Policy Committee of the Energy Trust Board of Directors

April 17, 2012

Attendees

Board Members: Alan Meyer, John Reynolds, Jason Eisdorfer. By telephone: Roger Hamilton and Rick Applegate. Staff: Fred Gordon, Amber Cole, Peter West, Debbie Menashe, Steve Lacey and John Volkman

1. RFPs for program management contracts and Policy on Balanced Competition. Peter briefed the committee on proposed amendments to the Balanced Competition Policy. The policy provides that no one may be a prime contractor or subcontractor of more than two programs. Our process for re-bidding program management contracts will divide programs into smaller pieces; some contractors who previously had a single program contract or subcontract may have two or more, and will be barred from competing. To avoid this, staff proposed that the Balanced Competition policy be amended so it would not apply a two-contract limit to subcontractors, if they are responsible for less than 50% of a program's energy savings. This would allow lower-level participation in multiple subcontracts. The two-contract limitation would still apply to prime contracts.

   The committee was concerned that this would allow an entity two prime contracts and an unlimited number of <50% subcontracts. Should there be a limit on the amount of Energy Trust business an entity can have in the aggregate? A two-subcontract limit? Do we need such tight limits, or should we approach it case-by-case, with staff briefing the board on efforts to encourage competition in connection with particular contracts? The committee suggested the following:

   2. *Limitation on number of program management contracts awarded to a single contractor.* No single firm, including other companies under the same ownership and affiliates, will be a contractor for more than two concurrent program management contracts.
      a. However, a single firm, including other companies under the same ownership and affiliates, may also be a subcontractor of a program management contract if it is responsible for less than 25% of the program's energy savings.
      b. This limitation does not apply to subcontracts for installation or technical work (studies, commissioning, etc.) that are awarded to multiple contractors as part of implementation of a single program, or to contracts associated with NW Natural programs in Washington State.

   Staff will circulate revised language.

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The re-bid process will also treat the NW Natural – Washington home energy as a separate program. This poses a similar issue: a single program management contractor now serves Washington under a contract for a program that also covers Oregon. When the Washington program is split off, the contractor will be barred from bidding on the contract for Washington services. Staff did not propose to change the policy to accommodate this single case, but would like to ask for an exception from the policy. The committee thought the policy should be amended to allow a standing exception for the NW Natural – Washington program.

2. Utility strategic roundtable. The committee discussed the issues raised in the March 9 board discussion.

    a. *Permanent or extend for two years?* The committee would revise the operating rules to remove the sunset date and replace it with policy committee review every three years, as with other policies.
    b. *Stick to core issues; consider exploring broader policy issues.* The committee would retain the current focus on "strategic and longer-term ideas, opportunities and concerns, with the goal to ensure the entities are working well together to pursue energy efficiency and renewable energy in the most effective and coordinated way possible." It would also allow a party to propose other strategic energy issues, which could be added to the agenda if parties do not object.
    c. *Clarify agenda items so we know what we are trying to accomplish*. The revision provides "Any party may nominate an agenda item, together with a clear statement of the purpose of the proposed item."
    d. *Format* (the revision does not address this; these warrant discussion):
        1. Have utilities host meetings; rotate locations; utility 101 presentations.
        2. Consider co-chair option.
        3. Change scheduling so meetings follow rather than precede board meetings, allow social time.
        4. Use a less formal structure, table arrangement, setting.

    Rick, Jason and John Reynolds sent a notice to roundtable participants summarizing these recommendations.

3. Gas weatherization cost-effectiveness. Recent evaluation suggests some gas weatherization measures are not trending toward societal cost-effectiveness, and if so this could challenge efforts to find deeper savings. Staff has developed options for managing this. One is to deem a measure cost-effective if a certain proportion of projects (e.g., 25%) are cost-effective. Another would be to give customers information about pay-backs and let them make an informed choice, and in no case support measures whose pay-back exceeds the measure life. Staff leans to the second option. The societal cost-effectiveness test limits our ability to assume that if people are making these investments, there is value and we should not second-guess this. The committee agreed that the staff's second option helps provide good information to customers, reach deep savings, and avoid encouraging measures with the longest paybacks. Staff will continue to analyze this and discuss it with OPUC staff and others.

4. Short matters:

    a. Green Lane Energy Project -- change of entity/owner. Green Lane Energy. In November, 2011 the board authorized up to $2 million for the Green Lane Energy generating project. Since then, the project developers acquired an additional equity investor and formed a new entity called JC-Biomethane, LLC. Because the board authorization assumed the transaction would be with a different entity, Green Lane Energy LLC, staff will ask the board to approve the project on the same terms with JC-Biomethane, LLC. JC-Biomethane, LLC will be a stronger entity, with more equity, deeper experience with biogas plants, and longer-term supply feedstock contracts (10 years) that will improve project revenue. The project's capital cost will be higher to enable it to process the feedstock. However, the Energy Trust incentive, project output, REC allocation and other terms would not change. Staff believes these changes will result in a stronger project than was originally authorized. The committee endorsed the proposal.
    b. Information transfer rules. The OPUC has officially begun the rules amendment process for electric and gas utilities and Energy Trust data transfer. The proposed rules are virtually the same as those we have discussed with the committee before. There will be a hearing on the rules May 21. The deadline for written comments is June 4. The only new issue we see is the interaction between the rules and the fuel-switching docket.
    c. The OPUC is becoming more involved in cost-effectiveness judgments, such as cases where we have used proxy values. We are discussing this with the OPUC staff to establish a workable approach.
    d. Contractors receiving more than $500,000 in 2011. The contract execution policy provides: "Not less often than annually, staff shall report to the Policy Committee all instances in which Energy Trust has paid more than $500,000 to an individual contractor in a given calendar year." When we reported to you last year, we developed the format shown in Attachment A. This year's review is in the same format, and staff saw no issues in connection with it. The committee identified no issues.

5. Preview of May 15 policy committee meeting (we will send out meeting materials May 7):

    a. Policies for three-year review:
        - Above-market cost methodology
        - Open solicitation renewable energy projects
        - Authority to commit incentive funds for payment of energy efficiency projects in future years
        - Biopower eligible fuels policy
    b. Report on fuel-switching docket
    c. Risk assessment report
    d. Preview retreat agenda

ATTACHMENT A

	Total payments	Nature of payment
Board-approved contractors		
PECI	$ 14,202,158	PMC, two programs
Conservation Services Group	9,424,368	PMC
Lockheed Martin	7,804,953	PMC
Northwest Energy Efficiency Alliance	7,622,882	Market transformation
Cascade Energy Eng.	2,361,880	Industrial PDC, two programs
RHT Energy Solutions	1,159,848	Industrial PDC
Portland General Electric	1,619,547	Industrial PDC
Evergreen Consulting Group	607,639	Industrial PDC, ATAC, service provider
Nexant	668,481	ditto
Incentive payments		
enXco Asset Holdings	3,278,880	Board-approved solar project incentives
JACO Environmental	2,271,071	Refrigerator recycling
Oregon State University	2,227,064	Board-approved CHP
SolarCity	2,639,803	Reduce long-term solar lease cost
SunRun,	848,090	ditto
National Solar	704,399	Incentives to trade ally to reduce customer cost
Mr. Sun Solar	723,556	Ditto
LiveLight Energy	720,065	Ditto
Roseburg Forest Products	664,280	Biopower project, board-approved
Oregon Health Science University	554,484	Commercial projects
Fan-Fi International Inc.	973,528	LivingWise Kits
Jacobs Heating & Air Conditioning	764,650	Roof-top tune-ups
Fred Meyer	757,706	Efficiency projects
Georgia Pacific Consumer Products	633,188	Industrial and business efficiency projects
Other		
Fluid Market Strategies	548,712	Multi-family housing direct installations and planning and evaluation
Gills Indoor Air Quality	703,606	Install mobile home duct and air sealing at no cost to customer
Energy Comfort and Construction	636,173	ditto
Grand Total	**$ 65,611,017**	

We paid $314,534 to Hitachi in 2011 (below the $500,000 threshold), and expect to pay $596,470 more in 2012.