Board Decision
Amending Board Policy on Program Approval

March 7, 2012

Summary

Amend the board's program approval policy to reflect changes in terminology and practice in reporting program variances from projected cost and energy savings.

Background

- The current board policy on approval of programs was adopted in 2005 to ensure that programs are operated according to board-approved parameters, yet do so without immersing the board in detailed tracking of projected energy savings, cost and budgets for such items as incentives, marketing, administration and evaluation.
- The board's review of program savings and cost objectives is now done in the annual budget process, with subsequent board review of significant changes in major program parameters, or variances from objectives authorized in the budget process.
- The policy, which was amended in 2008 to allow staff flexibility to move budget funds between program budgets within a given sector, has worked effectively.

Analysis

- Among other things, the current policy requires staff to report to the board quarterly on variances from levelized cost and cost-effectiveness parameters. This information used to be included in quarterly OPUC reports.
- OPUC quarterly reports no longer include these specific data. However, staff still has data with which the substance of the board's concern can be addressed: whether a program's cost-effectiveness shows a negative trend.
- In addition, some of the terminology in the current policy has become outdated. Energy Trust now has "stretch" goals rather than "best-case" goals.
- The Policy Committee reviewed the proposed changes and suggested the board consider them on the consent agenda of this meeting.

Recommendation

Amend the board's program approval policy by adopting resolution 620, below.

RESOLUTION 620

AMENDING BOARD POLICY ON PROGRAM APPROVAL

WHEREAS:

1. **The current board policy on approval of programs was adopted in 2005 to ensure that programs are operated according to board-approved parameters adopted in annual budgets, with periodic reporting of significant changes in major program parameters, or variances from authorized objectives.**
2. **The policy, which was amended in 2008 to allow staff flexibility to move budget funds between program budgets within a given sector, has worked effectively.**
3. **Among other things, the current policy requires staff to report to the board quarterly on variances from levelized cost and cost-effectiveness parameters. This information used to be included in quarterly OPUC reports. OPUC quarterly reports no longer include these specific data.**
4. **The changes authorized below, which were reviewed and approved by the board policy committee, will support the board's diligent oversight of program performance by addressing whether a program's cost-effectiveness shows a negative trend, and some of the terminology in the current policy has become outdated.**

It is therefore RESOLVED, that the board of directors of Energy Trust of Oregon, Inc. authorizes the changes in the board's program approval policy shown in Attachment A to this resolution.

Moved by: Seconded by:

Vote: In favor: Abstained:

Opposed: [list name(s) and, if requested, reason for "no" vote]

ATTACHMENT A

4.22.000-P Program Approval Process

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) without board approval.
    b. Be managed to achieve a ~~best case~~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.

2. 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, ~~including~~ such as:
    a. ~~Where~~ a program's long-term cost-effectiveness is trending in a negative direction~~($/aMW or levelized cost per kWh and therm) compared to the most recent action plan forecast~~, and/or ~~whether~~ the program is ~~apt~~ not expected to be cost-effective once it hits steady-state.
    b. ~~Whether~~ the program is not expected to achieve significant savings over its life.
    c. ~~If~~ a quarterly report shows that a program is trending below the conservative ~~end of its authorized $/aMW range~~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.