# Board Meeting Minutes—123rd Meeting

September 25, 2013

**Board members present:** Ken Canon, Julie Brandis (by phone), Dan Enloe, Roger Hamilton, Mark Kendall, Debbie Kitchin, Alan Meyer, John Reynolds, Anne Root (by phone), John Savage (OPUC *ex officio*, by phone)

**Board members absent:** Rick Applegate, Anne Donnelly, Jeff King, Dave Slavensky, Lisa Schwartz (ODOE special advisor)

**Staff attending:** Margie Harris, Ana Morel, Hannah Hacker, Debbie Menashe, Amber Cole, Steve Lacey, Peter West, Courtney Wilton, Fred Gordon, Scott Clark, Oliver Kesting, Jessica Rose, Matt Braman, Thad Roth, Cheryle Easton, Diane Ferington

**Others attending:** Juliet Johnson (OPUC), Kendall Youngblood (PECI), Susan Stratton (NEEA), Dave Backen (Evergreen Consulting), Christina Cabrales (CSG), Lisa Wojicki (PECI), Becky Walker (PECI), Monica Blakeslee-Kish (PECI), Kathryn Hickok (Cascade Policy Institute), Lis Saunders (NEEA)

## Business Meeting

President John Reynolds called the meeting to order at 2:02 p.m.

## General Public Comments

There were no public comments.

## 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 includes:
1) June 7 strategic planning workshop on energy efficiency notes
2) July 31 strategic planning workshop on renewables notes
3) July 31 board meeting minutes
4) Corporate Authorization (bank signing authority)—R678

**RESOLUTION 678**

**AUTHORIZINGAPPROVED BANK SIGNERS**

**WHEREAS:**

1. **Umpqua Bank and Bank of the Cascades provide general banking services to Energy Trust (collectively, the "Banks").**
2. **Section 7.3 of the Energy Trust bylaws requires that the board of directors authorize officers or agents to sign checks, drafts, or other orders for the payment of money, notes and other evidences of indebtedness ("authorized bank signers") by way of resolution from time to time.**

3. **Effective September 5, 2013, Susanne Meyer Sample retired from her position as Chief Financial Officer of Energy Trust.**
4. **Effective September 16, 2013 Courtney Wilton was appointed Chief Financial Officer.**
5. **Susanne Meyer Sample is currently an authorized bank signer for Energy Trust's accounts at the Banks.**
6. **In connection with appointment to the chief financial officer position, Courtney Wilton should replace Susanne Meyer Sample as an authorized bank signer for the Banks.**

**It is therefore RESOLVED that,**

1. **Susanne Meyer Sample to be removed from the list of authorized bank signers for the Banks.**

2. **Courtney Wilton to be added to the list of authorized bank signers for the Banks.**

3. **The resulting list of authorized bank signers for the Banks is as follows:**

    a. **John Reynolds, Board President**
    b. **Dan Enloe, Board Treasurer**
    c. **Margie Harris, Executive Director**
    d. **Courtney Wilton, Chief Financial Officer**
    e. **Peter West, Director of Programs**
    f. **Steve Lacey, Director of Operations**
    g. **Debbie Goldberg Menashe, General Counsel**

4. **The Executive Director is authorized to execute all required documentation to implement this resolution.**

Moved by: Debbie Kitchin Seconded by: Roger Hamilton

Vote: In favor: 9 Abstained: 0

Opposed: 0

## President's Report

John Reynolds presented on the Gresham Wastewater Treatment Plant's recent energy-efficiency, solar electric and biopower projects.

Thad Roth: This video shows what it takes for a project owner to move a project to completion. Gresham executed on big expectations. Energy Trust participated with incentives and the Oregon Department of Energy with tax credits. Energy Trust can't do projects without project developers like this. The Gresham Wastewater Treatment Plant is an example of some of the projects and people we get to work with. Enjoy the video.

The Gresham Wastewater Treatment Plant's video on its road to energy independence was shown, which can be accessed through the city's website: http://greshamoregon.gov/city/city-departments/environmental-services/wastewater-division/template.aspx?id=4330.

John R: This is a terrific example of energy efficiency and renewable energy.

Dan: It's going to achieve 100%, and may become one of those net zero buildings.

Mark: You worked with the Oregon Association of Clean Water Agencies on overall membership direction toward energy independence. How many facilities have these economies of scale opportunities?
Thad: There are 10 plants in Oregon generating electricity and utilizing biogas. Another 18 use anaerobic digestion and could conceivably generate electricity. We will be in front of the board soon to talk about a similar project at the Clean Water ServicesDurham facility. It may not quite achieve 100 percent of energy usage but will get very close and they will utilize fats, oils and greases.

## Energy Programs

***Authorize New Buildings Program PMC***

Oliver Kesting introduced the resolution, which is to authorize a contract with PECI for the New Buildings Program Management Contract. Oliver introduced Jessica Rose, program manager.

Jessica: For the full background on the process we followed, please see your board packets. Briefly, in May 2013, we issued a Request for Proposals for a Program Management Contract to design, develop, manage and implement our program for the new buildings market. That RFP process was a success. It brought in a lot of interest, was competitive, resulted in six intents to respond and four proposals were submitted in the summer. A team of Energy Trust staff and two outside experts from NEEA reviewed and thoroughly vetted all the proposals. The review team thought three proposals warranted oral interviews and presentation. The team interviewed those three, and after reviewing candidate responses to follow-up questions, the review team unanimously selected PECI to provide Program Management Contractor services for New Buildings. Are there any questions on the process?

Mark: On conducting oral interviews and presentations, was that something that emerged from the first evaluation or was it a standard or preplanned part of the selection?
Jessica: It is a standard part of our process.
Mark: This indicates a rigorous process. This is good.

Jessica: This board resolution will authorize a two-year contract term, through December 31, 2015, with an option to renew for up to three additional one-year periods. Jessica reviewed and summarized the budget for this board action.

John R: Roger, did the Policy Committee have any questions?
Roger: Everything got resolved.

Dan: Do we currently operate any other contract with PECI?
Jessica: Yes, PECI is the Program Management Contractor delivering the New Homes & Products program.

**RESOLUTION 676**
**AUTHORIZING A PROGRAM MANAGEMENT CONTRACT**
**FOR THE NEW BUILDINGS PROGRAM**

**WHEREAS:**

1. **Energy Trust's contract for New Buildings program management services will terminate December 31, 2013.**
2. **With assistance from outside parties, staff has conducted a fair and open procurement process to select a contractor to manage and deliver New Buildings program services for the next 2-5 years.**
3. **PECI was selected and contract terms are being negotiated.**
4. **Staff has assumed a total first-year program management contractor budget for 2014 of approximately $14,550,000, which includes first-year contracted management and delivery costs, incentive amounts and possible PMC performance compensation.**

**Based on current assumptions, staff estimates the following program savings and fully-loaded costs in 2014:**

| | Electric | Gas |
|---|---|---|
| Savings | 45,000,000 kWh | 650,000 therms |
| $/Unit Savings | $2,000,000/aMW | $1.30/therm |
| Levelized Cost | $0.024/kWh | $0.160/therm |

**It is therefore RESOLVED:**

1. **Subject to determination of a final contract amount based on the board-approved 2014 budget, the executive director is authorized to enter into contract with PECI to manage the New Buildings program services from January 1, 2014 ending not later than December 31, 2015.**
2. **First-year contract costs and savings goals included in the contract shall be consistent with the board-approved 2014 budget. Thereafter, the contract may be amended annually consistent with the board's annual budget and the executive director is authorized to sign any such contract amendments.**
3. **The final contract may include a provision allowing staff to offer up to three one-year extensions if the program management contractor meets certain established performance criteria.**
4. **Before extending the contract beyond December 31, 2015, staff will report to the board on the program management contractor's progress and staff's recommendation for any additional extension time periods. If the board does not object to extension, contract terms would remain as approved in the most recent action plans, budgets and contract at the time of extension, and the executive director is authorized to sign any such contract extensions.**

Moved by: Ken Canon Seconded by: Alan Meyer

Vote: In favor: 9 Abstained: 0

Opposed: 0

***PECI New Homes & Products Contract Extension***

Matt Braman introduced the discussion to extend the program management contract for PECI delivering the New Homes & Products program for one additional year, consistent with the current contract terms. The New Homes & Products program helps builders and subcontractors increase energy-efficiency levels, integrate solar and utilize performance testing in new home construction. The Products efforts include customer cash-back incentives for purchasing qualifying ENERGY STAR® clothes washers, refrigerators, freezers and lighting, and for recycling older refrigerators and freezers. On Products, Energy Trust and PMC staff also work with community action agencies, water bureaus and other nonprofit organizations to distribute low-cost, instant energy-saving products and information.

In 2009, a New Homes & Products program rebid was conducted and the incumbent, PECI, was selected to continue providing program management services. At the time, the board authorized a three-year contract with two additional one-year extensions. Last year we exercised the first one-year option. Staff is recommending a second and final one-year extension. The initial contract approved in 2009 was for $6.4 million for program management and delivery services. Since then, the delivery budget has remained constant, while the volume of projects and participant incentives has increased more than 50 percent. This is because PECI has brought forth efficiencies in program delivery.

Matt reviewed the five criteria used by staff to evaluate PECI program delivery:

1. Cross-program referrals and sorting through single-family and multi-family new construction projects.
2. Building a project pipeline—since 2009, PECI has significantly increased the number of retailers and diversity of products. Currently, Products supports general purpose compact fluorescent light bulbs, specialty light bulbs, showerheads, shower wands and a growing selection of LEDs. PECI has also established and maintained a growing network of approximately 400 trade allies in the new home construction industry.
3. Innovation introducing new technologies and designs, including the energy performance score, an instant incentive pilot with Sears, an air sealing pilot in code-built homes and innovative market campaigns to highlight the benefits of efficient homes and refrigerator recycling.
4. Teamwork, including flexibility in meeting Energy Trust's priorities to provide new initiatives, improving forecasting and working with regional entities to leverage regional programs.
5. Deliverables—while the program just missed the electric conservative savings goal in 2012, in other years PECI has consistently met contract savings goals and often exceeded them. In 2013, PECI is forecasting to exceed the stretch savings goal in three utilities and meet the stretch goal in the other.

Staff is recommending that the board delegate to the Executive Director authority to sign a one-year contract extension, which ends December 31, 2014, also the final year of the contract. Next year, staff will review the program delivery model and engage in a rebid of the program starting in the spring of 2014.

Ken: How do you survey for cross-program referrals?
Matt: It has a lot to do with the call center. For instance, when they call the Products call center, many times the customers have questions for the Existing Homes program. Also, marketing materials incorporate Existing Homes program and incentive information.

Ken: How do you test to know it's attributable to PECI?

Matt: It starts with customers, and we receive very few customer complaints. You have a good question. It's a bit of a subjective metric. In the end, we just do not see a lot of issues.
Diane Ferington: And there's a manifestation of cooperation with the other Program Management Contractors. What it comes down to is serving the customer and cooperation, and navigating them through any confusion on what program they fall under.

Dan: I've seen your materials that PMCs sometimes get performance compensation. Was that the case here with these contracts?
Matt: Yes, a certain level of compensation is negotiated in the contract.
Dan: PECI just missed the 2012 target; did they get their 2012 performance bonus?
Matt: Not very much.
Dan: And they are on track for 2013?
Matt: Yes.

Dan: I propose for your tactics in negotiations, that making-up the shortfall from 2012 be included when you calculate what the 2013 incentive is before you decide to award the contract for 2014 so you're looking at their long-term performance. Otherwise, we're overpaying them and really not holding them accountable to that gap. The total dollars may be small but what I want to do is keep incentivizing good decisions. Maybe they made long-term decisions that helped 2013 while hurting 2012.
Matt: That is an interesting idea and I will look into that with Debbie on what we can explore. I know PECI is forecasting achieving above stretch electric savings.
Dan: It's not a constraint, but an idea. I want to keep incentivizing correct behaviors.
Roger: You would deduct from the next incentive?
Dan: For example, if they were half a megawatt short for 2012, before we pay for 2013, we wait until we get the amount they didn't deliver.
Margie: I don't know that the contract is structured that way currently. We can look at that contract. It may be this tactic only applies to a multi-year contract when you are able to look backward.
Peter: We should come back to this in a different session to discuss. In any contract there are carrots and sticks. And we certainly used sticks in 2012. And then you move forward in the next year and you have to balance that. In any year, we are also allowed to shift budget to meet high demand. There's flexibility created overall to keep in mind. It would be worthwhile to step back and look at the overall design before focusing in on one small part.
Ken: Great idea.
Roger: That makes sense.
Dan: With under-performance there, I'm not averse to following your recommendation. I want to make sure you're looking at the big picture.
Ken: And what we're focused on here is performance incentives but there are sticks too that we are not as aware of.

Mark: In the briefing paper, the third bullet in the New Buildings program gives us a macro look at the cost-benefit of the program. It would be nice to see that detail in the resolution. It would be quicker and helpful.
Peter: Good point, thank you.

John R: There is no resolution attached to this. It's a "no objection" update. And I'm not hearing any objections. Thank you.

Margie: Through the contract, there are a couple of things that improved greatly, like the volume of savings while keeping costs down and strengthening forecasting. Those are things we can look at and potentially apply to other programs. I want staff to follow up on that.

## Committee Reports

***Audit Committee, Ken Canon***

The latest meeting was a few weeks ago by conference call. Courtney Wilton, the new Energy Trust chief financial officer, attended. The committee is starting to work with a CPA firm to get everything ready for the audit that will be starting in the first part of January. There are at least three Audit Committee meetings a year. The majority of the activity is in the first part of the year.

Shirley Cyr, Clean Energy Works Oregon CFO, has left the Audit Committee. The committee is actively searching for someone to fill the external expert seat. It is a requirement that one of the Audit Committee members be a CPA, familiar with nonprofit finance. This search is something Ken will be working on with Courtney and staff. Specifically, the committee would like to replace Shirley with someone who has experience with larger nonprofits. Energy Trust is a large and complex nonprofit. Ken mentioned that given the amount of money Energy Trust deals with in its transactions, the committee wants to focus on the risks the organization may face. The committee is searching for someone who may bring additional ideas and eyes to that issue. It’s very important. Any board members who have any suggestions, please let Ken know.

***Finance and Compensation Committees, Dan Enloe***

Looking at the first graph in the July financial statements, there was a down tick in incentives spent. August results have come in since then and actual incentives spent are a little over $5 million. The end-of-the-year bump has begun. Though incentives were underspent, there are three areas with significant pick-ups, renewables went from 44 percent to 52 percent over the month, Existing Homes from 61 percent to 64 percent and New Homes & Products from 67 percent to 73 percent. Staff is gearing up for a big year end.

Looking at revenue coming in, all utilities are as expected, though Cascade Natural Gas is behind. Cascade Natural Gas’ plan will have them caught up by approximately year end. Dan mentioned Energy Trust is looking okay on the revenue side.

Programs are looking at coming in slightly over conservative goals, maybe stretch goal in some programs. There is a lot of variability in the fourth quarter of each year. Last year, Energy Trust looked lean but came in big in December and exceeded goals. Dan mentioned the committee needs to watch how Energy Trust is performing in these last months of the year.

Dan introduced Courtney Wilton, new CFO, and welcomed him to the team.
Courtney: I’m glad to be here. What you said about seasonality is true.

Dan introduced Resolution 677, and Margie recapped the topic for the board prior to voting on the resolution.

Margie: Relooking at reserve definitions and usage started when we heard comments during the 2013-2014 budget and action plan open comment period in December 2012. We heard annual goal setting and nomenclature was more confusing than it needed to be. This led to a utility roundtable on May 22; outcomes included a small working group that dug into the details and came back to the board in July for discussion. What was determined at that meeting was a transition to a single goal starting in 2014. The single goal will represent the resource potential for the Integrated Resource Plans (IRP) for each utility. The OPUC will hold Energy Trust accountable for the minimum performance measure of 85 percent of that goal. This did away with the "stretch / conservative" or "stretch / best case" goal setting approach. We are in the process right now of setting the single goal for each utility, with Steve, Peter, Elaine and others working on it with the utilities.

Margie clarified for the board that the OPUC is greatly involved in the annual funding process and Juliet is a great addition to the discussions. It's very helpful to have everyone around the table to discuss the issues and negotiate funding.

Margie continued: The last category for discussion is the definition and usage of reserves. Currently, we have an interest reserve account and a program reserve account. The interest reserve account was set up since 2006, as a contingency fund for any number of purposes, including and especially for programs. In 2005, there was heavy demand for projects in the Production Efficiency program and there was a need for reserve dollars that were then authorized by the board for use in that program. The reserve has been available since that time for a variety of organizational purposes and the board does approve any use of those reserves. Also, after SB 838 passed in 2007, we established a program reserve account. The first full year of that was 2010. Based on a suggestion from OPUC Commissioner John Savage, 5 percent was chosen for program reserves for each utility. As part of the annual calculation and negotiation Peter and Steve have with each utility, Energy Trust has budgeted to the stretch goal, and then added 5 percent on top of that to create the program reserves for each utility. In some cases this reserve amount is sufficient, and in most cases, it's more than sufficient.

After the small working group and the July board meeting discussion, staff further refined how we define and use both reserve accounts. Forecasts from each utility create our revenue stream, savings projections, and ultimately, our budget. We propose taking what has been the interest reserve account and renaming it a contingency reserve account for the organization as a whole. This is in fact how we have used it. Currently, there is approximately $7.5 million currently in the account. And to a concern Alan raised at the July meeting regarding a cap, we will endeavor to maintain this amount as a target, with a maximum of $8 million that would be in the account at any time.

We would use the new contingency account in a few ways. Of the amount in the contingency reserve account, we propose $5 million be set aside and available only if there is an emergency or catastrophic event. This will be named Emergency Contingency Pool. At the present time, $2.5 million would be remaining and available for an organizational contingency pool above and beyond any amount needed for an emergency or catastrophic event. That amount could address organizational needs such as helping a renewable energy project move forward. We have no other contingency fund for renewables beyond this source.

In case of emergency, staff would have the ability to expend up to $5 million of the Contingency Reserves Account absent board approval. Staff would then report to the board on what was done after the fact. Board authorization would be required for staff usage of the remaining fund balance, the Organizational Contingency Pool, within contingency reserve account.

Roger: The program reserve account is efficiency only and the contingency is for renewables?
Margie: Yes, that's correct on the program reserves, which would be designated for energy efficiency. We could use the contingency reserve for renewables, given there is no other reserve account for renewables. Historically, the contingency reserve, or the interest reserve as it's called right now, has been used for solar projects.

Anne: Is there an example of an emergency you would use $5 million for?
Margie: Natural disasters like a flood, earthquake, fire, or other catastrophic event like power failures or something where we would need to restore operations at the Energy Trust offices.
Roger: Hurricane Sandy is an example.
Margie: The amount may be insufficient and it's a start at what we would need to rebuild/restart under those circumstances.

Ken: On the emergency, how closely defined is that? I ask because I want us to have a contingency account, and a lot of nonprofits have a similar type of reserve account. Would one of the things that come out of this fund be a wind-down cost, like if Energy Trust closed, even given how rare that event would be.
Margie: If a wind-down situation occurred, I suspect we would have enough lead time to facilitate a transition that would not be solely dependent on this sort of fund. Our contracts are written in such a way that we can cancel them and loss of funding would be a trigger.
John R: Is this really just for situations where getting the board together would be relatively impossible?
Margie: Correct.

Mark: For the organizational contingency pool of $2.5-3.0 million approximately, what do staff see that provides the dynamic annual elasticity necessary in meeting program variability and needs?
Margie: It's a last resort pool. Something we would use when opportunity outstrips current budget and we have exhausted other options, including the ability to reallocate funds from underperforming or slower demand program to a "hot" program. I think of this as a hierarchy. We would first use budget within programs, then shift budget across programs, then use the program reserve by utility, and then we would propose using the contingency reserve.
Mark: And this is in-range of historical?
Margie: Yes. For example, Kacia Brockman when she was on staff, approached the board last year with a request to increase the solar electric budget because demand exceeded what we forecasted. At the time, the board approved $1.7 million.

Margie continued her presentation on the program reserves account. As presented at the July board meeting, we noted the outcome of the small working group recommending Energy Trust staff individually negotiate and tailor the energy efficiency reserve accounts for each utility. This has been part of the funding negotiations currently underway. The reserves would account for any variability in revenue projections by utility due to shifts in weather, load variability driven by economy and a variety of factors including demand specific to each utility.

The program reserve account is for energy efficiency programs only, both electric and gas. We are carrying forward the same convention and applying it across all four utilities. Staff would have permission to utilize one-half the amount in the reserve without prior board approval and would still be required to come to the board to account for what was spent. This approach is needed to address timing issues when we do not have a board meeting and when timely action is needed. Anything above 50 percent of the account would require board approval. This is all designed to mitigate risk, address anything unanticipated and to allow staff to take advantage of opportunities that exceed available funding.

Staff recommends amending the existing “Using Reserve Accounts” policy, renaming reserves to contingency reserve and program reserve, permitting use of up to $5 million in the contingency reserve for emergencies or catastrophic events, maintaining and negotiating the individual amount of reserves for programs based on individual utility needs and requiring any use greater than 50 percent of the program reserve to be authorized by the board. Staff will also consistently update the board on use of the two types of reserves, not only through the quarterly report but also by revisiting this annually through the Finance Committee.

Alan: I support this approach and appreciate the addition of the cap. I spent a lot of time trying to understand the way it was worded. My source of confusion under the resolution, itself, is it doesn’t clearly differentiate the contingency reserve from the efficiency program reserves. And the way it’s numbered contributed to that. In my mind there should be clear numbering and indentation. It gets all muddled.
Ken: Does the presentation we just saw help?
Alan: Yes, the presentation is clear. The resolution and attachment is not clear.
Steve: We tried not to put a number for a cap in the resolution knowing the Finance Committee would be setting it.
Alan: Okay. But it doesn’t say it.
Margie: It’s under the preamble.
Steve: In the “whereas” section, it gets into actual amounts but doesn’t translate into the “therefore” sections.
Margie: We chose not to memorialize the $8 million to avoid the need for future policy amendments.
Alan: I understand that, but can it be clearer on how the total is established? It doesn’t say the committee will set an amount.
Debbie: Under page 5, if that language was expanded to describe the process by which it would be set, does that help?
Ken: Yes, where do you get the funds?
Margie: Historic interest earnings are the origin.
Steve: This is a legacy of the current funds.

Margie: In this moment, should we relook at the resolution and come back to you with proposed wording changes?
John: We do not suffer if we carry it forward, correct?
Margie: No.
Ken: I encourage looking at the information that was presented today. It lays it out very well, and put some of that into the background and put some off the specifics in the resolution.

Ken: I have a technical question. We will eventually end up with $5 million in the emergency contingency pool. This will just sit there. Where does interest go?
Margie: Back into the fund.

Ken: If it is capped at $5 million and the other is capped at $3 million, I wonder about creating interest on something that is capped.
Steve: What we anticipated is that there is an $8 million target, not looking at it as a cap but a target. If it starts growing beyond $8 million, the Finance Committee will review it and interest could be reallocated into the budget for the next year, resulting in a reduced reserve balance.

Ken: The reason I ask is we will not always have low interest rates.
Margie: We can add that piece on reallocation.
Steve: The beauty of this process is for that money to go back into programs instead of continuing to accrue in that account.

Margie: In the course of negotiations with utilities, what you will see is a range of different reserve account amounts based on the practice that we will be tailoring those accounts for each utility. Right now, those individual reserve accounts range from ~3 percent to 10 percent for 2014. This is an indication on the importance of this policy shift. What we have learned with each utility is the importance of rate stability. What we, the OPUC and the utilities do not want is for one year the tariff adjustments to go down so much that in the subsequent year rates have to rise again. What you will see in the proposed budget is a preference for holding rates steady over a longer term.

Ken: I understand the variability. Do you think the percentage will be fairly similar?
Margie: Those are the percentages and they reflect the individual situations of each utility for the coming year.

Margie: This is a bit of cultural shift for the organization on how we do our budgeting. If we have those reserve accounts and we want to squeeze them down over time, this shifts thinking with staff as they develop budgets.

Mark: How does this relate to the shift to targets of 85 percent of IRP and the cost of programs?
Margie: There is no real change except the focus on one goal, the IRP goal, with a new name.

Steve: In reviewing this, does anyone see a question or problem with Attachment 1, which modifies the existing policy? If so, we'll address that at the same time we rework the resolution.
Alan: If it were to read that there are two separate funds and one of those funds has two components, then it would be clear.
Mark: As illustrated in the "whereas" section on page 3.

The board chose to hold voting on Resolution 677 until the structure of the resolution was modified. See page 22.

**RESOLUTION 677**

**APPROVING THE TREATMENT OF ENERGY TRUST'S RESERVE ACCOUNTS AND AMENDING THE USING OF THE RESERVE ACCOUNTS POLICY**

**WHEREAS:**

1. **Energy Trust wishes to specifically identify two distinct reserve accounts with specific treatment of each. Representatives of the Board and the strategic utility roundtable have met and agreed upon these accounts and their treatment.**

2. **The two distinct reserve accounts shall be named the (1) Contingency Reserves Account and the (2) Efficiency Program Reserves Account.**
3. **Energy Trust wishes to approve treatment of the reserve accounts consistent with the Roundtable recommendations and outlined as follows:**

**Contingency Reserves Account**
An organization contingency reserve will be established; such account is currently named the interest reserve. This reserve account should be renamed "contingency reserve." The current interest reserve account balance is approximately $7.5 million. Staff currently proposes using $8 million as a target for the total amount in contingency reserves. Funds in this account will continue to be unattributed to any specific utility.

- Energy Trust staff currently proposes dedicating $5 million of the contingency reserve account to maintain or restore operations during or after an emergency or other catastrophic event; such funds shall be designated as a subset of the contingency reserve account and designated as the "emergency contingency pool." The board authorizes staff to use the emergency contingency pool and to inform the board of such actions. It is expected the amount of the emergency contingency pool may be adjusted in accordance with an annual risk assessment conducted by staff and reviewed by the Finance committee.

- With prior board authority, staff is authorized to allocate the balance in the contingency reserve, to be identified as the "organization contingency pool." Usage of the organization contingency pool would be to address other organizational needs such as:
  - Revenue shortfalls derived from weather or other conditions. Repayment may be specified and required.
  - Renewable energy projects for which other funds are insufficient or unavailable. Repayment may be specified and required.
  - Support for energy efficiency projects in the event utility-specific program reserves are otherwise insufficient or unavailable. Repayment may be specified and required.

- The board Finance Committee will review the contingency reserve balance at its regular meetings. Any changes in the contingency reserve account amount will be reflected in Energy Trust's annual board-approved budget.

- At a Roundtable meeting no less frequently than biennially, staff will present a review of the contingency reserve account to assess the adequacy of the account balance. This is suggested to occur in late spring, after fourth quarter results identifying revenue and carryover amounts are available and before the annual utility funding cycle and negotiations begin in July.

**Efficiency Program Reserves Account**
Individual utility energy efficiency program reserves will be established as part of the annual funding cycle negotiations initiated each summer between Energy Trust and utilities.

Determination of the amount of each individual utility program reserve will be made collaboratively and based on such factors as:

- Projected carryover funds expected to be available in the subsequent year
- Revenue risk associated with weather or other factors impacting utility revenue shortfalls
- Unanticipated changes in market conditions impacting savings acquisition
- Future energy savings opportunities not anticipated in the current IRP cycle

The amount of energy efficiency program reserves will be tailored to each utility depending upon their individual needs and circumstances. The current practice of creating a standard 5% utility energy efficiency program reserve will be discontinued.

4. **Current board policy language on Using Reserve Accounts will be amended to reflect the naming of the Energy Trust reserve accounts and authority for uses.**

**It is therefore RESOLVED that:**

1. **The Interest Reserve Account shall be renamed the Contingency Reserves Account and shall be divided into two components as follows:**

    a. **An emergency contingency pool and an organization contingency pool.**

    b. **The emergency contingency pool is currently established in the amount of $5 million and such amount may be adjusted in accordance with an annual risk assessment conducted by staff and reviewed by the board Finance committee.**

    c. **The amount of the organization contingency pool shall be the difference between the total amount in the Contingency Reserve Account and the amount allocated to the emergency contingency pool.**

2. **Energy Trust staff is permitted to allocate the emergency contingency pool to respond to an emergency and shall inform the board of such actions.**
3. **Board action shall be required before staff is permitted to utilize the organization contingency pool to respond to unusual circumstances, such as a shortfall in program reserves, advantageous renewable projects requiring funds beyond those available or budgeted and other unanticipated organizational needs consistent with our mission.**
4. **The Efficiency Program Reserves Account will be established on an individual utility basis as part of the annual funding cycle negotiations between Energy Trust and each of its funding utilities. The amount of the Efficiency Program Reserves Account will reflect the amount of each individual utility reserve requirements depending upon individual utility needs and circumstances.**
5. **Energy Trust staff is permitted to utilize up to 50% of Efficiency Program Reserves, on an individual utility basis, absent prior board approval, provided such usage is clearly identified in the quarterly report to the board and the OPUC.**
6. **Board action shall be required before staff is permitted to utilize more than 50% of the Efficiency Program Reserves on an individual utility basis provided such usage is**

**clearly identified in the monthly financial statements provided to the board and the OPUC.**

7. **Energy Trust's Finance Committee will routinely monitor and report on the balances in both reserve accounts and provide options to prevent excess accumulation in the Contingency Reserves Account .**

**It is therefore further RESOLVED that:**

**The Energy Trust board policy on Using Reserve Accounts is amended as shown in the attachment.**

**It is therefore further RESOLVED that:**

**Staff is directed to work with the Policy and Finance committees to reference reserve account treatment changes and corresponding guidelines within other Energy Trust policies and procedures as appropriate.**

Moved by: Seconded by:

Vote: In favor: Abstained:

Opposed:

*(Vote held on Resolution 677 until the structure of the resolution was modified. See page 22.)*

***Policy Committee, Roger Hamilton***
The last meeting was on September 10. The committee reviewed many items discussed at the board meeting today, including reviewing the New Homes & Products contract extension, reserve account treatment, and the change in membership on the Audit Committee.

Roger mentioned a change in the Conservation Advisory Council roster. Anne Snyder-Grassman, current PGE representative, is assuming a new role at PGE and appointed as replacement Garrett Harris. Staff supports the recommendation and his biography is in the packet.

Roger: For the veto on HB 2322, is that all done?
Margie: Yes, the governor's veto went through.
Roger: Case closed?
Margie: As far as we know for now.
Roger: Just to be clear, I'm referring to Section 31 on HB 2322, which would have transferred public purpose charge funds dedicated to Oregon Housing and Community Services to the Oregon Department of Energy.
Margie: This would have then flowed to Clean Energy Works Oregon. That veto, on line 31, occurred.

*The board took a break from 3:14 p.m. to 3:25 p.m.*

## NEEA Annual Update

Susan Stratton, Executive Director of NEEA, presented an annual update on NEEA activities in the region and on behalf of Energy Trust.

Margie welcomed and introduced Susan: Our two organizations are very well coordinated and have been since Energy Trust's inception. NEEA delivers market transformation activities in the region, and Energy Trust contributes approximately $10 million a year to NEEA through a five-year funding agreement. NEEA has been very active lately in development of its Strategic and Business Plans.

Susan: Thank you for inviting me, I appreciate the opportunity to speak with all of you and tell you how we work so well with you and our other partners. In the packet I passed around, you'll find our annual report and quarterly activities summaries for Energy Trust from the first and second quarters.

This funders slide shows NEEA's direct funders, which includes Pacific Power and PGE. Pacific Power funds us directly because some of their operations are in Washington. PGE funds us through Energy Trust but asked to be added to our funder listing. They have just requested this. Altogether, NEEA is funded by more than 100 utilities, including those that indirectly fund us through Bonneville Power Administration. Energy Trust pays in about $10 million per year, and we appreciate the partnership and level of funding Energy Trust brings to us, providing stability and a long-term view so we can work on issues together. All funders are listed on our website.

Recent regional highlights and successes include the Most Efficient TV initiative. I was presenting at an American Council for an Energy-Efficient Economy (ACEEE) conference on Monday and they asked me, of everything that happened in the past year, what I would pick as the biggest highlight. I chose the Most Efficient TV initiative. The initiative blew us away in terms of return for the region. We worked in our region plus California on stocking at retail stores the most efficient televisions, resulting in 10.5 average megawatts of net market effects for 2012. In Energy Trust territory, 27 percent of televisions on display at participating retailers qualify as most efficient or qualify for the upstream incentive we have for them. It's a fast moving market but there was an opportunity as people switched over to digital televisions. It was a great opportunity to capture energy savings quickly in a market that was moving quickly. Together with California, we represented 19 percent of the population in the U.S., and big box retailers covered 84 percent of televisions sold in this region. This was a big success story.

Another highlight is we aggregated resources to accelerate regional heat pump water heater adoption. Risk mitigation is something we do on behalf of the region. It is a huge opportunity given the very high penetration of electric heat in this area. Conversion to heat pump water heaters has an astounding 500 megawatts of potential. We conducted a market test, reduced risk for Energy Trust, and found and fixed a few manufacturing problems. We feel our QC process really helped save this market. And our retail collaboration with Sears increased sales of heat pump water heaters by 600 percent.

We have also started regional commercial lighting strategy and coordination. A collaborative group met for the better part of 2012, included a representative from Energy Trust. It's about a long-term regional commercial lighting strategy. We are going to create an upstream platform targeted toward distributors to make progress in buying down prices and give incentive to move efficient lights. The upstream play will provide a lot of savings in the region.

NEEA presents in all four states we serve. Through research and demonstrations, including the Seattle solid state street lighting test, the Strategic Energy Management effort in Montana, and irrigation and agricultural efforts in Oregon.

Susan played a video of NEEA's Oregon Field Days, accessed through this link on NEEA's website http://neea.org/initiatives/industrial/agricultural-irrigation.

Mark: Do you have any interplay with water conservation laws?
Susan: I'm not sure if that's come up as an issue. We're trying to maximize profit for the grower. We're not looking to maximize yield necessarily. We're looking at all inputs, including water, and seeing how we can improve.
Roger: What your question may be driving at, Mark, is water that is free, but power is not. For example, I own an irrigated farm in Eastern Oregon, our water is free because we have an existing water right but our power bill increased 1,000 percent. It's an interesting question. There are water markets that would considerably enhance the incentive to save if you have to pay for the water you use.

Roger: Regarding Idaho, I learned that Idaho Power would not be continuing its participation with NEEA. How will this affect programs in Idaho?
Susan: We still have a contract with them until the end of 2014. Idaho Power informed us last year of their intent not to fund us past that year. We have not yet presented our business and strategic plan to them. Our draft business plan for the next five years takes funding down approximately 10 percent from what it was. We are having conversations with Idaho Power to understand what it would take to keep them as part of the Alliance. Keeping them also helps with connectivity to Montana.
Margie: The jury is still out. There's a lot of dialogue on what it would take to keep them in the fold. And a lot of affirmation for NEEA's core mission.
Susan: We don't have an answer from any of our funders as of yet; we will when we start making our business plan presentations.
Margie: The assumption at this point is everyone who is a funder would remain a funder.

Susan continued her presentation. She showed a chart of NEEA's cumulative savings performance starting in 1997. Investments that partners made in the 1990s and forward are still delivering value. Over time, the dark blue bars on the slide, indicating 1997-2004 funded initiatives will start to move down and the lighter blue bars, indicating 2005-2009 funded initiatives and orange bars, indicating 2010-2014 funded initiatives will become bigger.

A chart showed total regional savings by sector in 2012, which totaled 101 aMW from all investments, and 42 aMW from current investments. Susan said a dollar invested today will bring results over the coming years. NEEA's board and funders have not asked it to have "sector equity" where they match population with their work, but to find the best advantage it can across sectors.

Alan: How does Energy Trust internally allocate budget for NEEA?
Steve: We get invoiced from NEEA and it's broken out by sector so we allocate by sector.
Fred: By current investments. The costs are current investments.
Margie: We true that up on an annual basis after the expenditure is made.

Alan: Do you charge us based on what you spend?
Margie: We have an estimate and then a true up.
Fred: And it's cost based.
Margie: Not savings based.

Susan: We do have specific goals for savings each year. On an annual basis, we create an operations plan for the board to review that show costs and savings by sector. We've been tracking below budget and meeting savings.

Susan showed a chart of 2012 NEEA savings for Energy Trust, which included 20 aMW for residential, 3 aMW for commercial and 1 aMW for industrial. Energy Trust is 20.65 percent of NEEA's funding. Susan mentioned that proportionally on savings to budget, NEEA is delivering more savings for Energy Trust than budgeted, though it strives to come in as close as possible for all funders.

Susan: For highlights specifically in Energy Trust territory, we coordinated with General Electric to promote heat pump water heaters through distribution channels in Energy Trust territory and we have seen a 350 percent increase in sales. We completed a financial and technical analysis for deep energy retrofit for existing buildings, including establishing an implementation plan and receiving owner commitment to demonstrate it for existing building renewal. There is one project in each state to see how we can create a financially viable approach for the owner of a tenant-occupied building. We also conducted 462 store visits in Oregon for the Most Efficient TV initiative and 378 trainings. Of televisions on display in Oregon, 27 percent qualify for the initiative.

Mark: Do we have analysis on how that differs from rest of country?
Susan: We have some baseline evaluations. Oregon is significantly better. We are bringing the higher tier of efficient televisions to market, faster. Small, upstream incentives represent a significant part of the retailers' profit margins. This should result in faster uptake beyond this region. We are able to measure that market movement in savings.

Susan: In addition to those efforts, NEEA is facilitating collaboration with Mitsubishi for in-store promotion of ductless heat pumps with Sears. There have been 115 ductless heat pump installations because of the promotion and we recruited four master installers and conducted six site inspections. We partnered with Energy Trust and the Oregon Home Builder's Association on a project for code evolution over the next 10-15 years. Shifting slightly, here is a chart of all of NEEA's 2013 portfolio savings forecast showing current investment savings targets and all investment savings targets. This measures total regional savings, which includes baseline and co-created savings. Co-created savings measure the effect of NEEA and effect of partners who have local programs aligned with that initiative.

Ken: Do you face the same challenge as Energy Trust in terms of big uptake in programs in the fourth quarter or are you more steady state?
Susan: With televisions, they tend to be a holiday buying item, so the past few years there has been a hockey stick in terms of savings. When a program is heavy in incentives, there does tend to be uptake during holidays. We are working on smoothing that out by lowering incentives and capping retailers if they sell a certain amount of units.

Roger: Do your incentives go to retailers and customers?
Susan: Upstream incentives go to retailers. We can pay a smaller incentive that way.

Roger: How does the ductless heat pump program with Sears work?

Susan: We work on training installers, providing incentives to retailers, and maybe compensation for test homes for the inconvenience and time. Then organizations like Energy Trust can come in and incentivize purchase.

Susan: NEEA's strategic planning process is underway. The strategic plan is a broad overview of vision, mission and goals. It contains a business plan, which shows the details of exactly what we'll do in the next five years to meet the vision, mission and goals. A draft is on the NEEA Conduit website at www.conduitnw.com, which is an online resource for stakeholders to exchange information on energy efficiency around the region. A board workshop on October 14 will review the strategic plan, with approval at the December 3 board meeting. The biggest piece of input from the board, for when we are creating the business plan, is to identify what NEEA can do for the region that individual utilities or organizations cannot do on their own.

Mark: The RAC and CAC are an in-road from Energy Trust?
Susan: Those are NEEA's committees, the Commercial Advisory Council and the Residential Advisory Council.
Margie: There's a lot of exchange with NEEA. We are represented on those committees and I represent Energy Trust on the strategic planning committee and board. There have been several internal meetings to provide feedback. Energy Trust will provide formal comments to NEEA on the strategic plan and business plan.

Susan: NEEA's annual stakeholder meeting is on December 2. You are all invited. It's at the Portland Armory Building from 5:00–7:00 p.m.

Roger: There was a report from Margie, maybe at the August Policy Committee that talked about the common challenge for Energy Trust of a flatter load growth in the near future. Is that a challenge for you and how do you plan on meeting that?
Susan: It is an issue all the way around. Part of the flat load growth is a part of our success and some of it is due to the economy. More broadly, utilities are seeing themselves with excess capacity. We have to think about broader value beyond the energy savings we deliver. What are we trying to do in our business plan? We are trying to provide a broader portfolio of benefits and need to make sure our funders appreciate that. This is one of the reasons we have agreed to reduce our budget 10 percent as a start.

Roger: This ties into Regulatory Assistance Project discussions. The "new utility" that rewards investments in efficiency. Decoupling neutralizes, not necessarily rewards it. Currently the new commissioner of the Federal Energy Regulatory Commission is looking into this, reforming business models for utilities. A lot of this is driven by the solar industry.

Alan: I regularly meet with utilities and the discussion now goes beyond energy savings to power efficiency. Does your plan encapsulate that?
Susan: NEEA is asked to measure energy savings but we do record capacity savings. We have also begun discussion on gas efficiency. We have board approval to move forward with gas programs.
Margie: And that includes NW Natural. We have been working with NW Natural for several years to encourage their participation with NEEA.

Dan: Between Susan and Margie, you are the efficiency aMW generators. Boardman is scheduled to close in 2020. Will you give PGE enough in savings to make up for Boardman over the next seven years?
Margie: Boardman is 500 MW of base load that PGE has to replace. There's already expectations that there will be two gas plants they may build.. There are other avenues opening up to talk about efficiency as part of the IRP planning; it's part of what PGE is very committed to organizationally, as a corporation.

Susan: Thank you for inviting me. I would love to come back next year.

## Staff Report

***Staff report to board, Margie Harris***

Margie described a recent project participant, Sulzer Pumps; the photo on the title slide of her presentation showed their factory floor. The company participated in the Production Efficiency program. Faced with a challenge from its corporate headquarters in Switzerland to reduce energy use by 3 percent, Sulzer Pumps worked with Energy Trust and in the end, exceeded the target. Sulzer reduced its energy use by 18 percent through high-performance lighting, occupancy sensors, roof insulation and energy-efficient heating upgrades. The company saved about $100,000 in annual bill savings last year. Management at the Swiss-based headquarters came to see the project and said they want to replicate this approach globally.

As of the close of the second quarter, staff is confident we will meet or exceed our 2013 conservative goals for all utilities. Programs doing well include Multifamily, which doubled its sites served through quarter two this year as compared to the same time period last year. New Buildings is seeing high participation in its Market Solutions offering, which provides pre-packaged incentives as a suite of offerings and is especially effective serving smaller buildings. The industrial sector is on track overall, Energy Trust is seeing savings from large data centers and industrial Strategic Energy Management, and New Homes programs are on track and we are seeing more effective penetration of our Energy Performance Score (EPS) as awareness increases and the new home construction market rebounds.

Challenges are seen in Products, the lack of large capital for commercial and industrial investment, and residential savings lagging behind as of the end of the second quarter. Reasons for these challenges include the transition to two new major Program Management Contractors in the beginning of the year, impacting the rate at which staff was able to log savings into our data system. There are lessons learned inherent in that transition. There is also a decline in savings in the lighting arena as the market leap frogs from CFLs to LEDs. LEDs are making a strong appearance in the market and the market is adapting and purchasing them. There is also slower than forecasted growth in the Home Performance area, some reductions in savings from lowering reliance on Energy Saver Kits and also a decline in deep retrofit project volume from Clean Energy Works Oregon.

On the commercial retrofit side, the market is mature and the program is seeing fewer large, cost-effective projects. This is a result of saturating that market and realizing the full impact of the loss of the Oregon Business Energy Tax Credit and Energy Trust's temporary bonuses from last year. Customers are getting used to the new normal and this is affecting who Energy Trust can attract.

Staff is working with a variety of players to drive savings up by year end. There is more activity in operations and maintenance on small commercial projects, more retailers stocking LEDs and the program promoting that, and an increase in home energy saver kits, more Home Energy Reviews and more direct-install products by trade allies. In addition, the Existing Homes program just launched bonus incentives for insulation, gas fireplaces and gas water heaters.

The renewable energy sector is facing a challenging market due to the low cost of energy and the loss of the Business Energy Tax Credit for commercial scale projects. This is making commercial solar challenging for Energy Trust. With that market downturn, the Solar program increased incentives and higher project caps in April for commercial solar electric systems. The program is seeing an uptick in projects. There is also a delay of two large renewable energy projects: the Oregon Institute of Technology's geothermal project shifted into mid-2014 and the Revolution Energy Solutions-Coleman biogas project will shift into late 2014 or early 2015.

Programs are emphasizing outreach to rural and underserved markets, working with trade allies to reach into Cascade Natural Gas territory and also promoting fireplace inserts. Staff worked with the Oregon Department of Energy and Southern Oregon Economic Development District in Klamath Falls to expand residential contractor engagement. A New Homes verifier was added in Northeast Oregon for EPS homes. The New Buildings program also reached out to the Oregon Association of Minority Entrepreneurs to increase minority contractor awareness and participation.

Margie showed highlights from page 3 of the second quarter report, which indicates sites served by sector. Highlights include working with trade allies for more cross referral from programs. There are trade allies who are very specialized in HVAC, lighting, etc. and this approach has them learning from each other and working more comprehensively.

Multifamily's Mpower pilot for on-bill repayment to serve residents in affordable housing has gone through program design refinement. The work being done for the pilot actually led to projects being identified for participation in the standard offering.

Production Efficiency launched its Industrial Systems Retro-Commissioning offering, which helps customers identify, investigate and implement lasting operations and maintenance work. The customers receive technical guidance from Energy Trust Allied Technical Assistance Contractors. Ten sites are engaged in the offering; of which, two are in rural areas.

A biogas project in Tillamook began delivering power to Pacific Power.

Last Tuesday, Energy Trust hosted the Pacific Coast Collaborative Symposium, which was organized by Governor Kitzhaber's Energy Policy Advisor, Margi Hoffmann. The Collaborative was formed in 2008 and includes representatives from Alaska, Oregon, Washington, California and British Columbia. It formed to address sustainable activities in the "mega region" and energy efficiency is one of the focal points. About 60 people attended. The day included panels on energy performance scoring, which Margie spoke on, and deep retrofits, which included a presentation from Commissioner Savage.

Staff is working actively on the 2014 budget, which the board will see a draft of at the November 6 board meeting. Margie said she is pleased to have Courtney here to work on this, and benefit from his new eyes on what Energy Trust is doing.

A City Energy Efficiency Scorecard came out last week from ACEEE, ranking 34 of the most populous cities on efforts to reduce energy use and costs. Portland ranked second overall, behind Boston. Portland ranked high in transportation and improving efficiency at local government facilities, and was also recognized for being on track to meet the city's climate action goals.

Margie completed her presentation with details on a recent project at Worthy Brewing in Bend. This customer participated in the New Buildings and Solar programs, and worked with two trade allies. Worthy Brewing received more than $60,000 in Energy Trust incentives for high-performance building design, high-efficiency gas boiler, lighting, gas furnace, tankless water heat, solar water heating system and solar electric system.

Mark: Is the solar water heating system flat panel or evacuated tube?
Margie: I can get that information for you.

***Integrated Solutions Implementation Project Phase 2 update, Scott Clark***

Scott: This project entails three major systems at Energy Trust. The Customer Relationship Management system is where we track all customers, participants, allies and interactions with them. FastTrack is our project tracking system and system of record for all savings and generation. Great Plains is our financial system. All systems were set up initially with the idea that we had a limited window of operation with sunset as of 2012, which was extended to 2026. The goal with this project is to moderate the systems to last until 2026.

In fall 2011, we broke the project into two parts over many years. Phase 1 looked at foundational work and Phase 2 is replacing the larger FastTrack system. In October 2012, we completed Phase 1, which included foundational work of documenting business processes and data modeling to create a flexible Energy Trust data model, systems improvements by upgrading Great Plains to the newest version available, adding flexibility to the existing Excel-based budgeting and forecasting process, and upgrading CRM to a web-based, robust system using Microsoft Dynamics CRM, which was a large effort involving most of the organization. We continue to build out that CRM functionality.

Phase 2 is about replacing FastTrack. It's a central system so it does affect other systems when you replace a core system. Phase 2 is divided into three stages. Stage 1 is to Define, and expected to be completed in December 2013. It involves discussing how we will attack this problem, and what we will use either to replace FastTrack or build something if there isn't anything on the market. Stage 2, from January to May 2014, involves either building the system, purchasing it or a mix of the two. We will decide on this direction at the end of Stage 1. Deploying the solution will be from June through August 2014.

Deeper details on Stage 1, Define, we took a break after Phase 1 was implemented to focus on implementing the data sharing agreements with each utility, which was successfully completed at the end of May, and the two transitions of the new PMCs. We got started again on ISI at the end of July. So far in the process, accomplishments include issuing an RFQ to identify resources to help us with Stage 1. Through that process, we are now working with Online Business Systems. We are also engaging staff at this time. Upcoming activities include completing the analysis of the current process, assessing software availability and options, deciding to build or purchase, and updating the process documentation.

Ken: Is Energy Trust fundamentally different from other utilities doing large energy efficiency programs?
Scott: There are a few differences and a lot of similarities. One is we work with four utilities and another is on the generation side. These are the two biggest differences as I look at the tools to deliver these applications.

Scott: The goal is to complete the Define, Stage 1, in early December and prepare to implement in early 2014.

Mark: Is there any trepidation by contractors or staff on a mid-Quarter 3 deployment?

Scott: It is a fast turnaround. As we figure out what it looks like, we will assess the timeline. If we are moving too deep into the third quarter of 2014, we will delay into the following year as we don't want to risk core work during the fourth quarter.

Scott: The budget for Phase 2 is $1.65 million, all in the 2013 budget. Given the shift in timing, we won't spend all that in 2013. I estimate we'll spend about $450,000 in 2013, and as a part of the 2014 budget, we propose to carry forward the $1.2 million for completion of phase 2.

***Revisiting Resolution 677, Steve Lacey*** *(see page 11)*

Steve passed out an updated Resolution 677.

Steve: We reformatted based on Alan's suggestions. There were no substantive changes. This reads better in terms of order. There were only changes to structure and we included language on where reserves originated.
Debbie M: Instead of tracking changes from the previous policy, we showed what the policy would look like if approved.

The board agreed it had enough information on the modifications to the resolution and proceeded with a vote on Resolution 677.

**RESOLUTION 677 (revised)**

**APPROVING THE TREATMENT OF ENERGY TRUST'S RESERVE ACCOUNTS AND AMENDING THE USING OF THE RESERVE ACCOUNTS POLICY**

**WHEREAS:**

1. **Energy Trust wishes to specifically identify two distinct reserve accounts with specific treatment of each. Representatives of the Board and the strategic utility roundtable have met and agreed upon these accounts and their treatment.**
2. **The two distinct reserve accounts shall be named the (1) Contingency Reserves Account and the (2) Efficiency Program Reserves Account.**
3. **Energy Trust wishes to approve treatment of the reserve accounts consistent with the Roundtable recommendations and outlined as follows:**

   **Contingency Reserves Account**
   An organization contingency reserve will be established; such account is currently named the interest reserve. This reserve account should be renamed "contingency reserve." The current interest reserve account balance is approximately $7.5 million. Staff currently proposes using $8 million as a target for the total amount in contingency reserves. Funds in this account will continue to be unattributed to any specific utility.

   - Energy Trust staff currently proposes dedicating $5 million of the contingency reserve account to maintain or restore operations during or after an emergency or other catastrophic event; such funds shall be designated as a subset of the contingency reserve account and designated as the "emergency contingency pool." The board authorizes staff to use the emergency contingency pool and to inform the board of such actions. It is expected the amount of the emergency contingency pool may be adjusted in accordance with an annual risk assessment conducted by staff and reviewed by the Finance committee.

- With prior board authority, staff is authorized to allocate the balance in the contingency reserve, to be identified as the "organization contingency pool." Usage of the organization contingency pool would be to address other organizational needs such as:

  - Revenue shortfalls derived from weather or other conditions. Repayment may be specified and required.
  - Renewable energy projects for which other funds are insufficient or unavailable. Repayment may be specified and required.
  - Support for energy efficiency projects in the event utility-specific program reserves are otherwise insufficient or unavailable. Repayment may be specified and required.

- The board Finance Committee will review the contingency reserve balance at its regular meetings. Any changes in the contingency reserve account amount will be reflected in Energy Trust's annual board-approved budget.

- At a Roundtable meeting no less frequently than biennially, staff will present a review of the contingency reserve account to assess the adequacy of the account balance. This is suggested to occur in late spring, after fourth quarter results identifying revenue and carryover amounts are available and before the annual utility funding cycle and negotiations begin in July.

**Efficiency Program Reserves Account**
Individual utility energy efficiency program reserves will be established as part of the annual funding cycle negotiations initiated each summer between Energy Trust and utilities. Determination of the amount of each individual utility program reserve will be made collaboratively and based on such factors as:

- Projected carryover funds expected to be available in the subsequent year
- Revenue risk associated with weather or other factors impacting utility revenue shortfalls
- Unanticipated changes in market conditions impacting savings acquisition
- Future energy savings opportunities not anticipated in the current IRP cycle

The amount of energy efficiency program reserves will be tailored to each utility depending upon their individual needs and circumstances. The current practice of creating a standard 5% utility energy efficiency program reserve will be discontinued.

4. **Current board policy language on Using Reserve Accounts will be amended to reflect the naming of the Energy Trust reserve accounts and authority for uses.**

**It is therefore RESOLVED that:**

**1. Energy Trust shall establish two distinct reserve accounts: The Contingency Reserves Account and the Efficiency Program Reserves Account.**

~~1.~~ **The Contingency Reserves Account is renamed and established from the Interest Reserve Account and is comprised of the total amount of accrued interest on Energy Trust deposits. The Contingency Reserves Account shall be ~~renamed the Contingency Reserves Account and shall be~~ divided into two ~~components as follows:~~**

2. **~~An~~pools, an emergency contingency pool and an organization contingency pool.**

   a. **The emergency contingency pool is currently established in the amount of $5 million and such amount may be adjusted in accordance with an annual risk assessment conducted by staff and reviewed by the board Finance committee.**

      i. **~~The amount of~~ Energy Trust staff is permitted to allocate the emergency contingency pool to respond to an emergency and other catastrophic situation, and shall inform the board of such actions.**

   b. **The organization contingency pool ~~shall be~~is established in an amount that is the difference between the total amount in the Contingency Reserve Account and the amount allocated to the emergency contingency pool.**

~~3. Energy Trust staff is permitted to allocate the emergency contingency pool to respond to an emergency and shall inform the board of such actions.~~

   i. **Board action shall be required before staff is permitted to utilize the organization contingency pool to respond to unusual circumstances, such as a shortfall in program reserves, advantageous renewable projects requiring funds beyond those available or budgeted and other unanticipated organizational needs consistent with our mission.**

~~4.~~3. **The Efficiency Program Reserves Account ~~will be~~is established on an individual utility basis as part of the annual funding cycle negotiations between Energy Trust and each of its funding utilities. The amount of the Efficiency Program Reserves Account ~~will reflect~~reflects the amount of each individual utility reserve requirements depending upon individual utility needs and circumstances.**

   a. **Energy Trust staff is permitted to utilize up to 50% of Efficiency Program Reserves Account, on an individual utility basis, absent prior board approval, provided such usage is clearly identified in the quarterly report to the board and the OPUC.**

   b. **Board action shall be required before staff is permitted to utilize more than 50% of the Efficiency Program Reserves Account on an individual utility basis provided such usage is clearly identified in the monthly financial statements provided to the board and the OPUC.**

~~5.~~4. **Energy Trust's Finance Committee will routinely monitor and report on the balances in both reserve accounts and provide options to prevent excess accumulation in the Contingency Reserves Account~~.~~, including, but not limited to allocating excess accumulation to Energy Trust's operating budget.**

**It is therefore further RESOLVED that:**

**The Energy Trust board policy on Using Reserve Accounts is amended as shown in the attachment.**

**It is therefore further RESOLVED that:**

> **Staff is directed to work with the Policy and Finance committees to reference reserve account treatment changes and corresponding guidelines within other Energy Trust policies and procedures as appropriate.**

Moved by: Alan Meyer Seconded by: Dan Enloe

Vote: In favor: 7 Abstained: 0

Opposed: 0

## Adjourn

The meeting adjourned at 4:56 p.m.

**The next regular meeting of the Energy Trust Board of Directors** will be held Wednesday, November 6, 2013, at 12:15 p.m. at Energy Trust of Oregon, Inc., 421SW Oak Street, Suite 300, Portland, Oregon.

/S/ Alan Meyer
Alan Meyer, Secretary