

Board Meeting Minutes—130th Meeting

July 30, 2014

Board members present: Rick Applegate, Susan Brodahl, Ken Canon, Melissa Cribbins, Dan Enloe, Roger Hamilton, Mark Kendall (by phone until 1:30), Debbie Kitchin, Alan Meyer, John Reynolds, Dave Slavensky

Board members absent: Anne Root, Warren Cook (ODOE *ex officio*), John Savage (OPUC *ex officio*)

Staff attending: Margie Harris, Ana Morel, Hannah Hacker, Debbie Menashe, Amber Cole, Steve Lacey, Julianne Thacher, Peter West, Courtney Wilton, Fred Gordon, Elaine Prause, Betsy Kauffman, Taylor Bixby, Diane Ferington, Marshall Johnson, Spencer Moersfelder, Jay Ward

Others attending: Juliet Johnson (OPUC), Jim Abrahamson (Cascade Natural Gas), John Charles (Cascade Policy Institute), Samantha Taylor (Conservation Services Group), Bob Stull (PECI), Jeff Schwartz (ICF), Janice Boman (Ecova), Karen Horkitz (Northwest Energy Efficiency Alliance), Julia Harper (NEEA), Donato Capobianco (Ecova)

Business Meeting

President Debbie Kitchin called the meeting to order at 12:19 p.m.

General Public Comments

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) May 14, 2014 board meeting minutes
- 2) June 13-14, 2014 board strategic planning workshop minutes
- 3) Executive Director Compensation—R706
- 4) Participant Information Policy revision—R707
- 5) Castle Oak Investments Corporate Signing Authorization—R708

Moved by: John Reynolds

Seconded by: Rick Applegate

Vote: In favor: 11

Abstained: 0

Opposed: 0

RESOLUTION 706 EXECUTIVE DIRECTOR PERFORMANCE REVIEW

WHEREAS:

1. **Energy Trust's Executive Director Review Committee completed its evaluation of Margie Harris' performance in 2013.**
2. **The Committee evaluated Margie's performance as outstanding.**
3. **The Executive Director Review Committee also considered the following in proposing a salary increase resulting from the review:**

Documented market salary survey information for comparable Executive Director positions

Energy Trust's existing salary structure

It is therefore RESOLVED:

The Board of Directors authorizes an executive director salary merit award and market adjustment, increasing Margie Harris' salary by (i) 4.5% for merit and (ii) 4.0% for market adjustment effective February 1, 2014.

**RESOLUTION 707
AMENDING THE POLICY ON INFORMATION SUBMITTED
BY UTILITIES, PROGRAM PARTICIPANTS, AND BIDDERS**

WHEREAS:

- 1. Energy Trust and its contractors acquire information from utilities, program participants and others. Since 2004, Energy Trust has maintained the Policy on Information Submitted by Utilities, Program Participants, and Bidders, a policy on the use, disclosure, and confidentiality of information (the "Policy").;**
- 2. With regard to the treatment of Energy Trust contracts, the Policy provides that, "except for contracts that concern personnel matters," contracts will not be treated as confidential. Current language provides, though, that for purposes of the Policy, "contract" does not mean "program application materials;"**
- 3. Energy Trust provides incentives through its energy programs through program application materials such as standardized forms and through incentive project funding agreements. Incentive project funding agreements are negotiated agreements, not standardized forms, but they are fundamentally the same in authorizing payments of Energy Trust incentive funding;**
- 4. In the interest of applying the Policy consistently to materials that are fundamentally the same, Energy Trust staff recommends that the Policy be amended to exclude "incentive project funding agreements" in addition to "program application materials" from the definition of contracts for purposes of the Policy; and**
- 5. The Policy Committee supports the suggested amendment and recommends approval through the board's consent agenda.**

It is therefore RESOLVED that the Board of Directors hereby approves amendment of the Policy on Information Submitted by Utilities, Program Participants, Contractors and Bidders as shown in Attachment 1.

**RESOLUTION 708
AUTHORIZING APPROVED CASTLEOAK SECURITIES, L.P. ACCOUNT SIGNERS**

WHEREAS:

- 1. Energy Trust seeks to open one or more investment accounts with or through CastleOak Securities, L.P. and/or their now or hereafter existing affiliated entities (collectively CastleOak Securities, L.P.) to facilitate and hold funds for the**

purchase of short term investments consistent with Energy Trust's investment policy.

- 2. Section 7.3 of the Energy Trust bylaws requires that the board of directors authorize officers or agents to sign all checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of Energy Trust by way of resolution from time to time ("authorized signers").**

It is therefore RESOLVED that,

- 1. Energy Trust is hereby authorized and directed to establish and maintain one or more accounts, not including margin accounts, (each, an "Account"), and to engage in any of the transactions hereinafter described, in each case, with or through CastleOak Securities, L.P., through an Account or otherwise, with CastleOak Securities, L.P. acting as principal or agent in such transactions;**
- 2. Energy Trust is hereby authorized and empowered to purchase, hold, finance, pledge, exercise, convert, tender, redeem, exchange, transfer, assign, sell, enter into, write, issue, terminate, amend and otherwise deal and trade, singly or in combination, in the following: any and all forms of securities, evidences of interest, participation, or indebtedness, instruments of any issuer (whether publicly registered or exempt from registration) transactions and investments, including, but not limited to common or preferred stock, scrip, warrants and rights; bills, notes, bonds or debentures of any coupon, (including "zero coupon" or maturity; certificates of deposit, bank notes or deposit notes; commercial paper, money market instruments; listed and/or over-the-counter options, commodities, commodity futures, options on futures (including single stock futures contracts and other securities futures products), transactions in foreign currencies; limited partnership interests and other interests in hedge funds, buyout funds, real estate investment trusts, venture capital funds, private equity funds and private equity investment vehicles; whole mortgage loans, any and all interests and participations in mortgage loans, mortgage-backed and asset backed securities; any kind of derivative investment, and any instrument or interest generally regarded as an investment or hedge, secured or unsecured, or any transaction, that is similar to any of those described above (including an option with respect to any of them) (each of the foregoing, an "Activity"), provided, however, any Activity authorized hereunder must comply with the Energy Trust investment policy;**
- 3. Subject to all requirements of the Energy Trust investment policy, each of the directors, officers, employees and agents of Energy Trust below (each, an "Authorized Person") is hereby individually authorized for and on behalf of the Energy Trust by oral, written, electronic or other means to: (1) give to and receive from CastleOak Securities, L.P. oral, written or electronic instructions, confirmations, notices or demands with respect to any Account, Activity or transaction; (2) bind Energy Trust to enter into and perform any transaction or agreement, amendment or modification thereof, relating to any Account, Activity or transaction involving the Energy Trust; (3) pay in cash or by check or by credit or debit card or draft drawn upon the funds of Energy Trust any sums required to be paid in connection with any Account, Activity or transaction; (4) order the transfer of record of any securities, funds or other property to any name and to accept delivery of any securities, funds or other property; (5) direct the sale or exercise of any rights with respect to any securities or other property; (6) agree to any terms or conditions or execute or otherwise assent to any document or agreement affecting any Account, Activity or transaction; (7) endorse any**

securities or other property in order to pass title thereto (or any interest therein); (8) direct CastleOak Securities, L.P. to surrender any securities or other property for the purpose of effecting any exchange or conversion thereof; (9) appoint any other person or persons to do any and all things which such director, officer, employee or agent of Energy Trust is hereby empowered to do; and (10) generally, take all such action as such director, officer, employee or agent of Energy Trust may deem necessary or desirable to implement or facilitate the trading activities described herein;

4. The following officers or agents of Energy Trust are authorized signers for accounts established and maintained on behalf of Energy Trust with CastleOak Securities, L.P. (the "Authorized Persons"):
 - a. Margie Harris, Executive Director
 - b. Courtney Wilton, Chief Financial Officer
 - c. Peter West, Director of Programs
 - d. Steve Lacey, Director of Operations
 - e. Debbie Goldberg Menashe, General Counsel;
5. The Executive Director is authorized to execute all required documentation to implement this resolution.

President's Report

President Debbie Kitchin introduced Roger Hamilton, who made a presentation about the impacts of climate change in Oregon.

Roger presented research on the impacts of climate change, such as record-high global temperatures in May and June 2014 and a 40 percent decrease in arctic sea ice extent since 1979. Carbon dioxide in the atmosphere correlates strongly with temperature, and carbon dioxide levels are now exceeding 400 parts per million.

Impacts of carbon emissions have been understated. If people continue business as usual, carbon emissions are expected to be five times higher by 2100 than they were before the industrial revolution. Temperatures will increase enough to impact the habitability of much of the U.S, possibly influencing residents of Southern states to migrate to the Pacific Northwest. The Pacific Northwest will become even dryer due to global warming, increasing vulnerability to forest fires. Runoff from snow will continue to decrease, impacting hydropower generation, irrigation and fish habitat. The sea level may rise two feet on the Oregon coast by the end of the 21st century. Roger also summarized the public health impacts of climate change, including increased incidence of West Nile virus, extreme heat, hurricanes, air stagnation, respiratory illness and increased pollen counts impacting allergies.

Debbie reiterated the benefits of Energy Trust's work on climate change.

Energy Programs

ICF contract extension, Spencer Moersfelder

Spencer Moersfelder, manager of the Existing Buildings program, presented staff's recommendation to extend the Existing Buildings program management contract with ICF Resources LLC, for one year, through December 31, 2015.

In 2013, ICF achieved savings of more than 81.5 million kilowatt hours and 1.3 million therms, and exceeded expectations in the five criteria required for contract extension.

The board suggested staff consider two-year contract extensions to minimize frequency and administrative burden of contract renewals. Peter West, director of energy programs, responded that

Energy Trust staggers competitive selection processes for the six Program Management Contractor contracts greater than \$500,000. As a management tool, one-year extensions provide staff opportunities to intervene quickly. Annual renewal of contracts does not add substantial work for staff. The board previously provided direction that frequent examination of contract extensions is desired.

Board members requested the percentage of contracts that are not renewed as well as an annual list of all Program Management Contractor and Program Delivery Contractor contracts with timing. Staff will provide.

Margie provided background on Energy Trust's approach to contracts and noted that the schedule can be revisited upon board request.

The board supported the contract extension.

CLEAResult contract extension, Marshall Johnson

Marshall Johnson, Existing Homes program manager, presented staff's recommendation to extend the Existing Homes contract with CLEAResult Consulting, Inc. (formerly Fluid Market Strategies LLC) for one year, through December 31, 2015. This would be the first one-year extension out of a possible three.

Marshall explained that CLEAResult exhibited strong performance in five areas of criteria required for contract extension. He noted that the transition from the previous contractor to CLEAResult was challenging, resulting in lower savings than expected in 2013. The program subsequently worked with CLEAResult to make corrections and improvements, including creating a Savings Action Plan for 2014 and making significant progress toward achieving goals.

The board asked for detail about the program's decision to transition away from Energy Saver Kits. Marshall responded that equipment and weatherization measures have grown (with the exception of some weatherization measures due to cost-effectiveness challenges), but not enough to compensate for the decline in volume of Energy Saver Kits planned for 2013. Energy Saver Kits include a customized combination of general purpose and specialty CFLs, showerheads and faucet aerators. Energy Saver Kits are a customer engagement tool in addition to generating savings.

The board asked about including LEDs in kits. Marshall responded that kits currently contain only CFLs. Beginning this fall, two LED bulbs will be distributed to 6th grade students who receive Living Wise Kits and will be a channel for educating customers about LEDs. LEDs are still too costly to include in Energy Saver Kits at this time. The board noted that customers prefer LEDs and may be willing to pay more for them.

The board asked if improvements occurred since the recent unfavorable Existing Homes Process Evaluation. Marshall confirmed that significant improvement has occurred, and noted that report recommendations had already been implemented prior to publishing the report.

The board supported the contract extension.

Authorize New Homes Program Contract with Portland Energy Conservation, Inc.—R712, Diane Ferington, Taylor Bixby and Matt Braman

Diane Ferington, residential sector lead, Taylor Bixby, residential project manager, and Matt Braman, New Homes and Products program manager, presented staff's recommendation to approve a two-year contract with PECEI for program management services for New Homes, with three optional one-year extensions.

A request for proposals was released in March of this year for a Program Management Contractor (PMC) to implement the New Homes program, Products program or both programs. Energy Trust received five

intents to respond for the Products program and three intents to respond for the New Homes program. The team received one proposal for the New Homes program from PECl, with Earth Advantage as a subcontractor. A review committee included Energy Trust staff and an external reviewer from the Northwest Energy Efficiency Alliance (NEEA).

As the current implementer of the New Homes and Products program, PECl has consistently met goals and demonstrated strong market engagement. A two-year contract with PECl will require no transition period, as PECl is already implementing the new homes program.

The board asked about how Energy Trust calculates levelized costs. Staff responded that levelized costs are calculated based on the average measure life of specific pieces of equipment.

**RESOLUTION 712
AUTHORIZING A PROGRAM MANAGEMENT CONTRACT
FOR THE NEW HOMES PROGRAM**

WHEREAS:

1. **With assistance from a selection committee including an outside party, staff has conducted a fair and open procurement process to select a program management contractor to manage New Homes program services for Oregon for the next 2-5 years;**
2. **Portland Energy Conservation, Inc. (PECl) was selected and contract terms are being negotiated;**
3. **Staff has assumed and estimated a total first-year program management budget for 2015, including first-year incentives, contracted delivery, and possible performance compensation of approximately \$6.45 million, which includes approximately \$2.7 million in delivery, \$3.75 million in incentives for Oregon services; and**
4. **Actual savings and costs will be reviewed by the Energy Trust board as part of the annual budget and action plan process, but based on current assumptions, Energy Trust staff projects the following program savings and fully-loaded costs in 2015:**

	Electric	Gas*
Savings	2,922,000 kWh	349,000 therms
\$/Unit Savings	\$0.928/kWh	\$10.70/therm
Levelized Cost	\$0.067/kWh	\$0.647/therm

* Gas savings do not include the Market Transformation savings. If these were included the savings and levelized cost would improve significantly.

It is therefore RESOLVED:

1. **Subject to determination of a final contract amount based on the board-approved 2015 budget, the executive director or her designee is authorized to enter into a contract with PECl to manage the New Homes program for an initial term from January 1, 2015 through December 31, 2016.**
2. **First-year contract costs and savings goals included in the contracts shall be consistent with the board-approved 2015 budget and two-year action plan. Thereafter, the contract(s) may be amended consistent with the board's annual budget and action plan decisions and the executive director or her designee is authorized to sign any such contract amendments.**

3. **The final contract may include a provision allowing staff to offer one-year extensions beyond the initial term if the program management contractor meets certain established performance criteria. In no event would the total term of the contract plus any extension periods exceed five years.**
4. **Before extending this contract beyond the initial term, staff will report to the board on the program management contractor's progress and staff's recommendation for any additional extension time periods. If the board does not object to extension, contract terms would remain as approved in the most recent action plans, budgets and contract at the time of extension, and the executive director or her designee is authorized to sign any such contract extensions.**

Moved by: John Reynolds

Seconded by: Roger Hamilton

Vote: In favor: 11

Abstained:

Opposed:0

***Authorize Products Program Contract with Ecova—R711,
Diane Ferington, Taylor Bixby and Matt Braman***

Diane Ferington, residential sector lead, Taylor Bixby, residential project manager, and Matt Braman, New Homes and Products program manager, presented staff's recommendation to approve a two-year contract with Ecova for program management services for the Products program, with three optional one-year extensions.

In response to the competitive selection process mentioned above, Energy Trust received three proposals to manage the Products program and interviewed all of them. A review team consisted of 11 members, including representatives from NEEA and the Bonneville Power Administration.

The review team selected Ecova, which currently operates 14 different retail programs in the U.S. Ecova has national expertise, a product testing research facility and a data-driven strategy. Ecova proposed to increase the program's outreach to underserved populations by negotiating retail lighting incentives with discount and small retailers, such as Goodwill and Dollar Tree. Ecova's proposal offered an equivalent level of savings at a lower cost than other proposals, at \$1.2 million less than the 2014 Products delivery budget.

The board asked if staff anticipate challenges due to the New Homes program and Products program being administered by different contractors. Staff responded that the New Homes program is distinct from the Products program, and the review committee anticipates efficiencies due to the specialized expertise of the two PMCs.

Board members applauded the price and the increased outreach to underserved markets.

The board asked how Ecova can achieve equivalent savings at such a low cost. Staff responded that Ecova can administer the program with fewer staff.

Donato Capobianco, senior vice president and general counsel for Ecova, explained that Ecova was recently acquired by Cofely, an international energy services company owned by a GDF SUEZ. Ecova will maintain autonomy to run its programs, and Cofely aims to expand Ecova's offerings internationally.

The board requested to see savings in aMW rather than kWh, making savings more easily comparable to budget numbers.

**RESOLUTION 711
AUTHORIZING A PROGRAM MANAGEMENT CONTRACT
FOR THE PRODUCTS PROGRAM**

WHEREAS:

1. With assistance from a selection committee including outside parties, staff has conducted a fair and open procurement process to select a program management contractor to manage the Energy Trust Products program for the next 2-5 years;
2. Ecova, Inc. was selected and contract terms are being negotiated;
3. Staff has assumed and estimated a total first-year program management budget for 2015, including first-year incentives, contracted delivery, performance compensation and program transition contingency funds of approximately \$13,090,000, which includes approximately \$3.18 million in delivery, possible performance compensation, and \$9.91 million in incentives; and
4. Actual program savings and costs will be reviewed by the Energy Trust board as part of the annual budget and action plan process, but based on current assumptions, Energy Trust staff projects the following program savings and fully-loaded costs in 2015:

	Electric	Gas
Savings	69,508,108 kWh	230,913 therms
\$/Unit Savings	\$0.185/kWh	\$1.73/therm
Levelized Cost	\$0.030/kWh	\$0.23/therm

It is therefore RESOLVED:

1. Subject to determination of a final contract amount based on the board-approved 2015 budget, the executive director or her designee is authorized to enter into a contract with Ecova, Inc. to manage the Products program for an initial term from January 1, 2015 through December 31, 2016.
2. First-year contract costs and savings goals included in the contract shall be consistent with the board-approved 2015 budget and two-year action plan. Thereafter, the contract(s) may be amended consistent with the board's annual budget and action plan decisions and the executive director or her designee is authorized to sign any such contract amendments.
3. The final contract may include a provision allowing staff to offer one-year extensions beyond the initial term if the program management contractor meets certain established performance criteria. In no event would the total term of the contract plus any extension periods exceed five years.
4. Before extending this contract beyond the initial term, staff will report to the board on the program management contractor's progress and staff's recommendation for any additional extension time periods. If the board does not object to extension, contract terms would remain as approved in the most recent action plans, budgets and contract at the time of extension, and the executive director is authorized to sign any such contract extensions.

Moved by: John Reynolds
Vote: In favor: 11
Opposed: 0

Seconded by: Alan Meyer
Abstained: 0

***Authorize Transition Services Contract with Ecova—R710,
Diane Ferington, Taylor Bixby and Matt Braman***

Diane Ferington, residential sector lead, Taylor Bixby, residential project manager, and Matt Braman, New Homes and Products program manager, presented staff's recommendation to approve a transition services contract with Ecova. This transition services contract represents a new approach to shifting to a new PMC, which is to fully integrate a new PMC in fall 2014, prior to the start of the PMC contract on January 1, 2015. The transition services contract includes hiring staff and integrating IT systems in 2014.

Diane noted that the Ecova PMC contract and transition contract combined add up to approximately \$2 million less than other PMC proposals received.

The board asked why transition costs are not included in the PMC contract. Diane responded that transition costs are in a separate contract because transition activities will occur in 2014.

The board asked if Energy Trust can support the transition with incentives instead of a fixed cost. Staff responded that Energy Trust asks potential PMCs to submit proposals for both managing programs and learning Energy Trust's systems. This allows staff to compare proposals of new and incumbent PMCs. Staff expect that expediting the transition period will allow Ecova to generate more savings in 2015. This was a lesson learned from prior PMC transitions. Past experiences indicated that transition activities should start earlier, including hiring and working through any challenges prior to the start date. This early investment enables the PMC to be fully operational on January 1, ready to capture more savings in 2015. The board agreed that investing in transition is important, and urged Energy Trust to consider strategies to minimize costs in the future.

The board requested that future PMC contract proposal board packet materials be clearly labeled by program and include mention of any additional transition budget, even if it is less than the \$500,000 threshold for board approval.

**RESOLUTION 710
AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN
A TRANSITION CONTRACT WITH ECOVA, INC.**

WHEREAS:

- 1. Following a competitive process completed in June 2014, Energy Trust chose Ecova, Inc. ("Ecova") to provide program management contractor services to deliver its Products program beginning in January 2015.**
- 2. In order to facilitate a smooth and seamless transition between the current program management contract for the Products program to Ecova, Energy Trust seeks to engage Ecova to provide specific and significant transition services, including, but not limited to, onboarding and training program delivery staff, integrating IT systems, and beginning preparations for the launch of key program elements in January 2015.**
- 3. To accomplish these services, Energy Trust proposes to enter into an agreement with Ecova through December 31, 2014, and to authorize contract funding in amounts not to exceed \$976,090.**

It is therefore RESOLVED:

That the Board of Directors of Energy Trust of Oregon, Inc., hereby authorizes the executive director or her designee to sign a contract with Ecova for transition services through December 2014 and to authorize expenditures for such services in amounts not to exceed \$976,090.

Moved by: John Reynolds

Seconded by: Dan Enloe

Vote: In favor: 10

Abstained: 0

Opposed: 0

Authorize Program Delivery Contractors for Commercial Strategic Energy Management—R709, Kathleen Belkhat

Kathleen Belkhat, project manager for commercial Strategic Energy Management (SEM), presented a proposal to approve two multiyear agreements to provide SEM program delivery services for Energy Trust's commercial sector.

Energy Trust has implemented commercial SEM activities for more than two years, following the success of industrial SEM. Commercial SEM serves two cohorts of five to ten customers each year, and each cohort goes through training for one to two years. In 2013, SEM provided 8 percent of electric savings and 10 percent of gas savings for the Existing Buildings program.

Currently, SEM is managed by Energy Trust staff. Shifting to a Program Delivery Contract (PDC) implementation model is planned to help grow the commercial SEM program and shift responsibilities from Energy Trust staff to PDCs. A PDC delivery model will also help Energy Trust increase customer recruitment, expanding service to smaller customers and reach customers outside of the Portland metro area.

Energy Trust released a request for qualifications in June, and received nine intents to respond and six responses. A review team, including an external reviewer from NEEA, selected three respondents to interview. The best candidates stood out for superior understanding of and experience delivering commercial SEM, outreach and sales expertise, and understanding commercial market barriers.

Staff recommends selecting two firms, HST&V, LLC (DBA: Strategic Energy Group) and Triple Point Energy, Inc. Energy Trust has worked with Strategic Energy Group since the inception of commercial SEM, and the Strategic Energy Group has a strong track record of performance and excellent customer service. Strategic Energy Group's application demonstrated a creative recruitment approach. Energy Trust's industrial team has worked with Triple Point Energy, Inc. since 2010. In its application, Triple Point Energy demonstrated creative delivery techniques, emphasis on the customer experience and strong understanding of the commercial market. Both firms are based in Portland.

Energy Trust is currently negotiating how to divide the market between the two contractors based on customer size and geographic location. Energy Trust plans to launch the next commercial SEM cohorts in January 2015, which requires training of new contractors in fall 2014.

The board asked why Energy Trust recommends selecting two firms instead of one. Kathleen explained that selecting two firms allows Energy Trust to simultaneously test different approaches to commercial SEM.

The board asked why staff recommends the transition occur in fall 2014, prior to the start of the 2015 contracts. Staff responded for new cohorts of commercial SEM customers to begin in January 2015 as planned, the firms need lead time to recruit customers in fall 2014. Energy Trust also wants the new contractors to learn the new commercial SEM curriculum prior to working with customers in January

2015. The board noted that part of the transition is transferring management of commercial SEM from internal staff to PDCs.

Board members asked how Energy Trust distinguishes commercial and industrial businesses. Staff responded that customer types are determined based on how buildings are used, not utility rate schedules. Some of Energy Trust's commercial customers use industrial rate schedules, such as universities and hospitals.

**RESOLUTION 709
AUTHORIZE STRATEGIC ENERGY MANAGEMENT
PROGRAM DELIVERY CONTRACTORS FOR THE COMMERCIAL SECTOR**

WHEREAS:

1. With assistance from an outside party, staff has conducted a fair and open procurement process to select two program delivery contractors to deliver the CSEM for the next 2-5 years.
2. The following firms were selected and contract terms are being negotiated:
 - a. HST&V, LLC (DBA: Strategic Energy Group)
 - b. Triple Point Energy, Inc.
3. Staff has estimated a total first-year (2015) budget for these two contracts will be approximately \$2.5 million, including possible performance compensation.
4. Based on current assumptions, staff projects the total program savings for these two contracts will be 16.3 million kWh and 440,00 therms with levelized costs that align with the 2015 board approved budget.

It is therefore RESOLVED:

1. Subject to determination of final contract amounts based on the board-approved 2015 budget, the executive director or her designee is authorized to enter into a contract with each of the following firms to deliver the Commercial Strategic Energy Management (CSEM) for an initial term from January 1, 2015, through December 31, 2016:
 - a. HST&V, LLC (DBA: Strategic Energy Group)
 - b. Triple Point Energy, Inc.
2. First-year contract costs and savings goals included in the contracts shall be consistent with the board-approved 2015 budget. Thereafter, the contracts may be amended consistent with the board's annual budget decisions.
3. The final contracts may include a provision allowing staff to offer up to three one-year extensions if the program delivery contractor meets certain established performance criteria.
4. Before extending any of these contracts beyond December 31, 2016, staff will report to the board on the program delivery contractor's progress and staff's recommendation for any additional extension time periods. If the board does not object to the extension, contract terms would remain as approved in the most recent action plans, budgets and contract at the time of extension, and the executive director or her designee is authorized to sign any such contract extensions.

Moved by: John Reynolds

Seconded by: Susan Brodahl

Vote: In favor: 10

Abstained: 0

Opposed: 0

Authorize Northwest Energy Efficiency Alliance Funding Commitment—R713, Margie Harris

Ken Canon disclosed he had done some consulting work with the Northwest Energy Efficiency Alliance (NEEA), and board members agreed it was not necessary for Ken to abstain from the vote.

Margie Harris presented staff's recommendation to authorize funding for NEEA of up to \$34 million to acquire 29.2 aMW of electric energy savings in the next five years.

NEEA is funded by approximately 140 utilities in the Pacific Northwest, and serves the 13 million customers of those utilities. Energy Trust is the second largest funder, representing 20 percent of budget. Bonneville Power Administration is the single largest funder, representing 36 percent of NEEA's budget. Margie is on the NEEA board as secretary, an executive committee member and a member of the strategic planning committee.

Energy Trust relies on NEEA to deliver cost-effective market transformation electric savings. Plans are also underway for NEEA to provide gas market transformation savings through a separate arrangement. Market transformation simply means changing the market by removing barriers and accelerating adoption of new technologies, practices and products. NEEA's investments are distinct from Energy Trust or other utility programs by virtue of being long-term and upstream, working with manufacturers and distributors of equipment at a national and international level to influence product quality, availability and price for Pacific Northwest regional consumers.

Board members asked for background on why Energy Trust funds NEEA. Margie described how NEEA delivers some of our lowest cost savings in ways that are complementary to what we do. Energy Trust depends on NEEA to fill the future pipeline with new products and technologies to bring to market, strengthen energy efficient building codes and product standards on a national and state level, and collect data and complete research at a regional level. Margie explained that Energy Trust represents Portland General Electric and Pacific Power customers in Oregon. Before Energy Trust was created, PGE and Pacific Power made their own contributions to NEEA.

As part of its newly adopted five-year business plan, NEEA will focus on its core strengths and investments. The five year budget is lower than the current funding cycle and will result in lower savings. Some business plan activities are identified as optional. If funders choose to opt-out of having NEEA pursue them, they would be responsible for delivering comparable savings at the same or lower costs.

The board asked why NEEA reduced its budget. Margie responded that she believed NEEA was balancing the needs of different funders. Some funders, including Idaho Power, expressed their intent to opt out of funding NEEA. If Idaho Power had declined to renew their funding commitment to NEEA, other utilities may have followed suit. NEEA's board tried to retain all funders by allowing them to choose which programs to invest in. The availability of optional programs provided flexibility to those funders who wanted to deliver the savings on their own, thereby reducing NEEA's overall budget.

Board members expressed concerns about reducing savings from NEEA, which has been a cost-effective source of significant savings in the past. Other members noted that a lower five-year savings goal may be realistic, as savings are increasingly harder to acquire. Margie noted that NEEA has a history of funding new, unanticipated opportunities during five-year funding cycles. When new opportunities arise, NEEA's board may amend the budget to fund such opportunities.

The board noted that Idaho Power serves customers in Eastern Oregon and is accountable to the Oregon Public Utility Commission. Juliet confirmed that the OPUC commissioners are monitoring Idaho Power.

Debbie introduced John Charles, president of Cascade Policy Institute, for public comment. John Charles expressed skepticism that market transformation is a measurable and effective way to generate energy

savings. He cited reports from Navigant Consulting in 2012 and 2013 indicating that Energy Trust failed to impact markets through market transformation efforts. John also expressed concern that when Energy Trust dollars are spent by NEEA, there is no direct oversight by the Public Utility Commission. He recommends that Energy Trust consider alternatives to funding NEEA in five-year increments, such as committing funding in one-year increments.

Margie affirmed that other NEEA funders provide five-year funding commitments. The reason for five-year funding commitments is that NEEA makes long-term investments. It takes years to see savings materialize from NEEA efforts, and those savings persist well beyond the initial five-year budget cycle.

Board members explained that NEEA is uniquely effective at transforming markets because it has a broader geographic reach than Energy Trust. NEEA can influence manufacturers to change design specifications because they represent a large portion of the market. NEEA's success adopting energy-efficient televisions in partnership with California is an example of achieving savings on a large scale. NEEA has delivered some of Energy Trust's most cost-effective savings.

John Charles asked how Energy Trust can calculate its share of the credit for NEEA's energy savings. Margie responded that NEEA staff may be willing to meet with John personally to explain their evaluation methodology.

The board asked if it is possible for Energy Trust to maintain current NEEA funding levels, and Margie responded that it is not the direction being taken.

Fred Gordon, director of planning and evaluation at Energy Trust, explained that a committee oversees NEEA's savings claims. OPUC staff are invited as *ex officio* members to this committee and have open access to this process. NEEA's evaluation and metrics are juried and rigorous.

Board members pointed out that although NEEA does not report directly to the OPUC, Energy Trust's quarterly and annual reports to the OPUC include NEEA savings and activity.

Board members voiced concern that the Pacific Northwest is underinvesting in energy efficiency and expressed disappointment in the budget cuts to NEEA. NEEA delivers large savings, and reducing NEEA's budget will have long-term impacts on the region.

**RESOLUTION 713
AUTHORIZING A 2015-2019 FUNDING COMMITMENT
TO THE NORTHWEST ENERGY EFFICIENCY ALLIANCE**

WHEREAS:

- 1. The Northwest Energy Efficiency Alliance (NEEA) remains the premier regional market transformation organization and Energy Trust contractor since our inception.**
- 2. Historically, Energy Trust has contributed approximately 17% of NEEA's budget and derived approximately 17% of NEEA's energy savings.**
- 3. Through 2013, Energy Trust has acquired approximately 89 aMW of savings attributable to NEEA, representing approximately 21.5% of total Energy Trust savings for that period.**
- 4. The NEEA board has adopted a new Strategic Plan and Business Plan and is seeking corresponding commitments for the period 2015-2019 funding cycle.**
- 5. The proposed new NEEA budget estimates Energy Trust funding share at slightly over 20%.**

6. **The NEEA Business Plan targets acquisition of 145 aMW in regional energy savings over five years at a projected cost of no more than 3.5 cents/kWh. Of this, approximately 29.2 aMW would be allocated to Energy Trust.**
7. **Planned NEEA savings acquisition compare favorably to costs projected from other Energy Trust programs and also comply with minimum OPUC performance measures established for Energy Trust.**
8. **The NEEA Business Plan prioritizes regional coordination and collaboration to accelerate development of emerging energy efficiency technologies, a critical strategy identified in Energy Trust's own strategic planning process.**
9. **Staff regards NEEA's work as essential to achieving Energy Trust savings goals over the next few years, helping ensure a full pipeline of efficiency projects to deliver long-term benefits to Oregon and the region.**

It is therefore RESOLVED:

1. **The executive director or her designee is authorized to negotiate and sign a five-year contract with NEEA authorizing funding of up to \$34,000,000 to acquire 29.2 aMW of electric energy savings.**
2. **Funding shall be consistent with Energy Trust's board-approved annual budgets and two-year action plans.**

Moved by: Rick Applegate

Seconded by: Dan Enlow

Vote: In favor: 10

Abstained: 0

Opposed: 0

The Board took a break from 2:51 to 3:00.

Committee Reports

Audit Committee, Ken Canon

Ken gave an update on Energy Trust's Management Review currently in progress with Coraggio Group. The audit committee is currently reviewing the draft Management Review report, which will be presented to the board for its consideration at the meeting on October 1.

Evaluation Committee, Alan Meyer

Alan summarized recent evaluations reviewed by the Evaluation Committee. Fast Feedback results in 2013 indicated high satisfaction with all Energy Trust programs. Fast Feedback is a short phone survey of participants conducted about a month after they receive incentives. Fast Feedback results also indicate that free ridership is as high as 50 percent in one Energy Trust program. Free ridership is when a participant would have made an investment even without an incentive. Spillover is when a participant made an investment without using Energy Trust incentives.

A 2014 Residential HVAC market assessment indicated that market share is increasing for furnaces, heat pumps and ductless heat pumps.

An evaluation of the first year of a Production Efficiency Core Improvement Pilot indicated success for small- to medium-sized industrial customers implementing SEM.

Examination of an SEM Introductory Pilot for small commercial customers indicated sub-optimal engagement and recommended improvements. Small commercial customers have different challenges than large customers, including fewer staff.

Recommendations from the Existing Homes Process Evaluation are already being implemented and the program has made notable improvements.

A New Homes Process Evaluation indicated that the program is achieving 20 percent market share, with a goal of achieving 27 percent market share.

Finance Committee, Dan Enloe

Dan described takeaways from Energy Trust's first quarter financial statements, noting that the organization is on track at this point in the year.

Overall, incentives payments substantially increased from last year at this time, and are expected to increase in the remainder of the year. Spending has increased in all utility territories except for NW Natural. Activity has increased across the board. The renewable energy sector underspent budget significantly.

Reserves are flat. Investments have increased in value. Administrative costs are at four percent. Overall program revenues increased to six percent.

Dan observed that IT expenditures increased significantly and asked about recent deliverables.

Steve Lacey, director of operations, addressed IT expenditure increases. Several IT projects are currently underway that require contract support and expertise. Projects include replacement of Fast Track, improvements to Business Intelligence Systems, improvements to and replacement of SharePoint to facilitate internal communication and content sharing, and updates to Energy Trust's financial system, Great Plains. IT expenditures are only slightly over budget for this time of year.

Nominating Committee, John Reynolds

John stated that there is one vacancy on Energy Trust's board. A second vacancy is expected in fall, when Rick will resign from the board after the 2015-2019 Strategic Plan is completed. The board seeks additional board representation to reflect the diverse nature of the territories that Energy Trust serves. The committee created a list of people to contact for board member recommendations, and will make calls. Board members are advised to send recommendations to John. A new board member can reside in Oregon or Southwest Washington.

Policy Committee, Roger Hamilton

Roger deferred a discussion on cost-effectiveness to the Staff Report. Other matters covered in the previous Policy Committee have been addressed in earlier parts of this meeting.

Strategic Planning Committee, Rick Applegate

Rick reported that the first Utility Roundtable for the 2015-2019 Strategic Plan occurred this morning. Utilities expressed willingness to partner on issues and suggested an annual workshop on emerging technologies.

Board members plan to attend some of the upcoming Strategic Plan regional outreach events. The board asked how Energy Trust promotes Strategic Plan public outreach events. Amber Cole, director of communications and customer service, responded that many of these outreach events are co-hosted by Pacific Power. Pacific Power is promoting these events to customers and business leaders, and events have been well-attended with 100+ guests in Albany and 90 guests in Roseburg. Energy Trust is also promoting opportunities to comment on the plan to stakeholders through newsletters, emails and the front landing page of our website. Energy Trust staff will also attend Business Oregon forums and several small customer events in Eastern Oregon.

Board members are pleased with the draft 2015-2019 Strategic Plan, including the process and outcome. Board commended staff for a brief, accessible and well-written plan.

Board members acknowledged staff for making July Conservation Advisory Council and Renewable Energy Advisory Council notes available to board members prior to the July board meeting.

Staff Report

Highlights, Margie Harris

Margie described homeowners featured in Energy Trust's 2013 Public Annual Report. Jun and Jackie followed a typical path for homeowners engaging with Energy Trust. They started by ordering an Energy Saver Kit. Then they signed up for a Home Energy Review. Over time, they gradually installed energy-efficient upgrades, such as insulation and energy-efficient heating systems.

Margie presented a preview of results from quarter one, noting that savings and activity have increased from last year at this time. Milestones achieved include rating the 5,000th new home with an Energy Performance Score (EPS). The full quarter two report will be available on August 15.

Margie gave an update on the gas cost-effectiveness docket, UM 1622. Energy Trust is serving as a technical resource for the docket, having submitted a paper on July 1, explaining measure benefits, benefit/cost ratios and total resource cost ratios. The OPUC held the first of three public workshops during which stakeholders provide input. Attendees included representatives from the Citizens Utility Board, Clean Energy Works, Home Performance Guild of Oregon and the Oregonian. The OPUC will make a decision about cost-effectiveness by October, which will impact Energy Trust's 2015 budget development this fall. Note OPUC has a separate process for electric cost-effectiveness.

Margie gave an update on Strategic Plan outreach events around the state, including those to be hosted and promoted by Pacific Power. Already, 30 people have signed up for our Portland business event, including six legislators. In tandem with these events, Margie has met with customers, stakeholders and elected officials, such as Alan Ford, CEO of Roseburg Forest Projects. Roseburg Forest Products has completed over 50 projects with Energy Trust over many years, demonstrating that long-term customer relationships result in significant energy savings. Margie noted it is helpful to travel to other parts of state to experience diverse cultures and understand local challenges.

Margie described Energy Trust's marketing campaign to increase awareness of Energy Trust opportunities around the state. In response to research that awareness rates have declined, Energy Trust is conducting a first general awareness marketing campaign including print, web, radio and a television advertising. Billboards are in Hermiston, Valley Junction, Baker City, Lincoln City and Roseburg.

Adjourn

The meeting adjourned at 3:56 p.m.

The next regular meeting of the Energy Trust Board of Directors will be held Wednesday, October 1, 2014, at 12:15 p.m. at Energy Trust of Oregon, Inc., 421 SW Oak Street, Suite 300, Portland, Oregon.

/s/ Alan Meyer
Alan Meyer, Secretary