EnergyTrust of Oregon

Board Meeting Minutes—154th Meeting

November 8, 2017

Board members present: Susan Brodahl, Ken Canon, Melissa Cribbins, Dan Enloe, Roger Hamilton, Mark Kendall, Debbie Kitchin, Alan Meyer, John Reynolds, Anne Root, Eddie Sherman, Janine Benner (Oregon Department of Energy special advisor)

Board members absent: Lindsey Hardy, Steve Bloom (OPUC ex officio)

Staff attending: Michael Colgrove, Corey Kehoe, Steve Lacey, Amber Cole, Peter West, Jed Jorgensen, Betsy Kauffman, Dave Moldal, Lily Xu, Fred Gordon, John Volkman, Mike Bailey, Zachary Sippel, Mark Wyman, Dave McClelland, Phil Degens, Thad Roth, Judge Kemp, Dan Rubado, Amanda Potter, Oliver Kesting, Art Sousa, Scott Clark, Julianne Thacher, Gwen Barrow, Quinn Cherf, Jay Ward, Ryan Crews, Pati Presnail

Others attending: JP Batmale (Oregon Public Utility Commission), Rick Hodges (NW Natural), Kari Greer (Pacific Power), Bob Stull (Ecova), Marc Thalacker (Three Sisters Irrigation District), Whitney Rideout (Evergreen Consulting), Desiree Sideroff (Craft3), Ken Nichols

Business Meeting

Debbie Kitchin called the meeting to order at 10:30 a.m. Reminder that consent agenda items can be changed to regular agenda items at any time.

There were no changes to the agenda.

General Public Comments

The president may defer specific public comment to the appropriate agenda topic.

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. September 27, 2017, board meeting minutes
2. Economic Development Policy 4.18.000-P–R818
3. Methodology for Evaluating Above-Market Costs of Renewable Resource Projects 4.07.000-P–R819

Moved by:	Dan Enloe	Seconded by: Anne Root
Vote:	In favor: 10	Abstained: 0
	Opposed: 0	

President's report

Debbie Kitchin discussed board development. Members of the Energy Trust board of directors dedicate many hours to cover their responsibilities, and the board is doing a good job in their duties. There is always opportunity to improve the board over time, including making sure the board has many different perspectives represented. The current board has diversity in geographic representation, backgrounds and industries including energy, manufacturing, agriculture, insurance and construction. The board needs to improve on ethnic and racial diversity, and this is an area Debbie will be addressing. Ethnic and racial representation is needed not only for the board, but also staff, trade allies and others Energy Trust works with to deliver programs and benefits. The board makeup should also represent different points of view, like different political perspectives and values, to fully represent the state of Oregon. In

December, the board will talk more about Energy Trust's diversity, equity and inclusion strategy, targets and objectives. Debbie noted her efforts to meet more with community leaders, and encouraged other board members to think about their own communities and to enhance their exposure to diversity, equity and inclusion as Energy Trust launches into this work.

Eddie Sherman joined the meeting at 10:38 a.m.

Energy Programs – McKenzie Hydroelectric Facility Project Review

Jed Jorgensen and Lily Xu presented on the project. For any project with a proposed incentive of $500,000 or more, board review and approval of the incentive is required. The McKenzie hydropower project is an example of a project resulting from the irrigation modernization initiative. Energy Trust contracts with Farmers Conservation Alliance to work with irrigation districts across the state to assess irrigation modernization opportunities. Currently, FCA and Energy Trust are working with 20 irrigation districts, which is about 50 percent of Oregon's irrigated agriculture. There is a tremendous amount of hydropower potential with funding opportunities coming together in the next year. Staff will provide a full irrigation modernization update to the board in spring 2018.

The McKenzie project will be installed within Three Sisters Irrigation District's territory outside Sisters, Oregon. Three Sisters Irrigation District is an early adopter, champion and leader in irrigation modernization. In 2011, the district developed, with Energy Trust support, a 700-kilowatt (kW) hydropower project and completed the project in 2014. Even during the severe 2015 drought, the system operated well. Hydropower is part of a broad package of benefits making the irrigation modernization initiative popular. Three Sisters Irrigation District is about 85 percent of the way through full irrigation modernization. Benefits from this work include piping open ditch canals, eliminating water seepage and evaporation, keeping water in-stream, an increase in on-farm water deliveries during droughts and the ability to remove pumps due to the pressurized water supply. The overall objective of the irrigation modernization initiative is to help irrigation districts assess benefits, bring together funders and make it possible to move projects forward.

Before the board today is the McKenzie hydropower project, a project resulting from a spring 2017 competitive solicitation that brought in three projects. The other two projects requested incentives less than $500,000. Staff evaluated the projects and will move forward with both projects. One of the two projects is the Watson Reservoir hydropower project at Three Sisters Irrigation District. It is a 200-kW facility next to the existing 700-kW facility. The project qualified for a $400,000 incentive and will deliver energy to Pacific Power.

The McKenzie hydropower project will use excess pressure from additional piped canals for a 300-kW turbine interconnecting to Central Electric Co-op and wheeling through Bonneville Power Administration (BPA) to Portland General Electric (PGE). Staff evaluated project financials by looking at the project delivering power to either PGE or Pacific Power. The above-market costs were similar regardless of utility. PGE's power purchase agreement for qualifying facility wholesale power rates is about 20 percent higher than Pacific Power's. In addition to a more favorable energy rate, it is beneficial to provide funding out of the Energy Trust budget dedicated to PGE projects. Staff is highly confident the utility will be PGE and this is reflected in the briefing materials and resolution.

As part of the standard project review process, staff evaluated benefits, risks, costs, technology choices and development choices. Jed clarified the power will receive renewable energy avoided cost rates and PGE will take title to Renewable Energy Certificates from the project during the specific times under the contract. Risks of the project include not having concrete costs for interconnection; however, estimates are reasonable and track well with the 700-kW project.

Based on staff analysis of the financial information provided by the project, the above-market costs are $775,000. Without an incentive from Energy Trust, the project would not pay back within 20 years. Staff is proposing a $640,000 incentive with various amounts paid based on achieving milestones, including commercial operation and upon meeting annual generation goals. Payments are structured to provide more funding during the lean years when power rates are lowest.

The board asked whether the generation projections account for unexpected events, like forest fire response strategies utilizing water in the canals. Jed noted if the generation is less than predicted due to less water than anticipated, staff requires the customer to show the efficiency curve of the turbine and indicate if the production matched given the water availability.

Jed described the various charges for the project. The co-op wheeling charge is in dollars per kW per month, based on capacity, while BPA sells transmission space at a set charge per month in 1 MW increments.

The board asked whether there are benefits to bundling the McKenzie and Watson Reservoir projects. Jed noted the projects are in different locations with different power purchase agreements and different rates. It also makes more sense to wheel the McKenzie project to PGE both for Energy Trust’s budget and better project revenues. If the project delivered to Pacific Power wheeling costs go down, but the power rates also go down and are lower for an additional three years beyond PGE’s rate structure.

The board discussed the merits of wheeling to Pacific Power or PGE. They asked about whether the Central Electric Co-op rates could be negotiated down, and whether this project could come down in cost per average megawatt (aMW). Jed said in terms of making comparisons on energy value, in dollars per aMW, there are other incentives that are included or not included in the other projects depending on their unique financial circumstances. For instance, some projects have higher power rates and others have grants and funding from different sources. It is difficult to make a comparison without accounting for the other moving funding pieces. Staff sees this incentive amount as reasonable for the given power rates. In addition, the project needs to interconnect with Central Electric Co-op regardless of whether the power is delivered to PGE or Pacific Power. If it’s PGE, the benefit is a higher energy rate but greater charges to BPA. And if it’s Pacific Power, there is a lower BPA charge but also a lower rate. While the differences roughly equal out, Energy Trust would have to make more payments during low cash flow years if the power was delivered to Pacific Power; in addition, there is greater incentive availability in Energy Trust’s PGE budget.

Marc Thalacker noted the Central Electric Co-op wheeling tariff is the same for PGE and Pacific Power. BPA has a transmission wheeling tariff for PGE because the PGE interconnect is a further distance than the interconnect for Pacific Power. Marc did approach Central Electric Co-op to try to negotiate lower charges. If the board requires the project to deliver power to Pacific Power, the incentive request will need to increase. Marc noted Three Sisters Irrigation District is running a deficit for the first six years of the project and this would extend another three or four years if Pacific Power was the selected utility. Marc described PGE’s long-standing interest in improving fish habitat and flows, which this project supports. Marc noted they tried to bundle both the Watson Reservoir and McKenzie projects but they would need two power purchase agreements and a second transmission increment from BPA.

Jed confirmed the water flow analysis included historical weather variations.

RESOLUTION 820
AUTHORIZING INCENTIVES FOR THE MCKENZIE HYDRO FACILITY

WHEREAS:

1. **In May 2017 Energy Trust began a competitive process to allocate up to $3.0 million in incentives for renewable energy facilities in Portland General Electric service territory and $1 million in Pacific Power territory. Three applications were received, all hydropower, including the McKenzie project, proposed by the Three Sisters Irrigation District.**

2. **By replacing irrigation canals with pressurized pipe, the District can conserve water, eliminate seepage, evaporation and on-farm pumping, and generate hydropower with the excess pressure.**
3. **The proposed project will use a new 5.25-mile long pressurized penstock pipeline that discharges into the McKenzie Reservoir. Water savings will permanently restore 7 cfs of flow to Whychus Creek, benefiting threatened and endangered fish species.**
4. **The District proposes to construct a 30'x30' concrete powerhouse and install a 300kW horizontal Francis turbine with an estimated generation of 922,400 kWh, annually. Power would be wheeled through Central Electric Coop and Bonneville Power Administration for delivery to Portland General Electric (PGE) or Pacific Power. Project construction is expected to begin in spring 2019, commissioning and testing to start in in winter 2019, and commercial operation in spring 2020.**
5. **Staff finds that the project has significant strengths in that it will be built by an entity with a proven track record as a hydropower operator, it will be municipally owned, and it has secured grants. Staff sees no significant permitting challenges and few other risks.**
6. **Above-market costs are $778,859 (net-present value) if the project delivers to PGE, or $729,917 if it delivers to Pacific Power. The choice of utility depends on the resolution of certain power delivery feasibility issues.**
7. **Staff proposes an incentive of $640,000. The first payment would be $440,000, payable on commercial operation. If the project delivers to PGE, additional payments of $40,000 would be triggered over five years if the project meets annual generation milestones. If the project delivers to Pacific Power, these additional payments would be $25,000 a year for eight years. With the proposed incentives, the project would pay back in 15 years.**
8. **On a present-value basis, Energy Trust's incentive is worth $540,431 to $558,286 (depending on how many additional payments are made), about 70% of the project's above-market cost. At $6.1 million/aMW, the incentive is in the upper end of the range for hydropower projects Energy Trust has supported, due primarily to the fact that low power prices require larger incentives.**
9. **Staff proposes to seek Renewable Energy Certificates (RECs) equivalent to 100% of the project's expected generation over 20 years. This is more than required by board policy, but is reasonable because the project is in the upper range of costs.**
10. **Staff proposes to include milestones in the funding agreement with the District to allow Energy Trust to withdraw funding if the project is unable to move forward.**

It is RESOLVED that the Executive Director is authorized to negotiate a funding agreement for up to $640,000 in incentives to offset the above-market cost of the the 300kW McKenzie hydroelectric facility of the Three Sisters Irrigation District, consistent with the terms outlined above.

Moved by: Ken Canon		Seconded by: John Reynolds
Vote:	In favor: 10	Abstained: 0
	Opposed: 1	

Jed noted staff will present to the board in spring 2018 on the irrigation modernization initiative, including the available hydropower generation from modernization activities.

Marc said farm end-users pay a capital charge of $10 per acre for the projects. Three Sisters Irrigation District has been able to reduce costs of the projects by having its own construction crew. After this project, Marc anticipates the final remaining 10 miles of canals will be piped within three years, and by 2020, the district will become carbon neutral.

Committee Reports

Audit/Compensation Committee, Ken Canon

Moss Adams completed the first audit of Energy Trust's 401(k) retirement plan to comply with U.S. Department of Labor requirement for plans with more than 100 participants. Moss Adams identified two items, though neither were material enough to warrant concern. The first finding was two instances when the contribution payment was delayed by several days. The second finding was inconsistency between the plan document's definition of eligible compensation and management practice. Management will modify the plan document for 2018. The auditors commended staff for their cooperation and timely response to requests throughout the audit. The 401(k) plan will continue to be audited annually.

Evaluation Committee, Alan Meyer

The committee reviewed three evaluations at the last meeting. A Nest seasonal savings pilot tested the effects of incrementally adjusting residential thermostat temperatures to save energy. Results showed a demonstrable energy savings effect in winter, some participants noticed the change but many didn't, and the persistence rate is about 80 percent. A pilot tested mid-efficiency heat pumps installed in manufactured homes. The results showed the approach was not cost-effective. Dan Rubado mentioned staff is looking at revising the pilot measure to incorporate cooling benefits in a way that the cost-effectiveness would become closer to a 1.0 on the TRC test. Dan R noted the heat pump pilot savings were not as high as anticipated because energy consumption at the sites was lower than predicted. Staff is also doing a separate analysis on ductless heat pumps in manufactured homes. The committee then reviewed the approach to Strategic Energy Management savings modeling. In most cases, a simpler modeling approach is adequate and there are a few instances where a custom approach capturing additional data points would be better. The committee discussed the role of the committee, and is thinking about drafting a committee charter and a tracking document to easily identify which programs have been evaluated. The external experts on the committee are Jennifer Light from the NW Power and Conservation Council, Jamie Woods from Portland State University and Dulane Moran from NEEA.

Finance Committee, Susan Brodahl

The committee heard a presentation on Energy Trust Savings Within Reach loan offering. Susan invited Mark Wyman to give the board a brief overview of the loan product. Mark introduced Desiree Sideroff from Craft3 who is working with Energy Trust on the offering.

Mark described the Savings Within Reach initiative. Savings Within Reach targets low- to moderate-income households whose income is greater than that required to be eligible for no-cost weatherization services. Energy Trust provides a higher incentive amount than the standard track; however, customers still have upfront costs to finance either through a consumer lending product, credit card or other financing approach with high, variable rates. Seeing a gap, Energy Trust partnered with Craft3 to use customers' good standing with their utility, mainly on-time bill payment, to deliver low-cost financing that pairs with Savings Within Reach incentives and the loans are repaid as a line item on utility bills. The loan product started as a pilot with $600,000, half of which was seeded by Energy Trust in the form of a 10-year loan to Craft3 and the rest from Craft3. The average loan is $4,500. Energy Trust is moving into a second round given the performance of the first round, where only one instance of loss accrued for less than $3,000. Energy Trust's exposure on the loan product is in the loss reserve provision. As the portfolio has been performing well, Energy Trust and Craft3 are going to reduce the loss reserve from a 6 to 1 to a 10 to 1 loss exposure, and expand round two to more customers. The proposed second round is $1 million as a loan to Craft3.

Desiree noted Craft3 has been partnering with Energy Trust for almost 10 years on energy efficiency. The company hears every day the impacts this has on people's lives, like better air quality and health. Overall, the offer is providing a great benefit and has been performing well.

Mark noted Energy Trust is also working with Craft3 to explore replacing older manufactured homes with energy-efficient new manufactured homes since financing products are very limited for these customers.

Desiree mentioned Craft3 provides similar financing approaches in Washington for small commercial buildings, and it is something they are looking into doing in Oregon.

Mark clarified the on-bill repayment is available for NW Natural, Pacific Power and PGE.

Policy Committee, Roger Hamilton

The committee reviewed the McKenzie hydropower project and reviewed two policies accepted today by the board through the consent agenda. There is a correction to the October 5 meeting minutes to remove Roger Hamilton as in attendance.

Strategic Planning Committee

The committee met yesterday and reviewed 11 learning topics that will be developed by staff for the Board Strategic Planning Workshop in May 2018. The learning topics will be presented to the board on an ongoing basis prior to the workshop. The learning topics are to inform the board prior to development of the 2020-2024 Strategic Plan, which will be drafted by the Board Strategic Planning Workshop in May 2019 followed by public comment in summer 2019 and board adoption in fall 2019. Janine Benner noted the Oregon Department of Energy has staff that are familiar with a number of the learning topics and can help Energy Trust in drafting them.

Finance Committee, continued

Susan introduced Resolution 822, to update staff and board members with bank signing authority.

RESOLUTION 822
AUTHORIZING APPROVED 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 February 22, 2017, Dan Enloe's term as Energy Trust Board Treasurer ended, and Susan Brodahl was elected Energy Trust Board Treasurer.**
4. **Effective August 11, 2017 Mariet Steenkamp resigned as Chief Financial Officer of Energy Trust.**
5. **Effective August 14, 2017 Pati Presnail was appointed Interim Chief Financial Officer of Energy Trust by Executive Director Michael Colgrove.**

It is therefore RESOLVED that,

1. **Dan Enloe is to be removed from the list of authorized bank signers for the Banks.**
2. **Susan Brodahl is to be added to the list of authorized bank signers for the Banks.**
3. **Mariet Steenkamp is to be removed from the list of authorized bank signers for the Banks.**
4. **Pati Presnail is to be added to the list of authorized bank signers for the Banks.**

5. **The resulting list of authorized bank signers for the Banks is as follows:**
   A. **Debbie Kitchin, Board President**
   B. **Susan Brodahl, Board Treasurer**
   C. **Michael Colgrove, Executive Director**
   D. **Pati Presnail, Interim Chief Financial Officer**
   E. **Peter West, Director of Programs**
   F. **Steve Lacey, Director of Operations**
   G. **Debbie Goldberg Menashe, General Counsel**

6. **The General Counsel is authorized to execute all required documentation to implement this resolution.**

Moved by: Dan Enloe		Seconded by: Anne Root
Vote:	In favor: 11	Abstained: 0
	Opposed: 0	

Board took a break from 12:00 p.m. to 12:35 p.m.

Finance Committee, continued

Susan finished the committee report with an introduction to Resolution 821, which authorizes staff to use Organization Contingency Pool (Reserve) funds to respond to an OPUC Request for Proposals (RFP) for a Community Solar program administrator.

Mike described the resolution. The OPUC will be issuing an RFP soliciting a program administrator for a new Community Solar program to secure 160 MW of capacity of community solar pursuant to SB 1547. Staff have discussed the opportunity internally. For many reasons, including the opportunity aligning with the strengths of Energy Trust, staff believe Energy Trust has a reasonable chance in competing for and possibly winning the contract.

Based on conversations with OPUC staff, Energy Trust will not use direct public purpose charge revenues to support this new type of activity, which includes not using such funds to develop the response for the RFP.

The internal team estimates the cost of responding to the RFP will be about $65,000. If Energy Trust is selected, an additional $35,000 may be needed to negotiate an agreement.

It is projected approximately two to three new FTE will be needed to administer the program once it is up and running. This program and its expenses would be separate from Energy Trust's core work. Energy Trust would recoup those costs through fees related to administering the program.

To pay for the cost of developing the RFP response, staff propose accessing the Organization Contingency Pool, which is separate from the Emergency Contingency Pool. The policy on Using Reserve Accounts authorizes staff, with board approval, to use Organization Contingency Pool funds "to address other organizational needs" such as revenue shortfall, or for renewable or efficiency projects. Energy Trust has used these funds in the past to support renewable energy projects, and on a short-term basis, to cover revenue shortfall. Beyond these examples, "other organizational needs" is not defined.

Organization Contingency Pool reserve funds are the accumulation of interest earned through short-term investment of program and organization reserves, thus indirectly derived of ratepayer funds. The Organization Contingency Reserve includes another $56,200 in unrestricted donations and consulting fees, which are independent of ratepayer funds.

OPUC staff request that the unrestricted funds in the Organization Contingency Pool be spent before any funds in the account derived indirectly from ratepayer funds.

The resolution requests board authorization for staff to use up to $100,000 from the Organization Contingency Pool reserve fund, including $56,200 unrestricted and $43,800 accumulated interest.

The board and staff had a lengthy discussion on staff's proposed use of Organization Contingency Pool funds and staff's consideration of the opportunity to respond to an RFP for program administration of a community solar program. Board members had a number of questions about the appropriateness of using the Organization Contingency Pool for the purposes described. The board also had a number of questions and expressed concerns about pursuit of new business lines by Energy Trust. In addition, there were questions regarding accounting for separate funding streams.

Staff responded to questions with reference back to the current strategic plan which identifies being open to new opportunities as an important strategy. Board members, however, expressed concern about not being fully informed about staff's consideration of the community solar program administration opportunity. This opportunity, if Energy Trust were to be awarded a contract for the work, would bring in additional and different funding to the organization in a significant way for the first time.

The board then discussed the resolution presented and asked questions as to whether the board should approve the decision to submit a response to the community solar RFP as well as authorizing funding for a response development. Board members expressed support for community solar and expressed confidence in Energy Trust's experience to serve as a program administrator. However, board members also expressed concern about not having enough information presented about the possible opportunity.

The discussion then turned to the use of the Organization Contingency Pool funds, including the unrestricted funds. Unrestricted funds are funds generated by Energy Trust separate activities and not accumulated interest on public purpose funds. Discussion continued on Energy Trust's use of these funds for developing a proposal and how non-public purpose charge funds are accounted for in the organization. Staff provided information, including information on Energy Trust experience in accounting and maintaining separate funds from NW Natural Washington and grant funds received from U.S. Department of Energy, through the Oregon Department of Energy, for a program to support solar installation in low-income communities.

The discussion continued, both with regard to authorizing funding for the development of a community solar RFP response and making a determination on whether to submit a response to the RFP once it is released. The board turned first to the resolution on funding for the development of a response.

RESOLUTION 821
AUTHORIZING USE OF CONTINGENCY RESERVES TO DEVELOP A COMMUNITY SOLAR PROGRAM PROPOSAL

WHEREAS:

1. **SB 1547, which the Oregon legislature adopted in 2016, directed the OPUC to develop a Community Solar program.**
2. **Community Solar helps people who want to use solar power, but face barriers to putting panels on their own roof because they are renters, live in places where installation isn't allowed or isn't feasible, or cannot afford their own system.**
3. **The OPUC is inviting proposals for a Community Solar Program administrator to develop and administer a fee-for-serve program. The costs required to fund the administrator for starting up the program will be funded through rates collected from all customers; once the program is operational, the administrator will be funded from program revenues collected from participants.**
4. **Staff estimates the cost of developing such a proposal at less than $100,000.**
5. **Staff believes that the Energy Trust organization contingency reserve fund, which includes unrestricted income in the amount of $56,200, is the most appropriate source of funding for**

purposes such as this. In adopting a Policy on Use of Reserves, the board specified that "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."

6. **The contingency reserve currently has a balance of $4.5 million; using funds for this purpose would not deplete it below the board's target.**

It is therefore RESOLVED: Staff is authorized to use up to $100,000 from the Energy Trust Organization Contingency Reserve account to respond to a Community Solar Program proposal to the OPUC, which includes planning, preparing, and submitting a response as well as participating in the selection and subsequent contracting process. The $56,200 in unrestricted income in that account will be expended first.

Moved by: John Reynolds Seconded by: Melissa Cribbins
Vote:
In favor: Directors Brodahl, Cribbins, Hamilton, Kendall, Kitchin, Reynolds and Sherman
Abstained: 0
Opposed: Directors Canon, Enloe, Meyer and Root

The board then voted to direct staff to draft a resolution for the December board meeting to allow the board to vote on approving or rejecting Energy Trust submittal of an RFP response after the RFP language has been made public by the OPUC. The vote was moved by Director Enloe, seconded by Director Hamilton, and then supported by all 11 board members present; no directors opposed the decision and no directors abstained. The board was clear that passage of Resolution 821 allows staff to utilize Organization Contingency Pool reserves to prepare the proposed response. Since the RFP language has not yet been posted, the resolution in December will give the board an opportunity to review the RFP language and direct staff on whether or not to respond to the RFP. The board asked to receive an updated copy of a memo prepared by staff in June outlining information about the Community Solar RFP opportunity prior to the December board meeting.

Mike said staff will start preparing and charging time against the Organization Contingency Pool reserve account, and will strive to have an outline of the RFP response in time for the December board meeting.

The board took a break from 1:50 to 1:55 p.m.

Draft 2018 Annual Budget & Draft 2018-19 Action Plan

Mike presented the draft 2018 budget and 2018-2019 action plan. The draft 2018 budget would invest $199.6 million to save 56.52 average megawatts (aMW) and 6.88 million annual therms at low levelized costs. Renewable generation of 2.18 aMW is a 24 percent reduction from the 2017 budget due to expiration of the state Residential Energy Tax Credit and the lack of non-solar large projects completing in 2018. Overall spending is up less than 1 percent at 0.5 percent and needed revenues are down 3.7 percent. The budget results in minimal to no new rate impacts on customers. Mike clarified the PGE megaproject is over three years, 2017-2019.

Mike reviewed eight key takeaways of the budget. The budget development schedule is more than halfway complete, and staff is on track to delivering a final proposed budget for the board's consideration at the December 15 board meeting.

Mike noted similar presentations at the October Renewable Energy Advisory Council and Conservation Advisory Council meetings resulted in good discussions and a few open questions for staff to respond to. No major changes were made from those presentations to the version today. Peter said the action plans and major drivers of the budget have been supported to date. There's settling out as staff goes through comments that are due on November 17. Staff also scheduled a workshop with the natural gas utilities to discuss changes in New Homes cost allocations.

The board remarked PGE had concerns with last year's budget and asked how the process is going this year. Mike said much of the discussion last year was on resetting the reserve accounts and the impacts on rates. Peter noted the process was also modified to engage earlier with the utilities.

Mike reviewed the four building blocks of the budget and action plan, including expected 2017 achievements contributing to progress to the five-year strategic plan goals.

Steve clarified the term "demand-side management" is the label for the NW Natural customer class of large industrial and commercial customers on interruptible rates.

Mike provided more detail on the third building block on market knowledge and context, discussing changes in technologies and a trend of lower savings per project. For changes in technologies, retail lighting is seeing a large change in savings and, to a lesser extent, costs. As the LED market share increases, efficiency baselines improve, the technology continues improving and costs decrease, the savings decrease for what Energy Trust can report per LED bulb. For the 2018 budget, Energy Trust is seeing an average decline of 66 percent in savings from retail LEDs.

The board asked why the share of halogens increased. Peter said that in order to meet new federal standards, halogens are a technology that qualify.

Eddie Sherman left the meeting at 2:25 p.m.

The board asked whether halogens are a market Energy Trust or NEEA should focus on. Mike said LEDs continue to grab market share, including that of halogens.

Mike noted that while the savings are down 66 percent for retail lighting on average, the average incentive expenditure is going down 25 percent due to supporting the same volume of bulbs and reaching out to rural and other markets. Energy Trust will continue supporting all LED bulb types in 2018; as this savings decline continues in 2019, the program may exit certain bulb types.

Mike described a second piece of the context, a trend of lower savings per project. The lower savings per project trend is being informed by having helped customers complete projects with the highest return or quickest payback, serving smaller and medium-sized businesses, and realization rates decreasing in Existing Buildings. In sum, the volume of projects remains high, there is an increasing cost per unit of savings and underserved markets are a focus moving forward. The downward trend in savings per project is most prominent in Existing Buildings and Production Efficiency projects.

The board noted it would be beneficial to see total square footage within each category on slide 21.

Mike presented on action plan highlights that demonstrate three areas of emphasis for the draft 2018 budget: diversifying participation, enhancing program methods and strategies, and managing change and preparing for the future. The diversifying participation area of emphasis includes driving forward diversity, equity and inclusion strategies and activities that the board will hear more about at the December board meeting. The managing change area of emphasis includes completing the transition to a consolidated residential program contracting structure. The draft budget includes a $1.6 million decrease in delivery costs through the residential contract consolidation.

Mike reviewed the draft 2018 revenues and expenditures, and presented a comparison of the 2018 draft budget to the 2017 adopted budget. Incentives are down about 2 percent due to decreasing activity on the renewable energy side. External program delivery is flat and internal program delivery is increasing 16 percent. Among other things, the increase is due to processing more projects, investing in more data analysis, impact evaluations, and IT projects to improve system resiliency, efficiency and effectiveness.

The board asked what happens to the $2.5 million in professional services in 2017 that won't be spent, and whether the funds flow into 2018. Mike said those costs aren't rolling over into 2018. There will be carryover in staffing costs but not in contracted staffing costs.

Mike said the budget also includes an increase in healthcare costs and an increase in staffing costs, either through agency staff or full-time staff. The budget focuses on using agency staff to allow Energy Trust to adapt to future year changes.

Mike reviewed the draft 2018 energy goals for natural gas efficiency, electric efficiency, renewable generation and NEEA, and presented a table showing draft goals, budgets and costs for each utility. Mike described the changes in staffing costs for 2018, which remain below the Oregon Public Utility Commission annual performance measure. Energy Trust is encouraging public comment related to the staffing aspect of the budget.

The board asked if staff envisions engaging with the OPUC on the staffing performance measure, especially given the trends that are showing in the budget, including that of more and more projects yet smaller savings per project. Mike noted the OPUC commented on last year's budget that Energy Trust should work with OPUC staff on whether the staffing cost performance measure is structured correctly or whether changes should be made. That examination is in progress. JP Batmale said OPUC staff comments last year were around the 7.75 percent expenditure performance measure being tied to the total expenditures, meaning if there is an increase in expenditures, there is more head room in the staffing costs. OPUC staff was surprised by the increase in staffing expenditures this year and as they dug into it, noted the agency contractor costs are currently counted as staffing costs under the metric. OPUC staff may recommend to the commission that the agency contractor costs be separated from the staffing measure.

Susan Brodahl left the meeting at 3:04 p.m.

The board asked whether staff has received any feedback on the length of time the budget is open for comment from the public. Amber Cole said staff has not received any feedback on the timeframe and has been promoting the deadlines in many formats.

Adjourn

The meeting adjourned at 3:05 p.m.

The next meeting of the Energy Trust Board of Directors will be on Friday, December 15, 2017, at 10:30 a.m. at Energy Trust, 421 SW Oak, Suite 300, Portland, Oregon.

s/s Alan Meyer

Alan Meyer, Secretary