Policy Committee of the Energy Trust Board of Directors

December 6, 2011

Attendees

John Reynolds (by telephone), Rick Applegate (by telephone), Roger Hamilton (by telephone), Alan Meyer (by telephone), Amber Cole, Fred Gordon, Margie Harris, Steve Lacey, Elaine Prause, Thad Roth, Sue Meyer Sample, John Volkman, Andrew Volkman and Peter West

1. OPOWER $748,000 contract expansion. In February, 2010, the board approved a $977,000 contract with OPOWER for an 18-month pilot to demonstrate energy savings from providing reports to 60,000 homes detailing home energy consumption. Six reports have been sent so far, and another is slated for January 2012 under the current contract.

   Staff proposes to continue the pilot for an additional year. Because OPOWER had to negotiate data-sharing agreements with two utilities (PGE and NW Natural) and integrate information from several data systems, the first reports were sent late, mid-way through the 2010-2011 heating season. Results are still preliminary: we are seeing the electric savings we expected, possibly even better than that, but we don't have enough data to know how we are doing on the gas side. Extending the contract for another year, at a cost of $748,000, will provide data for the remainder of the 2011-12 heating season and allow us to learn more about effects on gas customers. The utilities have agreed to continued funding through 2012.

   Alan asked why we paid OPOWER all of the money under the existing contract if they hadn't done all the mailings we bargained for. Peter said we have paid for a year's worth of mailings (eight mailings); we didn't pay during the delay. Roger/Alan: are we paying more money than we initially agreed? Margie: the board memo will clarify this. John Reynolds asked if NW Natural supports the extension. Margie: NW Natural has not agreed that OPOWER should continue beyond the pilot period, nor have we made that determination. We will confirm that NW Natural does not object to completing the pilot.

   Fred noted that there is a continuing discussion about how we count savings from behavioral measures such as OPOWER toward goals. When the pilot was first approved, we treated these savings as from a measure with a one-year life; extending the pilot can be characterized as extending the measure life or as an additional year's savings. For purposes of the 2012 budget, we are counting savings from the additional mailings as representing savings (average megawatts and annual therms) toward our 2012 goals.

2. Green Lane Energy construction loan. In November, the board approved $2,000,000 in incentives for the Green Lane Energy biogas plant. The board approved the incentives with

the understanding that the transaction would be brought back to the board if staff concluded that it should take the form of a construction loan. Staff now proposes that $1 million of the $2 million incentive be offered as an 8-month construction loan. At the end of construction, the loan would convert to a five-year loan and be repaid from incentive funds.

Staff first proposed the loan concept at the June, 2010 retreat as a test of whether we could accelerate projects by providing early-stage support such as loans. The board endorsed a pilot. To develop the pilot, staff retained outside expertise in lending (Andrew Volkman, a former banker), and formed a loan committee (a subset of the Management Team plus Debbie Menashe) to vet candidate loans.

Staff is still working through several issues with Green Lane, and will: 1) engage a third party engineer to do a construction feasibility study; 2) confirm with ODOE that ARRA funds are being disbursed and used as required; 3) schedule monthly construction monitoring by a professional engineer to confirm draw schedules; 4) require a 6-month payment reserve of principal and interest under Energy Trust control; 5) review the Entec performance guarantee, the construction contract between general contractor and GLE, and the Caterpillar Finance commitment letter, and 6) confirm that there is an executed power purchase agreement.

Andrew reviewed Green Lane as a borrower. They don't bring a lot of their own funds to the project, but they do bring significant ARRA funds, which counts as equity. They have good, long-term senior financing including a construction loan through Caterpillar. When the construction loan converts to long-term debt, Green Lane will be well-positioned to carry the debt. The developers are well qualified (the project team was involved in Stahlbush Farms) and have done a good job in the development process. The structure of the loan is based on what is normal for renewable energy project financing, adapted to Energy Trust needs.

Roger asked about post-consumer digester material: what is it, and how reliable is it? Thad: post-consumer waste is food waste, primarily from the residential sector. It is diverted from a landfill, usually as a result of regulatory efforts like the City of Portland's program. The project will control 70% of the material, which is quite good. They have letters of intent from several providers from which they can select. Alan suggested the board presentation clarify this. Electric revenue from the project are about $6 million; the other revenues (from things like sale of thermal output) are about $3 million.

Alan asked how the ARRA grant could already have been paid. Thad: the ARRA grant was approved by ODOE months ago based on federal rules. The award took the form of reimbursement for design work, most of which is done and has been reimbursed. Alan noted that staff's recounting of strengths and weaknesses is well done, and it makes the reader nervous. Andrew: we want you to understand the risks, but also understand that many of these weaknesses are mitigated by other factors. The developer's limited investment apart from ARRA funds, however, is a fact.

Roger asked if other technologies are emerging that could marginalize this project. Peter/Thad: the loan would be conditioned on the project having a long-term power-purchase agreement, the real question is whether the plant will be operated as assumed. The digester manufacturer (Entec) has done 40 of these plants, and guarantees that it will operate within certain parameters. John Reynolds noted that the assumption that thermal energy can't be sold for several years is conservative, and this looks like an attractive proposal.