EnergyTrust of Oregon

Board Meeting Minutes—179th Meeting

July 15, 2020

Board members present: Erik Andersson, Susan Brodahl, Melissa Cribbins, Ernesto Fonseca, Eric Hayes, Elee Jen, Mark Kendall, Alexia Kelly, Henry Lorenzen, Alan Meyer, Anne Root, Roland Risser, Letha Tawney (Oregon Public Utility Commission ex officio), Janine Benner (Oregon Department of Energy special advisor)

Board members absent: Lindsey Hardy

Staff attending: Michael Colgrove, Cheryle Easton, Emily Findley, Pati Presnail, Julianne Thacher, Amber Cole, Abby Spegman, Debbie Menashe, Hannah Cruz, Jay Ward, Peter West, Karl Whinnery, Sue Fletcher, Sarah Castor, Alina Lambert, Ryan Cook, Peter Schaffer, Quinn Cerf, Jeni Hall, Betsy Kaufman, Fred Gordon, David McClelland, Steve Lacey, Adam Bartini, Susan Jowaiszas, Dave Modal, Thad Roth, Christian Conkle, Matt Getchell, Phil Degens, Samuel Birru

Others attending: Linda Woodley, Prisma Point; Tina Brooks, Pacific Corp; Lisa McGarity, Avista; Rick Hodges, NW Natural; J. Harper, NEEA; Anna Kim, Oregon Public Utility Commission; Rachel Dawson, Cascade Institute; John Charles, Cascade Institute; John Marcotte, TRC

Business Meeting Call to Order

Melissa Cribbins called the meeting to order at 10:01 a.m. Consent agenda items can be changed to regular agenda items at any time.

General Public Comments

Linda Woodley of Prisma Point consulting firm offered a comment related to an active request for proposal for commercial program delivery, which is slated to conclude at the board meeting in August. Linda Woodley referenced a letter she recently sent to Commissioner Letha Tawney that addressed diversity concerns she identified with the proposal process and requested the full board be given an opportunity to review the letter.

The board asked if Linda Woodley could speak to some of the concerns from the letter. She explained her concern was the requirement for applicants to spend at least 15% of their contracting budget on diverse vendors and community-based organizations was not being applied in the spirit of the requirement, which was to prioritize diverse vendors. Many applicants interpreted this to weigh both equally, and as a result the majority of the 15% allocation in their proposals would go to community-based organizations rather than diverse firms.

Another concern is that the proposal's statement that preference would be given to COBID-certified applicants who had done business in Oregon for at least one year is not being applied to prime applicants. Due to barriers in the recruiting process, there is a risk that dollars going to diverse firms will be minimal, which is not the intent.

Linda Woodley stated her goal was to ensure the board had all the information pertinent to its decision so it could discuss the recommendation critically, preferably prior to the board meeting. She aims to get more diverse candidates involved in the larger process, stating the capabilities of diverse candidates have are underestimated. She offered that she knew of at least one diverse firm that bid as a prime contractor but was quickly discounted and did not move past the first stages of the process.

The board confirmed it would review the letter to inform its decision at its August meeting and stated it hopes the diversity goal would be applied equally to all applicants. Staff is still reviewing and has not finished the selection process. The board expressed appreciation for this issue being brought forward in time for it to influence the selection process and decision.

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:
- May 19, 2020 Board Orientation Minutes
- May 19, 2020 Board Learning Session Minutes
- May 20, 2020 Board Meeting Minutes

Moved by: Mark Kendall		Seconded by: Roland Risser
Vote:	In favor: 12	Abstained: 0
	Opposed: 0	

President's Report (Melissa Cribbins)

Melissa Cribbins initiated a check-in with other board members, inviting them to share about recent developments personally and in their communities.

During the check-in, an unidentified attendee on the remote meeting platform created a significant disruption that temporarily halted the meeting. At 11:15 a.m., the board took a break to implement remote meeting platform solutions to prevent future incidents. The meeting was called back to order at 11:42 a.m.

Executive Director's Report (Michael Colgrove)

Q2 Forecast

Michael Colgrove provided a preliminary look at the forecast for second quarter; results will be finalized in mid-August. Preliminary numbers indicate the bonuses and market interventions launched in response to the coronavirus are working well. As a result, year-end projections are much more optimistic than earlier in the year. Michael Colgrove reviewed strategies that contributed to the improved forecast including program bonuses; promotion of no- and low-cost offerings like Energy Saver Kits and deeply discounted smart thermostats; broadening eligibility of income qualified offerings; and the introduction of electronic payments to vendors and contractors. Alignment among Energy Trust program staff, support staff and program management and delivery contractors to drive change quickly was key to the success of these activities.

COVID-19 Response Update

Michael Colgrove presented an early set of planning assumptions that will guide thinking for the rest of 2020. Largely based on work by NEEA, some of the assumptions indicate that trainings and events will be canceled or moved online; there will be no vaccine available in 2020; and businesses will continue moving operations online to comply with safety protocols.

The board asked the reason behind an assumption that there will be a reduction in business activity in the winter. Staff explained this was predicated on the re-closings that are happening already, trends observed in California, the governor's recent tightening of restrictions and anecdotal evidence. The board observed that a resurgence seems likely and that many businesses will not survive a second shutdown even after weathering the first.

Update of PGE Solar + Storage

Michael Colgrove provided an update on Energy Trust's forthcoming role to administer a residential battery pilot for Portland General Electric. The pilot was created as a strategy to help meet the state storage mandate. Energy Trust's solar program has infrastructure that positions it to support this work, and there is opportunity to collect new learnings. There will not be an amendment to the 2020 budget due to the small amount of funds, but it will be factored into the re-forecast later this year. Any additional funding for 2021 will be approved by the normal budget process. Staff will complete a contract with Portland General Electric this month and begin administrating the program in August.

Announcement of CESA SLICE Award
Michael Colgrove noted the solar team was recently awarded a State Leadership in Clean Energy Award by the Clean Energy States Alliance (CESA) for its low- and moderate-income solar program. It was one of six projects selected for the award and will be featured in CESA's upcoming report and webinar series.

Melissa Cribbins left the meeting at 12:00 p.m. and handed the meeting over to Henry Lorenzen.

Committee Reports

Evaluation Committee (Eric Hayes, Sarah Castor)
The committee recently reviewed: preliminary research on extended capacity heat pumps; an enhancement for select smart thermostat brands that found small but significant winter savings; an update on the Pay for Performance pilot; a streamline technology analysis study; and the results of the 2017 impact analysis for the New Buildings program that showed a 98% realization rate for program savings. The committee heard about an interim process to evaluate the Targeted Load Management pilot for North Santiam, finding that its first project was successful but challenging. It also considered a proposal to discontinue Energy Trust's true-up process, which has a relatively low impact on savings compared with its high impact on staff time.

The board asked for more detail about the thermostat enhancement that leverages centralized programming. Staff said these thermostat optimization services are offered through manufacturers and utility programs. They work by making small changes to temperature set points of one degree or less, which allows for enhanced energy savings without impacting comfort.

Finance Committee (Susan Brodahl, Pati Presnail)
Susan Brodahl provided an update on financial statements for April and May, which are positive and indicate the organization is doing well. The board was invited to review active contracts listed in the board packet and share any concerns. The committee recently began discussing the 2021 budget process, which is currently in the early stages.

Staff presented in more detail on the 2021 budget cycle and key dates and activities for staff and board. Next year marks the last year of the current yearly budget process before shifting to a three-year budgeting and planning cycle starting with the 2022 budget.

The board asked to what extent utilities expect revenues to drop off due to inability to collect and energy assistance programs running out of funding. Staff is making inquiries but so far not seeing an impact. Utilities can account for uncollectable revenues without an immediate impact on public purpose charge funding. Staff will continue to monitor carefully and noted reserves are taken into account as part of risk planning.

Policy Committee (Henry Lorenzen)
The committee recently approved the appointment of Josh Peterson, associate researcher at University of Oregon, to the Renewables Energy Advisory Council to replace longtime member Frank Vignola. Jason Bush from Pacific Ocean Energy Trust also stepped down from the council.

The committee discussed a policy on registering renewable energy credits for Energy Trust-supported solar projects, concluding the cost to register these exceeded their value. As a result, the current policy of not registering credits will continue.

Henry Lorenzen provided an update on his work to lead implementation of a set of recommendations aimed at board improvement. He is leading a subcommittee to improve the board organizational structure regarding the number and structure of board committees. He found this work has significant overlap with another subcommittee that is working on improving role expectations and accountability for board members. That subcommittee is using an approach to develop a baseline and background information, engage the board in discussion and set recommendations; it plans to hire a consultant to support this work. Based on the interplay between the two projects, they plan to work concurrently and possibly leverage the same consultant for both initiatives.

The board asked about the timeframe for hiring the consultant. A scope of work is being reviewed by board leadership and a draft list of potential consultants will be distributed in August to the board officers.

Resolution R913 to approve Conflict of Interest Policy 5.02.000-9-P & 5.02.001-P
Henry Lorenzen presented a proposal to separate an existing conflict of interest policy into two policies that would allow advisory council members to abide by a different disclosure policy than staff. Advisory council members do not have authority to make decisions, which warrants a different treatment regarding conflict of interest.

Resolution 913

Conflict of Interest Policy Reporting and Disclosure Policy 5.02.000-P, Principles of Conflict of Interest 5.02.001-P
July 15, 2020

Recommendation

Authorize the revisions to the Conflict of Interest Policy by revising the policy and dividing it into two separate policies, a Conflict of Interest Reporting and Disclosure Policy and a Policy on Principles of Conflict of Interest as described and shown below.

RESOLUTION 913
REVISING THE CONFLICT OF INTEREST POLICY INTO (1) CONFLICT OF INTEREST REPORTING AND DISCLOSURE POLICY AND (2) POLICY ON PRINCIPLES OF CONFLICT OF INTEREST

WHEREAS:

1. **The Conflict of Interest Policy was reviewed by the Policy Committee of Energy Trust's board of directors in April 2020 in accordance with its regular three-year review cycle.**
2. **At that time, staff presented a small number of corrections and editorial changes to (i) correct citation and language references to the board's obligation to complete annual Statements of Economic Interest; and (ii) replace gendered pronouns with gender neutral pronouns.**
3. **Committee members asked staff to consider further revisions to the policy by (i) separating it into two, one for reporting and disclosure of conflicts and one providing more definition of the principles of conflicts of interest and (ii) examining the policy's application to staff and the advisory councils.**
4. **Staff presented revised proposed revisions to the committee at its June 19, 2020 meeting.**
5. **The committee discussed the proposed revisions and suggested some additional changes.**
6. **The proposed revisions, including those added by committee members at their June**

meeting, are set forth below.

7. **Changes to the original conflict of interest policy separate the original policy into two, provide more explicit definition on the principles of conflict of interest and explicitly direct the Executive Director to ensure that Energy Trust staff members are subject to conflict of interest limitations consistent with those provided by board policy for board members.**
8. **No explicit revisions for advisory councils are contained in the proposed revised policies.**
9. **Energy Trust's board Policy Committee has reviewed proposed revisions to the Conflict of Interest Policy at its meeting on June 19, 2020 and recommends approval of the revised policies as set forth below.**
10. **If approved, the Conflict of Interest Reporting and Disclosure Policy and the Policy on Principles of Conflict of Interest will be added to the Energy Trust board policies, replacing the existing Conflict of Interest Policy and numbered in accordance with board policy numbering conventions.**

It is therefore RESOLVED that the Energy Trust Conflict of Interest Policy is revised into two policies as shown below, to be numbered and stored in accordance with Energy Trust's board policy numbering and storage conventions.

Moved by: Roland Risser Seconded by: Alan Meyer

Vote: In favor: 10 Abstained: 0

Opposed: 0

5.02.000-P Conflict of Interest Reporting and Disclosure Policy

History			
Source	**Date**	**Action/Notes**	**Next Review Date**
Board Decision	October 24, 2001	Approved (R51)	As needed
Board Decision	May 22, 2002	Revised (R103)	As needed
Board Decision	June 7, 2017	Amended (R805)	As needed
Board Decision	July 15, 2020	Amended (R913)	3-yr cycle

Reporting:

Annually, all members of the Energy Trust board of directors and staff members of the Executive Team are required by law to disclose on forms provided by Energy Trust the existence of any interests that may be deemed a direct or indirect conflict of interest with Energy Trust business. For this purpose, disclosure requirements are specified in ORS 757.612(3)(g)(B), as amended in 2009, which requires the officers and directors of the entity that administers funds collected through public purpose charges (Energy Trust) to provide annual disclosures of economic interest to the OPUC by April 15 every year, to be made available for public review. The disclosures are to be similar to the statement of economic interest required for public officials under ORS 244.060.

All officers and members of the Energy Trust board of directors also have an ongoing obligation to disclose direct or indirect actual or potential conflicts of interest as described below.

Transactional Conflicts of Interest:

Whenever any member of the board of directors first becomes aware that they have or may have any direct or indirect actual or potential conflict of interest with Energy Trust concerning any matter that is before the board of directors, that member shall promptly disclose the existence of that conflict of interest to the board of directors, whether or not the conflict has been previously disclosed in an annual report to the president. Full disclosure of the nature and details concerning the conflict is encouraged but not required, so long as the existence of the conflict is disclosed. Any such disclosure shall be duly recorded in the minutes. If the member makes full disclosure of the nature and details of the conflict, the member may thereafter engage in any discussion on the matter and may vote, unless the board of directors believes that the nature and extent of the conflict of interest warrants the director's exclusion from either or both of the discussion and vote. If the member does not make full disclosure, they thereafter must leave the meeting during any discussion or vote on the matter.

"Direct or indirect conflict of interest," for purposes of transactional disclosure, means any situation in which an individual has or may be construed to have a direct or indirect personal or financial relationship in any business affairs of the corporation, whether related to a proposed contract or transaction to which the corporation may be a party or may be considering or simply conceptual because of a similarity of business interests or affairs.

For purposes of transactional disclosure, a financial relationship includes any of the following relationships:

a. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a trustee, director, officer, key employee, or greater-than-35% owner.
b. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of **$10,000** in the aggregate during the organization's tax year. (Indirect transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner).
c. The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity.

Examples of direct or indirect conflict of interests which require transactional disclosure include but are not limited to the following scenarios:

- The director, a member of their household, or close business or personal acquaintance is personally involved in an existing or contemplated transaction, or has an employment or other financial relationship with an organization or person with which the corporation is currently or anticipating dealing.
- The director, a member of their household, or a close business or personal acquaintance is personally involved in or has an employment or other financial relationship with any organization or person that may be interested in confidential information about the corporation or its activities or operations.

Fundamental Conflicts of Interest:

There are conflicts of interest that cannot be avoided that preclude board service and do not require board determination. Excluding the ex officio member from the Oregon Public Utility Commission and the Oregon Department of Energy special advisor, these conflicts include and are not limited to being an employee of one of Energy Trust's funding utilities, or a representative of a policy making body that oversees the setting and implementation of policies that ultimately fund Energy Trust.

Compliance and Attestation:

Members of the board of directors will automatically be deemed to have agreed to comply with this policy by accepting appointment to the board of directors.

This policy is to be implemented in tandem with the Policy on Principles of Conflict of Interest 5.02.001-P).

5.02.001-P Policy on Principles of Conflict of Interest

History			
Source	**Date**	**Action/Notes**	**Next Review Date**
Board Decision	July 15, 2020	Approved (R913)	3-yr cycle

Members of the board of directors shall at all times be mindful of their responsibilities to Energy Trust and conduct their affairs fairly, honestly, and avoid personal financial activities that might compromise or reasonably create the appearance of compromising Energy Trust.

A conflict of interest occurs when a director's personal or financial interests interfere with, or appear to interfere with, their duties and responsibilities to Energy Trust. Conflicts of interest can violate a director's fiduciary and oversight responsibilities to the entity, and directors are expected to avoid conflicts of interest at all times. In essence, directors must not use their positions of authority at Energy Trust, nor its assets or influence for personal advantage or the advantage of others. In all business activities, directors should always strive to act in the best interests of Energy Trust.

The fact that directors may be a ratepayer of Portland General Electric, Pacific Power, NW Natural, Cascade Natural Gas, or Avista does not constitute a conflict of interest under this policy. Nor do directors need to disclose that they or their household participate in Energy Trust programs as long as the participation occurs on the same basis as other ratepayers.

Full, open, disclosure is necessary and must be done in accordance with the Conflict of Interest Reporting and Disclosure Policy (5.02.000-P).

Further, the board directs the Executive Director to ensure all staff members' decisions and activities are guided by similar conflict of interest principles and to publish those principles in the Employee Handbook. Such staff principles are to be made available to any director upon their request.

Compliance and Attestation:

Members of the board of directors will automatically be deemed to have agreed to comply with this policy by accepting appointment to the board of directors.

This policy is to be implemented in tandem with the Conflict of Interest Reporting and Disclosure Policy (5.02.000-P).

Resolution R914 to approve Uses Reserves Policy 5.05.010-P

Henry Lorenzen presented a proposal to update a reserve policy to reflect a net asset policy. Policy focuses on efficiency and renewable reserves and establishes mechanism for how they would be tapped and replenished. Staff confirmed a small language change on item five. Staff said this was a significant rework since the old policy was only about operational contingency and emergency contingency reserves. This policy has a much more extensive purview. The policy captures methodology used by staff in the past.

Mark Kendall asked if this is an appropriate and helpful next path. Pati Presnail said yes, and the role of Finance Committee and guiding staff on reserve levels is helpful. The length is longer, but confusing language was removed to increase clarity.

Resolution 914

Using Reserves Policy 5.05.010-P

July 15, 2020

Recommendation

Authorize the revisions to the Using Reserves Policy by revising the policy to a Maintaining, Establishing and Using Net Assets Policy as described and shown below.

RESOLUTION 914
REVISING THE USING RESERVES POLICY INTO THE MAINTAINING, ESTABLISHING AND USING NET ASSETS POLICY

WHEREAS:

11. **The Using Reserves Policy was reviewed by the Policy Committee of Energy Trust's board of directors beginning in September 2019 in accordance with its regular three-year review cycle.**
12. **At that time, staff presented a small number of correction and editorial changes to the policy.**
13. **Committee members asked a number of questions regarding the utility of the Using Reserves Policy and the way in which reserve levels are set by the organization. The committee asked staff to consider further revisions to the policy by providing more information about these issues, including the work and focus of the Finance Committee with regard to the policy.**
14. **In response to committee questions, staff engaged in a comprehensive policy review and revision process to provide more specificity on the types of reserves, or net assets established and maintained by Energy Trust. The policy was also revised to include a procedures document which describes the processes undertaken by staff and net asset review points for the board committees and the full board, including through the board's approval of Energy Trust's annual budget and action plans.**
15. **Staff presented the revised policy, renamed the Maintaining, Establishing and Using Net Assets Policy, to the Finance Committee for review and discussion in March 2020. At the conclusion of the Finance Committee's review and discussion, the committee recommended referring the revised policy to the Policy Committee.**
16. **Staff presented revised proposed revisions to the Policy Committee, informed by input of the Finance Committee members, at the June 19, 2020 Policy Committee meeting.**
17. **The committee discussed the proposed revised policy, focusing primarily on the role of the committees and the full board on oversight of the net assets and the budget.**
18. **Based on that discussion and review, Energy Trust's board Policy Committee recommends approval of the revised policy as set forth below.**

It is therefore RESOLVED that the Energy Trust Using Reserves Policy is revised into the Maintaining, Establishing and Using Net Assets Policy as shown below.

Moved by: Alan Meyer Seconded by: Mark Kendall

Vote: In favor: 11 Abstained: 0

Opposed: 0

5.05.010-P Maintaining, Establishing and Using Net Assets Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	May 23, 2012	R633	May 2015
Board Decision	September 25, 2013	R677	Sept 2016
Policy Committee	September 8, 2016	R800	Sept 2019
Board Decision	July 15, 2020	R914	3-yr cycle

POLICY ON MAINTAINING, ESTABLISHING AND USING NET ASSETS

1. **Energy Trust shall maintain four categories of net assets: Efficiency Program Reserves by Utility, Renewable Program Reserves by Utility, Other Funding Sources, and Contingency Reserves.**
2. **The amount of Efficiency Program Reserve Targets by Utility shall be established in annual funding negotiations with utilities. Board action shall be required only if staff proposes to use more than 50% of any individual utility efficiency program reserve, provided such usage is clearly identified in the quarterly report to the board and the OPUC.**
3. **The Renewable Program Reserves by Utility can vary based on utility collections at any given time. Renewables programs are funded through SB1149 as a percent of electric utility collections. The amount of revenue is locked at that percent. There is no reserve target or negotiated revenues for the Renewable Program Reserves, but they are monitored to ensure funds are available to make commitments for long-lived projects.**
4. **The reserve target for Other Funding Sources, other than the Business Development fund pool, shall be established in the annual budget process, pursuant to a risk assessment by staff and reviewed by the Finance Committee.**
5. **The Contingency Reserves shall be divided into two pools: the Emergency Contingency Reserve and the Operational Contingency Reserve. The reserve target of the Emergency Contingency Reserve is established by this policy at $5,000,000. The reserve target of the Organizational Contingency Reserve is established at $3,000,000.**
    a. **Staff is authorized to use the Emergency Contingency Reserve in emergency or other catastrophic situation to maintain or restore operations, provided that staff shall inform the board after such use and clearly identify it in the quarterly report to the board and the OPUC.**
    b. **Staff is authorized to use the Operational Contingency Reserve to address other organizational needs that might arise as a result of revenue shortfalls derived from weather, opportunities or initiatives that can reasonably be expected to maximize the effectiveness and reach of Energy Trust's public purpose charge revenue, renewable energy projects for which other funds are insufficient or unavailable, or support for energy efficiency projects in**

the event Efficiency Program Reserves by Utility are otherwise insufficient or unavailable, provided that, in all cases, staff shall obtain prior board authorization or, if prior board action is not practicable, with executive director authorization and board ratification at the board meeting immediately following the use of the Operational Contingency Reserve. In addition, staff shall identify such use in the monthly financial statements to the board and the OPUC.

- **i. Should the Operational Contingency Reserve be drawn down below the reserve target established above in this policy, it shall be replenished as follows and in the order below:**
  - **First, through repayment of any amount drawn down by a funding utility in the event Efficiency Program Reserves by Utility or renewable program budgets are otherwise insufficient or unavailable.**
  - **2. Next, with investment income earned on the Emergency Contingency Reserve and the Operational Contingency Reserve.**
  - **3. Then, with up to 25% of the total investment income earned on the Efficiency Program Reserves by Utility and the Renewable Program Reserves by Utility.**
- **ii. In the event the replenishment amounts identified above are not adequate to restore the Operational Contingency Reserve to the target reserve established above in this policy, staff shall report the deficit amount to the Finance Committee at the Finance Committee's next regularly scheduled meeting and provide risk assessment and a proposal for alternatives to full replenishment.**

6. **Energy Trust staff will maintain a Net Assets Procedures document to provide detail on the establishment, maintenance and use of Energy Trust's net asset categories.**
7. **The Finance Committee shall undertake a review of this policy not less than every three years to determine, among other things, whether the reserve targets established for the Contingency Reserves are appropriate.**

EnergyTrust of Oregon

Net Assets Procedures

Energy Trust is responsible for nearly $200 million of revenue and expenditure each year. If revenue exceeds expenditure, the accumulated unspent funds are accounted for as net assets, also called reserves, in the name of each funding source.

The board of directors is responsible for the policy governing the use of net assets called *Maintaining, Establishing and Using Net Assets Policy (Net Assets Policy)*. The policy was up for its three-year review in 2019 and when it was brought before the Policy Committee, the committee asked staff a series of questions:

1. How were the emergency and operational contingency reserve amounts established originally?
2. How often are the emergency and operational contingency reserve amounts reviewed by the board?
3. What is the relationship between the budget and the reserve amounts?
4. What are the risk and variability factors considered when establishing reserve levels?
5. The current policy states the Finance Committee will review the emergency reserve level and advise changes. When did the committee last perform this review?
6. Is there a broader role for the finance committee in establishing reserve levels in connection with the budget each year?

The committee also had questions about the source of the reserve funds. The following information is a resource to explain the status quo, as the first step in referring the policy to the finance committee for input on policy changes and implementation.

At-a-Glance

1. Efficiency Program Reserves by Utility
2. Renewables Program Reserves by Utility
3. Other Funding Sources
    a. Community Solar program reserve
    b. Business Development fund pool
4. Contingency Reserves
    a. Emergency Contingency Reserve
    b. Operational Contingency Reserve

Definitions and Considerations

1. Efficiency Program Reserves by Utility

Each reserve balance represents any carryover and investment income from the previous year plus any accumulated, unspent revenue from the current year.

- Each utility has its own Efficiency Program Reserve. These funds may be used for incentives, delivery, and a share of organization costs on behalf of that utility's ratepayers.
- A minimum reserve target is negotiated with each utility during the budget process taking into account the following factors:
  - net assets carried over from the previous year
  - the amount of revenue needed to cover budgeted expenditures
  - o the potential for variation from the budgeted revenue or expenditure
  - timing of rate filings to avoid too-frequent filings
- The *Net Assets Policy* authorizes staff to spend down Efficiency Program Reserves by up to 50% without prior board approval and beyond 50% with prior board approval.
- If efficiency expenditures for any particular utility exhaust the Efficiency Program Reserve, the Operational Contingency Reserve is available to cover any shortfall.
- The Efficiency Program Reserves by Utility earns a proportionate share of available investment income from all net assets.

2. Renewable Program Reserves by Utility

Each reserve balance represents any carryover and investment income from the previous year plus any accumulated, unspent revenue from the current year.

- Only the two electric utilities have their own Renewable Program Reserves.
- Renewables programs are funded through SB 1149 as a percent of electric utility collections. The amount of revenue is locked at that percent, but variation in utility collections can impact the exact amount of Renewable Program Reserves at any given time.
- There is no reserve target or negotiated revenues for the Renewable Program Reserves, but they are monitored to ensure funds are available to make commitments for long-lived projects.
- If renewable program expenditures exceed available funds, the Operational Contingency Reserve is available to cover any shortfall.
- The Renewable Program Reserves by Utility earns a proportionate share of available investment income from all net assets.

3. Other Funding Sources

These are non-traditional sources of funding for Energy Trust where traditional sources are considered to be SB 1149 electric funds for energy efficiency and renewable energy, SB 838 supplemental electric funding, gas funding from separate gas utility contracts, and funding from the NWN contract to cover customers in Southwest Washington.

- **Community Solar program reserve** – This program reserve is established to cover any risk associated with managing the Community Solar program. The Community Solar program exists under a time and materials agreement with rates established in a competitive market. The Community Solar program reserve target is established by the Finance Committee and reviewed every three years. The Community Solar program reserve accumulates through earnings from the Community Solar program and from a proportionate share of investment income from all net assets. Any Community Solar program earnings and any investment income earned on the Community Solar program reserve in excess of the reserve target is transferred into the Business Development Fund pool.

- **Business Development fund pool** – This pool of funds is reserved to pursue Other Funding Sources or to capitalize programs that don't use traditional funding sources. The Business Development fund pool comes from a variety of funding sources which are independent from traditional funding sources. In the past, these funds were used to support staff costs in the development of the Community Solar RFP bid. The Business Development fund pool earns a proportionate share of investment income from all net assets. The Business Development fund pool also receives program and investment income earnings from the Community Solar program once the reserve target has been met for the Community Solar program reserve. Any Other Funding Sources that might be added in the future would contribute both program and interest earnings to the Business Development fund pool in a way similar to the Community Solar program.

4. **Contingency Reserves** – These are net assets that are maintained at specified reserve targets to be used in special circumstances.

   • **Emergency Contingency Reserve** - The purpose of this reserve is to ensure funds are available in the event of an emergency, such as a natural catastrophe or some other major business interruption.

   o The Emergency Contingency Reserve has a reserve target of $5 million. The reserve target is assessed by the Finance Committee every three years and can be adjusted by a decision of the Board. o The Emergency Contingency Reserve was established by the board of directors in 2013 (R677). Funds were derived from investment income accumulated between 2002 and 2013. o Management may access the Emergency Contingency Reserve without prior board approval. As soon as practical, management must notify the board. The board Secretary must record the action in the board minutes of the next meeting. o Energy Trust also maintains casualty and business interruption insurance to recover damages and lost revenue. o The proportionate share of available investment income from all net assets attributed to the Emergency Contingency Reserve accrues to the Operational Contingency Reserve.

   • **Operational Contingency Reserve** - The purpose of this reserve is to address other organizational needs that might arise as a result of revenue shortfalls derived from weather, opportunities or initiatives that can reasonably be expected to maximize the effectiveness and reach of Energy Trust's public purpose charge revenue, renewable energy projects for which other funds are insufficient or unavailable, or support for energy efficiency projects in the event Efficiency Program Reserves by Utility are otherwise insufficient or unavailable o The Operational Contingency Reserve has a reserve target of $3 million. o The Operational Contingency Reserve was established by the board of directors in 2013 (R677). Funds were derived from investment income accumulated between 2002 and 2013. o The current policy allows use of the Operational Contingency Reserve with prior board approval. o The Operational Contingency Reserve has been used in the past to replace funding shortfalls in Efficiency Program Reserves by Utility. o The Operational Contingency Reserve has been used as capital to support loans by Craft3 to low- and moderate-income participants ($800,000) and for manufactured home replacements ($1M). o The Operational Contingency Reserve earns a proportionate share of available investment income from all net assets.

Questions often asked about net assets /reserves

Why do net assets increase or decrease? If revenue flows in faster than expenditures flow out, net assets increase. Likewise, if revenues flow in slower than expenditures flow out, net assets will decrease. These increases and decreases may be seasonal.

What happens to net assets at the end of each year? Net assets carry forward from the end of one year to the beginning of the next.

How do net assets affect the budget? Net assets for each funding source are considered when budgeting revenue and expense for the subsequent year. In the case of Efficiency Program Reserves by Utility, if net assets are higher than reserve target, the revenue can be reduced in a downward rate filing by the utility. In the case of Renewable Program Reserves by Utility, the increase in available funding can be committed to additional projects.

Do net assets sit idle, or do they earn income? Net assets earn a modest return from safe, short-term investments. Investment examples are certificates of deposit, bonds, and highly rated commercial paper. The average return is usually one to two percent.

What happens to the investment income earned from net assets? Investment income accumulates in the Operational Contingency Reserve until a decision is made to use the income or until the end of the year when investment income is allocated to the various categories of net assets as described above. The entire Operational Contingency Reserve was created from the accumulation of investment income over the years Energy Trust has been operating. From 2002-2017, investment returns accumulated to nearly $11 million. At the end of 2018 Energy Trust rebalanced the Operational Contingency Reserve, crediting each category of net assets for a proportionate share of the amount above the $8 million target balance. Thereafter each year, Energy Trust will redistribute the annual investment income to help offset utility rate increases or to increase funds available to programs and other activities.

Are net asset accounts segregated? The Energy Trust accounting system tracks all revenue, expenditure and net assets by funding source in its general ledger. The information is reported monthly. Funds are combined in bank and investment accounts to maximize earnings power.

Is there a formula for deciding the right level for net assets? What level is too low, and what level is too high? One method used by non-profits is 'months available net assets' which compares expendable net assets to average future monthly expenditure. This method works well for organizations with fixed costs and uncertain revenue flow. The recommended level is between six- and twelve-months' expenditure. The target level should be higher if revenue is unpredictable; lower if revenue is more predictable. With annual expenditure of $200 million, a reserve of six months would be $100 million. Another consideration besides revenue predictability is timing. Energy Trust spends 30-35% of the incentive budget in the last month of the year. Total net assets at the end of November – just prior to peak spending were $91 million, reasonably close to the six-month level.

Net Assets / Reserves at the end of 2019

Reserves : with investment income re-attributed

	12/31/19	12/31/18	2019	
	Final with interest	Beginning of year	Interest	Final before interest
PGE	17,012,206	22,328,018	512,718	16,499,488
PacifiCorp	11,192,322	9,319,633	267,330	10,924,992
NW Natural	3,702,233	3,591,597	95,060	3,607,173
Cascade	1,134,251	373,597	19,652	1,114,599
Avista	243,670	(45,817)	2,579	241,091
NWN Industrial	984,266	772,993	22,902	961,364
NWN Washington	417,195	501,071	11,968	405,227
PGE Renewables	12,524,047	9,510,800	287,178	12,236,869
PAC Renewables	6,570,936	6,490,682	170,231	6,400,705
Program Reserves	53,781,125	52,842,574	1,389,617	52,391,508
Other Reserves	19,220	24,897	575	18,645
Community Solar Reserves	109,103	-	1,422	107,681
Program Loans	1,800,000	1,800,000		1,800,000
Emergency Reserve	5,000,000	5,000,000	132,050	5,000,000
Contingency Available	3,352,206	3,137,301	82,855	3,137,301
Total	64,061,642	62,804,754	1,606,520	62,455,123

Conservation Advisory Council (Hannah Cruz)

The most recent Conservation Advisory Council meeting featured an open discussion of racial equity and justice. Staff shared the board's statement on its commitment to racial justice and improving service to Black Americans, then council members had the opportunity to share their reactions and impressions. Overall, while this was a challenging conversation, council members were appreciative, generally supportive of the statement and committed to continuing the conversation going forward while looking to the board for leadership in this space. The council also recently reviewed draft 2021 organizational goals and their areas of emphasis and heard other updates from ongoing programs and initiatives.

Renewable Energy Advisory Council (Betsy Kauffman)

The Renewable Energy Advisory Council held a similar discussion on racial equity to the one that occurred at the Conservation Advisory Council that resulted in good, open discussion among council members. The council emphasized the importance of continuing to keep equity issues front and center in future discussions. The council also reviewed the organizational goal for 2021 and identified areas it would like to receive updates on and provide input on. It also heard about a small hydroelectric project in Hillsboro.

Board members who attend this council commented the attendance has increased since meetings moved online and discussions have been lively with high participation. The board expressed interest in accessing council recommendations arising from these diversity discussions, and staff offered to provide a recap of these discussion in addition to the public meeting notes.

The board discussed a concern that diversity efforts will begin to prioritize people of color, leaving behind the low-income and rural populations who also have difficulty accessing energy-efficiency services. Board members shared perspectives on this concern, noting racial and ethnic minorities have faced barriers to progress for generations and there is a need to put more effort into reaching these communities that have been left behind. White board members and staff are unable to understand issues faced by communities of color; challenges faced by communities of color compound in a system that does not allow them to grow consistently. While Energy Trust programs aren't designed to leave anyone out, there is often a greater price of entry for participants of color; people of color have to work harder to achieve the same results as white counterparts. Board members of color used personal examples to illustrate these points. Board members stressed a big part of the issue is the need to increase awareness of programs in some communities so they can participate.

White board members expressed appreciation for the shared perspectives and acknowledged the importance of open discussions like this one, as well as ongoing engagement from staff on diversity efforts.

Strategic Planning Committee (Mark Kendall)

In August, the committee will be finalizing an engagement plan and schedule to get broader input on strategic plan metrics, particularly on a diversity metric for the board. The committee aims to finalize metrics in the dashboard this year. It will work with advisory councils over the summer to get their input, and the full board will reflect on stakeholder feedback in October and adopt the metrics by the end of 2020.

The board took a break for lunch at 12:57 p.m. and returned at 1:39 p.m.

2019 Annual Results Presentation (Michael Colgrove)

Michael Colgrove presented an overview of the final 2019 annual results, which were previewed at the last meeting. The results were presented to the Oregon Public Utility Commission on June 2 as part of Energy Trust's annual reporting requirement. Michael Colgrove announced the 2019 public annual report is now available as well.

Michael Colgrove reviewed electric and gas savings results, both of which met the requirement of being within 5 percentage points of goal. Results on the gas side reflect a turnaround from mid-2019, which were initially predicted to fall short. Staff efforts to boost gas savings through bonuses and promotions proved effective. The renewables program had a strong year, exceeding goal in both territories. Levelized costs came within acceptable range for the requirement.

The board asked about a trend Michael Colgrove mentioned of solar systems increasing in efficiency and decreasing in cost and if it had led to customers installing larger systems or adding storage to their systems. In general, staff noticed more customers adding storage but does not know enough about their motivation for doing that to make a connection. Staff has observed a trend of increased interest in storage.

The board discussed the opportunities offered by battery storage to shift energy demand and create additional value for the system. One challenge now is battery companies and other stakeholders have not found a consistent way to calculate the value. Portland General Electric's work is expected to move these efforts forward.

Melissa Cribbins rejoined the call at 2:33 p.m.

Michael Colgrove reviewed 2019 expenditures and revenue, which showed incentive spending come in below budget, partially due to project delays. He highlighted total sites served across the state, which increased by more than 10,000 sites over 2018. He shared other highlights related to increased customer participation, strategic and diversity plan successes, internal efficiencies and the organization's cumulative impact.

Michael Colgrove reviewed Energy Trust's performance against Oregon Public Utility Commission's yearly performance measures. The board asked if there was any change to employee benefits to meet the staffing metric. Staff clarified there were slight adjustments to health care benefits that took effect in 2019, however by working extensively with the healthcare broker, Energy Trust was still able to offer a competitive package. The board requested more information on this in a future meeting to ensure the organization does not reduce staffing costs by placing additional costs on staff.

The board and Michael Colgrove acknowledged the staff effort that contributed to the 2019 results.

Business Planning Results (Michael Colgrove)

Michael Colgrove reviewed the foundation of 2021 business planning. He gave an overview of what the process entails, its main objectives, its purpose in the organization and how it flows from the strategic plan and organizational goals. Business planning helps balance new and innovative work with core work to run the business. The process takes place from April to July and sets the basis for the annual budget process.

The board noted its appreciation for the close look at how to incorporate innovation into core work and empowering that type of work to remain a priority for the organization.

Adjourn

The meeting adjourned at 3:35 p.m.

The next Special Board meeting of the Energy Trust Board of Directors will be held Thursday August 13, 2020 and will be held virtually on Zoom.

DocuSigned by:

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Signed: Mark Kendall, Secretary

10/29/2020

Date