EnergyTrust of Oregon, Inc.

Board Meeting Minutes – 79th Meeting

December 12, 2007

Board members present: Rick Applegate, Jason Eisdorfer, Tom Foley, Julie Hammond, Al Jubitz (via teleconference), Debbie Kitchin, John Klosterman, Vickie Liskey, Caddy McKeown, Alan Meyer, Preston Michie, Bill Nesmith and John Reynolds

Board members absent: John Savage

Staff attending: Pete Catching, Diane Ferington, Lakin Garth, Fred Gordon, Margie Harris, Nancy Klass, Steve Lacey, Linda Rudawitz, Pati Presnail, Sue Meyer Sample, Jan Schaeffer, John Volkman, Peter West, Kendall Youngblood

Others attending: Paul Berkowitz, CSG; Michael Early, ICNU; Don Jones Jr., Pacific Power; Lori Koho, OPUC; Bob Stull, PECI; Cliff Schrock, E. C. Company; Alecia Dodd, CSG

Business Meeting

President Tom Foley called the meeting to order at 12:10 pm.

November 14, 2007, meeting minutes.

MOTION: Approve minutes from the November 14, 2007, meeting.

Moved by: Caddy McKeown		Seconded by: Alan Meyer
Vote:	In favor: 11	Abstained: 0
	Opposed: 0	

Adopted on December 12, 2007, by Energy Trust Board of Directors.

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.

Alan Meyer asked to move resolution 460, authorizing the president to sign an updated employment agreement with the executive director, and resolution 459, offering individual 401(k) investment advice option, to the regular agenda.

Tom Foley asked the board to meet in executive session to discuss personnel matters related to resolution 460.

The board met in executive session until 12:45 pm.

Debbie Kitchin arrived during the executive session.

Rick Applegate left the meeting at the end of the executive session.

Establishing 2008 401(k) employer contribution.

RESOLUTION #458

APPROVING EMPLOYER CONTRIBUTION TO 401(k) PLAN FOR 2008

WHEREAS

1. **The Energy Trust wishes to provide a reasonable compensation package to its employees; and**
2. **The Tompkins Group previously recommended an employer contribution of 6% of base salary (gross salary excluding benefits) to the Energy Trust 401(k) retirement savings plan as comparable to contributions made by similar organizations. The board, and its Compensation Committee, have reviewed more recent information showing that a contribution of 6% of base salary remains reasonable.**
3. **In 2007, Energy Trust arranged for an independent survey of compensation/benefit packages in comparable organizations, but the survey did not lend itself to a comprehensive comparison of 401(k) contributions.**

It is therefore RESOLVED:

1. **That for the plan year ending December 31, 2008, the Energy Trust of Oregon, Inc. Board of Directors authorizes an employer contribution to the 401(k) plan equal to six percent (6%) of calendar year 2008 base salary for all eligible employees.**
2. **The board requests that the compensation committee by fall, 2008 oversee a further comparison of 401(k) contribution levels in the context of overall compensation/benefit packages, and consider the advisability of a 401(k) employer matching contribution.**

Moved by: Debbie Kitchin Seconded by: Preston Michie

Vote: In favor: 11 Abstained: 0

Opposed: 0

Adopted on December 12, 2007, by Energy Trust Board of Directors.

Authorize offering individual 401(k) investment advice option. Alan Meyer requested clarification of who pays: Energy Trust or individual employees seeking this investment advice. Margie said Energy Trust would pay about $2,700/year for the service, an amount that would grow as the plan's assets grow. Each participating employee (there presently are nine indicating a desire to participate) would pay $10/month for the services. Alan asked if there are liability issues for Energy Trust. John Volkman said there are none; several years ago the law changed to allow 401k providers to get in this business. Preston Michie noted Energy Trust would not be giving the advice but, rather, would hire an expert to give the advice. He noted the risk to Energy Trust is no different than the risk of contributing 6% into the 401k. John Klosterman said he supported the proposal as a learning opportunity, and noted it will sunset in two years unless the board chooses to extend it.

RESOLUTION #459

APPROVING OPTION FOR INDIVIDUAL 401(k) INVESTMENT ADVICE

WHEREAS

1. **The Energy Trust wishes to offer an optional service to help employees make individual 401(k) plan investment decisions in the context of their other investments; and**
2. **Invesmart offers such a service at a cost to Energy Trust of about $2,700 in the first year (the fee would grow in future years with the size of the plan's assets).**

It is therefore RESOLVED that the Energy Trust of Oregon, Inc. Board of Directors:

1. **Authorizes the executive director to sign a contract with Invesmart to provide the Mainspring investment option to all eligible employees, and to renew this service for up to two years.**
2. **Supports employees paying a monthly fee to participate in the program.**
3. **Requests the compensation committee to review Energy Trust employees' experience with this service and, not later than December 1, 2009, recommend to the board whether this service should continue to be offered.**
4. **This option will be continued beyond 2009 only if the board affirmatively decides to do so.**

Moved by: Caddy McKeown Seconded by: John Reynolds

Vote: In favor: 11 Abstained: 0

Opposed: 0

Adopted on December 12, 2007, by Energy Trust Board of Directors.

Authorize Tom Foley to sign executive director's employment agreement.

RESOLUTION #460

AUTHORIZING THE PRESIDENT TO SIGN AN UPDATED EMPLOYMENT AGREEMENT WITH THE EXECUTIVE DIRECTOR

WHEREAS

1. **The current employment agreement with the Energy Trust executive director was executed in 2001 and has not been revised since.**
2. **The current agreement does not address some subjects, establishes detailed procedures for issues for which the organization now has its own more appropriate procedures, and has terms that were appropriate in 2001 but now seem inappropriate or unnecessary.**

It is therefore RESOLVED that the Energy Trust of Oregon, Inc. Board of Directors:

1. **Authorizes the President to sign the updated agreement with executive director, as discussed in connection with this meeting.**
2. **The updated agreement shall be effective beginning January 1, 2008.**

Moved by: John Reynolds Seconded by: Vickie Liskey

Vote: In favor: 11 Abstained: 0

Opposed: 0

Adopted on December 12, 2007, by Energy Trust Board of Directors.

2008-2009 Action Plan and 2008 Budget

Approving 2008 budget. Margie presented a summary of changes between the draft and proposed final budgets:

- A net revenue increase of $1.6 million
- A $5.7 million increase in expenses: Electric efficiency increased $5.5 million, gas efficiency increased $100,000, and renewable energy programs up $100,000. Most of the resulting changes stemmed from projected carryover funds being added to PGE.
- Adjustments to savings/generation targets: The electric savings best case goal went up by 2.3 aMW, gas savings projections increased by 36,000 annual therms and the renewable generation best case scenario increased slightly by .4 aMW.

Margie noted Jason Eisdorfer had requested this summary be added to the presentation, with the further agreement that a summary of changes between the draft and proposed final budget be included in the board packet concerning the final budget. This will make it easy for the board and the public to track changes between the two documents.
Al Jubitz noted he was able to watch Margie's presentation on his computer and was pleased with the use of this technology. *(Al participated in the board meeting via teleconference.)*

Margie reviewed projections for year end 2007. We expect to exceed our best case electric savings goal (33.7 aMW) by 3-7%. We expect to achieve 85-90% of our best case gas goal of 2.1 million annual therms. Renewable energy programs are anticipated to exceed the conservative accounting-based goal and fall short of the activity-based goal. This is primarily due to the withdrawal of a utility scale project late in the year by Pacific Power and with no replacement project identified.

Margie then summarized public comments received, including:

- For renewables, there was support for emphasizing commercial solar and biopower projects as well as retaining overall diversity of program offerings
- For efficiency, the emphasis on commercial was supported, along with increased market research and simplifying forms and participation
- The energy efficiency incentive budget should be increased if program demand warranted

She summarized OPUC staff and Commissioner comments on the draft budget and action plan as follows:

- Lee Beyer said we are pushing the maximum he is comfortable spending on marketing and outreach
- Interest in and discussion of the particular functions provided by proposed IT staff and conversion of staff from contractor positions

Lori Koho commented that it might be useful to do a small demo for the Commission of what it is like to mine data from the information systems. This might help the Commission to understand the complexity of our work in this area. Margie said we would consider doing this.

Margie then noted the renewable themes for the budget, indicating they have not changed between the draft and proposed final budgets. Total renewable energy budgets for 2008 remain essentially the same. A $240,000 difference from the draft budget reflects an increase in utility revenue forecasts and a corresponding adjustment of program and allocated costs. There are new revenues from both electric utilities for 2008. Preston Michie noted that the restoration of the conservation rate credit could affect utility revenues, if the utilities reduce rates they increased last year when the rate credit was removed.

Lori said OPUC is working now on achieving consistency in the way utilities calculate their public purpose charges.

Margie said there are no changes in the 2008-09 efficiency themes. She highlighted a $1.3 million increase in efficiency revenue, achieved by directing more carryover funds for PGE territory, and reducing the base activity in Pacific Power territory by $1.5 million. The net change in expenses is $5.5 million, with a corresponding savings increase of 2.3 aMW. She reviewed the proposed final efficiency budget by utility, reflecting changes in the balance of activity between electric utilities as well as new revenues coming from updated utility forecasts. She reviewed the net re-distribution of funds among efficiency programs.

Alan Meyer wondered if there is an error in the New Homes & Products number. He referenced the one-pager for New Homes, showing lower savings and increased spending on marketing and program delivery. Margie said the change reflects adjustment to the downturn in the real estate market, involving increased emphasis on reaching builders and filling the pipeline for ’09. Margie said last quarter we signed up nine more homebuilders committed to building 100% ENERGY STAR new homes. Debbie Kitchin noted the phenomenon that, in a down market, more premium homes are built that might achieve higher efficiency levels compared to standard homes. Tom Foley asked staff to look more closely at Alan's questions before preparing a revised budget next spring. Fred Gordon mentioned the residential code change to take effect in April, in response to which we are focused on reaching as many builders as possible to help them meet the new code and make sure the code works. He said we intend to claim savings from the new code because we believe the code change would not have gone forward without our preparing the market through the New Homes program.

Margie reviewed the 2008 best case program goals.

She then asked Lori for an update on the SB 838 tariffs recently filed by PGE and Pacific Power. Lori said there were questions about whether all elements of PGE's filing met the definition of cost effective efficiency. The proposed tariff would take effect June 1. Pacific Power had the "cleaner" filing, with fewer data requests from OPUC. Lori thought their tariff would take effect January 26, the Monday after the last public hearing in January.

Jason Eisdorfer noted that in both filings, the utilities propose to retain some of the funds for use within the utility to facilitate and direct projects to Energy Trust. In both cases, the money retained by the utility counts as part of calculating Energy Trust performance measures.

Margie reported on a recent worksession in our offices with representatives of the OPUC, CUB, PGE and Energy Trust. Participants discussed some of these same issues, defining next steps.

Tom Foley asked when we will know how much SB 838 funding will come to Energy Trust. Lori said February 1 for Pacific Power, and that PGE is farther away. Lori noted that not all of the proposed incremental utility funds retained by the utility would apply to Energy Trust cost effectiveness analysis, such as funds for low income.

Margie reviewed Energy Trust growth indicators, which show a five-fold increase in the number of projects completed between 2004 and 2008; a seven-fold increase in the number of transactions/checks written from 2004 to 2008; and, a 10-fold increase in number of contacts over that four year period.

Margie reviewed 2008 proposed staffing, unchanged from the draft budget. She noted that, by the end of 2009, we expect to:

- Complete Renewable Energy Act transitions
- Effectively manage growth, expectations and resources
- Achieve greater results in new markets with new partners
- Exceed customer expectations

Fred Gordon discussed a spreadsheet presenting cost effectiveness calculations and levelized cost by program at the current assumed 3% discount rate. He noted Energy Trust and OPUC are getting closer to resolving what assumptions to use for discount rates and levelized cost ceilings in the future.

Preston Michie asked about market variability for commodities. Fred said we do not attempt to model this complexity.

Alan Meyer observed that the percentage for program delivery is increasing fairly significantly compared to increases in incentives—roughly a 10% increase in program management cost compared to incentives. He asked what accounts for this. Margie said Lori had asked that same question in a CAC meeting. She said the changes reflect the need to ramp up and be ready for increased investment of SB

838 monies. This includes identifying new markets that are harder to reach. Alan thought the budget did not include SB 838 funds. Sue said this is true on the revenue side and, on the expense side, we are using carryover funding to ramp up. Jason said he thinks it is prudent to do this, knowing that the SB 838 filings have been made.

Alan noted the discrepancy gets worse in 2009. Steve said that is because we create 2009 numbers by applying an escalation factor across most programs. We expect to be more specific when we know the amount of SB 838 funds we will receive. Tom said he believes it unnecessary to dwell on 2009 numbers now because they are going to change.

RESOLUTION #457

ADOPTION OF 2008 BUDGET

BE IT RESOLVED: That the Energy Trust of Oregon, Inc., Board of Directors approves the 2008 budget as presented in the board packet.

Moved by: Vickie Liskey Seconded by: Preston Michie

Vote: In favor: 11 Abstained: 0

Opposed: 0

Adopted on December 12, 2007, by Energy Trust Board of Directors.

Approving 2008-2009 action plan. Margie noted the action plan will need to be updated to reflect SB 838 funds.

RESOLUTION #456

ADOPTING 2008-2009 ACTION PLAN

BE IT RESOLVED: That Energy Trust of Oregon, Inc. Board of Directors approves the two-year 2008-2009 Action Plan as presented in the board packet.

Moved by: John Reynolds Seconded by: Caddy McKeown

Vote: In favor: 11 Abstained: 0

Opposed: 0

Adopted on December 12, 2007, by Energy Trust Board of Directors.

Preston Michie thanked Margie for inviting and the board for receiving the presentation at the last meeting by Don Hammerstrom, Pacific Northwest National Laboratory, USDOE. Tom Foley commented that the presentation may have been too technical and detailed for audiences like ours.

Board members reflected on how smoothly the budget process has gone in the last two years compared to early years. Margie said many staff have a part in this and mentioned some of them, including Sue Meyer Sample and Pati Presnail. John Klosterman and Jason Eisdorfer commended Margie personally on her depth of knowledge about what is in the budget.

Lori Koho noted there are a lot of things in the upcoming year that will require partnerships. This is not easy and is time-consuming. She suggested we should be aware of this.

Break

The board took a short break at 2:00 pm.

President's Report

Tom Foley said he took part in the energy efficiency cluster roundtable at last week's Oregon Business Leadership Summit. A chief concern was lack of trained staff; one of the outcomes will likely be an increase in training opportunities for energy efficiency technicians. The summit itself was interesting. Both of Oregon's U.S. Senators, as well as Congressman Blumenauer and DeFazio spoke. He would recommend all board members and Margie go to the summit next year. It provides an opportunity to explain what Energy Trust is to high-level officials and business leaders.

Tom also noted the state is supporting a green building initiative run through universities. He has set a meeting with Jennifer Allen at PSU to talk about this.

Jason Eisdorfer left the meeting at 2:30 pm.

Bill Nesmith commented on the legislative session starting in February. It is supposed to be a short session lasting four weeks. However, the chair of the House Revenue Committee has reopened discussion of BETC. Legislation adopted in 2007 offers a 50% tax break to any renewable manufacturing company seeking to come to Oregon. This has triggered an incredible response from solar companies seeking to locate in Oregon—about a billion dollars worth of applications. The rules propose a limit of two $20 million tax credits per year per company. Some feel this amount is too little and felt they were promised more. Bill noted the impact on revenues now appears much larger than was represented during the 2007 session. He said the main BETC program also has seen some increase in applications, but nothing like what has happened in the new renewables manufacturing sector.

Bill said the governor's office is interested in putting together an energy efficiency bill like this year's Renewable Energy Act. Preston asked if this includes demand response. Bill said the bill will include whatever the governor's office decides to include. For the Renewable Energy Act (REA) the governor created a renewable energy working group; something similar will be created for the efficiency bill.

On the federal level, Congress has debated a national energy bill. By the end of last week support for the bill, which included a renewable energy portfolio requirement, disintegrated. He has heard from some Congressional staff that average bills take seven years from idea to enactment; energy bills take 12 years.

Bill is on the board of the National Association of State Energy Officials (NASEO). They have an affiliates program, whereby some other organizations can participate. He has suggested to Margie that Energy Trust consider joining. The cost is $2,500.

Committee Reports

Audit Committee. Julie Hammond said the committee met today. Representatives of our auditor participated and explained some of their new tasks, including looking at the interface between FastTrack project management and Great Plains accounting software. The committee also discussed the management audit required by the OPUC grant agreement for 2009. There was considerable discussion about how the audit might be done differently from last time.

Compensation Committee. John Klosterman noted this committee met a couple weeks ago. The committee will look harder at the 6% employer contribution to the 401k plan and whether an employee match should be required. He noted the benefit package continues to fall below the 28% cap and actually fell a little in 2007. They discussed the bi-annual compensation survey done by the MBL Group, which included an abbreviated benefits survey. The committee's next meeting is in early February.

Finance Committee. John Klosterman noted the hockey stick effect is coming in later this year. He stated results continue to lag forecasts. He would like to achieve greater predictability. He asked board members to review the finance glossary (included in the packet) once or twice a year.

Policy Committee. John Volkman said the policy committee had met twice since last time. They discussed the discount rate of 3%, which we have used historically, noting OPUC would like us to use a discount rate that is consistent with the one utilities use in developing integrated resource plans. We expect the new performance measures to set a higher levelized cost cap, allowing us to use a higher discount rate. He noted we have scheduled a meeting January 9 to talk with ODOE and utilities about carbon credits.

Staff Report

Feature presentation. Betsy Kauffman, Energy Trust's renewable energy outreach and program manager, and Dave Bugni. Mr. Bugni is a structural engineer and an Energy Trust program participant. About a year ago his family decided to undertake a small hydropower project. Betsy explained the open solicitation program, which she manages. She calls it the non-dairy creamer program—it's defined by what it's not. It's an incubator for technologies. She showed examples: Kettle Foods solar, Stoller Winery solar, Sunderland Yard small wind, Gresham wastewater biogas project. In the past year the program has approved four projects: the Portland Habilitation Center and East Portland Community Center solar third party projects, the Swalley Irrigation District hydro project and David Bugni's micro-hydro project.

She noted the project is 4.4 kW in capacity and is expected to produce 25,000 kWh per year. Project cost was $53,000; Energy Trust provided $13,391. It is net-metered and will power all of the Bugni's home and home-based business electrical needs. They are going to create electrical resistance heat for air and water to cut their oil use in half. Dave said because this was a self-install, payback will take only a few years. He expects to be generating electricity in January.

Betsy then showed photos of the intake box (captures 20% of the streamflow in summer, 3-5% in winter), a pipe that goes 750 running feet and 40 feet down in elevation to the turbine (moved into place by the local Estacada football team), and two turbines (run one in summer, both in winter).

John Klosterman asked if Dave would accept tours. He said he would. He does structural engineering for PGE; PGE was contacted by an individual in the Dundee area interested in microhydro technology, and Dave provided a tour.

Margie asked if Dave had any suggestions for how to improve his experience working with Energy Trust. He said his only suggestion is to avoid duplication of questions in the two-step application process.

Al Jubitz asked how Dave sized his system, noting there is much more water in the winter. David said factors included not wanting two hugely differently sized pumps, the desire to involve his whole family in construction, which suggested small scale, and other factors. He noted there was only one micro-sized turbine manufacturer, which influenced him to use pumps.

Highlights of staff report. Margie noted she participated in the first meeting of the new, smaller Northwest Energy Efficiency Alliance (NEEA) board. New expert committees will soon be organized in key functional areas. She reported Margie Gardner has accepted the position of executive director at Bonneville Environmental Foundation.

Margie described that Energy Trust has released an RFP for research on efforts nationwide to position energy efficiency as a solution to global climate change. We are undertaking this research with several other regional organizations, including Bonneville Power Administration, NEEA, PECI and the Northwest Power and Conservation Council.

She noted that she and staff are exploring ways to potentially coordinate with California's new energy efficiency initiatives. She also drew attention to our work in Corvallis to establish a community energy project.

She introduced Steve Lacey, who explained staff's wish to extend SAIC's program management contract for a third year. Resolution #365 was adopted December 14, 2005. That resolution asserted that staff would report to the board in July 2007 on SAIC's progress toward achieving contract renewal criteria. John Reynolds asked if, when we rebid the contract in 2008, whether we expect competition among bidders. Steve said we do expect competition, although he noted SAIC has performed well.

Margie continued with staff report highlights. She noted growth in activity, mentioned the research by Smart Power on attracting solar participants, and noted progress in filling approved positions.

Lastly, Margie read a note from a family that is developing acreage in Clackamas County. Energy Trust hired Nathan Good, architect, to conduct an interactive "charrette" with designers, planners and others working to make this a net zero, carbon neutral, light footprint mixed-use community.

Adjourn

The meeting adjourned at 3:45 pm.

Next meeting. The next regular and annual meeting of the Energy Trust Board of Directors will be held Wednesday, February 13, 2008, 12:00 noon at Energy Trust of Oregon, Inc., 851 SW Sixth Avenue, 12th Floor, Portland, Oregon. The meeting is open to the public.

Debbie Kitchin, Secretary