Policy Committee of the Energy Trust Board of Directors

July 24, 2012

Attendees

Board: Roger Hamilton, John Reynolds. By telephone: Rick Applegate, Ken Canon, Alan Meyer.
Staff: Amber Cole, Fred Gordon, Margie Harris, Steve Lacey, Sue Meyer Sample, John Volkman and Peter West

1. Above-market cost policy. The policy committee noted that we no longer have a utility-scale renewable program and perhaps the policy should be amended to reflect our role only with renewable projects of 20 MW or less. Staff noted that we still review utility projects, but not "utility-scale" projects. The committee suggested that the policy no longer needs to distinguish projects by size, given that all are 20 megawatts and less. Staff will bring a draft revision to the next committee meeting.

2. Results of program management contract rebids. Staff solicited rebids for the Existing Buildings and Existing Homes Programs earlier this summer. Staff has a recommendation for one, and is close to having a second. The committee discussed these recommendations, which will be made to the board at its August 22nd meeting. Because Clean Energy Works is part of one of the bids and Margie is a member of their board, Margie did not participate in the process. We were pleased with the level of competition and the quality of the bids.

3. Report on interactions with OPUC staff. Staff reported on a new process begun with the OPUC staff. A couple of months ago, staff from both organizations began discussing the idea of regular meetings to discuss OPUC issues and dockets in which Energy Trust has an interest. We are developing principles and guidelines for such interactions. The latest draft:
    - Energy Trust will participate in dockets only on a technical advisory basis or where it has a direct programmatic interest in the subject matter of the docket.
    - When the Governor or the Legislature asks the Energy Trust to provide information, best efforts should be made to coordinate responses with Commission staff prior to responding.
    - OPUC staff and Energy Trust will have regular meetings to discuss general policy and coordination issues and specific dockets.

The committee saw these interactions and guidelines as positive.

4. Comments on the Governor's plan. The committee reviewed and commented on the final draft of the comments. John Reynolds will sign the comment letter for submittal to the Governor's office tomorrow.

5. Report on cost-effectiveness of residential gas measures. Staff reported on discussions with OPUC and utilities about the cost-effectiveness of certain gas weatherization measures. As discussed at the June board retreat (see board briefing paper, p. 13), we generally need a societal benefit/cost ratio of 1.0 or better to justify supporting a measure. Avoided costs have fallen sharply and the societal benefit/cost ratios for floor and wall insulation, air sealing in gas-heated homes and duct sealing are below that. Staff is developing a proposal to the

OPUC to allow a temporary exception to the societal cost-effectiveness test for these purposes. The committee discussed the growing questions about the societal test in the Northwest and elsewhere around the country, current and projected low natural gas prices and the historic volatility of gas prices. The OPUC may open up the cost-effectiveness issue, and if this happened, it would not be in time to influence our 2013 budget process. We are proposing an approach that would allow a two-year waiver to see if delivery and other costs can be potentially reduced to help improve cost-effectiveness for these gas measures. The committee endorsed this approach.

6. Report on fuel-switching docket. At the suggestion of one of the parties in the fuel-switching docket, the OPUC put the docket on hold for two months. This allowed time for input from our CAC, using this public meeting as a forum to solicit reactions to the idea of limiting heat pump incentives to electric only heating customers and disallowing heat pump incentives for gas heating customers. Ductless heat pumps would be an exception to this approach. If the CAC endorsed such an incentive, it might influence the parties to settle the docket. The CAC meeting is tomorrow. Qualifying the incentive in this way would implicate the Energy Trust fuel-neutrality policy.

7. Black Cap solar project. At the August board meeting, staff will propose a $600,000 incentive for a two-megawatt PacifiCorp solar electric project in Lakeview. The project is under construction, will be operational in late 2012, and PacifiCorp will count it toward Oregon's 2020 solar mandate. PacifiCorp began moving on the project in 2011 and did not approach Energy Trust for above market cost analyses to determine an incentive level until later in the project's development. When PacifiCorp first asked for an incentive, Energy Trust 2012 funds were committed. We proposed to defer any payment until 2013. Subsequently, funding was freed up when two non-solar projects were cancelled. PacifiCorp initially requested an incentive of $4,500,000; following analysis, staff believes the above-market cost to be about $600,000 and proposes an incentive at that level. Staff recommends the incentive because: 1) we have funded several large projects in PGE territory; 2) the project would be operational in 2012 and would help us meet our annual renewable goals; 3) it would be our lowest-cost solar incentive per average megawatt to date; and 4) we would still have enough Pacific Power funds for a robust competitive process for non-solar projects in late 2012. The committee thinks the incentive would be reasonable given that it would not take funds from other renewable projects.