Board Meeting Minutes—115th Meeting

September 19, 2012

Board members present: Rick Applegate (by phone), Julie Brandis (by phone), Dan Enloe, Roger Hamilton, Jeff King, Debbie Kitchin, Alan Meyer, John Reynolds, Anne Root, Dave Slavensky, Bob Repine (ODOE special advisor)

Board members absent: John Savage (OPUC ex officio), Joe Benetti, Ken Canon, Mark Kendall

Staff attending: Margie Harris, Ana Morel, Hannah Hacker, Amber Cole, Steve Lacey, Scott Clark, Sue Meyer Sample, Fred Gordon, John Volkman, Peter West, Jackie Cameron, Phil Degens, Sarah Castor, Dan Rubado, Erika Kociolek, Shelly Carlton

Others attending: Kari Greer (Pacific Power), Jim Abrahamson (Cascade Natural Gas), Holly Meyer (NW Natural), Lauren Shapton (Portland General Electric), Juliet Johnson (OPUC)

Business Meeting

President John Reynolds called the meeting to order at 12:12 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

Consent agenda included:

1) *August 22 meeting minutes*
2) *Amending Board Policy on Above-Market Cost (R645)*
3) *Amending Board Program Approval Policy (R646)*
4) *Amending Board Policy on Authority to Commit Incentive Funds for Energy Efficiency Projects in Future Years (R644)*

RESOLUTION 645

AMENDING ABOVE-MARKET COST POLICY

WHEREAS:

1. **Ratepayer funds for renewable energy projects may be used for "the above-market costs" of constructing and operating new renewable energy resources.**
2. **In 2002, the board adopted an above-market cost policy specifying a methodology for comparing the cost of a renewable resource with the market price of power, i.e., the price of non-renewable energy on the open market, using levelized present values.**
3. **The methodology identified the maximum amount that Energy Trust would pay toward a project.**
4. **Before 2007, most of Energy Trust's renewable generation came from larger, utility-scale wind projects. These projects were governed by "master agreements" negotiated with PGE and PacifiCorp, which established procedures for identifying projects and negotiating funding agreements. Energy Trust's above-market cost policy described different methodologies for utility-scale projects and smaller projects.**
5. **In 2007, the Oregon legislature limited Energy Trust funding for renewable energy projects to the costs of constructing and operating projects with a nominal generating capacity of 20 megawatts or less. Since then, the methodology for evaluating above-market costs has been the same for all renewable projects, whether utility-sponsored or not.**
6. **As Energy Trust has focused on smaller renewable projects, it has dealt with more projects that generate energy for use on site. Net-metered solar projects, which generate energy for a home and feed the surplus to the grid, are an example.**

It is therefore RESOLVED that the Energy Trust policy on above-market costs of new renewable resources is amended as shown in Attachment 1, to:

1. **Eliminate the process identified for utility-scale projects, leaving a process applicable to all projects of 20 megawatts and less in size;**
2. **Clarify that Energy Trust will use the retail energy rate paid by the customer to determine the market value of energy generated on-site; and**
3. **Recognize that the procedural aspects of the utility master agreements remain in effect, and may be used in negotiating funding agreements.**

ATTACHMENT 1

Energy Trust of Oregon Policy: Procedures for Evaluating the Above-Market Cost of a Renewable Resource Project

Utility-scale Renewable Resources

The utility-scale renewable resources are identified in competitive requests for proposals and other processes. The Energy Trust will work with the utilities in the design of the RFPs and the RFPs will describe the Energy Trust's above-market payment program.

1. **Review project proposals**: Proposals must provide the technical, resource, financial and project information and operating characteristics typical for responses to a utility-scale RFP. The Energy Trust will independently review this information. As applicable, the Energy Trust will work with the utility to seek agreement on the analytical methodologies and the assumptions about the costs, discount rates, and other key factors that affect the analyses. Staff will ensure that assumptions and methodologies align with approaches approved for utility integrated planning and OPUC rulings and will document this as part of any approval process. The Energy Trust will also work with the utility in their RFP processes as mutually agreed to review projects for above-market funding.

2. **Independent review:** The Energy Trust will independently evaluate the projects. This review will evaluate whether the proposed costs are consistent with the usual and customary costs for similar projects, the economic and technical feasibility of the projects, and credit and other financial factors. Detailed analyses will be prepared of the net present value of the power that would be generated over the life of the project. As appropriate, the evaluation will include integration, delivery, ancillary, shaping and transmission costs, and any other relevant costs or credits. The staff will compare these costs to the utilities' market cost of electricity and calculate the net-present value of the above-market payment. For bids that do not include integration or transmission, the Energy Trust will evaluate the lowest-cost alternatives available for providing these services.

3. **Definition of market cost**: Based on the Oregon Administrative Rules (OAR) definition of above-market cost, the Energy Trust will compare the renewable resource costs to the market value that is used by the utility to acquire non-renewable resources, provided the market value was developed using methods consistent with the utility's latest Integrated Resource Plan and the Commission-approved acquisition process. The market value will typically be an updated forward price curve or marginal non-renewable resource selected through a competitive bidding process. The market cost will be adjusted to match the expected daily and seasonal delivery schedule of the renewable resource if necessary.

4. **Calculate the above-market cost**: The defined market costs will be compared to the delivered price for the renewable resource for each year of operation. The difference between the two will define the above- or below-market cost for that year. The net-present value for these costs over the life of the project (or the contract term in the case of a Power Purchase Agreement) will be calculated using the appropriate utility's discount rate. If the net present value is positive, then this amount would define the maximum above-market cost that the Energy Trust could pay. If the net present value is zero or less, then there would be no above-market cost payments.

5. **Payment:** The Energy Trust can pay up to 100% of the above-market cost. The actual amount of the payment is determined on a case-by-case basis after considering the amount of funding available, the funding needed to develop the project, the benefits of the project, and the potential of the project to reduce renewable resource costs, provide replicable

~~benefits, address a resource with significant potential, or meet other considerations related to achieving the objectives of the Energy Trust Strategic Plan. If the above-market payments are made to a developer, the Energy Trust will provide information to the utility so that the forecasted utility payments to the developer do not exceed the net present value of the market cost of the power over the expected life of the project. The Energy Trust will also provide this information to the Commission. Payments may be made up-front or on a periodic basis over time based on production or other factors. Payments made over time may reflect the discounted time-value of those funds.~~

~~Mid to Small-Scale Renewable Resources~~

The Energy Trust will evaluate ~~medium and small-scale~~ renewable resource projects that are submitted under ~~the~~ Energy Trust programs.

1. **Review Project Proposals:** ~~The~~ Energy Trust will review the costs submitted by project sponsors. Whether through standard processes or RFPs, proposals must provide sufficient information to evaluate the project, including at least technical specifications, resource characteristics, energy delivery, integration, transmission, development timelines, operating plans, financial detail, tax benefits, risks, and personnel. ~~The~~ Energy Trust will evaluate the responses and compare these to the usual and customary costs and specifications for similar resources. For complex projects, independent consultants may be used to help with this review and due diligence. Information requirements will vary by program.

2. **Definition of Market Cost:** Based on the OAR definition of above-market cost, for projects delivering power to the utilities the Energy Trust will compare the renewable resource costs to the market value that is used by the utility to acquire non-renewable resources, provided the market value was developed using methods consistent with the utility's latest Integrated Resource Plan and the Commission-approved acquisition process. The market value will typically be an updated forward price curve, QF tariff, Commission-approved avoided cost filings, or marginal non-renewable resource selected through a competitive bidding process. The market price will be adjusted to match the expected daily and seasonal delivery schedule of the renewable resource if necessary. In the case of on-site and net--metered use, the market cost will be the retail rates for the customer under filed tariffs with the OPUC.

3. **Calculate the above-market cost:** The defined market costs will be compared to the delivered price for the renewable resource for each year of operation. The difference between the two will define the above or below market cost for that year. The net-present value for these costs over the life of the project (or the contract term in the case of a Power Purchase Agreement) will be calculated using industry-standards to determine the maximum above-market payment, if any, from the Energy Trust. The Energy Trust staff will document these assumptions as part of the review and the Energy Trust's approval processes, which will include a review of what was used in the developers bid compared to what is standard in the industry for rates of return and competitive cost of capital. If the net present value is positive, then this amount would define the maximum above-market cost that the Energy Trust could pay. If the net present value is zero or less, then there would be no above-market cost payments.

4. **Payment:** The Energy Trust can pay up to 100% of the above-market cost. The actual amount of the payment is determined on a case-by-case basis after considering the amount

of funding available, the funding needed to develop the project, the benefits of the project, and the potential of the project to reduce renewable resource costs, provide replicable benefits, address a resource with significant potential, or meet other considerations related to achieving the objectives of the Energy Trust Strategic Plan. Payments to applicants for projects generating for own-use may be capped at the calculated net present value when comparing the cost of the project to the proposer's retail rate, if this results in a lower above-market funding from the Energy Trust than provided in step 3 above. Payments may be made up-front or on a periodic basis over time based on production or other factors. Payments made over time may reflect the discounted time-value of those funds.

Standard-Offer Resources

The Energy Trust will have some programs that require a standard offer for all projects of a similar type. Standard offers can be necessary for market development to signal consistency for long range planning and investment, or because projects tend to have uniform costs. In such instances re-calculating the incentive for each project would be a barrier to the market development and unnecessary.

For programs that have been authorized by the board to offer a standard incentive, staff will follow the procedures outlined for mid to small-scale projects. The calculation will be based on the latest available data on average costs for projects in Oregon. This calculation will be updated at least once per year with incentives adjusted, if necessary.

Other Considerations

1. **Implementation of the Above-Market Methodology:** The procedures and analyses will determine the above-market cost based on the best information available at the time of the decision; the payment will be fixed based on this information and will not be adjusted for future changes. The Energy Trust will work with the utility and others to include the most current information in the calculation of the above-market costs.

2. **Energy Trust Payments:** The payment can be made to the developer, investors, lenders, utility or other parties. The Energy Trust may make a one-time payment, establish escrow accounts, or structure other arrangements.

3. **Modifications to the Procedures:** If the Energy Trust staff determines that these procedures hinder project acquisitions or that it could be in the ratepayers' interest to modify the procedure for evaluating above-market costs, the staff may request that the board make an exception to the procedures. Prior to doing this, Energy Trust staff will consult with the utilities, the Commission staff and, within the constraints of confidentiality and timing, also with the Renewable Advisory Council. The rationale for any case-specific modifications would be documented as part of the evaluation process for board approval.

~~3.~~4. **Utility master agreements.** Energy Trust has had master agreements with PGE and PacifiCorp for several years. These agreements were negotiated with the above-market cost methodology in mind, and are consistent with this methodology, but have somewhat different procedural requirements. If utilities submit funding requests pursuant to master agreements, those procedural terms will apply.

RESOLUTION 646

AMENDING BOARD PROGRAM APPROVAL POLICY

WHEREAS:

7. **Before December 2008, the board policy on program approval did not allow staff to move budgeted funds from one program to another without board approval.**
8. **In December 2008, the board changed the policy to allow staff to shift funds among program budgets within a given sector. However, the policy inadvertently defined "sector" to include only energy efficiency program sectors, whereas the board intends the renewable sector also to be included in this policy**

It is therefore RESOLVED:

4. **The board policy on program approval is amended to clarify that staff may shift funds between programs in the renewable energy sector, as shown in the attached.**

4.22.000-P Program Approval Process

History			
Source	**Date**	**Action/Notes**	**Next Review Date**
Board Decision	February 16, 2005	Approved (R319)	February 2008
Policy Committee	April 15, 2008	No changes	April 2011
Board Decision	December 19, 2008	Amended (R498)	December 2011
Board Decision	March 7, 2012	Amended (R620)	March 2014

Purpose:

1. Historically, the Board has approved programs in resolutions that specify projected energy savings and cost/aMW and estimated budget allocations for such items as incentives, marketing, administration and evaluation. Specific terms of program management have typically been addressed in separate resolutions authorizing program management contracts.
2. Experience has shown that if staff and contractors adhere to the original terms and conditions identified in Board resolutions authorizing programs, the programs may lose momentum while staff seeks approval to change program delivery, and considerable Board and staff time are consumed in complex and confusing adjustments.
3. Energy Trust has enough experience with these programs to warrant revising this process to make it more efficient.

It is therefore RESOLVED:

1. The Energy Trust of Oregon, Inc., Board of Directors hereby authorizes all existing programs to:
   a. Operate under a not-to-exceed budget cap established by the Board in the annual budget approval process or by special resolution; staff is authorized to manage the program within this budget until the next annual budget review; staff may move budgeted funds from one program to another within the same program sector (residential, commercial, ~~and~~ industrial and renewable energy) without board approval.
   b. Be managed to achieve a stretch energy savings and cost/aMW goal, recognizing that actual performance may achieve only a more conservative level below which the program would be reevaluated.

5. The Board will continue to review and approve program management contract terms.

3. Staff will provide the Board with quarterly status reports based on energy savings by program and sector (not individual contract). Reports would identify issues regarding program performance, such as:
   a. a program's long-term cost-effectiveness is trending in a negative direction, and/or the program is not expected to be cost-effective once it hits steady-state.
   b. the program is not expected to achieve significant savings over its life.
   c. a quarterly report shows that a program is trending below the conservative goal, the Board may call for an action plan to address the short-fall.

4. Staff will provide an update to the board on any movement of funds from one program to another at the next board meeting following such movement.

5. The Board retains discretion to modify or discontinue a program if it is not meeting expectations.

6. The Board will use the budget and action plan process to review, modify and adjust program goals and budget caps.

RESOLUTION 644

AMENDING POLICY ON COMMITMENT OF ENERGY EFFICIENCY INCENTIVE FUNDS IN FUTURE YEARS

WHEREAS:

9. Energy Trust has a variety of policies and practices aimed at managing funds efficiently and transparently.

10. One policy limits how much incentive funding may be committed before the year in which the funds will be spent.

11. The board policy committee reviewed the policy on authority to commit incentive funds for energy efficiency projects in future years, and concluded that the policy requires no amendment except to make it generally applicable to energy efficiency programs, rather than to programs whose names change periodically.

It is therefore RESOLVED:

6. The board policy on authority to commit incentive funds for energy efficiency projects in future years is amended as shown in the attached.

ATTACHMENT
4.21.000-P Authority to Commit Incentive Funds for Payment of Energy Efficiency Projects in future Years

History			
Source	**Date**	**Action/Notes**	**Next Review Date**
Board Decision	May 25, 2006	R391	May 2009
Policy Committee	May 19, 2009	editorial revision, deleting building tune-up program	May 2012

Purpose

To allow staff to commit future energy efficiency program incentive funds in advance of the payment year.

Background

Staff continues to identify effective program budget tools to manage available funds and provide transparency. Beginning in 2005, a series of changes were made to allow greater flexibility and accountability in managing program funds, including:

1. A transition from Board Approved Program (BAP) costs and savings for a limited two-year timeframe to an improved annual budgeting process dovetailed with program management contracts.
2. Changes to savings and generation projections, incorporating a range from conservative to best case.
3. Staff flexibility to shift funds to different line items within total program budgets, such as from administration and marketing to incentives
4. Reliance upon the annual budget process to highlight and incorporate program modifications
5. Design and use of a new quarterly report format to describe budget and savings variances by program
6. Design and use of a new quarterly forecast to project program and total cash flow expenditures and requirements on a 12-month rolling basis and compare them to budget
7. A planned mid-year review of actual program expenditures compared to budget and potential budget reallocations if warranted.

Authorizing Commitment of Incentive Funds for Payment of Energy Efficiency Projects in Future Years

WHEREAS:

1. Energy Trust continues to identify improved ways of managing program budgets and maintain accountability.
2. Beginning in 2005, the board approved changes to the annual budget process, program monitoring and reporting of savings and budget expenditures and provided staff the flexibility to shift funds within programs.

3. Staff has proposed an additional improvement to best serve customers with complex multi-year projects and incentive payment requirements in future years.

It is therefore RESOLVED:

1. For ~~the Production Efficiency, Building Efficiency, New Building Efficiency, Home Energy Savings-Multifamily Initiative and Efficient New Homes~~energy efficiency programs, staff is granted authority to commit and reserve:
   - up to 75% of the financial incentive funds projected to be available in the following year; and
   - using these projected incentive funds as a base line, up to 25% toward projects expected to be funded in the third year.

2. This authority is subject to the following requirements: (a) such commitments shall be consistent with milestones or conditions in any reservation, tracking or other systems or requirements applicable to these programs; (b) funding commitments and reservation of future financial incentives shall be made for no more than two years; (c) financial incentive commitments will be tracked and reflected in forecasting reports; and (d) all future financial incentive commitments will be displayed by program and incorporated into the annual budget process.

Adopted by the Energy Trust of Oregon, Inc., Board of Directors on May 25, 2006. The Policy Committee made an editorial revision in May 2009, reflecting the fact that there is no longer a building tune-up program. In September, 2012, the board made the policy generally applicable to energy efficiency programs.

Moved by: John Reynolds Seconded by: N/A

Vote: In favor: 8 Abstained: 0

Opposed: 0

President's Report

John Reynolds presented on the Oregon Model for Sustainable Development at the University of Oregon. The University's goal is to have a net zero increase in campus energy use from new development projects. To do so, the University is first requiring any new buildings to achieve high levels of energy performance, and then retrofitting existing facilities so the energy savings captured there will be used to offset the remaining purchased energy needs of the new buildings. Funding for the retrofits is shared by new development project funds and the Central Energy Fund, 10 percent and 90 percent, respectively.

Anne Root joined at 12:15 p.m.

John showed a picture of the "Onyx Bridge" and said it may be a prime candidate for replacement. Energy savings would come from a combination of retrofitting three existing

buildings, the Friendly Hall, Condon Hall and Erb Memorial Union. John showed three other possible new buildings that could be a part of the project. Every building would have permanent integrated educational elements, training sessions and informational materials. John displayed a quote by Plato: “Human behavior is motivated by knowledge, emotion and desire.”

Bob Repine joined at 12:19 p.m.

John showed the cost breakdown of new development projects, including conventional project costs with LEED® Gold equivalency, LEED certification, training, Advanced Energy Threshold requirements and capital costs for energy retrofits in existing buildings. The Advanced Energy Threshold was defined as 35 percent more efficient than Oregon energy code. The cost above a conventional LEED® Gold project cost is expected to be 1 to 6 percent.

John said the dashboard displays in the new buildings would show information such as solar generated electricity.

Margie: This concept lends itself well to Governor Kitzhaber’s energy plan to using state buildings as testing grounds. I can communicate this to Margi Hoffmann, the Governor’s energy policy advisor.

Dan: What is the energy savings value?
John R: I could go into that detail but it would get complex quickly.

Integrated Solutions Implementation Quarterly Report: Project Update and Demo

Margie Harris and Scott Clark, IT director, presented a quarterly update on the Energy Trust Integrated Solutions Implementation Project, ISIP. In particular, Margie shared the accomplishments of Phase 1 of the two-part project. Margie said the project is a large-scale effort and a long-term commitment to update Energy Trust’s customer relationship management system, CRM, project tracking system and financial system for payments of rebates and incentives. Started in 2010, this project involves many people throughout the organization as well as the Program Management Contractors, PMCs. Energy Trust consulted with external parties, including the City of Portland and Joe Prats of IE Solutions, who helped Energy Trust design our initial systems.
Margie recognized Dan Enloe and Bob Mabry from Intel for their expertise in helping staff build a strong foundation for the project.

Scott and Margie presented the history of the project. In 2010, the project was presented to the board to fulfill the need to integrate three separate systems. The initial investments were designed to serve two, not four, utilities and built to last until 2012, the initial 10-year period for Energy Trust. With the extension of the public purpose charge, and the organization’s need for improved functionality and efficiencies in support of increased complexity, growing program goals and customer focus, a need arose for an updated, comprehensive solution.

The board approved funds in 2010 for the $3.7 million project. In January 2011, the project was initiated and a competitive RFP went out to select a software vendor. The RFP was awarded to Epicor Systems and Energy Trust purchased an off-the-shelf system. 2011 work included documentation of data, and how data is gathered and used. Staff worked closely with Epicor to implement the software. By fall 2011, staff and board members came to the conclusion that the software would not meet Energy Trust's data requirements. Contributing factors included that Energy Trust business model is unusual – we don't manufacture anything, have no inventory or warehouse, and actually pay our customers. Energy Trust parted amicably with Epicor instead of investing in a large amount of customization, which would not have been prudent. Staff came back to the board in November 2011 with the recommendation to divide the project into two phases. Phase 1 was to include foundational data modeling work, and improvements to the Customer Relationship Management (CRM) and finance systems, with Phase 2 to include improvements to the project tracking system. Phase 1 was to be completed by the end of the third quarter of 2012, and Phase 2 by the end of the second quarter of 2013.

Scott described Phase 1 and how the work within the phase was split into five, smaller workstreams. Scott thanked the Energy Trust staff from across the organization and PMC staff that has been committed to this project since its start.

- Workstream 1 was process analysis and design, a foundational piece of ISIP to document business processes and systems. Workstream 1 informs the other four workstreams as well as Phase 2.
- Workstream 2 covered data modeling, another foundational piece of the project. It was developed through interactions with users and IT staff, included 31 meetings led by Brian Sinclair, Energy Trust senior technical business systems analyst. Now, staff across the organization understands the importance of a quality data model. Like the process design, the data model is already in use.
- Workstream 3 evaluated the current finance system, Great Plains. Through the evaluation, it was determined Great Plains is a strong system though the current version being used was two versions behind. It was decided to upgrade Great Plains instead of replacing it. By the end of March 2012, the upgrade was completed successfully; it allows IT to upgrade to newer versions of other software and servers and improved processing time. Scott clarified the latest version of Great Plains software was included as part of the Great Plains annual maintenance fee, which was approximately $10,000.
- Workstream 4 was planning, budgeting and forecasting. Energy Trust conducted a workshop with an external expert and decided to strengthen existing Excel based budgeting tools. Scott noted that there is still a longer-term need for an enterprise system, and work in 2013 will be to analyze potential software solutions in this area.
- Workstream 5 was the CRM solution, the largest effort going on currently in ISIP. Based on a comprehensive RFP process, Energy Trust selected the Microsoft Dynamics CRM. Implementation kicked off in late June, and a go-live date is scheduled for October 12. Originally scheduled for the end of September, the decision to delay by two weeks was to ensure completion of the data migration, strengthen the integration with the project tracking system and conduct more user testing.

Margie: We believe it's prudent management to take a few more weeks to transition this core CRM tool to the Microsoft Dynamics solution. This will help us minimize risk and maximize success.

Alan: Will the CRM be in-house only?
Margie: Contractors will be able to use it and are currently being trained.
Scott: It's also web-based to allow that.

John R: Will the go-live date still precede any end-of-year bump in project activity?
Scott: That is a concern of moving the launch out, and one we are keeping our eye on, especially as we continue training. Training of staff and PMC staff started this month and that will help ease the transition.
Margie: We are training existing and new PMC staff, too.

Scott described Phase 2, which is evaluation of the program management and delivery system, currently FastTrack. The system has severe limitations, mostly because it's a legacy custom solution, meaning any changes needed take a lot of effort. Phase 2 will determine if a new system is needed. Thisphase will include process and system architecture analysis and design, RFP and selection, and implementation. Scott expects implementation work to be started in 2013, and recommends taking extra time to analyze the architecture of this critical application.

Margie: We originally thought we would complete Phase 2 mid-way through 2013. After our experiences in this project, we don't think that's practical. It's really about having the right people involved, something we have now with Scott and a steering committee in place. This project also needs to be balanced with the needs of the whole organization, including transition to a new CRM, transition to new PMCs, and regular ongoing operation needs. We need to balance the resources necessary to complete the project and extending the timeline is one way to do that.

Margie covered the project budget status. Phase 1 had a $2.2 million budget, $1.4 million of which was spent, leaving a projected $800,000 unspent. Margie said the remaining unspent funds from Phase 1 will be carried into the 2013 budget for Phase 2. Staff is now detailing what Phase 2 will look like and the budget needed. That budget recommendation will come back to the board within the 2013 budget proposal, slated for the November board meeting.

Roger: The Phase 2 budget will include rolling over $800,000 from Phase 1 and what else?
Margie: I don't have the figure yet. We need to go through the complete budgeting process first. We will have it to you in November.

Alan: Will a packaged program replace FastTrack or does it need to be customized?
Scott: That's largely what we will be evaluating. There are a few packaged solutions out there to consider. My preference is a packaged solution, instead of a custom solution.

Dave: Was $3.7 million originally for phases 1 and 2?
Margie: Yes.
Dave: Will Phase 2 fit within that budget?

Margie: We are hopeful. We were originally overly optimistic about the time and resources needed to complete this project. Now we have the right people involved, including a steering committee that I'm on which meets every two weeks. Scott and I also check in weekly on this project.

John R: Dan, you participated in this originally, what is your take?

Dan: I'm glad it's organized into phases and even into smaller pieces for Phase 1. I am concerned about all the transition coming up for Energy Trust with numerous contracts finishing in 2012. There's a peak load of decision-making operationally coming up before end of year. Staff may want to negotiate extensions there. Technically, what's in scope, how we're going to do it, we're there. There's a lot of contracts coming up.

Margie: That's the juggling act and your comment is very astute. End of year is traditionally the timing of a lot of contracts ending.

Jeff: How did you manage to underspend the budget by 30 percent or so?

Scott: Largely with the software purchase. Microsoft has extensive discounts for nonprofits. As we built out the budget for Phase 1, we made our best estimate at the beginning. We found some places to control costs. Also, internal staff was not needed as much as initially expected.

Dave: How did you share out the mapping of the data structure and process?

Scott: We have an internal system that staff can access, and we will work further on this during Phase 2.

John R: With the overrun on Epicor, it's very nice to see this balance in the budget.

Committee Reports

Finance and Compensation Committees (Dan Enloe)
Dan reviewed the July financials and referenced the dashboard graphs. Energy Trust is slightly behind on revenues, which are still greater than expenditures. What's unusual about 2012 is the project budget is linear and usually under run in the first half of the year and Energy Trust will play catch up in Quarter 4. This year, July is the first month where Energy Trust didn't hit the linear expected amount for a single month; Energy Trust is ahead of the curve on spending compared to traditional years. Dan is interested to see how this shapes out in Quarter 4 this year.

Alan: Do we budget based on historic expenditures or linear?
Dan: I think we budget linear.

Alan: This means we're spending less than we're taking in, which is good for a for-profit, not so good for a nonprofit.

Dan: We are up $8 million so far.

Sue Meyer Sample: To clarify, we do budget based on historic expenditures and expectations instead of linear, attempting to reflect the actual curve of expenditures.

Alan: So the budget may reflect the hockey stick?

Dan referenced the contract status summary report and noted the numerous contracts set to expire at the end of the year. Dan advocated for staggering the contract end dates moving forward.

Roger: For the incentives graph, there's a $7 million difference between this year and last. What's driving the increase in incentive payments?

Peter: Renewable energy projects and the Kick-Start bonus for commercial and industrial.

Margie: The Kick-Start bonus started at the beginning of 2012 and ended June 28. The bonus was used to offset potential impacts from changes in the Oregon Business Energy Tax Credit, and to bring projects in. I am confident we will hit between conservative and stretch goals.

Sue: There were additional solar incentives as well.

Dan: Also, utility managers at businesses are looking at return on investments for energy projects, which show a better deal right now than putting money in bank. It was a nice counterbalance to the Business Energy Tax Credit going away.
Margie: Another factor is renewable energy activity, especially for solar electric. The board approved transferring over $1 million from both the interest reserves and $600 thousand from the other renewables program in May of this year.

Dan: An interest rate item is we have funds where we try to make a return on investment while we wait to spend them. The Energy Trust investment policy gives guidelines on this. We are looking at alternatives that have slightly more risk and get better returns. Essentially, options that looked the best for our reserve money, which we hold for rainy days and warm winters, was laddered CD investments. Recommendation the Finance Committee will be making to the board is to initiate investments in brokered CDs with designated reserve funds. Debbie and I continue to have an interest in Oregon municipal bonds. While we can't claim tax benefits, interest rates are more favorable than CDs and we are investing in Oregon.

Alan: Brokered CDs have the highest rate of return and seem to also have the least amount of risk. It seems we would prefer to minimize the risk potential while earning a better return.

Dan: This is a very unusual interest rate environment;

Alan: What's the duration?

Sue Meyer Sample: Up to five years, and we will need OPUC approval for commitments in excess of two years. This will be the next step.

Alan: We are chartered with doing what's best for ratepayers. Is investing in municipal bonds that have lower interest rates and a higher risk a good investment?
Dan: We looked at the multiple benefits case. There may be a multiple benefit in investing in a public project, while earning a slightly lower rate.

Dave: The July 2012 expenses were less because of incentives. Is that because incentives go up and down throughout the year?

Margie: Typically 50 percent of program activity occurs in the last quarter of year. We account for that history in our forecasts and budgeting.

Dave: Based on completion of projects?

Margie: Yes. There's always a rush at the end of year by participants to get projects done and realize savings and generation.

Dave: Can you explain the non-capitalized equipment figure?
Dan: That was the cancellation of the ISIP services.
Margie: It's an unusual item.

Policy Committee (Roger Hamilton)
Roger said the committee reviewed the above-market cost methodology and proposed three revisions, which were approved in the consent agenda today, including to remove the reference to utility-scale projects, recognize that when Energy Trust funds net-metered projects the value of energy used onsite is the retail rate paid by the customer, and acknowledge use of utility master agreements.

Roger said the program approval policy, which allows staff to shift funds from one program to another within the same program sector, was recommended to be modified to include the Renewable Energy programs and sector. This revision was approved in the consent agenda today. Also, the committee routinely evaluates policies every three years. The committee reviewed the policy on staff authority to commit incentive funds for energy efficiency projects in future years and recommended a slight revision. The biopower-eligible fuels policy was reviewed but no changes recommended.

Roger said the committee discussed a proposed agenda for the next strategic utility roundtable to be held before the November 7 board meeting. The agenda is proposed to include talking about legislative items, an update on the Governor's 10-year energy plan, and a utility 101 for board members given by the electric and gas utilities. Margi Hoffmann, the governor's energy policy advisor, would be invited to participate.

The committee discussed a few OPUC items, including, effective August 24, the OPUC revised information transfer rules between Energy Trust and the utilities. This triggers several tasks

including staff needing to draft and adopt a new information policy. Policy options will be brought to the next Policy Committee meeting.

Dave: Reading through the notes, it seemed there was resistance to the OPUC ruling?

John Volkman: The original rules were negotiated in 2001, when the utilities were anxious about customer information going to a new organization. The original rules were pretty demanding, and implementing them was complex. Five years ago, we proposed to simplify them, while still ensuring that sensitive information is protected. It has taken the last three years for the utilities and everyone else to get comfortable with requiring less complex protections.

Margie: We are also interdependent with the OPUC and their staff liaison. We had a change in that liaison, including not having one for a few months. The information transfer rules are a customer service and cost issue for Energy Trust. We currently have to use data from publicly available sources to complete our evaluations and that involves many steps and inflates costs. Now we can expedite that, and we will have better customer service capabilities, especially with the updated CRM.

Roger: On October 9 the OPUC is having a public meeting to look at Energy Trust's request for an exception from OPUC cost-effective requirements because of the impact low natural gas prices are having on programs, especially residential weatherization measures. We are finding that our efficiency programs are threatened by low natural gas prices. Also, staff is looking at other measures beyond residential weatherization to see if low natural gas prices are affecting them. Staff will report back after the OPUC meeting.

Margie: This is a national issue; it's driven by the cost of natural gas being so low. For Energy Trust, it is affecting our residential air sealing, duct sealing, wall insulation and floor insulation measures. We are investigating options for reducing costs of delivery. Energy Trust will participate in the OPUC discussion.

Dan: One of our big costs is the labor part of the trade ally implementing the measure. Is there an opportunity for the measures Margie mentioned to offer do-it-yourself incentives to keep savings going but take direct labor costs out?

Margie: I don't think in every case we would be able to translate what a trained contractor does to do-it-yourself sealing or insulation. It takes technical expertise and equipment the average homeowner doesn't own.

Fred Gordon: Our prior experience with do-it-yourself measures is we need to spend more time on quality controls. We are looking at ways to reduce labor associated with these measures. For duct sealing, for example, a pilot of doing duct blasters on a sample basis instead of requiring contractors to do pre and post duct blaster test. We haven't had a lot of luck with do-it-yourself measures. To make these measures cost effective, avoided costs will have to go up, savings will have to go up and costs will have to go down.

Roger said the committee also approved the appointment of John Carr, new executive director for the Industrial Customers of Northwest Utilities, to the Conservation Advisory Council.

Evaluation Committee (Debbie Kitchin)

Alan presented as Debbie had not yet arrived. He listed five topics the committee discussed on August 23:

- Lighting shelf space survey was designed to see the penetration of various LEDs in the market and whether Energy Trust should be doing anything differently.
- Residential clothes washer market transformation study was conducted to see if the market had been transformed and to see if incentives were needed anymore.
- NEEA gas market transformation study evaluated whether, because NEEA works only on electric efficiency, some of their programs also impact natural gas efficiency. We wanted to see how much benefit might be left on the table, and found out the savings we were claiming were what we could get.
- One-year OPOWER study was completed. OPOWER is the pilot where a direct mail piece is sent to a subset of PGE and NW Natural residential customers comparing their energy use to that of their neighbors in similar homes.
- 2012 trade ally survey looked at satisfaction of trade allies and their relationship with Energy Trust. They are pretty well satisfied and gave Energy Trust an overall 88 percent satisfaction rate.

Phil Degens: In addition, the trade ally survey report with the staff response memo and the NW Natural Washington process evaluation are online.

Margie: We do have a very robust evaluation program. A lot of attention is paid to this by our Evaluation Committee, board members and outside members of the committee including Tom Eckman who works at the Northwest Power and Conservation Council and has a background in evaluation. Energy Trust has a rigor that is unparalleled across the country in evaluating programs and holding ourselves accountable. It's distinctive to what others do.

John R: What is the OPUC benchmark for trade ally satisfaction?

Phil: There is a customer satisfaction metric, but no satisfaction metric for trade allies. The relationship with trade allies is slightly different, as we work with them to make customers satisfied.

Margie: We are pleased by this survey. We listen, solicit feedback and improve. Trade allies are engaged at the Conservation Advisory Council and Renewable Energy Council level and at roundtables. We are interdependent and we care what they have to say. We have made a lot of investment in trade allies to strengthen and leverage relationships out in the field. We listen to what they need training on, like sales and marketing, and have improved our communications, tools and website in support of their needs.

Break

The board took a break at 1:40 p.m. and reconvened at 1:50 p.m.

Debbie Kitchin joined the meeting during the break.

Staff Report

Margie said the staff report today focuses on giving board members, especially those who are new, Energy Trust history and context. In particular, today's presentation is in response to a request from Jeff King at the last board meeting and to orient board members before upcoming budget and action plan presentations scheduled for the November board meeting.

Margie said there are three ingredients that represent Energy Trust. First and foremost, the 1.5 million customers Energy Trust serves. Energy Trust's role is to attract, engage and serve them. The second input is the strategy for delivering and providing programs and services to them. In some programs, it's Energy Trust doing that design and strategy, and serving customers directly. There is also a competitive program delivery model for other programs. Energy Trust's role is to define what the opportunity in the marketplace is, how to reach customers and what they need to make an investment in energy efficiency or renewable energy. The third input is those Energy Trust works within the field to design, develop and install the projects. This is where Energy Trust encourages customers to solicit bids from a variety of contractors. These three inputs determine how much energy was saved, how much energy was generated, the bill savings for customers who have directly participated in programs, and avoiding costs in utility infrastructure that would have had to be made to supply the equivalent amount of energy Energy Trust delivered. In addition, we quantify broader economic and environmental benefits derived from these investments.

Anne: How many states have an organization like Energy Trust?
Margie: Over half of states have a systems benefit charge; we call it a public purpose charge in Oregon. This is a percentage of revenue collected from customers and dedicated to investments in energy efficiency and in some cases, also renewable energy. Fewer than half a dozen have a dedicated nonprofit doing this: Vermont, Wisconsin, Maine, Washington D.C., as well as Nova Scotia. Energy Trust is the only one created specifically for this purpose.

Anne: These successes in energy savings then, is Energy Trust setting the benchmark?

Margie: We are in the top tier. The American Council for an Energy-Efficient Economy ranks states on energy efficiency and Oregon is consistently in the top five.

Margie clarified that utilities typically implement systems benefit charge programs in the other states, with the exception of the New York State Energy Research and Development Authority, NYSERDA, a state agency.

Margie described the structure of Energy Trust. Program development includes strategy, design, customer experience, planning and reporting. Program managers and sector leads engage heavily with contractors on all these activities. Program implementation is either contracted out or provided in-house, largely depending upon the program's volume of activity. Program implementation includes marketing and outreach, delivery and management, market allies training and quality control, IT and finance systems, evaluation and verification. A third

piece of Energy Trust's structure is supporting trade and program allies, which are primarily private, local, small businesses. There are 2,400 and many have 25 or fewer employees. It's a network of people who have the strength and knowledge base to provided the infrastructure to serve this industry.

John R: Isn't the major difference between us and Efficiency Vermont the fact that they use internal staff and we use contractors?
Margie: Yes. We contract out a lot of the program work with PMCs, whereas Vermont and Wisconsin use in-house staff.

Roger: What's the percentage of contracting versus in-house?
Margie: Approximately one-third of our services are provided in-house.

Dave: With trade and program allies, do you monitor the turn over?
Margie: We've had very few companies go out of business. We have an investment in them and if they're not performing at the level we expect, we work with them on training and inspections. Very few have been "delisted." It's been a healthy diversification of the marketplace. When we remove an incentive from our program, we also give a long lead time so contractors who rely on that measure in their business can adjust.

Margie clarified that under the implementation stage, the "delivery" is defining what to offer to a customer and the "installation" under the trade and program ally stage is the actual measure installation.

Debbie added that the incentive for energy-efficiency measures is typically given to the customer. Energy Trust is not under contract with trade allies.

Alan mentioned the implementation stage wording could be misleading and really belongs in the third trade and program allies stage. The wording could change for the implementation stage to "program delivery." Discussion ensued on how to best word the structure slide.

Margie completed the slide by describing the fourth customer stage, including customers investing in energy efficiency and renewable energy, incentives, rebates and financing, savings and generation, bill savings and environmental benefits.

Dave: Do you help customers to benchmark project costs?
Peter West: With small residential projects, a simple average doesn't work. When we evaluated such an approach, the average came with a plus or minus 40 percent deviation. So the average didn't mean anything and it was hamstringing the trade allies. On the commercial side, they often have their own contractors and understand how to calculate returns.

Margie described the 2012 budget allocations by sector and program. By sector, 68 percent, or $117 million, to electric efficiency; 16 percent, or $28.2 million, to gas efficiency; 13 percent, or $22.6 million, to renewable energy; 2 percent, or $3.6 million, to administration; and 1 percent, or $2.2 million, to Communications and Customer Service.

Roger: For the 13 percent for renewable energy, is this consistent with SB 1149 provisions?
Margie: Yes.
Roger: With the threat to gas efficiency cost effectiveness, under SB 1149, is there an opportunity for electric efficiency to take up slack of gas efficiency?
Margie: The efficiency budgets are separated by fuel and by funders We segregate funds we collect and we are accountable back to the utility customers who provided the funding. We are unable to move electric funds to gas, and vice versa. On the efficiency side, 80 percent of our expenditures have to benefit the utility territory from which the funds are collected and the remainder is for market transformation. With SB 1149 renewable energy, all the funds are dedicated to the individual electric utility territory from which the funds were collected. Also, we are only able to invest in new renewable energy systems and the generation must benefit the customers of that electric utility. In addition, we endeavor to keep administrative costs as low as possible. Incentives average 50-70 percent of the total budget, which is different between programs and within different stages of a single program.

With the next two slides, Margie outlined Energy Trust's four sectors, Commercial, Residential, Industrial/Agriculture and Renewables, and each sector's budget, stretch goals and delivery methods. The Commercial and Residential Sectors are delivered through competitively selected Program Management Contractors. Margie described Energy Trust's role and the PMC roles. Challenges of a PMC model include customer relationships being built and held by the PMC as they implement the programs. PMCs are also less focused on pilots, which are often developed and tested with in-house staff. Margie referenced a 2005 management audit evaluating when to use and when not to use the PMC model, the main factor being the maturity of the market. Margie discussed how staff evaluates the performance of the PMCs, the most important being to reach the savings and generation goals specified in PMC contracts. Beyond meeting savings and generation goals for a given cost, there are a series of other performance milestones for PMCs. Other factors include quality standards for data entry, reporting on progress, effectiveness in projecting pipelines, customer service and record keeping abilities, usage of brand and identity, marketing and quality control. Process evaluations assess the whole program and impact evaluations focus on estimating measure-specific savings and other results. Amber described how the Communications and Customer Service group evaluates the marketing materials produced each quarter by each PMC and assigns a score based on their ability to meet brand standards.

Margie continued describing the delivery methods for the Industrial and Renewables sectors, which are managed in-house with smaller contracts through industrial Program Delivery Contractors (PDCs), industrial Allied Technical Assistance Contractors (ATACs), and renewable technical assistance, studies and quality control contracts. Margie described Energy Trust's role versus contractor roles in these two sectors, as well as sector budgets and savings and generation goals. Margie suggested it may be appropriate to reassess when a program should be delivered by a contractor versus in-house. She plans to include budget for this analysis in 2013.

Dave mentioned it would be helpful to have reports on operating renewable energy projects approved by the board.

Margie described the customer's view of their interaction with Energy Trust when participating in a PMC-delivered program and how customer interactions are actually handled behind the scenes.

Dan: This slide really shows that Energy Trust's reputation depends on how we manage our relationships with the PMCs.

Margie described market transformation and how the majority of Energy Trust market transformation activity is budgeted to and delivered by the Northwest Energy Efficiency Alliance (NEEA). Energy Trust's contribution to NEEA is second only to the Bonneville Power Administration. NEEA is focused only on electric efficiency.

Dave: 80 percent of money collected needs to go back into the territory it came from, but the money budgeted to NEEA is spread out across the region?
Margie: Yes. Multiple utilities from throughout the region fund a broad range of NEEA activities.

Sue Meyer Sample clarified that Energy Trust updates the 80 percent in every budget process to make sure we are in line with the 80 percent requirements, and that no single utility is experiencing a deficit.

Discussion ensued on how the energy savings that are easier and cheaper to capture are being acquired and we are moving into an era of harder-to-reach savings and the associated increase in costs.

Margie described Energy Trust's annual planning cycle, including work with each utility to align Energy Trust budgets and each utility's individual Integrated Resource Plans. Margie mentioned the very unique nature of Energy Trust's close, collaborative working relationships with the utilities. She outlined the top 10 strengths of Energy Trust's model, leading with the mission-driven nature of Energy Trust and its stable funding sources, and a few challenges the Energy Trust model faces. In the end, the model is highly effective. Energy Trust is always motivated to look for ways to streamline and create efficiencies.

Bob Repine left the meeting at 3:10 p.m.

Margie briefly outlined the various offerings available to residential, commercial, industrial and agricultural customers. In all cases, Energy Trust provides information, encourages customers to make investments in energy efficiency and renewable energy, and provides incentives, rebates, and more recently, loans to bridge funding gaps. She described the varying roles held by board members, the Oregon Public Utility Commission and Energy Trust staff.

The board thanked Margie for her presentation.

Margie briefed the board on the upcoming Energy Trust 10-year anniversary celebration. The celebration includes fall regional events in Pendleton, Medford and Astoria, events that will include targeted invitations to local customers and local board members. A statewide reception will be held at Portland State University on October 10. The statewide reception received

generous donations from more than a dozen sponsors and the event will be put on with no cost to ratepayers.

Amber Cole, CCS director, further described the Portland reception, including the purpose, who was invited and the highlights of the program for the evening. Amber displayed a slide listing all the sponsors for the event, including PGE, Pacific Power, NW Natural and Cascade Natural Gas, among others.

The board discussed the program, and questioned the proposed length of time for the speaker presentations. Dan suggested Margie add to her speech what the world would have looked like without Energy Trust. Amber outlined the role staff is hoping board members will play, including networking among attendees and participating in a more formal networking activity that involves attendees potentially approaching them to get help answering a set of five trivia questions. Amber thanked the board in advance for their support and participation at the event, and she thanked her CCS staff working on the celebration.

The board discussed the invitation list and potentially adding city managers that have not yet participated with Energy Trust. Margie encouraged the board and the utility representatives in the audience to send her any specific contacts they would like invited to any of the events.

Adjourn

The meeting adjourned at 3:47 p.m.

***Next meeting*.** The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, November 7, 2012, at 12:15 p.m. at Energy Trust of Oregon, Inc., 421 SW Oak Street, 3rd Floor, Portland, Oregon.

/s/John Reynolds
John Reynolds, President