Board Meeting Minutes—116th Meeting

November 7, 2012

Board members present: Rick Applegate (*by phone*), Joe Benetti (*by phone*), Julie Brandis, Ken Canon, Dan Enloe, Roger Hamilton, Mark Kendall, Jeff King, Debbie Kitchin, Alan Meyer, John Reynolds, Anne Root, Dave Slavensky, Bob Repine (ODOE special advisor), John Savage (OPUC ex officio, *by phone*)

Board members absent: none

Staff attending: Margie Harris, Ana Morel, Hannah Hacker, Amber Cole, Steve Lacey, Scott Clark, Sue Meyer Sample, Fred Gordon, John Volkman, Peter West, Cheryle Easton, Thad Roth, Matt Braman, Adam Bartini, Marshall Johnson, Pati Presnail, Alison Ebbott, Kim Crossman, Sarah Castor, Erika Kociolek, Dan Rubado, Phil Degens

Others attending: Jim Abrahamson (Cascade Natural Gas), Alison Spector (Cascade Natural Gas, *by phone*), Juliet Johnson (OPUC), Kendall Youngblood (PECI), Mike Parvinen (Cascade Natural Gas, *by phone*), Lauren Shapton (PGE)

Business Meeting

President John Reynolds called the meeting to order at 12:15 p.m.

General Public Comments

There were none.

Consent Agenda

The Oregon Preference Policy (R649) was removed from the consent agenda at the request of Debbie Kitchin.

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) September 19 meeting minutes
2) Amending Policy on Information Regarding Program Participants, Contractors and Bidders (R648)

RESOLUTION 648

AMENDING POLICY ON INFORMATION SUBMITTED BY UTILITIES, PROGRAM PARTICIPANTS, CONTRACTORS AND BIDDERS

WHEREAS:

1. **Since, 2004, Energy Trust has had a policy governing how it will protect the confidentiality of energy consumer information.**
2. **This information includes data provided by utilities about customers and their energy use, and information that Energy Trust gathers directly from program participants to plan, administer, evaluate and report on programs.**
3. **The information is governed by Oregon Public Utility Commission (OPUC) rules, data-sharing agreements with utilities, and Energy Trust board policy.**
4. **In August, 2012 the OPUC revised the data-sharing rules, Oregon Administrative Rules 860-086-0000 through 860-086-0040,** http://arcweb.sos.state.or.us/pages/rules/oars_800/oar_860/860_tofc.html.**The rules:**
    - **Extend data-sharing requirements to gas utilities;**
    - **Eliminate the requirement that utilities ask customers if they want to opt out of data-sharing;**
    - **Maintain the requirement that information about large customers not be provided unless they opt into information-sharing, except customer name, address and certain other information;**
    - **Require Energy Trust to share program participation information with utilities;**
    - **Allow Energy Trust to use utility customer information to contact customers to inform them of Energy Trust incentives and services, provided that any customer may direct Energy Trust not to make contact.**
5. **The new rules require limited changes in Energy Trust policy, primarily to allow Energy Trust to share information with utilities.**
6. **The board policy committee reviewed the policy changes and endorses them.**

It is therefore RESOLVED:

1. **The board policy on Information Submitted by Program Participants, Contractors and Bidders is amended as shown in the attached, contingent on appropriate changes in the Energy Trust-utility data transfer agreements.**

Moved by: Debbie Kitchin Seconded by: Ken Canon

Vote: In favor: 13 Abstained: 0

Opposed: 0

Oregon Preference Policy (R649)

This item was removed from the consent agenda at the request of Debbie. She requested that the Resolved statement be modified to remove the words “above-market costs of new renewable resources” and replace them with “Oregon preference.” The board agreed to the recommendation.

RESOLUTION 649

POLICY ON OREGON PREFERENCE

WHEREAS:

1. **Since 2003, Energy Trust has had a policy providing that if price, fitness, availability and quality are equal, Energy Trust will give preference to goods or services produced, acquired, or available in Oregon.**
2. **The Board finds that the policy continues to be an important statement of Energy Trust policy, and that the policy requires only minor editorial adjustments.**

It is therefore RESOLVED that the Energy Trust policy on ~~above-market costs of new renewable resources~~Oregon preference is amended as shown in the Attachment.

Attachment: 4.14.000-P, Policy on Oregon Preference

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	October 1, 2003	Approved (R207)	October 2006
Policy Committee	September 21, 2006	No changes	October 2009
Policy Committee	November 4, 2009	No change	October 2012

Purpose

To adopt a policy on giving preference to Oregon contractors for major Energy Trust contracts.

Background and Relation to Strategic Plan/Action Plan

~~Goal 4 of t~~The Energy Trust strategic plan speaks to promoting a healthy business climate for Oregon’s renewable energy and energy efficiency businesses. Having enlisted nearly 2000 trade allies to date, the Energy Trust clearly is making progress toward this goal. In 2003, in response to inquiries about our policy on giving preference to Oregon contractors, ~~we~~ Energy Trust conducted a legal review and engaged ~~our~~ its advisory councils in discussion of the matter.

The pertinent provisions of Oregon Revised Statutes (ORS) cover public contracting. They provide:

> (1) In all public contracts, the public contracting agency shall prefer goods or services that have been manufactured or produced in this state if price, fitness, availability and quality are otherwise equal. ~~(emphasis added).~~
>
> ORS 279.021
>
> (1) After the bids are opened . . . and after a determination is made that a contract is to be awarded, the public contracting agency shall award the contract to the lowest responsible bidder.
>
> (2) In determining the lowest responsible bidder, a public contracting agency shall: . . .

> (b) For the purpose of awarding the contract, add a percent increase on the bid of the nonresident bidder equal to the percent, if any, of preference given to that bidder in the state in which that bidder resides.

ORS 279.029

Since the Energy Trust is not subject to Oregon public contracts law, Energy Trust is not bound to the above provisions.

~~Committee/Public Review~~

~~As a starting point for discussion, staff made reference to the above provisions in meetings of the Renewable Energy Advisory Council and Conservation Advisory Council September 17, 2003, and the Policy Committee meeting September 22, 2003.~~

~~In examining the above provisions of ORS, it was clear that m~~Most participants in these advisory council meetings d~~o~~id not support provisions of ORS 279.029 that could penalize out-of-state bidders. There was general support for the concept expressed in ORS 279.021 to give preference to an Oregon contractor if competing bidders score equally on other selection criteria. There was no consensus however, on the wording of such a policy. Participants expressed concern that the terms "manufactured" or "produced" may be too restrictive.

~~Recommendation~~

Given the general support for giving preference to Oregon bidders if competitors are equal in other respects, staff recommend~~s~~ed the Energy Trust board endorse a policy to grant such a preference if price, fitness, availability and quality are otherwise equal, to bidders whose goods or services are produced, acquired, or available in the State of Oregon.~~ For administrative efficiency, we propose applying the policy to contracts valued in excess of $500,000.~~.

~~Resolution~~Policy

> **~~BE IT RESOLVED: That Energy Trust of Oregon, Inc., Board of Directors adopts as Energy Trust policy that, i~~If price, fitness, availability and quality are otherwise equal, Energy Trust will give preference to a bidder whose goods or services are produced, acquired, or available in the State of Oregon.**

~~The board approved the resolution on the Oregon Preference policy at its October 1, 2003 board meeting with the changes noted above.~~

Moved by: Debbie Kitchin Seconded by: Alan Meyer

Vote: In favor: 13 Abstained: 0

Opposed: 0

President's Report

John Reynolds presented on the American Council for an Energy-Efficient Economy's annual state scorecard. Oregon ranked fourth. There were only two perfect scores out of all the categories: Massachusetts in the government initiatives category and California in the appliance efficiency category. Oregon received 37.5 points out of 50 possible points, the same score as last year and the highest score Oregon has ever received. The other states in the top five had reduced scores compared to last year. John indicated this means Oregon is closing the gap.

John said Oregon's combined heat and power, CHP, score took a hit because many of the on-the-ground realities weren't captured in the scoring. Less weight was given to interconnection standards, net metering, standby rates and emissions treatment of the technology, and more weight given to CHP treatment in a Renewable Portfolio Standard or Energy Efficiency Resource Standard, the latter of which Oregon does not have in place.

John thanked Elaine Prause for her analysis on why Oregon did not receive a perfect score in the various categories. Ken Canon mentioned it would be interesting if ACEEE did a weighting across states based on electric retail rates. Elaine also pointed out that Oregon's lack of an Energy Efficiency Resource Standard is a knock against the state. Alan Meyer mentioned that though Oregon does not have a specific mandate, the state is very supportive of CHP. John said it was interesting how much of a hit the other states took compared to last year.

In the *Business Journal*, there was a brief mention of a ranking of the 10 states with the greenest workforce per capita. Oregon ranked fifth. John said the 10 worst states included Nevada and Arizona, which seemed interesting considering their ample solar resources.

John showed the U.S. Bureau of Labor Statistics' definition of green jobs as "jobs in businesses that produce goods or services that benefit the environment or conserve natural resources or jobs in which workers' duties involve making their establishment's production processes more environmentally friendly or use fewer natural resources." He was unable to verify if the *Business Journal* used the same definition.

The board discussed the complexities of defining and then measuring a green job. Debbie mentioned that she receives a survey for her business and self-reports how many of her employees have a green job. Mark Kendall mentioned the survey was based on a sample. Margie mentioned it may be interesting to have this conversation in a year or two as the industry and interest around green jobs continues to evolve.

Cascade Natural Gas Funding Temporary Adjustment Using Reserves (R650)

Margie mentioned the resolution was discussed by the Policy Committee, which endorsed it.

Steve Lacey, and Jim Abrahamson representing Cascade Natural Gas, brought the revised resolution to the board. Steve described the resolution in full. Resolution 650 is asking the board to give authorization for staff to use funds in the Energy Trust interest reserve account to meet an anticipated shortfall in Cascade Natural Gas revenue.

Historically, Cascade Natural Gas' public purpose charge was not adequate to fund all cost-effective energy efficiency identified in its integrated resource plan. In response, the OPUC authorized the utility in 2008 to use a deferral account as part of a decoupling mechanism in its tariff. This allowed the utility to accommodate budget requirements to meet Energy Trust savings goals and IRP targets for Cascade. As indicated in the resolution's amended text, located under the background section of the board decision handout, the deferral account expired July 31, 2012, and the decoupling mechanism expired on September 30, 2012.

In October, the OPUC required Cascade Natural Gas to consolidate all energy-efficiency funding into a single public purpose charge. That has been achieved and Energy Trust is anticipating an increase from a 1.69 percent to a 3.16 percent public purpose charge from Cascade Natural Gas as of November 1, 2012. The difference is essentially the deferral account.

Steve described that when access to the deferral account expired, the account held $335,000 in funds that were anticipated to be transferred to Energy Trust. However, due to complications of the rate filing and the timing of these accounts closing, the deferral funds were not transferred to Energy Trust.

Two other changes were made to the resolution to clarify a potential, not an additional, growth in project demand over revenue projected, and to indicate the understanding that Cascade Natural Gas will repay the fund transfer with the Oregon Public Utility Commission's approval.

Juliet: It's helpful to think of a deferral account as a line of credit. It's money the utility could use, not money that's just sitting there.

Steve explained Energy Trust now projects a shortfall in Cascade Natural Gas revenue of about $600,000 by year-end 2012 because of the loss of the $335,000 plus a mild winter, both resulting in lower than expected revenues. In addition, staff anticipates $100,000 may be needed to meet demand in Cascade Natural Gas territory in 2013, leaving an overall shortfall of $700,000.

Roger: How does NW Natural compare in the public purpose charge?
Steve: It's about 4 percent.

Jim: The 3.16 percent is the public purpose charge that is charged to customers. There is an additional 0.7 percent of residential and commercial revenues that flows into the public purpose charge and brings the total to 3.86 percent. Public purpose funds are used to support both Energy Trust and low-income assistance programs. Energy Trust receives 93 percent of the total fund and 7 percent is made available to low-income programs.

Steve said the board approved a $2.69 million 2012 budget for Cascade Natural Gas. Staff expects to spend 95 percent of that. This is not an over-expenditure issue; Energy Trust will come in under budget with savings around 94 percent of stretch goal. Energy Trust is on target with levelized costs. In staff's judgment, if Energy Trust were not to have these funds, there would be a significant impact on the delivery and momentum generated in Cascade Natural Gas territory over the past three years. Staff has worked diligently with Cascade Natural Gas to penetrate that market and is now starting to see good progress. If Energy Trust did not receive these funds immediate cessation of activities would be required.

The Energy Trust interest reserve account has sufficient funds to cover the temporary Cascade Natural Gas shortfall. Energy Trust is asking Cascade Natural Gas to replenish this account by up to $700,000 by December 31, 2013. Once approved by the OPUC, the process will take place after Energy Trust closes the books for 2012 and understands the actual carryover of funds from 2012 to 2013.

Ken: Jim, has there been any thought as to how the funds will be replenished by year end 2013?

Jim: We are proposing a phased approach to provide the funds over three-quarters of the year.

Steve: Once we determine what the 2012 carryover is and look at 2014 IRP goals, we will try to design a single rate adjustment that accommodates this as well as what we anticipate requirements will be in 2014. Whether multiple adjustments will be needed is between Cascade Natural Gas and the OPUC.

Alan: I understand the notion not to throttle back on activities. I'm concerned that under the "Resolved" section there is no mention of charging interest. By moving the Energy Trust funds, there is risk. And the dollars in the interest income reserve account also come from the other three utilities. I would want to see interest added so Energy Trust can at least recover interest we would otherwise receive.

Steve: We did discuss this, and Management Team members thought that we would not charge interest, largely because interest rates are very low.

Alan: There is the principle though.

Sue Meyer Sample: We did this in the past with other utilities, including Pacific Power where we didn't charge interest. There is precedent of no interest charges.

Steve: We would also run into an endless circle that if you charge interest on the ratepayer funds, the utilities will recover that interest through rates.

Mike Parvinen, Cascade Natural Gas, by phone: Cascade Natural Gas' balance will be pretty flush by March or April. And we will take a look at revenue requirements for 2013 as well as what's needed for 2014, since we won't have a deferral account.

Alan: What about the money in the deferral account?
Mike: There wasn't money in the account. We had the *ability* to put money into it if we needed to.
Alan: If money had been in the deferral account would you have gotten interest?
Mike: Yes.
Margie: When we close our books next year, we will learn the actual amount we need replenished.
Dan: What if Cascade does not pay up?
Mike: That wouldn't be the intent. There's a lot that could happen but basically the way the mechanism is designed is it's been a pass-through of costs, namely funds collected by ratepayers and passed on to Energy Trust.

Dan: My view on this from a financial perspective is that the deal should be we get paid back the amount that we spend by December 31, 2013, no matter what and the risk falls on Cascade Natural Gas.
Mike: My intent is that it wouldn't fall on Cascade Natural Gas, and we are working with the OPUC and Energy Trust on this so everyone is apprised. I don't anticipate a problem.
Dan: My point is the risk is in Cascade Natural Gas' control not Energy Trust's so they should take it, not us.

Steve: We used interest income to the tune of $1 million for Pacific Power and we had no agreement on when they were going to repay it. Through our process of negotiations and setting the subsequent year's funding, we built that in and Pacific accommodated that through a percentage increase. I view this the same way. Having assurance that repayment will get done by year-end 2013 brings a level of comfort.

Juliet: We had a phone call with Cascade Natural Gas earlier in the week. Cascade Natural Gas was the only utility using the deferral account methodology. The other three are using a straight public purpose charge. We prefer to avoid a deferral account. This is a tricky transition period but we have a good plan to work this out and the OPUC would not allow Cascade Natural Gas to just walk away from this obligation. I don't see that much risk.

Jim: Energy Trust's program delivery in our territory has grown over time since 2006. Energy Trust would traditionally underspend its annual budget in the early years, which is why the deferral account was created. It allowed us to fund Energy Trust and then accommodate the growth. This year, Energy Trust's expenditure levels finally grew to at or near the annual budget, and the OPUC doesn't want us to have the deferral account. Both of these are coming at the same time.

Alan: Who requested to add the OPUC qualification to the resolution?
Steve: Cascade Natural Gas; they didn't want to presume that they would get an OPUC order.

Juliet: To show how this will get resolved, the OPUC will draft a letter for an Energy Trust representative and a Cascade Natural Gas representative to sign to make sure the monies get paid back.

Ken: I understand Dan and Alan's concern, and understand Cascade Natural Gas's position and have faith in the OPUC. This is indicative of perhaps needing the Finance Committee to give some thought around the policy on how we use this account over time so it's not as ad hoc and we don't have to worry about precedent.
John R: This is something the Policy and Finance committees could look at.

Roger: There's a mention of the mild winter, is that an anomaly? How do you anticipate weather? Is it a statistical average?
Jim: We're using historical average. The challenge is the change we get in the revenues from the change in the purchased gas adjustment. This can also impact the public purpose charge.
Roger: If these weather changes become more frequent, and there's an indication of potential of demand for funds greater than revenue, what's driving that anticipation of increasing demand?

Steve: Energy-efficiency projects that are on the cusp, and these are anticipated in 2013.

REVISED RESOLUTION 650

CASCADE NATURAL GAS FUNDING TEMPORARY ADJUSTMENT USING RESERVES

WHEREAS:

1. **The recent Energy Trust 4th quarter expenses and revenue forecast shows program expenditures to come in at $2.54 million or 95% of budget.**
2. **Revenue projections for 2012 show Energy Trust will receive approximately $600,000 less than anticipated at year-end, due in part to weather and in part to a complication in**

CNG's rate case, which has resulted in CNG under-collecting funds for energy efficiency programs, causing a shortfall in the 2012 Energy Trust operating budget.

3. **Energy Trust is on track to hit 94% of its stretch goal if funded to the budgeted level and feel any cessation of activity will have a negative impact on the momentum built in CNG territory.**
4. **Budgets for 2013 indicate ~~additional~~ a potential for demand over revenue projected of approximately $100,000.**
5. **Energy Trust's interest income reserve is adequate to temporarily fund the shortfall, provided CNG repays Energy Trust by the end of 2013.**

It is therefore RESOLVED that:

1. **The Executive Director is authorized to transfer up to $700,000 of interest income to the CNG operations account to be used for program services for CNG ratepayers in 2012 and 2013.**

2. **This transfer is authorized with the express understanding that Cascade Natural Gas, with OPUC approval, will repay the fund transfer (after accounting for any carryover of 2012 CNG funds) by December 31, 2013.**

Moved by: Debbie Kitchin Seconded by: Roger Hamilton

Vote: In favor: 11 Abstained: 0

Opposed: 2—Alan Meyer because of the risk and not charging interest on the funds; Dan Enloe because of the risk not being allotted appropriately

Draft 2013-2014 Action Plan & Draft 2013 Budget

Margie presented the 2013-2014 proposed action plan and budget. When staff prepares the budget it starts in the summer. It's an all-hands-on-deck effort and the entire organization is engaged. Margie thanked Sue, Pati and other staff for their parts in developing the draft budget and action plan.

The framework for the budget and action plan starts with the four utility integrated resource plans and the 2010-2014 Energy Trust strategic plan. The strategic plan is a five-year document that Energy Trust is currently midway through. The action plan and budget is developed with extensive involvement and feedback from stakeholders. The board then reviews the plan at the December board meeting where action is taken. Each utility IRP is on individual two-year cycles, and the plans include a 20-year outlook.

Margie described stakeholders as those at the advisory council meetings, those in the field, contractors, Northwest Energy Efficiency Alliance, Bonneville Power Administration, all the utilities, people Energy Trust is connected to through its work, the Oregon Department of Energy such as the Building Owners and Management Association, the Industrial Customers of Northwest Utilities and many others.

Margie showed a graph of electric savings from the past five years and the savings each sector acquired. The graph compared progress toward Strategic Plan goals for each year with actual savings for 2010-2011 and forecasted savings for 2012-2014. The projection for 2013 is 55.7 average megawatts, meaning Energy Trust is growing its savings significantly and acquiring savings ahead of what the Northwest Power and Conservation Council projected. At some point savings are expected to level off, as discussed at the Board Strategic Retreat in June. She showed a similar slide for gas efficiency. The graph shows forecasted savings dipping modestly in 2013.

Alan: Has our funding increased in proportion to savings?
Margie: Savings have grown faster than funds received, and levelized costs in electric have stayed low.

Anne Root: Is there not as much potential in the industrial sector?
Margie: For gas, we are newer in that space. Industrial gas programs started as a pilot program a few years ago and were made a permanent program as we found good opportunity. We are growing our presence there. Note there are some customers we cannot serve, namely those transport only customers and those who buy gas directly from a supplier.

Roger Hamilton: Can these numbers be translated into percent of load?
Fred: We haven't done this for the 2013 budget, but on the electric side, 1.5 percent of load. Probably 1.6 percent or 1.7 percent in 2013. Gas side is around 0.8 percent annually.
Margie: We'll follow up with the exact percentage.

Dave Slavensky: The line for gas savings is still going up, but we are also having warmer weather?
Steve: If you look at the curve, savings are growing in the commercial sector, which incorporates small industrial and is less reliant on the weather, unlike the residential sector.

Roger: Why the leveling off in 2010 and 2011?

Ken: On the electric side, we've been at this a lot longer and there's a lot more potential left on the industrial side.

Margie continued the presentation and showed a slide of installed renewable energy projects. She noted that in 2008 Energy Trust transitioned from large-scale projects under legislative direction given in SB 838. Thirty aMW of wind is not shown on the graph and was achieved in earlier, larger utility scale wind system installation involving utilities and Energy Trust. The Strategic Plan does include that generation as progress toward our renewable energy goals. The transition of Energy Trust's focus to projects 20 MW or less is clearly shown on the graph. For renewables there is no steady or predictable growth pattern. Instead, there is a mix of projects that come through the door, with the exception of solar electric, especially starting in 2010. The Solar program is expected to have achieved 50 MW of capacity by year end. The drop in 2014 generation is a point where demand is expected to be greater than available funding. Unlike the efficiency side, where Energy Trust works with the utilities to acquire more available cost-effective efficiency, there is no such mechanism on the renewable energy side. The funding level is fixed as a percentage in our enabling SB 1149 legislation.

Dave: Do you anticipate the Governor's plan to change anything?
Margie: I don't know, that remains to be seen.

Peter: There's also the bounce around you see starting in 2011 because of the effect of the state Business Energy Tax Credit changes. 2012 is the last year where applicants could receive a state energy tax credit for commercial scale renewable energy projects. That is why 2011 has such low generation. The market stagnated as project owners waited for the tax credit changes to shake out. You can see a direct link between the amount of renewable energy activity and the availability of subsidies.

Ken: Related to the Business Energy Tax Credit, how long will it take to know the impact?
Margie: We may never really know this impact and Fred has made similar comments. We do know that people chose to work with us because we are a known entity. As the Oregon Department of Energy created the new rules, people waited. Plus there are considerably less tax credit dollars available. It's a very different reality today. In 2011 and in the first part of 2012 we did put a Kick-Start Bonus incentive in place for energy-efficiency projects most impacted by the changes. Now we are back to where we need to be on incentive levels and everyone is adjusting to this new reality. There are no more bonuses in 2013.

Margie described Energy Trust's role in the utility IRP process, a process that largely did not include Energy Trust until SB 838 allowed additional funding to be acquired for additional cost-effective energy efficiency above what the SB 1149 public purpose charge could buy. Energy Trust is now contractually bound to reach the utility IRP targets. The process begins by looking at a 20-year efficiency supply estimate and assessing what is both technically achievable and realistically achievable efficiency. Then the plan is adjusted for a mid- to long-term efficiency strategy and staff models the achievable level. Agreement between Energy Trust and the individual utility is reached on how much savings Energy Trust is targeting to acquire and at what projected cost. That cost is then rolled into the utility's tariff filing.

Working together with utilities, we rotate and update their IRP approximately every two years. When setting goals a year ago, it was agreed upon to set the high confidence/lower savings "conservative goal" to approximate the same level as the IRP goal. The low confidence/high savings "stretch goal" was established to be 15 percent greater than the conservative goal. Before 2011, the range between stretch and conservative goals was 25 percent. By funding to stretch goal, Energy Trust assured it would meet conservative/IRP goal, and deliver the highest volume, lowest cost savings. Funding to stretch goal also provides for changes in customer demand and market changes while minimizing overall risk.

Alan: You use stretch goals when measuring progress?
Margie: Yes.

Alan: We fund to stretch and measure to stretch?
Margie: Yes, we aspire to reach stretch goals and we have also aligned conservative goals to the IRP goals so at a minimum, we meet IRP.

Margie mentioned that any unspent carryover funds also roll forward into the next year funding cycle negotiations and tariff filings. She showed a chart visualizing the goals plotted against confidence and savings levels.

Margie gave an update on the status of each utility filing. NW Natural and Cascade Natural Gas have both filed and the OPUC has approved the increases, which were effective November 1st. Portland General Electric and Pacific Power are both expected to file in mid-November and therefore the presentation is showing projections. Staff is still in negotiations with the electric utilities, and electric budgets may or may not change before the December board meeting and presentation of the proposed final budget and action plan.

Ken: What is the total percentage funding for the electric utilities?
Margie: Pacific Power is 4.8 percent and PGE is 4.76 percent for total electric energy efficiency funds. This does not capture renewables, low-income weatherization or schools, which approximate 6 percent.
Steve: Oregon is one of the leading states for funding efficiency, and we're doing it without an Energy Efficiency Resource Standard.

Margie listed the top 10 takeaways of the 2013-2014 budget and action plan:

1. Growing electric energy savings by almost 12 percent from 50.3 in 2012 to 56.1 aMW in 2013

2. Cost of electric savings is stable at 3 cents per kWh levelized

   Margie: This ensures delivery of the cheapest power possible for consumers and utilities.
   Dave: What is new generation at?
   Margie: New generation is between 8-10 cents per kWh.

3. Electric efficiency revenues projected to rise by 8.9 percent to $123.8 million

   Ken: What's the breakdown on what's load growth versus 838 dollars?
   Sue: $77.4 million for SB 838 and $46.3 million for SB 1149.
   Margie: That's a trend that ties back to utility IRPs.

4. 2013 gas savings adjusted down by 11 percent from 2012

5. Cost of gas savings increased to 46.3 cents per annual therm levelized due to low avoided costs and the loss of some low-cost measures

   Margie: Gas is a different story. There are a number of challenges identified, including savings going down for some measures and costing more than anticipated. We are still within the range of the levelized cost cap of 60 cents per therm, coming in at 46.3 cents per therm. Evaluations are showing deemed savings for certain gas measures are less than we had hoped. In addition, the cost of delivery is higher than predicted. And, we have very low avoided costs.

   All this relates to cost effectiveness. These challenges resulted in our request to the OPUC for an exception under UM 551 for number of gas measures. The OPUC granted the exception for two years starting in 2013, allowing us time to revisit our delivery of gas programs, especially gas weatherization measures, where the current benefit/cost ratio is less than one. We cannot burden ratepayers with something that is not cost effective and the OPUC exception gives us time to analyze cost saving opportunities and explore options regarding the societal cost effectiveness test.

6. Available renewable energy budget is constrained due to high demand

   Margie: We are reaching the plateau of not having sufficient dollars to pay for and meet demand for renewable energy projects. We do adjust incentives down as the market changes for some technologies, such as solar.
   Jeff King: It's not funding that's constraining your budget.
   Margie: As project demand has grown, that reduces the amount of money relative to demand.
   Roger: The irony is the more successful we are in efficiency in lowering electricity demand we have less money to spend on renewables or efficiency.
   Alan: We now have a targeted mandate and we are constrained to small renewable projects.

7. Incentives increased 1 percent over 2012 forecast for entire organization

   Margie: On the energy-efficiency side, incentives increased over 10 percent.

8. Delivery and management costs decreased 1 percent from the 2012 budget

   Margie: We are managing costs through a shift in how we deliver services, relying more on trade allies to deliver services in the field. We are looking across the whole organization to increase efficiencies and lower costs.

9. New efficiency opportunities, targeted strategies, and operational efficiencies included

10. Improved business systems capabilities added

Margie highlighted different aspects of the 2013 budget, which is proposed at $170.2 million for the year, electric efficiency representing $122.6 million or 72 percent of the budget, followed by gas efficiency at $26.9 million or 16 percent, renewables at $15 million or 9 percent, management and general at $3.5 million or 2 percent and Communications & Customer Service at $2.3 million or 1 percent. The budget for the last two categories has held fairly constant as a percent of the budget over time. Revenues increased by 10.7 percent, expenses increased 2.7 percent, electric savings are up by 11.5 percent, gas savings down by 11 percent and generation decreased by 24 percent.

Ken: How much of the electric efficiency budget is incentives versus delivery?
Margie: Incentives are between 50-70 percent of the total budget, depending on the program.
Sue: 58 percent of the budget is for incentives.

Margie highlighted where electric savings are coming from, listed in order of highest savings first: Production Efficiency, Existing Buildings, New Homes and Products, Existing Homes, New Buildings and then NEEA. New Homes and Products is a market transformation type of program, meaning it locks in lost opportunities over many years to come by building above and to a certain efficiency standard. The New Buildings goal is dropping some and not as much as in past. NEEA budget and savings cut across all programs.

Dave: Production Efficiency is lower cost, how so?
Margie: The program has higher volume.

Dave: Is there a challenge that each customer is unique and needs custom solutions?
Ken: But there are a lot of savings that come in per customer.
Margie: We made a decision five to six years ago to bring the program in-house, emphasizing the importance of building and retaining relationships, and helping customers make investments that range from operations and maintenance improvements to capital projects. It is a very successful program.

Jeff: What is the penetration rate for New Buildings?
Peter: It's 70 to 80 percent of all square feet of new construction, dominated by large buildings. There is less participation among small commercial buildings with standard design, like those in strip malls. We did a pilot this year with targeted packages for that market, which was very successful. In this budget, there's a series of packages, or tiers, for that market as well as data centers.

Dan: I know the new home construction rate is low. Is that why the levelized cost is higher?
Peter: That's the market, less savings because of the high efficiency level of code and they are also small buildings.

Dan: Why the large difference in levelized cost between New Homes and Existing Homes?
Peter: There are not as many electric savings in new homes, where more savings come from the gas side. New Homes and Products also includes products, with much shorter measure lives.

Margie described where the gas savings are coming from, again in order of highest savings first: Existing Buildings, Existing Homes, Production Efficiency, New Homes and Products, and New Buildings. Production Efficiency has less opportunity and good levelized cost results. The gas savings chart reflects all the challenges listed earlier about lower avoided costs, higher costs of delivery and lower savings per measure.

Alan: Existing Homes is 70 cents per therm?
Margie: There are four measures below the benefit/cost ratio, duct and air sealing and floor and wall insulation. These measures are below on the societal test side only, not the utility test side.

Alan: If gas costs don't go back up, will we have to reconsider some of our programs?
Margie: Yes.

Margie described expected 2013 renewable generation from the Biopower program, Other Renewables program, which includes hydropower, small wind and geothermal, and the Solar program. Staff is working with the OPUC on how best to capture the value Energy Trust adds to this market. A generation volume metric only does not capture Energy Trust's influence in early stage development and technology development, as examples.

Margie reviewed key audiences, strategies and initiatives for the residential sector, which includes a variety of services. Also, about half of the Trade Ally contractors work within this sector.

Dave: Does your strategy include any financing efforts?
Margie: Clean Energy Works Oregon is a separate nonprofit we work with and support through our incentives. They provide 5.99 percent interest loans to those who own a single-family home. Customers are installing more than one measure at a time, financing it and repaying the loan through their utility bill or through a credit union or bank. Clean Energy Works Oregon has a loan target of 6,000 homes. There's also Umpqua Bank's GreenStreet Lending product. Some customers want no upfront capital and others want to do projects piecemeal. Our homes sector strategy is designed to serve each customer in the manner that matches how they are ready to act.
Dan: And the default rate is very low, which is a great sign.

Ken: CEWO grant funds run out mid next year. What are their plans going forward and does it affect our projected results for 2013?
Margie: They are looking at ways to secure other funding, including either state lottery dollars, expanding to Seattle and other potential options.

Bob Repine: They are aiming for a 5-1 ratio on funds, where are they?
Margie: At approximately $40 million, with the target $100 million in leverage. This includes Energy Trust funds. Nationwide, Clean Energy Works Oregon is seen as highly successful. Part of that success is from leveraging the infrastructure we had in place, which gave them a jumpstart.

Dave: Are there other banks?
Margie: The primary source of loans is Craft3. Clean Energy Works Oregon is expanding to work with two to three credit unions across the state.

Debbie: What are the alternatives proposed for testing air and duct sealing?
Peter: We have a pilot to see if sealing can be done more effectively and cheaper to see if we can do this in a way that trade allies are trained and can install the measures to these specs. The test is to see if the delivery can ultimately be cheaper.
Fred: We are using one good technical contractor to see if he can decrease the costs and come up with an ideal method for these two measures. If successful, we'll add more contractors to do this. And we are looking at using utility data to target high users to see if we can increase savings per home.
Peter: It's also about lowering costs on our side. Current offering is at a benefit/cost ratio of 0.2–0.4 for these two gas measures.

Margie reviewed key audiences, strategies and initiatives for the commercial buildings sector, including serving commercial customers of all sizes and types, all multifamily properties, and public and private institutions.

Dave: The Communications & Customer Service group (CCS) is at 1 percent of the budget, but as we expand marketing, isn't customer service demand higher?
Margie: There is some increase in the budget for CCS. Overall as revenue goes up, the group's percentage share of the budget is staying the same.

Debbie: And there is program marketing and customer service within the program delivery budgets, too.
Margie: To clarify, the CCS portion of the budget is organization-wide communications and reporting. Program specific marketing and outreach budgets are a part of program budgets.

Margie reviewed key audiences, strategies and initiatives for the industrial and agricultural sector, including increasing attention to small industrial and agricultural customers.

Dave: Where do grocery stores come in?
Margie: They are served through the commercial sector.
Dave: LEAN manufacturing is also a cultural change strategy and you need a driver at the facility to keep it going.

Ken: Can you describe more about Program Delivery Contractors (PDCs) as account managers and how that differs in how they are used today?
Peter: It isn't that much different, it's more of a continuum. Some customers like the regularity of contacting the same individual for anything. It's more resetting what we do with PDCs for customer service accountability. This also refers to working more directly with utility account managers to improve sharing of information both ways.
Kim: PDCs as account managers are also about broadening their sales and management skills as they serve customers. Their ability to influence customers to act is as important as their engineering skills. The strategy reflects seeking a slight shift toward their "softer" marketing skills.

Margie reviewed key audiences, strategies and initiatives for the renewable energy sector, including integrating hydropower, geothermal and non-standard wind into a custom renewable energy offering.

Dave: If there's a higher demand for the budget, do you reserve money for new technologies or ideas?
Margie: We have competitive requests for proposals for renewable projects.
Peter: Part of the budget is for open solicitation, which tends to accommodate smaller projects.
Ken: On solar, is Energy Trust doing any analysis on where we have gaps in our coverage geographically and if so, what can we do to help that? For instance, looking at the proximity of rural trade allies to interested rural customers? Much like my recent experience finding a solar contractor in Southern Oregon.
Peter: We do have to address that, and there is some balance. Where we are missing opportunities is the commercial sector because of all the Business Energy Tax Credit changes. The 2013 budget includes an RFP for commercial solar projects 75 kW or greater.

Roger: Energize Oregon, which Energy Trust is a part of through Chris Dearth, reaches out to rural landowners.

Alan: Approximately 45 percent of the RE budget is solar, but there is a large demand. How do you propose to parcel the incentives?
Margie: We step down our incentives to send a signal to the market. This year, we also came to the board to use reserve funds to help meet demand.

Margie: To Ken's question, we also look at solar ready for new home construction, where the builder constructs a home ready to easily accommodate a solar system.

Break

The board took a break at 2:38 p.m. and reconvened at 2:50 p.m.

Draft 2013-2014 Action Plan & Draft 2013 Budget (Continued)

Margie continued the budget presentation. She reviewed initiatives to be undertaken in 2013 within the four Energy Trust support groups: Communications and Customer Service (CCS), Information Technology (IT), Planning & Evaluation and Management & General. For CCS, emphasis includes Customer Relationship Management (CRM) system support and utilization to provide greater visibility to customer engagement and results. For Planning & Evaluation, a few of its several activities include seven major evaluations and more emphasis on how staff analyzes and keeps the board updated on a quarterly basis regarding our revenue and savings.

Ken: For the building stock survey, is that different than load shape?
Phil: Yes. The Residential and Commercial Building Stock Assessments provide a wide range of data on the existing stock of buildings that is useful to assess future efficiency potential.

For IT initiatives, the group will be moving into Phase 2 of the Integrated Solutions Implementation Project. The cost for the second phase is approximately $1.7 million, and of the total, $1.1 million is for capital costs. $800,000 of unspent Phase 1 budget will be rolled over into Phase 2.

For Management & General, the group is poised to assist with outcomes from Governor Kitzhaber's 10-Year Energy Plan and any questions during the 2013 legislative session, exploring grants for workforce training and other opportunities for enhancing mission effectiveness.

Margie gave an overview of the staffing requests for 2013, including one new position and converting one temporary position and three contractor positions to full-time employment as proposed by and to be in compliance with the 2011 employment audit. The converted contractor positions do not necessarily result in dollar savings. Three temporary staff positions remain and the positions will be assessed in 2013 as to whether they are needed full time in the future.

Alan: Any thought to bringing any elements of the commercial programs in-house, as was done with the Production Efficiency program?
Margie: We are drafting the PMC scope of work right now for Existing Buildings. We do keep certain initiatives in-house, like behavioral and program pilots. We're not planning to explore bringing a full commercial program in-house and the staffing challenges that represents. It's more nuanced than that.

Margie gave a brief overview of the 2014 budget. Staff is limited in projecting too far into 2014 until the 2013 budget is settled. One item to call out is the target to hold levelized costs steady even as savings go up.

Dan: On the gas side for homes, some measures are bumping against the boundaries of cost-effectiveness, is that what you've been referencing today?

Margie: Yes, that is one of the challenges. The other challenges are actual savings per measure being less than projected.
Peter: Also installed costs per measure are increasing.

Prior to this budget presentation, staff presented the draft budget to the Conservation Advisory Council, Renewable Energy Advisory Council and the OPUC. Next steps include utility outreach this week and next, a final OPUC public hearing on November 20, final Conservation Advisory Council and Renewable Energy Advisory Council meetings on November 28, deadline for public comment on November 28, and submitting the budget and action plan for final board consideration on December 14, 2012.

Bob Repine left the meeting at 3:17 p.m.

Committee Reports

Audit Committee (Ken Canon)
Ken said the committee had a conference call in October, and approved the financial audit engagement letter.

Evaluation Committee (Debbie Kitchin)
Debbie said the committee met on September 28, and reviewed the Clean Energy Works Oregon process evaluation, residential awareness and perception survey and New Buildings program impact evaluation. The committee also had a meeting on October 30, and those notes will be in the December board packet.

Debbie highlighted the Clean Energy Works Oregon process evaluation. It looked at how customer experiences are going, and interviewed staff and trade allies. Some issues identified include how to improve the rate of participants fully completing the program. Clean Energy Works Oregon is modifying its program on a very real-time basis both through this evaluation and their evaluations.

Phil clarified contractors do not get paid for providing a bid, they get paid for test-ins if a test-out is completed, and said another issue is the customers feel the process takes too long from test-in to test-out. That is the step in the process with the biggest drop off.

Debbie: Are higher costs with Clean Energy Works Oregon also because they are required to recruit minority contractors and pay slightly higher wages?
Phil: Yes. And they are also replacing equipment we don’t provide an incentive for (e.g., furnaces) or are financing improvements that are not energy related.

Debbie: We’re also getting good information on how people are feeling about on-bill financing, which is the Energy Efficiency and Sustainable Technology Act, or EEAST, legislation to conduct on-bill financing pilots. And interestingly, there is a substantial percentage of folks paying off the loans early.

Debbie gave a brief overview of the residential awareness survey. This year, there was a different contractor, On Target Consulting and Research. The survey is a study about residential awareness of Energy Trust and its programs and services. Awareness is increasing in all regions and with three of the four utilities. The survey is also used to see what consumer messages motivate people to act.

Debbie described the New Buildings impact evaluations, which measures energy savings and gave a number of recommendations. Overall, the program is seeing a high realization rate for both electric and gas savings, with not too much fall off.

Ken: Can you give some feedback around the unease with the SB 838 evaluation?
Debbie: This was discussed in last week's meeting and the full notes will be in the December packet. This evaluation was a process evaluation for SB 838 funds and was focused on the portion that Portland General Electric and Pacific Power retain for their own marketing and outreach. We will have additional discussions on this in our next Evaluation Committee meeting as the committee had not heard there was tension between the utilities and the contractor completing the evaluation. The two utilities felt they made repeated attempts to submit new and additional information that the evaluation contractor was not including. I think we came to some conclusions on how to approach this in the future, which is largely to not evaluate utility-funded marketing activities separately from the Energy Trust programs that they support. Like Energy Trust, we do not evaluate customers based on whether they received SB 1149 funds or SB 838 funds. The idea is to do the same here, and keep the Energy Trust SB 838 and utility SB 838 funds together for purposes of evaluation.

Margie: PGE had proposed some ways on how to evaluate and assess this going forward, and they also proposed some metrics. I think we'll get there. There is some misunderstanding around what is a true metric and what is just information. And some misunderstanding with the contractor on how to apply some of the information from the utilities. I think the utilities felt singled out, as they receive such a small percentage of the overall SB 838 funds. Now it's about looking ahead and identifying how to best approach this.

Ken: From a board member standpoint, this is the type of thing that I'd like to be made aware of. When there is a potential controversy with our utility partners, board members should know about it. We are truly in a partnership with the utilities and it's incumbent on me as a board member to know about these things.
Debbie: Several people on the committee also asked why they didn't know about it sooner.

Julie Brandis: Why was this unusual?
Debbie: Usually, when an evaluation is in the draft stage, the committee reviews it. In this case, it had been almost a year in the making.
Phil: There were also many drafts and we were trying to get to a stage in the draft where it would be ready for the Evaluation Committee.
Margie: In hindsight, an update to the committee should have been given earlier.

Finance Committee (Dan Enloe)
Dan gave an overview of 2012 status. Energy Trust is doing well on IRP and conservative targets and getting very close on stretch goals. Energy Trust should exceed IRP by good amounts. We're doing well on administration costs. In the last meeting the committee discussed the Cascade Natural Gas resolution talked about today. Craft3 is having good results on loans for Savings Within Reach, a program track of the Existing Homes program. This is improving staff and committee confidence in this product. Other key highlights include being 80 percent committed at this point, and expenses actual are lower than those budgeted in all of Q3. This year actuals came in lower than this time last

year, and that's something to watch for in this year's last quarter. Revenues are exceeding expenditures.

Alan: The balance forecast on the one page quarterly dashboard show balances at or near zero for most of the 2013 year. Can this be correct?
Sue: We do forecasting through FastTrack. The cash reserve is what the board has said they want us to keep on hand, and it does not include the program reserve. This item shows that we do not have additional cash on hand; it's either dedicated or committed.
Alan: That's a good thing to do. It's remarkable it comes to zero.
Sue: That's the first time that has happened so consistently for us.

Policy Committee (Roger Hamilton)
Roger said many of the items from the latest October Policy Committee meeting were covered in the agenda today. The meeting covered the strategic utility roundtable agenda. Board members agreed the utility roundtable held prior to the board today meeting was very helpful; it included an informational presentation by the utilities on utility regulation and structure.

Julie: How do you set roundtable agendas?
Margie: We have agreed to a process as a board. John Volkman solicits topics from the utilities and from the board and that is how the agenda is set. In addition, a recommendation for the roundtables is to hold them twice a year, and we look to the utilities to help drive that process. If board members have topic suggestions, they are more than welcome.

Roger said the committee also discussed the confidentiality policy, which governs how Energy Trust handles information. The board approved this policy amendment in the consent agenda today.

The meeting covered SB 838 funding to conform to or exceed IRP filings, use of SB 838 retained funds for utilities to use in their marketing and outreach, and gas avoided cost issues. Roger clarified Energy Trust received approval from the OPUC for a two-year exception for certain gas measures in years 2013 and 2014. In addition, the meeting covered proposed 2013 budget and action plan themes, and members heard from Margie on her outreach to Pendleton and Medford, and possible outreach in 2013.

Finally, the committee conducted its regular review of policies including the review of the self-direct policy, Oregon preference policy, setting consent agendas, waiving program caps and waste-to-energy.

Staff Report

Margie gave a brief recap of recent 10-year anniversary activities and outreach. Staff had always planned to link Energy Trust's 10-year anniversary with outreach during the heating season as customers start to think about energy use. The Portland reception on October 10 had more than 325 people attend and included plenty of networking time. The event included program displays, speakers such as the OPUC Chair Susan Ackerman, customers, a trade ally, John Reynolds and Margie. It was a highly successful event. Margie noted that sponsorships from utilities, PMCs and others covered the full cost of the event and no ratepayer dollars were used.

In addition to the Portland event, regional outreach included visits to Pendleton, Medford and Astoria with project site visits, media interviews and briefings. Each visit also included a reception or luncheon at a location that had participated in Energy Trust programs. Utility and government representatives, customers and trade allies in attendance heard from a variety of speakers, including local utility contacts, the mayor in Pendleton and Ken Canon in Medford. The regional events were great opportunities to emphasize and communicate local results, and highlight customers and trade allies working with Energy Trust programs.

Margie listed top takeaways from the events, including the importance of connecting Energy Trust's larger overall results to local tangible results. She also described culture changes occurring among customers of all kinds who start with a simple project and then commit to making longer term strategic decisions and investments around energy. This was a testament to the importance of Energy Trust building and maintaining effective customer relationships over time.

Margie mentioned that the annual Energy Trust staff and board holiday party will be held after the December 14th board meeting at the Embassy Suites in downtown Portland. More information will be sent by email.

She called out the market indicators report and true-up memo at the end of the board packet.

Julie: On engagement with local communities, I feel it's very important the board be involved and to develop a presence in the community. I encourage the rest of the board to consider how we carry the message into our communities after leaving each board meeting.
Margie: I encourage and welcome everyone's presence. As we conduct more outreach in 2013 we will make a concerted effort to make sure you are invited.
Amber: We are also at a place where we can provide data by county or other geographic regions. If it would be helpful to have incentives distributed or savings by region, we can get that to you as you go out and about in your communities.

Ken: Are there times where you don't want us to go out?
Margie: If you're trying to attract customers, advance notice to us is appreciated so we can be aware, can coordinate and can circle back to the customer later.
Dan: I'm also active on LinkedIn with facility managers. Let me know if there's any information that I can give.

Mark: Please thank your staff for us. The Portland event was tastefully done and attracted the right kind of attention. And I appreciate you, Margie, for taking the extra effort to meet, greet and engage in these other communities, which isn't always the case for someone in your role.

Debbie, John and Roger also expressed their positive thoughts on the Portland event.

Julie: The CEO of my organization recently came back from a conference of the Association of Governing Boards with a list of the core things volunteers on boards say they are looking for. I thought it would be interesting to reflect on this here, especially with the upcoming legislative session, summer board strategic session and the Governor's 10-Year Energy Plan. The four items are:

1. To be part of the sausage making—don't just report to us that you have completed a complex task.
2. Tell us and remind us of our job—don't just tell us what you know, what do you want us to do.
3. Give us bad news—for a lot of us that's our day job.
4. How are we helping—how do we best help you; where are we making the big difference?

Adjourn

The meeting adjourned at 4:20 p.m.

***Next meeting*.** The next regular meeting of the Energy Trust Board of Directors will be held Friday, December 14, 2012, at 12:15 p.m. at Energy Trust of Oregon, Inc., 421 SW Oak Street, 3rd Floor, Portland, Oregon.

/S/ Rick Applegate
Rick Applegate, Secretary