EnergyTrust of Oregon

Board Meeting Minutes – 113th Meeting

May 23, 2012

Board members present: Rick Applegate (by telephone), Julie Brandis, Ken Canon, Dan Enloe, Roger Hamilton, Jeff King, Debbie Kitchin, Alan Meyer, John Reynolds, Anne Root, Dave Slavensky

Board members absent: Joe Benetti, Bob Repine (Oregon Department of Energy special advisor), John Savage (OPUC ex officio)

Staff attending: Adam Bartini, Matt Braman, Sarah Castor, Scott Clark, Amber Cole, Chris Dearth, Phil Degens, Cheryle Easton, Diane Ferington, Fred Gordon, Hannah Hacker, Margie Harris, Susan Jamison, Marshall Johnson, Jed Jorgensen, Susan Jowaiszas, Betsy Kauffman, Oliver Kesting, Nancy Klass, Steve Lacey, Bradford McKeown, Debbie Menashe, Spencer Moersfelder, Jessica Rose, Thad Roth, Sue Meyer Sample, Kate Scott, Scott Swearingen, John Volkman, Peter West

Others attending: Juliet Johnson (OPUC, by telephone), Bill Edmonds (NW Natural), Don Jones, Jr. (Pacific Power), Kari Greer (Pacific Power), Murali Varahasamy (Lockheed Martin), Bob Stull (PECI)

Business Meeting

President John Reynolds called the meeting to order at 1:10 p.m.

General Public Comments

There were none.

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

Moved by: Ken Canon	Seconded by: Roger Hamilton

Vote:	In favor: 9	Abstained: 0

Opposed: 0

Consent agenda included two items:

1) *March 28 meeting minutes*

2) *Resolution 634 authorizing incentives for the JC-Biomethane Project*

RESOLUTION 634

AUTHORIZING INCENTIVES FOR THE JC-BIOMETHANE PROJECT

WHEREAS:

1. **In November 2011 the board authorized up to $2 million for the Green Lane Energy generating project.**
2. **Since then, the project developers acquired an additional equity investor and formed a new entity called JC-Biomethane, LLC.**
3. **JC-Biomethane, LLC will have more equity than Green Lane Energy LLC, deeper experience with biogas plants, and longer-term supply feedstock contracts (10 years), which will improve project revenue.**
4. **The project's capital cost will be higher to enable it to process the feedstock. However, the Energy Trust incentive, project output, REC allocation and other terms would not change.**
5. **Energy Trust believes these changes will result in a stronger project than was originally authorized.**

It is therefore RESOLVED:

1. **The board authorizes staff to amend the funding agreement to substitute JC-Biomethane LLC for Green Lane Energy, LLC.**

Moved by: 9 Seconded by: 0

Vote: In favor: Ken Canon Abstained: Roger Hamilton

Opposed:0

Nominating Committee

Welcome Anne Root

Alan Meyer welcomed Anne Root to her first board meeting. Anne thanked everyone for including her on the board.

Resolution 629, electing Dave Slavensky to the Energy Trust Board

Alan introduced the resolution. Alan mentioned Julie Hammond's vacancy is proposed to be filled by Dave Slavensky. Dave, Chief Operating Officer of Structus Building Technologies in Bend, received a high recommendation from Julie H. He has extensive background in manufacturing, engineering and management, and has instructed seminars on Lean manufacturing and Kaizen. Dave received his Bachelor's Degree in Industrial Technology. Alan said the Nominating Committee nominates Dave to the board based on his qualifications and interest.

Dave said this is an exciting opportunity and was honored by Julie's recommendation. He said he has a lot to learn and is looking forward to adding his experience to the board.

Roger Hamilton said the Nominating Committee was impressed by Dave's qualifications.

RESOLUTION 629
ELECTING DAVE SLAVENSKY TO THE ENERGY TRUST BOARD OF DIRECTORS

WHEREAS:

1. **Julie Hammond's term on the Energy Trust board ended in February 2012, and she did not seek a new term.**
2. **The board nominating committee has reviewed candidates for the open board seat and nominates Dave Slavensky, Chief Operating Officer of Structus Building Technologies of Bend, Oregon, to this seat.**

It is therefore RESOLVED:

That the Energy Trust of Oregon, Inc., Board of Directors elects Dave Slavensky to the Energy Trust Board of Directors to a term expiring February 2015.

Moved by: Alan Meyer Seconded by: Roger Hamilton

Vote: In favor: 9 Abstained: 0

Opposed: 0

John R. and the board welcomed Dave to the board.

Alan mentioned Jason Eisdorfer's acceptance of an Oregon Public Utility Commission staff position. Alan said that due to the inherent conflict, Jason resigned from the board and his seat is now vacant. The Nominating Committee will begin a search to fill his seat.

President's Report

John R presented on his attendance at the World Renewable Energy Forum in Denver, Colorado. Energy security, the economy and the environment were the recurring themes. Secretary of Energy Steven Chu attended and was the keynote speaker. During Secretary Chu's speech, he linked climate change and energy, especially water shortages in the U.S. Southwest due to climate change. John R. said Secretary Chu said it's a question of when, not if, renewables become competitive with fossil fuels.

John R. mentioned SolarWorld was a prominent conference exhibitor, showing PV modules, racks and other mounting systems. Eaton also exhibited and is a major investor in smart buildings and, more recently, a smart grid investor. Other exhibits included monitoring systems, financing and utility-scale PV. Solar water heating was a large part of the event, as well. The National Renewable Energy Laboratory (NREL) sponsored and brought in international speakers. American Solar Energy Society, International Solar Energy Society, and Colorado non-governmental organizations were also present.

John would have liked to see more biopower and architectural products featured.

Finance Committee Report

Dan Enloe presented on the latest Finance Committee meeting, which was May 14. Included in the meeting was discussion of Savings Within Reach, an Energy Trust moderate-income offering, and a loan pilot proposed by staff to strengthen participation in the offering. The loan pilot includes collaboration with Clean Energy Works Oregon and local and national housing groups as well as Craft3 (formerly Enterprise Cascadia) for financing support. Dan said staff conducted adequate risk analyses, particularly for risk during the application process. He said the committee is enthusiastic about the loan pilot and the potential to more effectively serve this moderate income market.

Dan said the committee also discussed reserve funds management and reviewed the March financial statements. Dan said solar residential programs are hot right now and emphasized the importance of close attention to managing that activity.

Dan continued with Compensation Committee updates. He said the committee continued making minor adjustments to staff 401K options, including removing low performance funds and adding higher performing funds. The committee is also looking at options to provide a better return than the money market investment currently in place.

Ken Canon: For the reserve fund usage, we set up a situation where staff transferred 50 percent of the fund. How much is currently there?
Dan: The reserve fund keeps building.
Sue Meyer Sample: The reserve is established at budget time. If we use 50 percent of it, we inform the board. If we go more than 50 percent, we approach the board first for their consideration and approval.

Sue MS said more details on this fund will be included during today’s discussion of Resolution 633.

Resolution 633, policy on using reserve accounts

Margie summarized the resolution: From a staff and board perspective, Energy Trust has lacked a formal policy on usage of reserves. With the turnover of board membership over time, we are also losing historic perspective and continuity regarding how reserves have been used in the past. It’s incumbent on staff to bring a proposed reserve policy to the board, one that clarifies the two different types of financial reserve accounts which emerged at different times in our history and are used in different ways.

Margie said the resolution describes an “interest reserve” account created in 2006 at the recommendation of the board. It exists to serve organizational revenue needs and shortfalls across the organization as a whole, including efficiency and renewable programs and operations. After reviewing revenue risks, the calculation of the reserve amount was based on 10% of anticipated utility revenue to be earned over the four coldest months of a given year, projections that could fall short due to a weather related event. The second account is a “program reserve” account, specifically for energy-efficiency programs. The program reserve account arose from an Oregon Public Utility Commission suggestion in 2007 made by Commissioner John Savage during which he referenced the annual funding cycle with the utilities. Commissioner Savage recommended that a 5 percent reserve should be included as a “cushion” to address unforeseen market demand for efficiency programs. The program reserve account could only be used for energy-efficiency programs and cannot be used for renewable energy projects or for large electric energy users. The interest reserve can be used for any of these.

Margie said Energy Trust also has a $4 million line of credit maintained for emergencies. She said Energy Trust has never used the line of credit.

Margie directed the board to page 2 of the briefing paper, which shows each utility and the projected reserve amounts at the end of 2012. Pacific Power is within expectations, the projected reserves for NW Natural and Cascade Natural Gas are more than needed, and the reserve for PGE is less.

Margie: Each utility snapshot varies as it depends on what we have used the reserves for over the year in combination with the project pipeline. The reserve accounts do fluctuate, and we expect that. We have a minimum to keep programs operating in the case of underfunding for energy efficiency. When the need to use a reserve arises, it requires quick action. We recommend the board delegate to staff the ability to spend up to half of the dedicated reserve for a particular utility. Such actions would be clearly indicated in the quarterly financial statements provided to the board, utilities and OPUC and will also be highlighted to the board after the fact.

Margie said if more than 50 percent of a program reserve is needed, staff would first approach the board for review and approval. To summarize Resolution 633, staff would have the ability to access up to 50 percent of an individual program reserve, and would be required to seek board approval for any amount greater than that. Staff would also work with the Policy and Finance committees to make sure changes are reflected in committee charters and other areas to ensure consistent implementation of the policy.

Alan: Reserves are established once a year. You would never go more than a year without the reserve being refunded?

Margie: Yes, every year we look at actual versus projected expenditures, and during annual utility funding negotiations, we would work with individual utilities to replenish the program reserve back to 5 percent.

Roger: Why is the PGE column so low?
Sue: The original forecast of revenue happened in August and September of 2011, and was based on a projection of projects to complete at that time. More projects came in than expected and the reserve balance is lower.
Steve Lacey: Almost two years ago, we had an imbalance between PGE and Pacific Power and their contributions, and we were also trying to bring them back into balance. We were able to negotiate a higher contribution with Pacific Power to reduce the imbalance. Pacific Power is close to getting to its 5 percent reserve; we anticipate the need to adjust the PGE rate this year to restore the 5 percent in 2013.

Ken: What number does the 50 percent apply to when referring to interest reserves on the chart on p 2? Does the 50 percent apply to any of those?
Sue MS: The 50 percent only applies to the program reserves, not to the interest reserve account. The interest reserve is for any revenue shortfall, calculated on weather, and is really meant to provide for variances between projected and actual revenues from the utility.

Debbie Kitchin: I propose modifying the resolution to add the word “annual” before “program reserve” to ensure clarity.

RESOLUTION 633

POLICY ON USING RESERVE ACCOUNTS

WHEREAS:

1. **Historically, Energy Trust has maintained two reserve accounts.**
2. **The first account, “Interest reserves” was created in 2006, when the Board called for a reserve to guard against revenue shortfalls, calculated using revenue reduction estimates assuming unseasonably warm weather over a two-year funding cycle. Interest reserves are available for any efficiency or renewable energy program and are available for other organization purposes consistent with our mission.**
3. **The second account, “Program reserves” arose after the 2007 legislature authorized electric utilities to collect additional funds for energy efficiency measures for customers with loads under one average megawatt. The same principle of negotiating additional energy efficiency funding with the gas utilities has been in place since this same time. The OPUC subsequently suggested that these revenue discussions and corresponding tariff filings should include a 5% “cushion” from each utility to accommodate unforeseen market demand.**
4. **Energy Trust has had no board policy governing the use of either of the two reserve accounts. Following the board’s 2006 guidance and if the board finds that a policy would be helpful, and should be based on the following guiding principles:**

- o **Require board action before staff may draw upon the interest reserve, or if staff proposes to use more than 50% of the annual program reserve for energy efficiency particular to each utility.**
- o **Direct staff to work with the Policy and Finance committees to reference this change and corresponding guidelines within the appropriate policies.**

It is therefore RESOLVED:

1. **Board action shall be required before staff may draw upon the interest reserve, or if staff proposes to use more than 50% of the annual program reserve specific to an individual utility and provided such usage is clearly identified in the monthly financial statements provided to the board and the OPUC.**
2. **Enable staff to tap up to 50% of individual utility annual program reserve funds absent prior board approval, provided such usage is clearly identified in the quarterly report to the board and the OPUC.**
3. **Staff is directed to work with the Policy and Finance committees to reference this change and corresponding guidelines within appropriate Energy Trust policies.**

Moved by: Dan Enloe Seconded by: Debbie Kitchin

Vote: In favor: 10 Abstained: 0

Opposed:0

Energy Programs

Existing Building Program funding for Pacific Power

Peter West presented the agenda item and introduced Oliver Kesting, Commercial Sector lead. Peter said he appreciated the timeliness of the passage of Resolution 633. For Pacific Power, Existing Buildings is on a path to potentially exceed stretch goal by 10 percent. To meet this demand, staff is projecting to exceed budget by 14 percent, or $934,000 in incentives above what the board authorized in the 2012 budget.

Peter described the two main events that led the program here, including carryover of a number of projects for completion dates in 2011 into 2012. Staff assumed some of those projects would fall off; instead, the majority of those projects closed in Quarter 1 2012. Second, in response to the transition from the Business Energy Tax Credit to the new Oregon Department of Energy Energy Incentive Programs, Energy Trust offered a 20 percent bonus incentive to drive lighting and custom capital projects. The bonus was successful in all utility territories, and especially in Pacific Power. These two factors will bring 3.6 million kilowatt hours of savings past the stretch goal for Pacific Power. To meet the demand, staff proposes to use 39 percent of the Pacific Power 5 percent program reserve. The reserve has $2.4 million; today's request would authorize the program to spend additional incentives of up to $934,000. Program delivery costs will remain unchanged.

Peter said staff has been monitoring the situation since March and has done analyses, including looking at other scenario options over the past few months that did not involve using reserve funds. Staff has been working closely with Pacific Power on these analyses and scenarios. Of the top-four, other options, one left the program short of conservative goal and the other three would include greater administrative costs while raising customer service issues. In the end, the other scenarios would mean curtailing services or lowering incentives, and would either impact savings or damage long-term relationships.

Staff and Pacific Power will collaborate to replenish the reserve account as part of the budget setting process for 2013.

Peter said staff has also looked at the other sectors in Pacific Power territory. They concluded it's too early to determine how the Residential Sector is doing since 50 percent of the sector's savings are typically booked from September to December. In the Industrial Sector, the pipeline is at an expected level representing 65 percent of annual goals. Staff concluded it is highly doubtful there will be money left in the Industrial Sector budget and it would be unwise to shift Pacific Power funds from one program to another. In the end, the solution is to call on the Pacific Power program reserve.

Don Jones, Jr., Pacific Power: We worked in concert with Energy Trust on this issue. Pacific Power runs energy-efficiency programs in four states and we understand the dynamic we're facing here. This is a great problem to have during this economy, and we are glad customers are investing in projects during these difficult times. For Pacific Power, this is an incentive add. Peter and his team are commended for finding a solution that keeps administrative costs the same. Pacific Power is supportive of this proposed solution. In terms of revenue calculations for 2013, we understand this will get rolled into the reserve account at that time.

Roger: Why has this demand increased in spite of the current economic environment? Have you done an analysis? Are you surprised?
Don J: It's a combination of large projects and in general, people seem ready to invest.
Peter: There's a lag effect, too, from the big push in the fall of 2011. Plus, as the 2013 federal lighting standard looms, people are updating their lighting from T12s to T8s. The program has been trying to drive early lighting conversions before the federal standard goes online.

Rick Applegate joined the meeting at 1:49 p.m. via teleconference

Alan: What do you need from the board to proceed?
Peter: We would like your feedback, and barring any major objections, we propose to transfer the funds from the reserve account to the Existing Buildings program.

Dan: Looking at dollars per aMW and compared to historical this is pretty similar.

Dave Slavensky: How does this work with the recently passed resolution?
Peter: We are approaching the board for feedback in accordance with the new policy.

Don J: I appreciate the good analysis and intelligence from Peter and his team. They brought forward the issue, analysis and solution in a timely manner. The board policy does a nice job of laying out how you would deploy the policy, but in this case, the team was very proactive.
Peter: Oliver, Spencer and various Lockheed Martin staff did a thorough analysis, which was impressive.
John R: A good team effort.
Margie: This is a good example of exactly why we have reserves set up and why Commissioner Savage requested such a reserve. I appreciate the team effort on all sides.

The board supported the use of the program reserves to support additional incentives for additional savings.

Resolution 628, Farm Power Misty Meadows Agriculture Biogas Plant
Thad Roth presented, and mentioned the revisions recently made to the resolution, which requests the board to authorize a $1 million incentive to a biopower project using anaerobic digestion to generate renewable electricity.

Thad began by giving a state outlook of the agricultural biogas industry. Over the years, staff has been watching agricultural biogas, and recently projects have been getting built. In Oregon, existing capacity is 2 MW. Since January 2011, there have been three new biogas generators constructed at dairies. Things are picking up, with 6.5 MW under development, 1.63 MW of which represent Energy Trust projects. Across Oregon, a small dairy state, the potential is 45 MW. There’s also activity in Washington and Idaho.

Thad showed photos of Revolution Energy Systems projects, Energy Trust’s first biogas project. The developer has two sites operating and one under construction.

Thad briefed the board on the Farm Power Misty Meadows project. It’s a biogas plant, with about 2,500 cows at the dairy. Capacity is 750 kW, and expected annual generation is at 5,400 MWh. The total capital project cost is $4.85 million and Farm Power Mist Meadows expects commercial operation by the end of 2012. This allows the owner/operator to take advantage of a Business Energy Tax Credit. The qualifying facility is located in Tillamook PUD service territory and power will be wheeled through a BPA substation for delivery to Pacific Power.

Staff proposes a 15-year project term, which has an above-market cost of $1.3 million. Staff proposes an incentive offer of $1 million paid over four payments of $250,000. The first payment would be made on project commissioning and the next three paid based on project performance.

The net present value of the incentive is $792,466, which is 61 percent of the project’s above-market costs. Energy Trust will claim 65 percent of the renewable energy certificates over the life of the project.

This project is an example of a third-party model for biogas development at an agriculture site. Farm Power will build, own and operate the project and have a long-term lease with the dairy. The dairy has no direct financial obligations.

Thad said this is a successful and experienced developer, who is currently operating three projects in the region. A fourth project is under construction in Washington.

Thad said results from the technical review show this project is using a proven technology for the digester design, which has more than 60 installs in the U.S., and has an experienced development team, including the construction team from Andagar, GHD for process design and One Pacific Bank debt financing. From the staff review and an independent review, it was determined the capital and operating expenses are reasonable. The owner also provided documentation of power production at one facility in Washington, and it is tracking very closely to what was forecasted.

Thad said the project is an off-system qualifying facility, meaning the project is not within Pacific Power or PGE balancing authority. It is within Tillamook PUD territory, which is within BPA's balancing authority. Tillamook PUD did not have the ability to take the additional power but is very supportive of the development of the project. The interconnection agreement with Tillamook PUD is being finalized.

Thad showed the financial summary of the project, about 65 percent power sales and 35 percent sales of co-products. NW Natural is also participating in the project through its carbon offset program.

Compared to other biogas projects Energy Trust has funded, the project lands in the middle. Benefits of the project include it advances the program's strategy to support third-party development of agriculture biogas plants, it supports the program's short-term goal of leveraging projects with a Business Energy Tax Credit precertification, it results in methane destruction and it provides a revenue stream to the diary through the sale of the fiber, which can be used as animal bedding.

John R: Please elaborate on how cow manure has useful byproducts.
Thad: All solids that go into the digester are processed and the byproduct is an excellent cow bedding material.

Alan: What is in "additional revenue?"
Thad: There are primarily two other revenues beyond the sale of electricity: sale of carbon offsets, which NW Natural is participating with, and the sale of the fiber for bedding. Arrangements vary from third-party developer to third-party developer. What typically happens is the dairy takes as much of the fiber as possible for bedding. The remainder is sold by the developer to other dairies. Thad said no energy is used to sanitize the bedding because the anaerobic digestion takes place at such a high temperature and over an adequate time period

Alan: Even after we provide our incentive, there are still additional above-market costs. How will they cover that?
Thad: Through RECs, carbon sales with NW Natural, and value engineering.

Roger: This is a qualifying facility, QF, so it's part of Public Utility Regulatory Policies Act, PURPA. Have the rates recently changed?
Thad: Avoided costs were recently changed. This project was able to secure a power purchase agreement before the change.
Peter: For the new board members, a QF is a special class of projects for renewables. It gets a standard contract at a standard price in Oregon through PGE or Pacific Power. The avoided price is set by the OPUC.

Thad clarified that the financial summary in the board packet is the most up-to-date summary, not the PowerPoint.

Dave: What is the maintenance over the life of these projects?
Thad: Anaerobic digestion has been around for a while and mostly used in wastewater treatment plants. When it comes to the engine portion, it's like any engine that burns fuel and needs tune ups, oil changes, etc. This comes under maintenance costs that you see in the financial summary.

Roger: Flooding is a regular occurrence in the county and addressing a new way to dispose of the waste through anaerobic digestion brings great environmental benefits.

Ken: This project relies on fairly robust avoided cost and a Business Energy Tax Credit. In the future, with the limited Business Energy Tax Credit and lower avoided cost, how likely is it to see more activity for anaerobic digestion?
Thad: Based on those factors, not much activity. The U.S. Department of Energy sees this also as a good manure or nutrient management solution. And since the nutrient management is becoming more regulated, these projects may become more about nutrient management than energy.

Bill Edmonds, NW Natural: We have been evaluating the project for NW Natural's Smart Energy program. The dollars would flow to the Climate Trust and the NW Natural board is approving it now. This looks like a great project especially since NW Natural has been involved in two farm projects already.
John R: Would you rather use the gas in your pipeline rather than generate electricity?
Bill: Yes, and we may get there some day. Valuable therms should go to where they are best used, most efficiently.

RESOLUTION 628

APPROVING FUNDS FOR THE FARM POWER MISTY MEADOWS, LLC GENERATION PROJECT

WHEREAS:

1. **Farm Power Misty Meadows ~~now~~ seeks funding to develop ~~one megawatt~~750 kilowatts of generation capacity at ~~two sites~~one site. The facility~~ies~~ would be fueled by methane from anaerobic digestion of manure.**
2. **For this project, Farm Power Misty Meadows proposes to use the same process design, development and construction teams, and business model used at its other operating projects.**

3. **Staff and an independent contractor reviewed the project design and costs and found them to be standard and reasonable for projects of similar type and design.**
4. **The project would seek Qualifying Facility treatment for sale of its energy to Pacific Power.**
5. **Staff proposes up to $1 million in incentives. At the proposed payment, the project's energy would cost Energy Trust about $1.29 million per average megawatt (aMW), compared to Stahlbush Island Farms ($600,000/aMW), the City of Medford ($960,000/aMW), and the City of Pendleton ($2.6 million/aMW).**
6. **Energy Trust would take at least 65% of the project's renewable energy certificates, which Pacific Power can use to meet its renewable energy portfolio requirements.**
7. **Energy Trust's Biomass Program portfolio is currently 5.09 MW, with 4.25 MW preparing for construction. At 750 KW, the Farm Power Misty Meadows project would be a significant increase.**

It is therefore RESOLVED, that the board of directors of Energy Trust of Oregon, Inc. authorizes:

1. **Payment of up to $1 million into escrow to be paid to Farm Power Misty Meadows over time to offset the above-market costs of the project;**
2. **Energy Trust will take ownership of at least 65% of the Renewable Energy Certificates produced annually; and**
3. **The executive director to enter into contracts consistent with this resolution.**

Moved by: Ken Canon Seconded by: Debbie Kitchin

Vote: In favor: 11 Abstained: 0

Opposed: 0

Resolution 632, Monroe Hydro Generation project

Jed Jorgensen presented. The Monroe hydro project is a demonstration project for low-head hydro projects. Jed introduced Gia Schneider, Natel Energy, who joined the meeting by phone.

Jed described Energy Trust's strategic goals that would be met by this project. In addition, the project meets the program's goals of pursuing irrigation projects, which are easier to permit and have fewer environmental problems. A study by Energy Trust and one from the Bureau of Reclamation showed 40 MW available in irrigation canals. Energy Trust has helped 10 projects, bringing 7 MW online. Jed showed pictures of a project that Energy Trust helped fund which recently came online.

Jed described the project, located on the Monroe Drop structure on the North Unit Irrigation District near Madras, Oregon. The system is 250 kW and is expected to generate 822 MWh annually. The project is owned and operated by Monroe Hydro LLC, a special purpose entity owned by Natel Energy. The owner's goal is to prove-out ultra-low-head hydro technology and drive down costs. This project is strategic for Energy Trust because there are many low-head sites that cannot be served cost-effectively by conventional hydro turbines. If this technology is successful, it could open up more sites for development.

Jed described a 20-year term project with above-market costs at a net present value of $450,502. Because this is an unproven technology, staff is proposing a $450,000 incentive, paid quarterly on actual production at $0.25 per kWh. The project would have up to six years for the payments. If the project performs as expected, the payments would be complete in three years with a net present value of $362,840, about 80% of above-market cost.

Jed gave further information on Natel Energy's first project, a smaller, yet similar, system installed in 2010 in Buckeye, AZ. Jed said the performance data is not yet available for that installation, as it has been experiencing intermittent operation and produced 14 percent of what was expected. Natel explained this is due to a defective gate and the fact that they are conducting extensive project testing. Jed said performance is the biggest risk, which explains the way staff is proposing to structure the incentive pay-out.

Both staff and independent analyses indicate that project design and costs are reasonable, although expenses are harder to judge. The site has 12 feet of head available, flows exceed turbine requirements and the system will only use about two-thirds of the flow available. They expect to generate 822 MWh annually, except in the first year as Natel does extensive testing. The testing is largely a result of requirements from a U.S. Department of Energy grant.

Jed said interconnection with Pacific Power is underway. He sees little risk around the project meeting expected commercial operation near September 2013. The project has additional funding from a 1603 grant, in lieu of the investment tax credit, and depreciation. The project does not have a Business Energy Tax Credit. Revenue is estimated around $1.09 million and total costs are $1.39 million, leaving an above-market cost of $450,502 after adjusting for the taxability of an incentive from Energy Trust. With the Energy Trust incentive, the project would break even in 10 years, maybe sooner if more flow can be used.

Jed said compared to other irrigation hydro projects Energy Trust has helped fund, this project is the highest incentive cost, expected because it is a new technology. It is also slightly higher than the upper end of the stated goals in the 2012 Other Renewables budget, which did not consider new technologies.

Gia Schneider, Natel: Jed covered the project well. For Natel, there is a lot of potential in Central Oregon and we are talking with a few other irrigation districts. This project will be a great example to showcase for potential projects with those other districts. For this project, North Unit Irrigation District has been very good to work with and is supportive of the project. At Natel we are working closely with a canal engineer. Looking at the technology, the motivation for us to pursue low-head hydro is to enable distributed yet utility-scale hydro generation that is minimally impactful on the environment. This project is very important to us and we look forward to completing it.

Alan: Compared to the Farm Meadows project, this one is significantly more expensive. Why does this project have such a low capacity factor?
Jed: All irrigation projects will have a lower capacity factor, between 47 percent to 52 percent, because flow is seasonal.

Alan: Are we risking passing up more cost-effective projects if we spend money here? Can we be more selective?
Jed: We are being selective in fact. This project and the Farm Meadows project came from a competitive RFP and these projects were the best available.

Jeff: I like exploring new technologies, but this is very new. Other than the Arizona installation, are there any prototypes that have received any testing? What's the contingency fund and do we have provisions for maintenance costs? Also, what's the estimated project life?
Gia: For the testing question, we have three sources of data, including tests on the Arizona system, performance testing at a major hydraulic facility in Massachusetts and repeat tests at our headquarters in California on the specific components that require maintenance over time. Tests from the Arizona system show the components operate quite well, especially on the power train, which is the expected maintenance item. We are not seeing wear on the blades. The turbine does need regular maintenance, which will occur every three to five years. We have provisions for maintenance in the contract with the irrigation district, where a portion of project revenues will go into a maintenance fund for use over time. What typically needs to be maintained are the elements in the power train like belts and bearings. The Arizona site has pretty dirty water, water that was used from several irrigation applications adding a lot of dissolved minerals. The project life is estimated at 20 years. After 20 years, the district will own and operate the system. The concrete and power house structure will easily last longer than the expected life.
Jed: Capital contingency is about 15 percent, which is reasonable for the size of this project.

Jeff: My concern is contingencies in general, especially with maintenance. Are there provisions for any unanticipated events? Early in the development of technologies, there are many unexpected items that come up.
Gia: We did not include that in our costs to Energy Trust or the irrigation district but we do factor that in internally and can provide for a complete system replacement if necessary.

Ken: I have concern with the experimental nature of this project, too. How low of head can this project use and when you did your analysis of the state's hydro potential, did it assume this low-head resource?
Jed: Our studies really did not look closely at low head potential.
Gia: Our technology is designed for low-pressure and large flow, and is designed for sites with less than 30 feet of head. We are looking for sites with adequate head, flow and close proximity to interconnection.

Roger: Where are water rights coming from and are they secure?
Jed: North Unit is a junior water right holder in the Deschutes Basin and has never faced significant water shortages because there are relatively good relationships between irrigators and water and river advocates in the basin. This project also uses less flow than the average flow for the district. North Unit gets the majority of its water from the Deschutes and also gets water from the Crooked River.

Dave: If this technology proves itself, can we afford to do more at this cost?
Jed: The assumption is costs will decrease.

RESOLUTION 632

APPROVING FUNDS FOR THE MONROE HYDRO GENERATION PROJECT

WHEREAS:

1. **Monroe Hydro, LLC proposes to develop a hydropower facility with a generation capacity of approximately 250 kilowatts, expected to generate 822MWh annually.**
2. **The project will demonstrate new ultra-low-head hydropower technology that is of strategic interest to Energy Trust because there are many low-head irrigation sites that cannot be cost-effectively developed with conventional turbines.**
3. **Staff and an independent contractor reviewed the project design and costs and found them to be reasonable.**
4. **The net-present value of the project's above-market costs is $450,502 over 20 years.**
5. **Staff proposes a $450,000 incentive, to be paid quarterly following the commencement of commercial operation at a rate of 25 cents per kilowatt hour based on actual production with a NPV of $362,840, representing 81% of the above-market costs.**
6. **Energy Trust will receive 15,000 Renewable Energy Certificates or 91% of the expected output.**
7. **At the proposed payment, the project's energy would cost Energy Trust about $4.79 million per average megawatt (aMW), reflecting that this project will demonstrate new technology of strategic interest.**

It is therefore RESOLVED, that the board of directors of Energy Trust of Oregon, Inc. authorizes:

1. **Payment of up to $450,000 to be paid to Monroe Hydro, LLC to offset the above-market costs of the hydroelectric plant;**
2. **The incentive to be paid quarterly at a rate of 25 cents per kilowatt-hour based on actual production;**
3. **Energy Trust to take ownership of 15,000 Renewable Energy Certificates produced by the project;**
4. **The executive director to enter into a contract(s) consistent with this resolution.**

Moved by: Roger Hamilton Seconded by: Julie Brandis

Vote: In favor: 11 Abstained: 0

Opposed:0

Break

The board took a break at 2:53 p.m. and reconvened at 3:11 p.m.

Julie Brandis left the meeting at 3:11 p.m.

Energy Programs continued

Savings-Within-Reach Loan product

Diane Ferington presented and introduced staff member Adam Bartini and Adam Zimmerman with Craft3, the lender Energy Trust will work with on the Savings Within Reach loan product. Diane described the goals of the loan product. It is targeted for moderate-income customers of PGE, Pacific Power and NW Natural to enable them to participate with an on-bill option that results in a net savings equal to the monthly cost of the loan. The loan pool is $600,000. Energy Trust is contributing $300,000 and Craft3 the other $300,000. Energy Trust will earn 1 percent on its contribution. The loan loss reserve pool is shared 50/50 with Clean Energy Works Oregon. CEWO will hold the loss position for the first $45,000, Energy Trust on the next $45,000 and Craft3 for the balance. Energy Trust incentives would pay Craft3 up to $300 per loan transaction. The loan term is 10 years, the length of time needed to reach net neutral, at 5.99 percent interest rate and a loan cap of $5,000. These loans would be made on-bill for repayment. There are controls in place, such as a focus on weatherization measures only because they typically save as much energy as they cost the customer; no space or water heating improvements would be included for the first phase.

Diane said that to develop a baseline, the program analyzed Savings Within Reach projects completed in 2011. In 2011, the average project was $2,900 and the average incentive was $1,159. Using this average, the loan would be $1,830, the monthly payment would be $20.31, less the energy savings of $18.58 for a net monthly cost of $1.72. Diane clarified this baseline includes the average savings from CFLs and water-saving products installed by the contractor.

Diane showed a map of Oregon indicating trade allies located throughout the state and specifically identifying Savings Within Reach trade allies.

John R: What loan loss rate do you expect?
Diane: We would like to see 1 percent or less. The program in Massachusetts has $60 million in outstanding loans over five years and they have less than 1 percent losses. To date, Clean Energy Works Oregon is at about one-half of a percent.

Diane clarified these would be unsecured loans. She also described the Energy Efficiency and Sustainable Technology Act (EEAST) legislation, and Energy Trust's requirement to demonstrate EEAST projects. She said that since the Savings Within Reach loan product is nearly at EEAST requirements, to count as an EEAST compliant project activity, we are requiring contractors pay EEAST labor wages of 180% of state minimum wage.

Margie: Energy Trust was very instrumental in developing "high road" standards seen in Clean Energy Works Oregon such as living wage jobs, and attracting minority, women and emerging small business jobs.

Diane: The net neutral aspect of these loans is very important to the program and for these customers. If they are getting into a project that is more expensive or requires heating and/or water replacement, we will refer them to Clean Energy Works Oregon.

Julie: I'm happy to see this project; if successful, what would be the next steps?

Diane: Additional funding to keep the product going. Based on projections, we are estimating about 200-250 loans. We will not be marketing this as net-neutral, as behavior may change. Our main goal is to keep this population at lower risk of not being able to pay bills.

Diane clarified this is for single-family homeowners so the program can maximize the number of participants that can apply. This is separate from Clean Energy Works Oregon.

Debbie: Why is Clean Energy Works Oregon taking the first position for loan losses?
Diane: They need to have other monies as a match for their federal dollars received under the American Recovery and Reinvestment Act funds. By contributing here, they are able to use the fund as matching leverage.

Dan: What happens to the loan if a homeowner sells?
Adam Z: It's a true consumer loan and it stays with the person, not the home.
John R: Which is a potential source of loan losses.

Debbie: This is great new way for participants to use on-bill financing, creating opportunities for more and different customers to participate.

Jeff: How does the interest rate compare with other consumer loans?
Adam Z: It's unsecured consumer debt. A similar type of debt is a credit card with 15 percent to 20 percent interest rate. There really is nothing else you can borrow at this rate without making it a secured loan. Credit is not inexpensive to deliver. For this product, there is no upfront cost; we have modeled in a $100 loan fee that will be capitalized into the loan.

Dan: Is there a provision for the homeowner to transfer, or sell, the loan to the next homeowner?
Adam Z: Because the loan is so low already, it would not be cost-effective to do that. I think we would move them to an Automated Clearing House (electronic transfer of funds) relationship, where we would get a monthly withdrawal from their bank.

Anne: Do you reinvest the funds when they're paid back?
Adam Z: We will report the balances on a monthly basis and work with Energy Trust on what to do. Because this is a pilot, we don't have firm plans.

The board supported the program pursuing the new pilot.

PECI New Homes & Products contract extension
Matt Braman presented. In 2009, the board authorized Energy Trust to contract with PECI to deliver the New Homes & Products program in 2010, 2011 and 2012; at this time, staff is requesting to extend the contract through 2013.

Matt reviewed the performance criteria PECI is measured against, indicating they have met all criteria, including cross program referrals, building a project pipeline, innovation, teamwork and satisfactory execution of scope of work. He highlighted PECI's work on collaborating with Earth Advantage, developing a new form interface that is expected to result in 50 percent less time spent on data entry per Products form, consistently meeting conservative contract savings and often meeting stretch goal.

If this one-year extension is approved, PECI will deliver on the contract until December 31, 2013, and if satisfactory, staff will approach the board for an additional one-year extension at a later date.

The board supported the contract extension.

Lockheed Martin Multifamily contract extension
Oliver Kesting and Scott Swearingen presented. Oliver said in 2010, the board authorized an Existing Multifamily contract with Lockheed Martin for 2011 and 2012. This request is to extend the contract through 2013.

Scott said staff assessed Lockheed Martin's performance and determined Lockheed Martin satisfactorily performed, including cross-program referrals, increasing program savings, building a project pipeline, innovation, teamwork and satisfactory execution of scope of work.

If this one-year extension is approved, Lockheed Martin will deliver on the contract until December 31, 2013, and if satisfactory, staff will approach the board for an additional one-year extension at a later date.

Dan: How many years have we been working with Lockheed Martin?
Oliver: Two years under the Existing Multifamily contract.

The board supported the contract extension.

Committee Reports

Evaluation Committee, Debbie Kitchin
Debbie said the March 8 meeting minutes are in the packet and the May minutes will be in the next packet. At the March meeting, the committee covered Home Performance, OPOWER and Sustainable Energy Systems for Wastewater Treatment Plants. In addition to the minutes, the notes include the executive report for the Home Performance process evaluation. Because of Clean Energy Works Oregon, the Home Performance track has gotten bigger and there are more contractors involved. This has resulted in efforts to improve application forms and focus on training rather than recruiting contractors.

John R: There seems to be an interesting trade-off in paying the contractor versus paying the customer. Are we missing out on improving consumer awareness when the incentive goes to customers?
Debbie: I have a similar question, though the Solar program does the same thing and they are doing well.
Phil Degens: There are different schools of thought, you can save on administrative costs but miss out on increasing consumer awareness about Energy Trust and that we are providing the incentive.

Dan: Having received a check myself, it's very cool to receive a check. What didn't come with the check was further communication on doing additional measures.
Phil: We've also received negative feedback on the length of time it takes the customer to receive a check, compared to the immediate reduction on the invoice if the contractor is paid.
Sarah Castor: A top complaint seen through Fast Feedback is the time it takes to receive the check in the mail. This is even longer if the site receives a quality control check.

Debbie said the committee also reviewed the evaluation of the OPOWER six-month survey, and the results were consistent with the three-month survey. There seemed to be a slight improvement in customers reviewing the report and taking action. Between the two surveys, there were slight modifications to the reports, which seemed to improve recipient reaction.

Phil clarified the two OPOWER surveys had different recipients.

The Sustainable Energy Systems Wastewater Treatment Plant offering is something on which Energy Trust collaborates with the Oregon Association of Clean Water Agencies, ACWA. The offering is focused on operations at Wastewater Treatment Plants. Because ACWA is in the lead, Energy Trust doesn't claim savings.

Dan Enloe left the meeting.

John R: I'm surprised at the lack of enthusiasm for renewable energy at the participating sites.
Phil: A number did participate, but costs and the long-term nature of the projects seemed to be the main barrier.

Phil mentioned that even improving participants' ability to analyze their energy bill and track energy use is a valuable outcome.

Debbie said the committee also reviewed an evaluation on the Industrial Energy Improvement, IEI, pilot and the Kaizen Blitz pilot through the Industrial Sector. Both are highly successful, and the IEI pilot is in its fourth cohort. Participants are active in the pilots and seeing persistent savings.

Phil clarified IEI and Kaizen Blitz have moved from pilot phases to program offerings. He also said other pilots were developed due to the success of these pilots and the new pilots are focused on targeting other customers, including commercial and smaller industrial customer segments.

Resolution 630, Amending board policy on balanced competition
Peter and John Volkman presented. Peter said Resolution 630 is a request for a change in board policy, which currently limits a contractor to only holding two contracts with Energy Trust, whether as a prime or sub contractor. Staff is asking for a modification to allow a contractor to be a prime contractor on no more than two contracts and to be able to be a subcontractor on any number of subcontracts provided they are responsible for no more than one-third of the program's energy savings as a subcontractor.

Peter said this policy change comes from three current RFPs in the marketplace for the Existing Buildings, Existing Homes and NW Natural Washington contracts. Unlike past contracts, which brought concerns about contracts being too large and a single contractor controlling too much, this time we are looking at contracts that are broken up into more and smaller modules. In addition, staff has brought some operations associated with a contract in-house. A contractor can bid for the entire contract or for a specific module within the contract. This encourages competition, as well as collaboration among bidders.

Peter said Resolution 630 excludes the NW Natural Washington contract from the balanced competition because the program is small and program offerings are very similar to Oregon offerings.

Peter clarified the Existing Homes RFP could be awarded to one contractor for all four subdivisions of the contract as the agency's prime contract with Energy Trust.

John R: For a historical perspective, we went with a contractor model with Energy Trust because the Pacific Northwest was rich in these types of companies. As time passed, concerns arose that there was not enough competition. Have any companies that had an Energy Trust contract been dissolved?
Peter: Some have been bought out or absorbed into other companies and operate under a different umbrella.

Debbie: I don't object to this, but if we establish indicators of competition, do we need such a policy? We could adopt the resolution as an interim solution and then evaluate how to assess competition.
Peter: So far in the RFP process we have 16 intents to respond for the Existing Homes program and 20 for the Existing Buildings program.

RESOLUTION 630

AMENDING BOARD POLICY ON BALANCED COMPETITION

WHEREAS:

1. **The Balanced Competition policy provides that no one may be a prime contractor or subcontractor of more than two Energy Trust programs. The purpose of the policy is to ensure competition for Energy Trust program management contracts.**
2. **Energy Trust is re-bidding a number of program management contracts, and in doing so is dividing programs into smaller parts.**
3. **Dividing programs into smaller parts is meant to foster competition for program management contracts. At the same time, subdividing programs could limit competition because contractors who previously had a single program contract or subcontract would now have two, and could no longer compete consistent with the Balanced Competition policy.**

4. **The board sought a way to balance these effects by allowing firms with two or more program management contracts also to subcontract on other programs, as long as the subcontract represents no more than 33% of the program's energy savings.**
5. **Energy Trust also provides services to southwest Washington customers of NW Natural. These services are to be treated as a separate program in the re-bid process. Because this involves a relatively small market, the board intends to exempt this program from the Balanced Competition Policy.**

It is therefore RESOLVED:

1. **The Energy Trust board policy on Balanced Competition is amended as shown in the attachment.**

Moved by: Alan Meyer Seconded by: Debbie Kitchin

Vote: In favor: 9 Abstained: 0

Opposed: 0

ATTACHMENT: BALANCED COMPETITION POLICY

1. *Arrangements for regulated utility information and referrals.* The Energy Trust will arrange directly with regulated utilities for information and referrals that help the Energy Trust reach the public, and come as a byproduct of the regulated role. The Energy Trust and utilities will work together to determine what activities and information will be made available with or without fee. Examples:

- Coordination of 1-800 response for household and business efficiency inquiries
- Qualification of leads coming from utility/customer relationships and referral to programs
- Access to historic energy usage data as requested by utility customers
- Access to utility-generated consumer demographic information for evaluation and/or marketing purposes
- Utility customer representative role in marketing

Thus, these capabilities will not influence selection of program management contractors.

Rationale

These are services that stem from the natural monopoly role of the utility. They are unique and real assets, but not appropriate for the competitive bid.

2. *Limitation on number of program management contracts awarded to a single contractor.* No single firm, including other companies under the same ownership and affiliates, will be a contractor for more than two concurrent program management contracts.
   a. A single firm, including other companies under the same ownership and affiliates, with two concurrent program management contracts may also be a subcontractor of other program management contracts if none of the subcontracts is responsible for more than 33% of a program's energy savings goals.
   b. This limitation does not extend to or apply to contracts associated with NW Natural programs in Washington State.

3. This limitation does not apply to subcontracts for installation or technical work (studies, commissioning, etc.) that are awarded to multiple contractors as part of implementation of a single program.

Rationale

Energy Trust needs to maintain a competitive market for program management. If one competitor wins all slots, others will not develop the skills, nor are they likely to bid in the future.

3. *Limitations on participation of regulated personnel in competitions for program management contracts.* With the exception of utility work for which Energy Trust contracts in connection with supplemental energy efficiency activities pursuant to the 2007 Renewable Energy Act, an individual within a regulated utility cannot perform work under an Energy Trust contract for program management *and* perform work as part of the regulated utility (i.e., functions billed to ratepayers) in Oregon.

Rationale

• Regulated utilities have their own objectives, which in some cases include maintaining and building load. It would be difficult to manage employees who also report to a regulated utility and its objectives as "first boss."
• To have ratepayers pay for part of the cost of an FTE that was used for competitive Energy Trust work would make it difficult for others to compete.

4. *No review of work of related companies.* Neither a program management contractor to the Energy Trust nor organizations under the same ownership or affiliates may perform work under separate contract that would be submitted to the program management contractor for review on behalf of the Energy Trust. This type of work includes recommendation of efficiency measure brands, models or performance, technical analysis of savings, or equipment installation or commissioning.

Rationale

Avoids having program management contractors review their own work. Reduces consumer confusion about roles.

Resolution 631, Amending strategic utility roundtable operating principles

John Volkman presented a summary of the operating principles. In 2009, utilities asked the board to appoint utility representatives to the board. Due to the nonstakeholder nature of the board, the board offered strategic utility roundtables as an avenue for utility executives to work directly with the board.

There have been three roundtables per year in 2010 and 2011. Reactions range from positive to very positive. Roundtables that focused on an immediate pressing need, such as the Business Energy Tax Credit changes, were the most valued. The OPUC and CUB are also invited to the roundtables.

John said there were a few questions the Policy Committee addressed in revising the operating principles:

- Does the process continue as another two-year pilot or go forward indefinitely? The Policy Committee recommends making it a regular process, and that every three years the committee review its usefulness.
- Should policy issues beyond Energy Trust be included in roundtable agendas? The Policy Committee wrote the roundtable agenda should be based on what the utilities want to discuss and can include larger, policy-oriented questions facing the industry.
- The guidelines emphasize that agendas should indicate what sort of resolution the agenda item should have.

RESOLUTION 631
AMENDING STRATEGIC UTILITY ROUNDTABLE OPERATING RULES

WHEREAS:

1. **In 2009, after extensive conversations with the utilities and other interested parties, the board adopted operating principles for a "strategic utility roundtable" for a two-year trial.**
2. **A number of roundtables were held in 2010 and 2011.**
3. **In late 2011, members of the board policy committee discussed with the utilities and interested parties whether to continue the roundtables and if so, whether there should be changes in it.**
4. **In general terms, the parties have found the roundtables helpful, and in some cases very helpful.**
5. **The board agrees, and hereby extends the operating rules for the roundtable, to focus on strategic energy issues proposed by the parties.**

It is therefore RESOLVED:

1. **The Energy Trust board operating rules for the strategic utility roundtable are amended as shown in the attachment.**

Moved by: Alan Meyer Seconded by: Roger Hamilton

Vote: In favor: 9 Abstained: 0

Opposed: 0

ATTACHMENT: UTILITY STRATEGIC ROUNDTABLE OPERATING PRINCIPLES

The Utility Strategic Roundtable is designed to facilitate the utilities' expressed interest in communicating with the Energy Trust Board on a strategic level.

1. The Utility Strategic Roundtable is composed of the Energy Trust Board and Executive Director, and representatives of the electric and gas utilities served by the Energy Trust: Cascade Natural Gas, NW Natural, PacifiCorp and PGE. Members of the public and other stakeholders, including representatives of customer groups, the environment, workers, and efficiency and renewable energy trade groups, have been invited to attend and participate in the discussions.

2. The Roundtable meets at the request of any participant, and at least annually. If possible, meetings should be timed with regular Energy Trust Board meetings so all Board members can attend.

3. Roundtable participants are encouraged to appoint decision-level representatives to the roundtable, ensure that the appointed person attend all meetings, and try not to vary representation from meeting to meeting.

   Roundtable agendas are determined by the Energy Trust Board President in consultation with the full Board, the utilities and interested parties. Any party may nominate an agenda item, together with a clear statement of the purpose of the proposed item. Agendas should allow the utilities to engage in a dialogue on matters of interest to them, and may include suitable agenda items suggested by others. In general, agendas should focus on strategic and longer-term ideas, opportunities and concerns, with the goal to ensure the entities are working well together to pursue energy efficiency and renewable energy in the most effective and coordinated way possible. A party may suggest other strategic energy issues, which may be added to the agenda if parties do not object.

   •

4. Each agenda item will have a sponsoring entity, which will be responsible for providing background material on the issue at least 10 days before the roundtable meeting.

5. All meetings will be open except for any portions of meetings that the Energy Trust President determines would involve trade secrets, proprietary or other confidential commercial or financial information. Energy Trust will provide public notice of meetings.

6. Roundtables will discuss issues and may make recommendations to the Energy Trust board or others. No votes will be taken. Roundtables are not authorized to take action on behalf of the Energy Trust board.

7. Minutes will be kept and a roster of potential action items would be brought back for full Energy Trust Board discussion and staff consideration before commitments are made.

8. The Energy Trust policy committee will review these operating rules at least every three years to determine if the roundtable continues to be an effective way to promote strategic communications.

Audit Committee, Ken Canon

The committee issued an RFP for a company to conduct Energy Trust's annual audit. Out of eight intents to respond, the committee selected Moss Adams. Ken thanked Sue Meyer Sample for her guidance and support in the process.

Strategic Planning Committee, Rick Applegate

The upcoming strategic planning retreat is June 8 and 9. The agenda does not include board action; it's an opportunity to take a step back to broadly examine Energy Trust, energy efficiency and renewable energy topics, such as the Governor's 10 Year Energy Plan and Margie's proposal for Energy Trust to form a consulting arm. The proposed agenda is in the board packet. In addition, each board member is asked to write a letter about what they think Energy Trust will be doing in 10 years, in 2022.

Staff Report

Succession Planning, Jim Morris, Solid Ground Consulting Group
Margie introduced Jim Morris, and said he will present on the report for an emergency succession plan for Energy Trust.

Jim: You are now among the 12 percent of nonprofits in the country who will be adopting a succession plan. We believe a succession plan is as important as a strategic plan.

Jim described the first phase of the succession plan, an emergency succession plan. This is intended to be a turn-key document that staff turns to if the executive director becomes unavailable to perform duties. The plan removes confusion and provides assurance during an uncertain time. It is designed to be a document the board uses to ensure all day-to-day operations and communications continue. The plan also looks at short and long-term unplanned absences, with a section dedicated to a permanent unplanned absence.

A short-term absence is considered less than three months and the plan provides direction on keeping operations and communications going during this period. Largely, major staff changes are not anticipated during a short-term absence.

Jim described the role of the Executive Director Review Committee to select and authorize an acting executive director and potential backfill. Three staff members were identified and ranked in order of preference for the position of acting executive director, with a plan for timely and regular communications with stakeholders specified.

For a longer-term absence, the plan indicates the Executive Director Review Committee is to immediately consider appointing an acting executive director plus an executive director deputy. Any external board positions the executive director serves are to be filled by staff.

In both scenarios, when the executive director returns to work, a close discussion with the Executive Director Review Committee, executive director and acting executive director would occur.

In the event a permanent absence is determined by the Executive Director Review Committee, the plan calls for an outside interim executive director appointed by the committee, and a search committee formed to communicate with key stakeholders, hire an executive director search firm and establish a selection and recruitment timeline.

The plan is to be reviewed annually by the Executive Director Review Committee, and any recommendations made to the full board.

Roger: How does the organization communicate around a confidential reason the executive director is absent, such as health issues?

Jim: The plan defines some discussion when the individual returns from leave.
Margie: My employment agreement with the board is also very particular around confidentiality issues. The employment agreement and this succession plan reinforce each other.

Debbie: In the permanent absence scenario, why five days to choose an interim executive director?
Jim: With a permanent absence, time is of the essence. The plan doesn't say the interim executive director is to be hired within five days, but to be selected and for the plan to be put into action.
Debbie: I'm not comfortable with the word "shall" in front of "five days." I wouldn't want to be in a position where we might violate board policy. Maybe amend it to "within 30 days" or "as needed" and then we can also fall back to the acting executive director as we search for an interim executive director.

John R: Is this a proposal or a policy we are considering today?
Margie: This is a proposal; any direction from the board will be brought to the Executive Director Review Committee.

Margie clarified this plan does not include a director deputy because the position does not exist at Energy Trust.

Dave: In the short-term situation, the interim executive director works with the board president?
Jim: Yes. And if they are unavailable, the board president and Executive Director Review Committee will work from there.

Jim clarified that part of the plan is training of the potential acting executive directors to fill the role.

Staffing request
Margie referred the board to the staffing report distributed earlier in the day. The staffing request was originally part of the executive session, and the agenda item was moved to the public meeting with all related material was publicly provided.

Margie said each year, staffing requests are made during the budget process starting in the fall. One large exception is when the Production Efficiency program was brought in-house in the middle of the year. The staffing request today stems from the increase in solar activity, as well as growth in activity in the Planning and Evaluation group.

Margie said today, staff is requesting three full time employees, two in the Planning and Evaluation group and one in the Solar program. Margie said there are 20 different evaluations and 33 pilots and initiatives underway this year that are all worked on by the Planning and Evaluation staff. Typically, Energy Trust alerts the OPUC regarding any staffing requests, given concern around managing growth and staffing levels and corresponding perceptions. That sensitivity was addressed with Juliet Johnson with the OPUC who spoke with each OPUC Commissioner. All are in support of this staffing request.

Margie clarified this is not a resolution or action. It is for information purposes, due to direction from the board a few years ago that staffing is an operational function to be handled at the executive director level. Margie thought it important to bring this to the board's full attention.

Alan: As an Evaluation Committee member, I wonder if we are being selective enough with the evaluations we are making. Sue MS indicated the Planning and Evaluation work is $5.2 million, about 3 percent of the budget.
Fred: We've been developing guidelines to help determine if something is an innovation that needs research around it. The issue is there are three dozen identified as such. We are selective with what we evaluate. But to keep our volume, we need to increase our through-put. We need to continue process evaluations on mature programs because they change and evolve. There is going to be a high volume of these coming through largely because the few programs that brought in large savings are going away. Instead, more offerings are bringing in fewer savings, and they require more evaluation.

Alan: I do think we should make it visible how much we are spending on evaluations.
Margie: It shows up in the budget and we can highlight it to make it more apparent. Also, we are transitioning in the programs from doing things that have always been done to things that haven't always been done. This means more testing and more evaluation is needed.

Ken: I struggle with correlating the Planning Project Analyst justification with the specifics of the position summary.

Fred distributed a handout describing the major tasks performed by the planning manager and analysts. He also described how intricate the IRP planning with utilities is getting, it's not just "ramp up activity," and the corresponding time needed to complete the plans.

John R: I notice the relationship between Energy Trust and the utilities is getting better and I think the work you do on the IRPs is a direct piece in that.

Fred: We intend these positions to help us become better managers of the work, as we are currently too overloaded to be strategic in our processes.

Ken: You might add a sentence in the position justifications that references the position description, in particular, the IRP piece.

Roger: Utility IRPs in Oregon are quite sophisticated, and I understand the need for the Planning Project Analyst. Also, residential solar is booming and has huge demand, and I see a need for the solar program assistant.

The board indicated its approval for the three staffing requests.

Adjourn

The meeting adjourned at 5:12 p.m.

***Next meeting*.** The Energy Trust Board of Directors will hold its annual strategic planning workshop on June 8 and 9 at McMenamins Edgefield, 2126 SW Halsey, Ballroom, Portland, Oregon.

/s/ John Reynolds
John Reynolds, President