiency Services Group to complete direct installs of water-saving devices during their home audits in Monmouth and McMinnville. This model was moving well, until public utilities overexpended BPA funds for efficiency programs, resulting in a temporary halt to work until next year. We anticipate reviving this collaboration with public utilities in our gas service territories in the future.

We are also working with EWEB to bring the Energy Performance Score (EPS) to NW Natural heated homes in their territory. EPS is at nearly 15% of market share for all new homes, which is very close to our annul goal of 17%. Fridge recycling and mobile homes are also progressing well. In Cascade territory, we initiated water audits. Technical training for industrial refrigeration operators is being conducted, as well as wastewater treatment training.

Clean Energy Works Oregon (CEWO) is doing well attracting applicants. At the end of Q2 they had 2,000 applicants, 500 test-ins and 100 completed loans. They are targeting 1,000 homes retrofitted by year end. CEWO is working with Enterprise Cascadia, plus SOFCU Community Credit Union in Klamath Falls. They are a little behind rolling the program out to the other regions.

The second OPOWER mailing was distributed. We've seen preliminary billing data and are encouraged by those preliminary results. The op-out rates have remained low (less than 3/10s of a percent).

The Integrated Solutions Implementation Project (ISIP) project launch has moved to February 2012. Margie met with Epicor this morning and there was encouraging news that a working model will allow us to pick up the pace, hopefully meet our new deadline and stay within budget.

We are still on track for the office move the weekend before Thanksgiving.

Related to external relations, our customer service manager and the OPUC liaison and consumer division met to align how we handle customer complaints. Margie also met with a large delegation from Latin America, where a representative stated that Energy Trust should provide consulting services. Delegations from Russia and China also visited.

Regarding follow-up from the June board retreat discussion on how to explore future consulting options, Energy Trust secured a working relationship with PSU MBA students to conduct a market assessment on our behalf. It will take some minimal staff time from Margie and Planning and Evaluation, to provide research guidance and review findings. The scope will survey and analyze who would likely purchase ETO services and products, pricing, competition, leverage with other entities and marketing. We're looking at spring 2012 to bring findings to the board.

Margie was a keynote speaker at the Portland International Center for Management of Engineering and Technology Conference at PSU and spoke about the "river of conservation" in the Pacific Northwest.

Margie described a few recent customer projects, including the Brigittine Monks completing a lighting upgrade, June Key Delta Community Center's new net-zero building in North Portland, the Coquille Indian Housing Authority receiving instant-saving products and Home Energy Reviews, and the Sunset Pool in Seaside that improved its HVAC system. This begins to show you that we are reaching out to different parts of our service territory and serving diverse markets and customers with different types of projects.

Introduction of Scott Clark, Energy Trust's new IT Director.
Margie said we received a variety of qualified candidates for the position. With Scott we have a combination of people skills and technical skills. He previously worked at Rejuvenation

Hardware. Feedback from IT staff is that Scott is a perfect match for where we are in the ISI project. Scott introduced himself to the board, and the board welcomed him.

Feature presentation: Online applications demo (Sloan Schang, Aaron Zahler)
Margie reiterated part of the redesign was customer focus and that we are having this presentation to demonstrate how the online experience is facilitating customer engagement.

Aaron showed a graph of applications coming in via paper and online. He explained web services are secure, standardized interfaces to our core business systems. He gave a history of our movement to having services provided online. The first application was developed to support the refrigerator recycling program. The first “traditional” web form was for residential appliance projects. As of now, we have 25 application types online. These applications include traditional web forms, as well as other online services such as the trade ally lookup.

Sloan discussed the benefits of applying online: easier, faster, can check status of the application, saves Energy Trust time and costs. Sloan demonstrated three types of online applications: free energy saving offers (easy to develop and highly marketable like the Energy Saver Kit order form), intake forms (a basic form like the Home Energy Review request form), and incentive payment (more detailed like the appliances incentive application).

Aaron closed the presentation by describing the savings Energy Trust sees from online services: 650 hours of processing time saved, 15,000 pieces of paper, stamps and handling avoided, 90% fewer checks re-cut and 30% reduction in call volume. He also discussed upcoming online projects and implementation plans with the Integrated Solutions project.

Adjourn

The meeting adjourned at 4:50 p.m.

***Next meeting*.** The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, October 5, 2011, 12:00 p.m. at Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, 12th Floor, Portland, Oregon

/s/ Caddy McKeown, Secretary