Board Decision

Amending Board Policy on Authority to Commit Incentive Funds for Energy Efficiency Projects in Future Years

September 19, 2012

Summary

Revise policy on authority to commit incentive funds for payment of energy efficiency projects in future years, to ensure that the policy remains current even when program names change.

Background

- Energy Trust has a variety of policies and practices aimed at managing funds efficiently and transparently: an annual process by which the board reviews individual program budgets, in-year reporting to the board regarding variances, quarterly and annual reports to the Oregon Public Utility Commission, and others.
- One of the board's policies regulates how much incentive funding may be committed before the year in which the funds will be spent. Staff is granted authority to commit up to 75% of the incentive funds projected to be available in the following year; and using these projected incentive funds as a base line, up to 25% for projects expected to be funded in a third year.

Discussion

- At its September 4, 2012 meeting, the policy committee reviewed the policy on authority to commit incentive funds for payment of energy efficiency projects in future years, and concluded that the policy requires no amendment except to make it generally applicable to energy efficiency programs, rather than to programs whose names change periodically.

Recommendation

Approve changes to the board policy on authority to commit incentive funds for payment of energy efficiency projects in future years by adopting Resolution 644.

RESOLUTION 644

AMENDING POLICY ON COMMITMENT OF ENERGY EFFICIENCY INCENTIVE FUNDS IN FUTURE YEARS

WHEREAS:

1. **Energy Trust has a variety of policies and practices aimed at managing funds efficiently and transparently.**
2. **One policy limits how much incentive funding may be committed before the year in which the funds will be spent.**
3. **The board policy committee reviewed the policy on authority to commit incentive funds for energy efficiency projects in future years, and concluded that the policy requires no amendment except to make it generally applicable to energy efficiency programs, rather than to programs whose names change periodically.**

It is therefore RESOLVED:

1. **The board policy on authority to commit incentive funds for energy efficiency projects in future years is amended as shown in the attached.**

Moved by: Seconded by:

Vote: In favor: Abstained:

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

ATTACHMENT
4.21.000-P Authority to Commit Incentive Funds for Payment of Energy Efficiency Projects in future Years

History			
Source	**Date**	**Action/Notes**	**Next Review Date**
Board Decision	May 25, 2006	R391	May 2009
Policy Committee	May 19, 2009	editorial revision, deleting building tune-up program	May 2012

Purpose

To allow staff to commit future energy efficiency program incentive funds in advance of the payment year.

Background

Staff continues to identify effective program budget tools to manage available funds and provide transparency. Beginning in 2005, a series of changes were made to allow greater flexibility and accountability in managing program funds, including:

1. A transition from Board Approved Program (BAP) costs and savings for a limited two-year timeframe to an improved annual budgeting process dovetailed with program management contracts.
2. Changes to savings and generation projections, incorporating a range from conservative to best case.
3. Staff flexibility to shift funds to different line items within total program budgets, such as from administration and marketing to incentives
4. Reliance upon the annual budget process to highlight and incorporate program modifications
5. Design and use of a new quarterly report format to describe budget and savings variances by program
6. Design and use of a new quarterly forecast to project program and total cash flow expenditures and requirements on a 12-month rolling basis and compare them to budget
7. A planned mid-year review of actual program expenditures compared to budget and potential budget reallocations if warranted.

Authorizing Commitment of Incentive Funds for Payment of Energy Efficiency Projects in Future Years

WHEREAS:

1. Energy Trust continues to identify improved ways of managing program budgets and maintain accountability.
2. Beginning in 2005, the board approved changes to the annual budget process, program monitoring and reporting of savings and budget expenditures and provided staff the flexibility to shift funds within programs.
3. Staff has proposed an additional improvement to best serve customers with complex multi-year projects and incentive payment requirements in future years.

It is therefore RESOLVED:

1. For ~~the Production Efficiency, Building Efficiency, New Building Efficiency, Home Energy Savings-Multifamily Initiative and Efficient New Homes~~energy efficiency programs, staff is granted authority to commit and reserve:
   - up to 75% of the financial incentive funds projected to be available in the following year; and
   - using these projected incentive funds as a base line, up to 25% toward projects expected to be funded in the third year.

2. This authority is subject to the following requirements: (a) such commitments shall be consistent with milestones or conditions in any reservation, tracking or other systems or requirements applicable to these programs; (b) funding commitments and reservation of future financial incentives shall be made for no more than two years; (c) financial incentive commitments will be tracked and reflected in forecasting reports; and (d) all future financial incentive commitments will be displayed by program and incorporated into the annual budget process.

Adopted by the Energy Trust of Oregon, Inc., Board of Directors on May 25, 2006. The Policy Committee made an editorial revision in May 2009, reflecting the fact that there is no longer a building tune-up program. In September, 2012, the board made the policy generally applicable to energy efficiency programs.