Board Meeting Minutes – 77th Meeting

October 3, 2007

Board members present: Rick Applegate (via telecommunication), Jason Eisdorfer, Tom Foley, Julie Hammond, Al Jubitz, Debbie Kitchin, John Klosterman, Vickie Liskey, Caddy McKeown, Alan Meyer, Preston Michie, Bill Nesmith, John Reynolds

Board members absent: John Savage

Staff attending: Fred Gordon, Margie Harris, Nancy Klass, Steve Lacey, Linda Rudawitz, Sue Meyer Sample, Jan Schaeffer, John Volkman, Peter West, Kendall Youngblood

Others attending: Jeremy Anderson, WISE; Bill Edmonds, NW Natural; Joe Esmonde, IBEW #48; Lori Koho, OPUC; Bob Stull, PECI

Business Meeting

President Tom Foley called the meeting to order at 12:14 pm.

August 8, 2007, meeting minutes.

MOTION: Approve minutes from the August 8, 2007, meeting minutes.

Moved by: John Reynolds		Seconded by: Alan Meyer
Vote:	In favor: 8	Abstained: 0
	Opposed: 0	

Adopted on October 3, 2007, by Energy Trust Board of Directors.

Preston Michie, Debbie Kitchin, Al Jubitz and Jason Eisdorfer joined the meeting.

Consent Agenda

Contribution to supplemental employee retirement plan

RESOLUTION #448
AUTHORIZING A CONTRIBUTION TO THE ENERGY TRUST SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN FOR THE BENEFIT OF MARGIE HARRIS, EXECUTIVE DIRECTOR

WHEREAS:

The Energy Trust's Executive Director Evaluation Committee has completed its review of an independent salary survey indicating that the executive director's current salary is well below salary for comparable positions. The committee recommends that the board approve a $7,000 contribution to the Supplemental Employee Retirement Plan for the executive director's benefit.

It is RESOLVED:

That the Board of Directors of Energy Trust of Oregon, Inc., authorizes a $7,000 contribution to the Energy Trust of Oregon, Inc., Supplemental Employee Retirement Plan, for the benefit of Margie Harris, executive director.

Moved by: Vickie Liskey Seconded by: Caddy McKeown

Vote: In favor: 12 Abstained: 0

Opposed: 0

Adopted as part of the consent agenda on October 3, 2007, by Energy Trust Board of Directors.

Contract execution policy

RESOLUTION #449
APPROVING AMENDMENTS TO THE ENERGY TRUST CONTRACT EXECUTION POLICY

WHEREAS:

1. **For Energy Trust programs administered by program management contractors (PMCs), the executive director signs a contract with the PMC, typically subject to board approval of the contract's basic terms.**

2. **Once a program management contract is signed, incentive payments are authorized by approved PMC personnel. These payments are processed using standardized forms that have been developed by Energy Trust staff and the Energy Trust legal department.**
3. **Once incentive payments are authorized by PMC personnel, checks are signed by authorized Energy Trust signatories. All expenditures are subject to the Energy Trust finance department's system of internal controls, audits, etc.**
4. **With the transition of the production efficiency (PE) program in-house and responsibility to approve incentives to Energy Trust, Energy Trust's current contract execution policy would require incentive payments to be signed by the executive director. This process could become a barrier to project initiation or cause delays compared to the current PMC procedure.**
5. **In addition, current policy authorizes department directors to sign agreements not involving a dollar expenditure. Most contracts not involving dollar expenditures are confidentiality agreements in which specific staff are allowed to review confidential information if they agree not to disclose it. These agreements often apply to the individual staff member who is given access to the information, not to department directors or Energy Trust as an organization**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon, Inc.: amends the Energy Trust contract execution policy as follows:

Contract Execution and Oversight Policy

Purpose: The Energy Trust Board of Directors has delegated to the Executive Director authority to execute all contracts on behalf of the organization consistent with the bylaws, PUC grant agreement and governing law. This policy regulates the implementation of this authority.

Policy:

1. **All contracts shall be consistent with the bylaws, PUC grant agreement and governing law.**

2. **The Energy Trust legal department shall review as to form all contracts before submitting them to the Executive Director.**

3. **Contracts over the amount of $500,000:**
   - **No contract will be executed unless the Board of Directors has first reviewed and approved its basic terms.**
   - **When it approves basic contract terms, the Board may instruct the Executive Director to bring a final contract back to the Board for review and approval before the contract is executed.**
   - **The Executive Director shall not execute contract amendments that make major changes in contract terms (e.g., more than 10% change in funds obligated, more than 20% change in energy saved or produced, time by which savings will be achieved) unless the Board of Directors has first reviewed and approved the basic terms of the change.**

4. **Contracts under $500,000: The Executive Director or, if the Executive Director is unavailable, the General Counsel or corporate officer designated by the Executive**

Director, is authorized to execute contracts involving less than $500,000 without Board review or approval of basic terms.

5. **For programs managed directly by Energy Trust staff, incentive agreements that involve less than $500,000, and are processed in accordance with standardized program forms and procedures that have been reviewed by the legal department may be approved by the relevant department director or management-level staff designated by the department director.**

6. **Personnel contracts and agreements: The Executive Director or, if the Executive Director is unavailable, the General Counsel or corporate officer designated by the Executive Director, may execute personnel contracts or contracts for personal or professional services without Board review or approval of basic terms.**

7. **Contracts not involving a dollar expenditure may be signed by the relevant director or his/her designated manager(s).**

8. **The Executive Director shall maintain contract records required for an independent audit.**

Moved by: Vickie Liskey Seconded by: Caddy McKeown

Vote: In favor: 12 Abstained: 0

Opposed: 0

Adopted as part of the consent agenda on October 3, 2007, by Energy Trust Board of Directors.

Renewable Energy Program

John Reynolds introduced discussion of a proposal to place 3.5-4.7 MW of solar electric on as many as 17 ProLogis buildings in PGE territory. Peter West said the project was brought to us by PGE and fits within the PGE Master Agreement. Output from the proposed systems will exceed our cumulative total installations in Oregon to date. ProLogis is one of the largest owners of warehouse buildings in Oregon, with 19 buildings in PGE territory. PGE is interested in having the power delivered into their grid. The buildings will be qualified facilities (QF) under the Public Utilities Regulatory Policy Act (PURPA). The approach is complex. Energy Trust would provide $3.4 million for at least 3.5 MW total capacity on as few as six buildings or as many as 17. Peter said ProLogis has installed large systems in Europe and this would be their first U.S. project using this approach. ProLogis believes the solar systems are appreciated by their customers and add value to their buildings.

Alan Meyer asked if ProLogis is providing the remaining $22 million. Peter said yes, with a combination of its own and investor funds.

Preston Michie asked how many kilowatt hours the facility would produce. Peter said a 3.5 MW system would deliver 3.5 million kilowatt hours per year. In the Portland area, 1 watt of solar produces 1,000 watt-hours.

Al Jubitz asked about the value of the rooftops and how many square feet of rooftop is required. Kacia Brockman said about 100 square feet is required per kilowatt of solar capacity. Julie Hammond noted during the morning tour of the OSHU Center for Health and Healing, the engineers said the latest trend in siting solar is to consider the entire skin of a building.

Bill Nesmith joined the meeting.

RESOLUTION #453
APPROVING FUNDS FOR A SOLAR PROJECT WITH PROLOGIS

WHEREAS:

1. **ProLogis proposes to install a total of 3.5 - 4.7 MW of solar photovoltaic (PV) generation on as many as 17 ProLogis buildings in the Portland General Electric (PGE) service territory.**
2. **The above-market costs of the project are estimated to be $3,405,000 or less.**
3. **Even at the low end, the project would be the Energy Trust's largest single PV venture, exceeding the Solar Electric program's total installed capacity during the last four years.**
4. **Energy Trust funding of an estimated $0.97/watt would be by far the lowest it has ever paid per unit for solar. In comparison, the standard incentive program provides $1.50/watt.**
5. **Over the first 20 years of operation, the clean power produced by the project will help avoid over 42,700 tons of CO2 emissions.**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon, Inc. approves an agreement with ProLogis consistent with the following basic terms:

1. **ProLogis will deliver a project of at least 3.5 MW.**
2. **When bids are finalized and accepted by ProLogis, staff will re-calculate above-market costs.**
3. **Energy Trust will provide a maximum of $3,405,000.**
4. **Green tags will be delivered to PGE and held in trust by PGE for the benefit of ratepayers for compliance with Renewable Energy Act obligations.**

Moved by: John Reynolds Seconded by: Julie Hammond

Vote: In favor: 12 Abstained: 0

Opposed: 0

Adopted on October 3, 2007, by Energy Trust Board of Directors.

Rick Applegate left the meeting due to poor teleconference capability.

Energy Efficiency Program

Jason Eisdorfer introduced a proposal to revise the New Homes performance compensation goal. Steve Lacey said the proposal would adjust Energy Trust's contract with PECI in recognition of the slowdown in the new home construction market. The current best-case contract goal is 611,800 annual therms. Staff had predicted a mild downturn in establishing this goal but did not anticipate the large size of the downturn. The number of new permits has fallen, and unsold homes on the market have increased nearly 50%. Despite this, Steve said PECI has obtained an impressive 8% market share for ENERGY STAR® New Homes.

Kendall Youngblood said the conservative case contract goal is 75% of the best case goal, or just over 459,000 therms. She noted products and new manufactured homes are included in this goal. The resolution proposes to adjust only the New Homes portion, reducing it by 50%. On the multifamily side, the resolution proposes adjusting the goal downward by 50% in light of a six-month delay in EPA approval of multifamily measures to be promoted by the program. The levelized cost was 25 cents per therm. It will go up to $.45, which is close to the cost-per-therm performance measure of 40 cents per therm.

Steve explained that the New Homes budget would remain the same. PECI is spending budgeted funds and pursuing the tighter market. The incentives budget, while underspent because of lower market activity, is not included in the PECI contract budget and will be carried forward into 2008.

Al Jubitz wondered whether the PECI administration budget should be reduced in proportion to the reduction in incentives. Kendall said PECI will underspend by year's end; unspent funds will roll into the 2007 carryover of next year's budget. Steve said PECI must do the originally planned amount of outreach and training to keep the market moving, keep the pipeline filled and builders engaged. Kendall said we are recruiting builders at a record level, but they are not building homes. As soon as the market turns around, these new builders will be ready to go.

Preston Michie asked what the penetration rate is of new efficient appliances in new homes. In a down market, having efficient appliances may be a competitive advantage.

Alan Meyer asked if the adjustment is for 2007 only. Steve said this is so. The goal for 2008 will be established in the course of developing the 2008 budget. Alan wondered if there should be an increase in the appliance goal to offset the reduction in new home construction. Kendall said washer sales have exceeded expectations, but, at three therms per washer, it is hard to accumulate savings.

Julie Hammond asked where PECI is now compared to goal. Bob Stull, PECI, said currently they are at 30-35% of the therm goal for the year. He noted that he expects to exceed the 2007 kWh goal by 16%. He said PECI actively goes out to recruit new builders. For instance, Renaissance Homes agreed to build 100% ENERGY STAR homes but they have stopped building spec homes. Julie asked whether if the goal is dropped by 50%, whether they will meet the best case (therm) goal. Bob said it will be a stretch to meet the adjusted best case goal but he thinks they will meet the conservative case goal. She asked if PECI is reaching out statewide. Bob said they have signed up seven new builders in Southern Oregon, and have increased penetration in the Willamette Valley. He said they are also developing new gas measures.

John Klosterman asked what penalties would be imposed if the goal is not adjusted and PECI fails to meet its conservative case goal. Steve explained that the monthly retainage of invoiced dollars will not be released if they fail to meet the goal. Bob said the amount of money at stake is $140,000 if the conservative goal is not adjusted. Bonus incentives are paid if the contractor exceeds the best case goals.

There was discussion of which metrics to consider in measuring the size of the downturn. Bob Stull noted the New Homes program works with large-volume builders, who are disproportionately affected by the downturn. Small builders (3-5 homes/year) are seeing less impact on their volume. Our projections are based on contact with the builders with whom we work, determining current year-end projections compared to forecasts made last year for 2007.

Tom is concerned about the move from 25 cents/therm to 45 cents/therm levelized cost. Bob explained numbers of staff remain the same, but he is having staff direct a lot more of their effort to attracting and training new builders. When the major new builders brought on this year start building homes in 2008, we will see the value from the expenditure in 2007. Tom asked whether the smaller builders are more likely than previously to do green buildings. Bob said we have been working selectively with more small builders. We work with builders' associations to help get the program promoted to more of their builders, not just the large ones.

Alan suggested a short-term incentive in facets of the program other than new homes to get an uptake there. Preston says that is a short-term view. In the short-term, it looks as though cost per unit of savings has gone up; but if you take the longer view, the investment in new homes is worth it. He notes PECI is sharing in the risk by losing a share of profit.

Margie noted we are not in a cash-constrained situation on the gas side and are aggressively pursuing all gas opportunities. If we were constrained, she thinks Alan's suggestions would have merit.

John Reynolds noted in spite of the downturn, the market is attractive. When business picks up again, we'll be poised to achieve more market share. He agrees this is a great time to reach the builders and attract them to the program. Julie suggested using their downtime to educate them on green tags.

John Klosterman asked whether PECI should be held accountable to achieve greater market penetration (and lower levelized cost). Steve thinks this has merit and will seek to incorporate a penetration metric in the contract terms.

Al wondered whether we should adjust the goal at the end of the year based on the actual reduction in housing starts. Alan said he would have greater comfort framing the goal in terms of market penetration. Preston thinks it makes sense to make a change along these lines. Vickie noted we're dealing with a contract; you can't change the basis of the goal.

Jason said he is more comfortable now supporting the proposal, so long as we address new ideas about framing goals in the future. Tom though it might be better to set conditions for waiving restrictions on retainage rather than changing the goal.

Al thinks 8.5% penetration is not success. He thinks we should go after the small builders. Fred Gordon noted the biggest potential impact of the program is through code change. The strategy is to bring enough big and small builders on board so that more stringent energy building codes are accepted. This is poised to happen next year. Steve said nationally ENERGY STAR penetration is slightly over 2%.

Tom thinks in the future we should go after a way to address the retainage rather than to change the goal.

New Homes performance compensation goal revision

RESOLUTION #451

ANNUAL THERM GOAL REDUCTION ADJUSTMENT AND ADJUSTMENT FOR ENERGY STAR NEW HOMES PROGRAM AND PECI CONTRACT

WHEREAS:

1. **Portland Energy Conservation, Inc. (PECI) is the program management contractor for the Energy Trust Home Energy Solutions/ENERGY STAR Homes and Products program ("program").**

2. **The total best case contract annual therm goal for the current agreement between Energy Trust and PECI is 611,820 annual therms with a levelized cost of .25/therm.**

3. **Since the contract was signed, the new homes market has fallen sharply throughout much of Oregon, driven by the decline of the real estate market, the collapse of the sub-prime loan market, and other factors. Although the program is retaining an impressive market share of ENERGY STAR homes, it cannot realistically be expected to achieve the current annual therm savings goals for reasons beyond control of PECI or Energy Trust.**

It is therefore RESOLVED:

1. **That the Energy Trust board of directors approves amending the January 1, 2007, program management contract by adjusting the best-case gas goal to 344,820 annual therms with a new levelized cost of $.45/therm. The conservative case will adjust proportionately to 258,615 annual therms at $.59/therm levelized cost.**

2. **The executive director is authorized to sign a contract amendment consistent with this resolution.**

Moved by: Jason Eisdorfer Seconded by: Julie Hammond

Vote: In favor: 9 Abstained: 0

Opposed: 2 [Alan Meyer was not comfortable adjusting the goal downward without commensurate increase in goal(s) for other program elements. Al Jubitz was uncomfortable with the methodology behind the recommended goal change.]

Adopted on October 3, 2007, by Energy Trust Board of Directors.

Lori Koho, OPUC, commented on the amount of gas carryover. OPUC is concerned that these monies are not being spent down quickly enough. Steve said we are anticipating tapping $2 million of the $7 million gas carryover in *2008 (please note: date corrected from 2007 to 2008 after the board meeting).* Furthermore, if we receive SB 838 efficiency funding starting in 2008, we expect to spend even more on the gas side because we will be able to accelerate electric activity, and many measures require both gas and electric funding. We expect gas expenditures to exceed annual revenues for the next several years. In 3-4 years, we are likely to spend down the gas carryover.

Business Energy Solutions – Existing Buildings Program Management Contract

Jason introduced a proposal to mesh the contracting process with the budget process that would be reflected in the new contract with Lockheed Martin for the Existing Buildings program. John Volkman said we are seeking approval of program management contracts in a new format, in which much of the detail included in past board resolutions is left out. The board will be briefed with all of the same information as in the past, but resolutions will be more general. This is because budget levels and goals cannot be resolved and finalized until the board approves the final budget and action plan in December. Today, staff seeks approval to negotiate the Existing Buildings contract now and to fill in the contract costs and savings goals after the board has approved the 2008 budget.

Greg Stiles walked the board through the proposal. He noted this is the third time the program has been competitively bid. Each time, Lockheed Martin was selected as the superior bidder. There were two bidders proposing this most recent time. The review committee consisted of three staff from Energy Trust and representatives from the Northwest Energy Efficiency Alliance and Clark Public Utility District. The Lockheed Martin proposal stood out, reflecting a superior understanding of the market sectors, and ability to ramp up if SB 838 funds materialize. It is a three-year contract with an option to renew for up to two years, which is a departure from the historic two-year contract with one-year option.

Preston sought clarification that the budget controls the contract, not the other way around. He noted the board in effect must approve contract extensions. He proposed rewording the last sentence of the second “resolved” item to state that “the contract may be amended annually consistent with board’s approval of the annual action plan and budget.”

John Reynolds observed that, over the life of Energy Trust, the ability to attract competition among program management contractors has gone down. Steve said he thinks the ability to offer a longer-term contract will make a difference, particularly in light of the strong activity in California that is attractive to contractors. Caddy asked why the fact that the new contract was for 3 years, with the option to extend for 2 years, was not reflected in the RFP. Steve said at the time we did not know whether the life of the public purpose fund would be extended (as it now has been through 2025). Alan Meyer wondered if we should have re-issued the RFP. John Volkman said the language of the RFP included disclaimers that terms may change. Steve said he was advised by OPUC not to include language about the possibility of longer-term contract terms in the RFP because the legislature had not acted on the extension of the public purpose charge.

Jason noted the importance of not making representations to Lockheed Martin regarding contract terms prior to board approval of the budget in December. Bill Nesmith said he agreed with John Reynolds’ concerns that, by consistently choosing incumbents, potential competitors hear the subliminal message, “why bother responding?” Jason noted we did have a situation where the incumbent did not win a re-bid on a contract. Preston asked if we should award the contract to two entities. Staff noted that this would increase administrative costs significantly. Bill thought there may be pilots or demos to give some business to new entities.

Business Energy Solutions – Existing Buildings program management contract

RESOLUTION #450

APPROVE BASIC TERMS OF A CONTRACT WITH LOCKHEED MARTIN TO MANAGE BUSINESS ENERGY SOLUTIONS - EXISTING BUILDINGS PROGRAM

WHEREAS:

1. **The current Energy Trust contract with its Existing Buildings program management contractor terminates December 31, 2007.**
2. **With assistance from a selection committee including outside parties, staff has conducted a fair and open procurement process to select a contractor to manage the program for the next 3-5 years.**
3. **Lockheed Martin has been selected through this process and proposed contract terms are in the process of being negotiated.**
4. **Staff has assumed a first-year budget of approximately $5,928,000 for this program. This includes a first-year delivery contract cost of about $1,121,000 and incentives of $2,907,000.**
5. **Savings could be as much as 2.3 aMW (best case) at a cost of approximately $1.9 million per aMW and a levelized cost of $0.021 cents per kWh. Gas savings could be as much as 460,000 therms (best case) at a cost of $3.80 per annual therm and a levelized cost per unit of $0.37 per therm.**
6. **The above numbers are based on assumptions. Actual savings and costs will be reviewed by the Energy Trust board as part of the annual budget and action plan decisions.**

It is therefore RESOLVED:

1. **Subject to later board review of cost/benefit ratios and projected savings numbers, the board authorizes a contract with Lockheed Martin to manage the Business Energy Solutions - Existing Buildings Program from January 1, 2008, through December 31, 2010. Provided Lockheed Martin meets certain established performance criteria in the final contract, the contract may be extended for up to an additional two years.**
2. **First-year contract costs and savings goals will be included in the contract consistent with the board-approved 2008 action plan and budget. Thereafter, the contract may be amended annually consistent with the board's approval of the annual budget and action plan decisions.**

3. The executive director is authorized to sign an initial contract and any contract amendments consistent with this resolution and board-approved action plans and budgets.

4. To maximize program savings and benefits, staff may reallocate funds among categories within the program budget as long as such reallocation is consistent with the board-approved annual budget and action plan decisions.

5. Before extending this contract beyond December 31, 2010, staff will report to the board on Lockheed Martin's progress and staff's recommendation whether to extend the contract for up to two years. See Appendix I for extension criteria. Contract terms for the extension period would remain as approved in the most recent action plans, budgets and contract at the time of the extension. Absent board objection to extending the contract, the executive director is authorized to sign the contract extension.

Moved by: Al Jubitz		Seconded by: Debbie Kitchin
Vote:	In favor: 11	Abstained: 0
	Opposed: 0	

Adopted on October 3, 2007, by Energy Trust Board of Directors.

APPENDIX I

Contract Extension Metrics

1. Cross program referrals
   a. Problems don't arise
   b. Appreciable savings being realized in referred programs
   c. Procedure for working well with other programs that will facilitate smooth referral process
2. Project pipeline
   a. Based on goals and available funding, balancing next year's savings and budget targets
3. Innovation
   a. Adding new measures
   b. Adjusting/reducing incentive levels
   c. New delivery approaches (reaching focused market sectors and/or customers)
4. Teamwork
   a. How well PMC staff works with Energy Trust staff (flexibility and responsiveness)
5. Satisfactory execution of contract statement of work deliverables
   a. Program savings
   b. Levelized cost goals
   c. Budget management
   d. Data management
   e. Customer services
   f. Marketing
   g. Quality control

Home Energy Solutions – Existing Homes Program Management Contract

Jason introduced a proposal to award the Existing Homes program management contract to Conservation Services Group. Steve introduced Diane Ferington, who described the selection process. While there were four companies expressing intent to propose, only one did—CSG, the incumbent. The selection committee included three Energy Trust staff and representatives of the US Environmental Protection Agency and Eugene Water and Electric Board. She said the proposal was strong, reflected a lot of creative thought, included good ideas for spending SB 838 money, and supported integration of solar. The proposed contract runs for three years with the option to extend for two years.

Preston said he is impressed with the approach of including "outsiders" on the selection panels. He thinks these kinds of folks bring valuable expertise. He assumed the same language change as in the previous resolution would be made to the second "resolved" bullet.

Diane explained reasons why two of the prospective proposers chose not to submit.

RESOLUTION #447
APPROVE BASIC TERMS OF A CONTRACT WITH CONSERVATION SERVICES GROUP TO MANAGE HOME ENERGY SOLUTIONS-EXISTING HOMES PROGRAM

WHEREAS:

1. **The current Energy Trust contract with its Home Energy Solutions program Program Management Contractor (PMC) terminates December 31, 2007.**
2. **With assistance from a selection committee including outside parties, staff has conducted a fair and open procurement process to select a contractor to manage the program for the next 3-5 years.**
3. **Conservation Services Group, Inc. ("CSG") has been selected through this process and proposed contract terms are in the process of being negotiated.**
4. **Staff has assumed a first-year budget of approximately $12,765,000 for this program, including a first-year delivery contract cost of approximately $3,986,000 and incentives of $6,281,000.**
5. **Savings could be as much as 2.37 aMW (best case) at a cost of approximately $3.25 million per aMW and a levelized cost of $0.021 cents per kWh. Gas savings could be as much as 808,961 therms (best case) at a cost of $6.26 per annual therm and a levelized cost per unit of $0.31 per therm.**
6. **The above numbers are based on assumptions. Actual savings and costs will be determined based upon the Energy Trust board-adopted annual budget and action plan decisions.**

It is therefore RESOLVED:

1. **Subject to later board review of cost/benefit ratios and projected savings numbers, the board authorizes a contract with CSG to manage the Home Energy Solutions - Existing Homes program from January 1, 2008, through December 31, 2010. If CSG meets certain established performance criteria in the final contract, the contract may be extended for up to an additional two years.**

2. **First-year contract costs and savings goals will be included in the contract consistent with the board-approved 2008 action plan and budget. Thereafter, the contract may be amended annually consistent with the board's approval of the annual budget and action plan decisions.**
3. **The executive director is authorized to sign an initial contract and any contract amendments consistent with this resolution and board-approved action plans and budgets.**
4. **To maximize program savings and benefits, staff may reallocate funds among categories within the program budget provided such reallocation is consistent with the board's annual budget and action plan decisions.**
5. **Prior to extending this contract beyond December 31, 2010, staff will report to the board on Conservation Services Group's progress and staff's recommendation whether to extend the contract for up to two years. See Appendix I for extension criteria. Contract terms for the extension period would remain as approved in the most recent action plans, budgets and contract at the time of the extension. Absent board objection to extending the contract, the executive director is authorized to sign the contract extension.**

Moved by: Julie Hammond		Seconded by: Preston Michie
Vote:	In favor: 11	Abstained: o
	Opposed: 0	

Adopted on October 3, 2007, by Energy Trust Board of Directors.

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9. Teamwork
   a. How well PMC staff works with Energy Trust staff (flexibility and responsiveness)
10. Satisfactory execution of contract statement of work deliverables
    a. Program savings
    b. Levelized cost goals
    c. Budget management
    d. Data management
    e. Customer services

f. Marketing
g. Quality control

Report from Special Advisor

Bill Nesmith reported Oregon will raise its residential building code by 15% next spring. Fred said there is overlap between the code change and the current New Homes program to maintain our incentives through 2008 by providing builders training to help the new code "take." Thereafter, program incentives will be adjusted.

Caddy said she has personal experience with a relative in Bend building a house who was unable to get his contractor to consider green or ENERGY STAR, arguing that too much paperwork is required. She thinks the code change will have a positive effect in reaching builders like him.

Bill said that Business Energy Tax Credit rulemaking is a daunting challenge. There are 6-8 large solar companies poised to come into the state. Obviously, we can't give all these for-profit companies unlimited 50% tax breaks. He said he hopes ODOE will have draft rules out in early November with a public hearing held on November 10. He said the passthrough amount for the 50% credit is pegged at 33.5%, using the same methodology that established 25.5% for the RETC and 35% for the BETC. It's a buyer's market; there are prospective investors everywhere. The solar industry wanted a rate higher than 33.5%, but at that rate you would be unable to attract partners.

Bill noted the Northwest Energy Efficiency Alliance recently changed the form of its board. It was a stakeholder organization with a 28-person board. It has become more of a funder-driven organization. The board has been reduced to 15 members, of which 12 are major funders. Jason asked what changes this augers. Bill noted they have cut back the amount of support provided to states for codes and the like. In the old days, Bill thought it was a market transformation organization; in theory now, at least, that has changed.

Fred Gordon noted some of the changes in funding for specific projects are being proposed by a committee of the old board, and will be considered by the old board in October, prior to the change in board composition. Margie said we do not know if and how the new structure will change NEEA's function. She thinks they will remain a force for market transformation in the region and that they will gain some important efficiencies from reducing the size of the board. She thinks the committee structure may work well. If the change is approved at the next meeting, Fred will go off the board and onto an expert committee; Margie will serve on the board.

Bill commented on the renewable energy item acted on earlier. He noted the incentives plus tax credits (state and federal) for the ProLogis proposal covers over 90% of costs. He questions whether this level of subsidy is wise or sustainable.

Staff Report

Feature presentation: Business Energy Solutions Existing Buildings Program, Greg Stiles, Senior Business Sector Manager; Aaron Wines, Lockheed Martin

Greg noted this was the first large Energy Trust program to be competitively bid and was launched in early 2003. There was little activity in that first year. In 2004 we changed the approach to the program.

Instead of relying on trade allies for 100% of the business, Lockheed Martin hired staff. Business immediately went up. In 2004, 60-70% of the savings came from lighting. There was a dramatic "hockey stick" effect at the end of 2004. In 2005, the direct marketing began to pay off. We started filling the pipeline in 2005 – so much so that this was our largest year. The contribution of lighting projects began to fade, down to 50%, as we began to focus on mechanical projects. The large volume led to new problems in 2006. We thought we might be committing to projects without having enough funds to meet demand and instituted a reservation system. Also, the budget in 2006 was one-third lower. Some incentives were lowered. Rumors got out that we were out of money, although every commitment was fulfilled and no one was ever turned away. In 2006, lighting dropped down to 40% of total savings. The hockey stick effect did happen at the end of the year. In 2007 we launched targeted programs at the lodging industry. 2007 also marked the first time the budget and contract were well aligned. This allows us to manage the contract dollars very precisely. He said we still get comments about being out of money and use marketing and outreach efforts to dispel that misimpression.

He noted the gas side of the program started later, with the financial arrangement inked in midsummer 2003. We had custom incentives in the marketplace right away, but it took a year to launch prescriptive measures. Once these measures hit the marketplace, business went up and stayed there. A lot of the gas projects were coupled with electric projects. With the drop in the electric budget in 2006, gas savings went down too—not as far, but down.

Al Jubitz asked why the spike happens in December. Greg said a lot of businesses are on a calendar basis and need to clear their books at year's end. Alan Meyer asked if there are long lead times for gas projects, similar to electric projects. He noted when we closed the valve in 2006, we affected savings in 2007.

Margie asked what factors other than our reservation system could have contributed to the downturn. Aaron said cuts in incentives played a role. He also noted that frequent turnover of property owners contributes as well. Debbie said that, with better collaboration between Energy Trust and business partners such as BOMA, the industry is getting the message that money is available.

Julie Hammond asked if there is an internal plan, with contractors on board, to speak with one voice about issues such as funding availability. Steve noted the new contracting system that aligns with our annual budget has proved critical to good coordination. Our quarterly forecasts help. Margie noted the forecasts were facilitated by improvements in FastTrack.

Bill Nesmith left the meeting.

Public Comments

Bill Edmonds, NW Natural, spoke about the gas company's new green power product called Clean Energy. Bill credited CUB, in particular Bob Jenks, with conceiving the kernel of the idea a few years ago. Bill explained the product permits a residential customer to pay $6/month to become carbon neutral. The average home produces 4 tons of carbon per year. NW Natural's materials emphasize the first action to reduce your carbon footprint is to improve energy efficiency. To address what remains, the program promotes carbon offsets from The Climate Trust, who invests them in biogas projects. If we were to partner on a biopower project with The Climate Trust, NW Natural would seek the greenhouse gas benefits, while Energy Trust would seek the green tags.

Bill noted that 70 cents of every dollar collected goes to The Climate Trust; the rest pays for education and marketing and some program administration. John Reynolds asked for an example of a biogas project. Bill said a cow produces 120 pounds of waste per day. The way this is managed today is to put it in a lagoon, where it emits methane and causes wastewater problems. In Europe, such waste is run through digesters, which maximize the methane produced, so it can be burned to generate electricity. Eventually Bill hopes the methane can be cleaned up enough to run it into NW Natural gas pipelines.

Staff Report

Margie Harris noted Energy Trust business activity is growing. There has been a five-fold increase in number of participants, nearly a two-fold increase in number of projects, and nearly a three-fold increase in transactions since 2004. The solar program has experienced a 50% increase in projects, 121% increase in number of solar trade allies, 30% increase in web page hits, and a doubling of solar installations since last year. She noted the number of staff/contractor computer users (most offsite) has grown from 140 to 180. Margie noted we have historically been shy about requesting new positions to offset growth in workload and demand. She observed we are also in danger of being out of compliance with employment laws governing use of contractors in place of employees.

At this time Margie is asking for four positions. Two are in IT: a new business systems analyst, as recommended in the Moss Adams report; and a permanent administrative assistant to replace a long-term in-house contractor position. The other two positions include supporting centralized support of the trade ally network and a solar account project manager to address growth in volume and customer service.

Alan Meyer asked if the board had approved adding new positions related to bringing the Production Efficiency program in-house. Margie said yes. Sue said this proposed staff increase is expected to represent less than 1% of administrative and program support costs for 2007.

Approving four staff positions

RESOLUTION #452

APPROVING FOUR STAFF POSITIONS

WHEREAS:

1. **The Energy Trust 2007-2012 strategic plan and operations plan puts a high priority emphasis and focus on streamlining information technology (IT) systems, budget processes and program management to enhance flexibility and customer service to staff, system users and program participants.**
2. **In 2007, Energy Trust retained Moss Adams to review Energy Trust's IT systems and functions. Moss Adams recommended a number of specific improvements, including modifications in the IT department organization and structure. The board concurs that two key recommendations would be addressed by adding a new Business Systems Analyst and a permanent FTE Administrative Assistant.**
3. **Energy Trust has identified two other critical areas where additional staffing would substantially improve service to and reliance upon trade allies and program delivery**

to solar program participants: a Trade Ally/ATAC Coordinator, and a Solar Account Project Manager.

It is therefore RESOLVED:

1. **The board of directors of Energy Trust of Oregon, Inc., authorizes the Executive Director to immediately recruit and hire four new permanent staff positions: a Business Systems Analyst, an IT Administrative Assistant, a Trade Ally/ATAC Coordinator and a Solar Account Project Manager.**

Moved by: Al Jubitz		Seconded by: Caddy McKeown
Vote:	In favor: 11	Abstained: 0
	Opposed: 0	

Adopted on October 3, 2007, by Energy Trust Board of Directors.

Highlights Margie introduced Tricia McGuire, new hire as Production Efficiency technical manager.

President's Report

Tom Foley announced the Warm Springs Tribe dropped off a signed copy of the biopower project contract.

Finance Committee

John Klosterman introduced the finance committee report. He noted the change in the policy for capitalization from $2,500 per item to $5,000 per item. He noted some of the places we are underspent this year include salaries; he is pleased to see the addition of staff resources.

Julie asked how underspending will affect achieving goals. She noted some contracts end this year and wondered if we were going to underspend some of them. Margie noted that approximately 50% of the annual savings are acquired during the last quarter of the year. She noted Steve is projecting he will exceed the electric best case and the conservative case gas goals by year end. She also noted Peter is on track for completing utility scale wind projects by year end.

Audit Committee

Julie Hammond said she is reviewing documentation for trade ally insurance.

On behalf of Nancy, Julie asked board members please to respond to Nancy about proposed meeting schedule and dates for the 2008 calendar.

PacifiCorp wind project withdrawal - John Reynolds asked about the impact of PacifiCorp pulling back on a major wind project. Peter said we will roll the money forward into the obligation to get 20 MW and under projects.

Policy Committee

Jason Eisdorfer noted there was a joint policy and strategic planning committee meeting to review the results of the Cascade Washington study. He noted a couple of issues with rulemaking for SB 838. Lori commented that the Attorney General has interpreted the "constructing and operating" clause defining what costs are eligible for renewable energy funds. He concluded that every administering agency should be able to recoup the costs of administering their projects. This means she and Sue will need to review Energy Trust financial definitions in accordance with this interpretation.

Program Evaluation Committee

Debbie Kitchin said the committee has not met since the last board meeting. She noted some evaluation executive summaries in the packet. There was discussion about the high CFL failure rate (11% in this survey, lower in broader surveys).

More Public Comment

Joe Esmonde, IBEW #48, said he represents 4,000 members. He wants Energy Trust staff to talk to his contractors, along with sheet metal and mechanical contractors. They have relationships with owners and managers that go back many years. They have the perception that it is too hard to participate with Energy Trust because there is too much paperwork. Al Jubitz said based on his own experience, Joe is on target. He asked what can we do to computerize the application process, including tax credits. He was in a meeting recently with Oregon Trout, which has vastly simplified a cumbersome application process.

Steve said we are working to create on-line forms that populate ODOE forms too and, possibly, federal tax forms. We are asking for funding to move further on this next year. Sue Meyer Sample said we are considering rolling this out with one high volume program as a pilot project.

Adjourn

The meeting adjourned at 3:35 pm

Next meeting. The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, November 14, 2007, 12:00 noon at Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, 12th Floor, Portland, Oregon. The meeting is open to the public.

/s/ Debbie Kitchin, Secretary