

## Board Meeting Minutes—183rd Meeting

October 14, 2020

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**Board members present:** Erik Andersson, Susan Brodahl, Melissa Cribbins, Ernesto Fonseca, Lindsey Hardy, Eric Hayes, Elee Jen, Mark Kendall, Alexia Kelly, Henry Lorenzen, Alan Meyer, Roland Risser, Letha Tawney (Oregon Public Utility Commission ex officio), Janine Benner (Oregon Department of Energy special advisor)

**Board members absent:** Anne Root

**Staff attending:** Mayra Aparicio, Kathleen Belkhat, Melanie Bissonnette, Wendy Bredemeyer, Karen Chase, Scott Clark, Amber Cole, Michael Colgrove, Ryan Cook, Hannah Cruz, Lenora Deslandes, Cheryle Easton, Emily Findley, Sue Fletcher, Elizabeth Fox, Matt Getchell, Wendy Gibson, Fred Gordon, Jeni Hall, Mana Haeri, Tyrone Henry, Chris Holloway, Marshall Johnson, Betsy Kauffman, Oliver Kesting, Jessica Kramer, Steve Lacey, Dave McClelland, Debbie Menashe, Dave Moldal, Kirstin Pinit, Amanda Potter, Josh Reed, Dan Rubado, Lizzie Rubado, Sloan Schang, Amanda Sales, Cameron Starr, Greg Stokes, Julianne Thacher, Thad Roth, Pati Presnail, Jay Ward

**Others attending:**

Susan Badger-Jones, Shelley Beaulieu (TRC), Steffan Brocks, Tina Brooks (Pacific Power), Angela DeVita (Northwest Bank), Jessica Downey (University of Oregon), Charity Fain (Community Energy Project), Peter Greenberg, Kari Greer (Pacific Power), Julia Harper (Northwest Energy Efficiency Alliance), Tim Hendricks, Raphaela Hsu-Flanders (Bonneville Environmental Foundation), Rick Hodges (NW Natural), Linda Irvine (Spark Northwest), Anna Kim (OPUC), Brikky King, Aaron Leatherwood (Evergreen), Dolores Martinez (Euvalcree), Lisa McGarity (Avista), Mike Moreno, Kheoshi Owens (Empress Rules), Josh Peterson (University of Oregon Solar Radiation Monitoring Lab), Jason Salmi-Klotz (PGE), Veronica Silva (Rogue Climate), Alyn Spector (Cascade Natural Gas), Nadia Spira (Deloitte), Sherry Tran, Julie Williams (Seeds for the Sol)

### Board Meeting Call to Order (Melissa Cribbins)

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Melissa Cribbins called the meeting to order at 9:01 a.m.

### Draft 2021 Budget and 2021-2022 Action Plan Workshop

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Lizzie Rubado, program strategies manager, introduced the workshop, agenda, her facilitation role and instructions for using Zoom and sharing feedback.

The purpose of the workshop was to share what is driving Energy Trust's 2021 planned activities and associated budget and to give attendees an opportunity to share feedback with staff and board. The workshop included a budget overview presentation from Executive Director Michael Colgrove and eight learning sessions where attendees learned more about action plan and budget topics. Learning session topics were: community engagement and outreach; organizational financials and internal costs; energy efficiency savings resources and cost trends; diversity, equity and inclusion organizational actions and investments; industrial and agricultural services and incentives; residential services and incentives; renewable energy services and incentives; and commercial business service and incentives. All program learning sessions highlighted diversity, equity and inclusion actions.

Attendees were encouraged to reflect on the following questions and share feedback: How do you feel about the priorities we are sharing? What opportunities do you see in the budget and action plan? What gaps do you see in our approach for 2021?

Lizzie Rubado clarified that not all of the feedback received may be included in the final proposed budget, but it will be heard and may influence program and organizational implementation activities for 2021. Formal comment must be submitted in writing by October 28, 2020.

Michael Colgrove presented the overview of Energy Trust's Draft 2021 Budget and 2021-2022 Action Plan. In 2021, Energy Trust will invest \$209.6 million of utility customer funds to save 41.5 average megawatts (aMW) and 6.4 million therms (MMTh) and generate 3.51 aMW. This includes distributing \$116.1 million in incentives, 55% of total expenditures.

The benefits of these investments will include more access for diverse and rural communities, lower energy bills and energy burden for participants, utility system benefits for all ratepayers, opportunities for local businesses, cleaner air and support for communities with energy-related objectives.

Michael Colgrove described the building blocks of the budget, 2021 organizational goals and context shaping the budget, which includes COVID-19, recession, natural disasters, energy codes and standards, market transformation, evaluations and emerging needs for services more attuned to cities and communities.

Michael Colgrove described budgeted revenues and expenditures and summarized some of the strategies and activities featured in action plans. He described savings, generation and costs for the organization and across programs. Energy Trust expects to see reductions in electric and gas savings and an increase in renewable generation in 2021. Levelized costs for electric and gas savings will increase in 2021 but are expected to come down somewhat in 2022.

Michael Colgrove described 2021 draft budget expenses by categories compared to 2020. Incentives will increase slightly, as will staffing and internal costs. Staffing costs are driven by increasing health insurance costs, minimal annual salary increases and four new staff positions. Energy Trust will maintain compliance with OPUC performance measures for staffing and administrative and program support costs.

The board took a break from 10:03 to 10:08 a.m.

Board and attendees attended learning sessions from 10:08 to 11:46 a.m.

At the **community engagement and outreach learning session**, Amber Cole (director of communications and customer service) and Sue Fletcher (communications and customer service senior manager) provided an overview of Energy Trust's approach to engaging communities and enhancing outreach in 2021. Participants asked about co-creating the approach with communities and ways to serve communities that have limited capacity and resources for participation, and about the hiring process for the proposed new outreach staff positions.

At the **organizational financials and internal costs learning session**, Pati Presnail (director of finance) and Steve Lacey (director of operations) provided information on revenues and financials for 2021. Participants asked about the OPUC staffing performance measure (board); the role program management contractors and program delivery contractors play in market development; potential grants for Energy Trust's diversity, equity and inclusion efforts; and expenditures for trade ally outreach and community services.

At the **energy efficiency savings resources and cost trends learning session**, Spencer Moersfelder (planning manager) described how Energy Trust determines achievable energy efficiency and associated costs. Participants asked about avoided-cost constraints, which measures or programs are most cost-effective, and about the Utility Cost Test and Total Resource Cost Test Energy Trust uses to determine cost-effectiveness of measures and programs.

At the **diversity, equity and inclusion organizational actions and investments learning session**, Tyrone Henry (DEI lead), Amanda Sales (director of HR) and Cameron Starr (senior customer service strategies manager) described organizational investments in diversity, equity and inclusion. Participants appreciated Energy Trust's work to expand to reach underserved customers and prioritize internal

diversity, equity and inclusion investments. Attendees asked where communities can find more information about resources and opportunities to participate.

At the **industrial and agricultural learning session**, Amanda Potter (industrial and agricultural sector lead) described services, incentives and diversity, equity and inclusion activities planned for 2021. Participants asked about regional Strategic Energy Management collaboration opportunities, new Strategic Energy Management engagement opportunities and opportunities for continued remote delivery, ways Energy Trust can leverage small business networks to reach new customers, lighting incentives and untapped opportunities.

At the **residential learning session**, Thad Roth (residential sector lead) presented on services, incentives and diversity, equity and inclusion activities planned for 2021. Participants asked about gas furnace offers, offers for rural homes heated with propane, and potential offers for people rebuilding after wildfires. Attendees encouraged Energy Trust to pursue support for wildfire rebuilding efforts and to consider including a Diversity Advisory Council member in Energy Trust's internal wildfire task force.

At the **renewable energy learning session**, Betsy Kauffman (renewable energy sector lead) described services, incentives and diversity, equity and inclusion activities planned for 2021. Participants asked about outreach to communities, priority consideration for local contractors, results of project development assistance incentives and engagement with tribes. They encouraged staff to prioritize building trust and relationships with communities, include Diversity Advisory Council members when planning outreach and engage community-based organizations to reach minority- and women-owned contractors.

At the **commercial business learning session**, Oliver Kesting (commercial sector lead) described services, incentives and diversity, equity and inclusion activities planned for 2021. Participants asked about location-specific incentives, COVID-driven business customer needs such as for air handling equipment, and opportunities to connect with businesses and chambers of commerce to support wildfire recovery and rebuilding. They encouraged staff to help business customers navigate relief funds for rebuilding.

Lizzie Rubado facilitated a group reflection and feedback session for all participants. Lizzie Rubado observed that in the learning sessions, some themes emerged in feedback and questions, including enthusiasm for thoughtful community engagement, support for inclusive co-creation of programs and offers, and interest in innovation.

The board noted small businesses may not have the internal capacity to develop projects that can take advantage of Energy Trust incentives, and suggested Energy Trust consider helping businesses overcome this barrier to participation.

The budget workshop concluded. The board took a break for lunch at 12:02 p.m.

## **Board Meeting**

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The board reconvened at 12:34 p.m.

Melissa Cribbins introduced the meeting.

## **General Public Comments**

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There were no public comments.

## **Budget Discussion**

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The board provided feedback on Energy Trust's budget and budget workshop.

For the workshop, the board found it informative and was impressed with the facilitation. Board members appreciated the format, learning sessions and emphasis on soliciting stakeholder feedback. The board asked if there would be an opportunity to do a deeper dive into the budget details.

The board appreciated the connection between annual budget goals and Energy Trust's strategic plan focus areas, the appropriate investments in new staff to advance priority work and the use of reserves to help avoid rate increases for utility customers during a recession. The board acknowledged the changing nature of achieving energy efficiency as a resource and the tension between existing requirements and regulatory frameworks.

The board discussed stakeholder comments from the workshop, reflecting on the urgency expressed around rebuilding and recovery for COVID-19 and wildfires from attendees.

Michael Colgrove asked the board to consider what Energy Trust's role should be in wildfire recovery and rebuilding. The board encouraged early, proactive outreach and education to communities and customers to increase awareness of Energy Trust's support and incentives. The board also suggested customizing and targeting messages to specific communities facing unique challenges, engaging city councils and leveraging local trade allies as a channel to reach customers. The board discussed the challenges and importance of getting communities to focus on energy in urgent rebuilding efforts and noted some cities are considering suspending building codes so that they can rebuild faster.

The board advised staff to communicate that energy efficiency and renewable energy can be incorporated quickly and cheaply into new construction and emphasized the urgency of this communication because communities are already making decisions about rebuilding.

The board suggested incorporating resiliency into new construction as these communities are likely to face more public power safety shutoffs in the future given increased wildfire risks.

The board observed that fewer savings are coming from the residential sector than in the past, largely due to the decline in savings from LEDs.

## Consent Agenda

*The consent agenda may be approved by a single motion, second and vote of the board. Any item on the consent agenda will be moved to the regular agenda upon the request from any member of the board.*

### **MOTION: Approve consent agenda**

Consent agenda includes:

- July 15, 2020 Board Meeting Minutes
- August 13, 2020 Special Board Meeting Minutes
- September 11, 2020 Special Board Meeting Minutes
- Policy 05.010-P Net Asset Policy R#921

Moved by: Roland Risser

Seconded by: Eric Hayes

Vote: In favor: 9

Abstained: 0

Opposed: 0

## **Resolution 921 (supersedes Resolution 914)**

### **Maintaining, Establishing and Using Net Assets Policy 5.05.010-P**

October 14, 2020

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#### **Recommendation**

At the board meeting on July 15, 2020, staff mistakenly presented a non-final draft of the policy for approval in Resolution 914. Staff apologizes for the mistake and presented the correct final version to the Policy Committee on September 10, 2020. The Policy Committee unanimously approved re-presenting the corrected final version of the Net Assets Policy to the full board in its consent agenda. Accordingly, this resolution authorizes revisions to the Using Reserves Policy by revising the policy to a correct version of the Maintaining, Establishing and Using Net Assets Policy as described and shown below.

#### **RESOLUTION 921**

### **REVISING THE USING RESERVES POLICY INTO THE MAINTAINING, ESTABLISHING AND USING NET ASSETS POLICY**

#### **WHEREAS:**

1. The Using Reserves Policy was reviewed by the Policy Committee of Energy Trust's board of directors beginning in September 2019 in accordance with its regular three-year review cycle.
2. At that time, staff presented a small number of correction and editorial changes to the policy.
3. Committee members asked a number of questions regarding the utility of the Using Reserves Policy and the way in which reserve levels are set by the organization. The committee asked staff to consider further revisions to the policy by providing more information about these issues, including the work and focus of the Finance Committee with regard to the policy.
4. In response to committee questions, staff engaged in a comprehensive policy review and revision process to provide more specificity on the types of reserves, or net assets established and maintained by Energy Trust. The policy was also revised to include a procedures document which describes the processes undertaken by staff and net asset review points for the board committees and the full board, including through the board's approval of Energy Trust's annual budget and action plans.
5. Staff presented the revised policy, renamed the Maintaining, Establishing and Using Net Assets Policy, to the Finance Committee for review and discussion in March 2020. At the conclusion of the Finance Committee's review and discussion, the committee recommended referring the revised policy to the Policy Committee.
6. Staff presented revised proposed revisions to the Policy Committee, informed by input of the Finance Committee members, at the June 19, 2020 Policy Committee meeting, but mistakenly presented a non-final version.
7. Staff re-presented the correct final version of the revised policy to the Policy Committee at its meeting on September 10, 2020, redlined to indicate the differences from the incorrect version presented originally. The committee reviewed the correct version and unanimously approved forwarding the corrected version to the full board in its consent agenda at the next full, regular board meeting.
8. Based on that discussion and review, Energy Trust's board Policy Committee recommends approval of the correct final version of the revised policy as set forth below.

It is therefore **RESOLVED** that the Energy Trust Using Reserves Policy is revised into the Maintaining, Establishing and Using Net Assets Policy as shown below.

Moved by: Roland Risser

Seconded by: Eric Hayes

Vote:      In favor: 9  
              Opposed: 0

Abstained: 0

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## 5.05.010-P Maintaining, Establishing and Using Net Assets Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	May 23, 2012	R633	May 2015
Board Decision	September 25, 2013	R677	Sept 2016
Policy Committee	September 8, 2016	R800	Sept 2019
Board Decision	October 14, 2020	R921	Oct 2023

### POLICY ON MAINTAINING, ESTABLISHING AND USING NET ASSETS

1. Energy Trust shall maintain four categories of net assets: Efficiency Program Reserves by Utility, Renewable Program Reserves by Utility, Other Funding Sources, and Contingency Reserves.
2. The amount of Efficiency Program ~~Reserves~~ Reserve Targets by Utility shall be established in annual funding negotiations with utilities. Board action shall be required only if staff proposes to use more than 50% of any individual utility efficiency program reserve, provided such usage is clearly identified in the quarterly report to the board and the OPUC.
3. The Renewable Program Reserves by Utility can vary based on utility collections at any given time. Renewables programs are funded through SB1149 as a percent of electric utility collections. The amount of revenue is locked at that percent. There is no reserve target or negotiated revenues for the Renewable Program Reserves, but they are monitored to ensure funds are available to make commitments for long-lived projects.
4. The reserve target for Other Funding Sources, other than the Business Development fund pool, shall be established in the annual budget process, pursuant to a risk assessment by staff and reviewed by the Finance Committee.
5. The Contingency Reserves shall be divided into two pools: the Emergency Contingency Reserve and the Operational Contingency Reserve. ~~The reserve target of the Emergency Contingency Reserve is established by this policy at \$5,000,000. The reserve target of the Organizational Contingency Reserve is established at \$3,000,000.~~
  - a. Staff is authorized to use the Emergency Contingency Reserve in emergency or other catastrophic situation to maintain or restore operations, provided that staff shall inform the board after such use and clearly identify it in the quarterly report to the board and the OPUC.
  - b. Staff is authorized to use the Operational Contingency Reserve to address other organizational needs that might arise as a result of revenue shortfalls derived from weather, opportunities or initiatives that can reasonably be expected to maximize the effectiveness and reach of Energy Trust's public purpose charge revenue, renewable energy projects for which other funds are insufficient or unavailable, or support for energy efficiency projects in the event Efficiency Program Reserves by Utility are otherwise insufficient or unavailable, provided that, in all cases, staff shall obtain prior board authorization or, if prior board action is not practicable, with executive director authorization and board ratification at the board meeting immediately following the use of the Operational Contingency Reserve. In addition, staff shall identify such use in the monthly financial statements to the board and the OPUC.



**CLEAN****POLICY ON MAINTAINING, ESTABLISHING AND USING NET ASSETS**

6. Energy Trust shall maintain four categories of net assets: Efficiency Program Reserves by Utility, Renewable Program Reserves by Utility, Other Funding Sources, and Contingency Reserves.
7. The amount of Efficiency Program Reserve Targets by Utility shall be established in annual funding negotiations with utilities. Board action shall be required only if staff proposes to use more than 50% of any individual utility efficiency program reserve, provided such usage is clearly identified in the quarterly report to the board and the OPUC.
8. The Renewable Program Reserves by Utility can vary based on utility collections at any given time. Renewables programs are funded through SB1149 as a percent of electric utility collections. The amount of revenue is locked at that percent. There is no reserve target or negotiated revenues for the Renewable Program Reserves, but they are monitored to ensure funds are available to make commitments for long-lived projects.
9. The reserve target for Other Funding Sources, other than the Business Development fund pool, shall be established in the annual budget process, pursuant to a risk assessment by staff and reviewed by the Finance Committee.
10. The Contingency Reserves shall be divided into two pools: the Emergency Contingency Reserve and the Operational Contingency Reserve.
  - a. Staff is authorized to use the Emergency Contingency Reserve in emergency or other catastrophic situation to maintain or restore operations, provided that staff shall inform the board after such use and clearly identify it in the quarterly report to the board and the OPUC.
  - b. Staff is authorized to use the Operational Contingency Reserve to address other organizational needs that might arise as a result of revenue shortfalls derived from weather, opportunities or initiatives that can reasonably be expected to maximize the effectiveness and reach of Energy Trust's public purpose charge revenue, renewable energy projects for which other funds are insufficient or unavailable, or support for energy efficiency projects in the event Efficiency Program Reserves by Utility are otherwise insufficient or unavailable, provided that, in all cases, staff shall obtain prior board authorization or, if prior board action is not practicable, with executive director authorization and board ratification at the board meeting immediately following the use of the Operational Contingency Reserve. In addition, staff shall identify such use in the monthly financial statements to the board and the OPUC.
    - i. Should the Operational Contingency Reserve be drawn down below the reserve target established above in this policy, it shall be replenished as follows and in the order below:
      - First, through repayment of any amount drawn down by a funding utility in the event Efficiency Program Reserves by Utility or renewable program budgets are otherwise insufficient or unavailable.
      4. Next, with investment income earned on the Emergency Contingency Reserve and the Operational Contingency Reserve.





# Net Assets Procedures

Energy Trust is responsible for nearly \$200 million of revenue and expenditure each year. If revenue exceeds expenditure, the accumulated unspent funds are accounted for as net assets, also called reserves, in the name of each funding source.

The board of directors is responsible for the policy governing the use of net assets called *Maintaining, Establishing and Using Net Assets Policy (Net Assets Policy)*. The policy was up for its three-year review in 2019 and when it was brought before the Policy Committee, the committee asked staff a series of questions:

1. How were the emergency and operational contingency reserve amounts established originally?
2. How often are the emergency and operational contingency reserve amounts reviewed by the board?
3. What is the relationship between the budget and the reserve amounts?
4. What are the risk and variability factors considered when establishing reserve levels?
5. The current policy states the Finance Committee will review the emergency reserve level and advise changes. When did the committee last perform this review?
6. Is there a broader role for the finance committee in establishing reserve levels in connection with the budget each year?

The policy committee also had questions about the source of the reserve funds. The following information is a resource to explain the status quo, as the first step in referring the policy to the finance committee for input on policy changes and implementation.

## Net Assets

### At-a-Glance

1. [Efficiency Program Reserves by Utility](#)
2. [Renewables Program Reserves by Utility](#)
3. [Other Funding Sources](#)
  - a. [Community Solar program reserve](#)
  - b. [Business Development fund pool](#)
4. [Contingency Reserves](#)
  - a. [Emergency Contingency Reserve](#)
  - b. [Operational Contingency Reserve](#)

### Definitions and Considerations

1. **Efficiency Program Reserves by Utility** - Each reserve balance represents any carryover and investment income from the previous year plus any accumulated, unspent revenue from the current year.

- Each utility has its own Efficiency Program Reserve. These funds may be used for incentives, delivery, and a share of organization costs on behalf of that utility's rate payers.
  - A minimum reserve target is negotiated with each utility during the budget process taking into account the following factors:
    - net assets carried over from the previous year,
    - the amount of revenue needed to cover budgeted expenditure, ○ the potential for variation from the budgeted revenue or expenditure, and
    - timing of rate filings to avoid too-frequent filings.
  - The *Net Assets Policy* authorizes staff to spend down Efficiency Program Reserves by up to 50% without prior board approval and beyond 50% with prior board approval.
  - If efficiency expenditures for any particular utility exhaust the Efficiency Program Reserve, the [Operational Contingency Reserve](#) is available to cover any shortfall.
  - The Efficiency Program Reserves by Utility earns a proportionate share of available investment income from all net assets.
- 2. Renewable Program Reserves by Utility** - Each reserve balance represents any carryover and investment income from the previous year plus any accumulated, unspent revenue from the current year.
- Only the two electric utilities have their own Renewable Program Reserves.
  - Renewables programs are funded through SB1149 as a percent of electric utility collections. The amount of revenue is locked at that percent, but variation in utility collections can impact the exact amount of Renewable Program Reserves at any given time.
  - There is no reserve target or negotiated revenues for the Renewable Program Reserves, but they are monitored to ensure funds are available to make commitments for long-lived projects.
  - If renewable program expenditures exceed available funds, the [Operational Contingency Reserve](#) is available to cover any shortfall.
  - The Renewable Program Reserves by Utility earns a proportionate share of available investment income from all net assets.
- 3. Other Funding Sources** – These are non-traditional sources of funding for Energy Trust where traditional sources are considered to be SB1149 electric funds for energy efficiency and renewable energy, SB838 supplemental electric funding, gas funding from separate gas utility contracts, and funding from the NWN contract to cover customers in southwest Washington.
- **Community Solar program reserve** – This program reserve is established to cover any risk associated with managing the Community Solar program.
    - The Community Solar program exists under a time and materials agreement with rates established in a competitive market.
    - The Community Solar program reserve target is established by the Finance Committee and reviewed every three years.
    - The Community Solar program reserve accumulates through earnings from the Community Solar program and from a proportionate share of investment income from all net assets.
    - Any Community Solar program earnings and any

investment income earned on the Community Solar program reserve in excess of the reserve target is transferred into the Business Development Fund pool.

- **Business Development fund pool** – This pool of funds is reserved to pursue Other Funding Sources or to capitalize programs that don't use traditional funding sources.
    - The Business Development fund pool comes from a variety of funding sources which are independent from traditional funding sources.
    - In the past, these funds were used to support staff costs in the development of the Community Solar RFP bid.
    - The Business Development fund pool earns a proportionate share of investment income from all net assets.
    - The Business Development fund pool also receives program and investment income earnings from the Community Solar program once the reserve target has been met for the Community Solar program reserve.
    - Any Other Funding Sources that might be added in the future would contribute both program and interest earnings to the Business Development fund pool in a way similar to the Community Solar program.
- 4. Contingency Reserves** – These are net assets that are maintained at specified reserve targets to be used in special circumstances.
- **Emergency Contingency Reserve** - The purpose of this reserve is to ensure funds are available in the event of an emergency, such as a natural catastrophe or some other major business interruption.
    - The Emergency Contingency Reserve has a reserve target of \$5 million. The reserve target is assessed by the Finance Committee every three years and can be adjusted by a decision of the Board.
    - The Emergency Contingency Reserve was established by the board of directors in 2013 (R677). Funds were derived from investment income accumulated between 2002 and 2013.
    - Management may access the Emergency Contingency Reserve without prior board approval. As soon as practical, management must notify the board. The board Secretary must record the action in the board minutes of the next meeting.
    - Energy Trust also maintains casualty and business interruption insurance to recover damages and lost revenue.
    - The proportionate share of available investment income from all net assets attributed to the Emergency Contingency Reserve accrues to the Operational Contingency Reserve.
  - **Operational Contingency Reserve** - The purpose of this reserve is to address other organizational needs that might arise as a result of revenue shortfalls derived from weather, opportunities or initiatives that can reasonably be expected to maximize the effectiveness and reach of Energy Trust's public purpose charge revenue, renewable energy projects for which other funds are insufficient or unavailable, or support for energy efficiency projects in the event [Efficiency Program Reserves by Utility](#) are otherwise insufficient or unavailable
    - The Operational Contingency Reserve has a reserve target of \$3 million.
    - The Operational Contingency Reserve was established by the board of directors in 2013 (R677). Funds were derived from investment income accumulated between 2002 and 2013.
    - The current policy allows use of the Operational Contingency Reserve with prior board approval.
    - The Operational Contingency Reserve has been used in the past to replace funding shortfalls in [Efficiency Program Reserves by Utility](#).
    - The Operational Contingency Reserve has been used as capital to support loans by Craft3 to low- and moderate-income participants (\$800,000) and for manufactured home replacements (\$1M).
    - The Operational

Contingency Reserve earns a proportionate share of available investment income from all net assets.

## Questions often asked about net assets/reserves

**Why do net assets increase or decrease?** If revenue flows in faster than expenditures flow out, net assets increase. Likewise, if revenues flow in slower than expenditures flow out, net assets will decrease. These increases and decreases may be seasonal.

**What happens to net assets at the end of each year?** Net assets carry forward from the end of one year to the beginning of the next.

**How do net assets affect the budget?** Net assets for each funding source are considered when budgeting revenue and expense for the subsequent year. In the case of [Efficiency Program Reserves by Utility](#), if net assets are higher than reserve target, the revenue can be reduced in a downward rate filing by the utility. In the case of [Renewable Program Reserves by Utility](#), the increase in available funding can be committed to additional projects.

**Do net assets sit idle, or do they earn income?** Net assets earn a modest return from safe, short-term investments. Investment examples are certificates of deposit, bonds, and highly rated commercial paper. The average return is usually one to two percent.

**What happens to the investment income earned from net assets?** Investment income accumulates in the [Operational Contingency Reserve](#) until a decision is made to use the income or until the end of the year when investment income is allocated to the various categories of net assets as described above. The entire [Operational Contingency Reserve](#) was created from the accumulation of investment income over the years Energy Trust has been operating. From 2002-2017, investment returns accumulated to nearly \$11 million. At the end of 2018 Energy Trust rebalanced the [Operational Contingency Reserve](#), crediting each category of net assets for a proportionate share of the amount above the \$8 million target balance. Thereafter each year, Energy Trust will redistribute the annual investment income to help offset utility rate increases or to increase funds available to programs and other activities.

**Are net asset accounts segregated?** The Energy Trust accounting system tracks all revenue, expenditure and net assets by funding source in its general ledger. The information is reported monthly. Funds are combined in bank and investment accounts to maximize earnings power.

**Is there a formula for deciding the right level for net assets? What level is too low, and what level is too high?** One method used by non-profits is ‘months available net assets’ which compares expendable net assets to average future monthly expenditure. This method works well for organizations with fixed costs and uncertain revenue flow. The recommended level is between six- and twelve-months’ expenditure. The target level should be higher if revenue is unpredictable; lower if revenue is more predictable. With annual expenditure of \$200 million, a reserve of six months would be \$100 million. Another consideration besides revenue predictability is timing. Energy Trust spends 30-35% of the incentive budget in the last month of the year. Total net assets at the end of November – just prior to peak spending were \$91 million, reasonably close to the six-month level.

## Net Assets / Reserves at the end of 2019

### Reserves : with investment income re-attributed

12/31/19	12/31/18	2019	
<u>Final with interest</u>	<u>Beginning of year</u>	<u>Interest</u>	<u>Final before interest</u>

PGE	17,012,206	22,328,018	512,718	16,499,488
PacifiCorp	11,192,322	9,319,633	267,330	10,924,992
NW Natural	3,702,233	3,591,597	95,060	3,607,173
Cascade	1,134,251	373,597	19,652	1,114,599
Avista	243,670	(45,817)	2,579	241,091
NWN Industrial	984,266	772,993	22,902	961,364
NWN Washington	417,195	501,071	11,968	405,227
PGE Renewables	12,524,047	9,510,800	287,178	12,236,869
PAC Renewables	6,570,936	6,490,682	170,231	6,400,705
Program Reserves	53,781,125	52,842,574	1,389,617	52,391,508
Other Reserves	19,220	24,897	575	18,645

## President's Report (Mark Kendell for Melissa Cribbins)

Mark Kendall acknowledged the contributions of advisory council members. Two Renewable Energy Advisory Council members left the council after many years of contributions to Energy Trust and to the energy industry: Dr. Frank Vignola, lead scientist at solar radiation monitoring laboratory at University of Oregon, and Dick Wanderscheid of Bonneville Environmental Foundation. One of the founding Diversity Advisory Council members, Kaeti Namba, passed away. This is a significant loss for Energy Trust and the community.

## Executive Director's Report (Michael Colgrove)

Michael Colgrove introduced Energy Trust's new director of human resources, Amanda Sales, who brings knowledge, resources and strategic thinking about how Energy Trust can invest in its human capital. Amanda Sales supports the board compensation committee and the board executive director review committee.

The board asked about potential upcoming HR challenges for the organization, and Amanda Sales described progress and continued investments needed for recruitment and retention of employees of color.

Ernesto Fonseca left the meeting at 1:30 p.m.

Michael Colgrove provided an update from executive team regarding the business programs request for proposals and the results of the review conducted by Stoll Berne to ensure the RFP process was conducted fairly and with integrity. The board heard these updates at the September meeting along with public comment from stakeholders, including one public comment expressing concern about the review and requesting that the commenter's text messages be reviewed in further investigation. Executive team pursued this additional investigation, however the public commenter then declined to participate, and an investigator was unable to confirm the commenter's allegations. Energy Trust has confidence in Stoll Berne's conclusion that the RFP process was conducted fairly and with integrity.

## Committee Reports

### *Joint Audit & Compensation Committee (Roland Risser)*

Energy Trust worked with Moss Adams to complete an audit of its 401(k) plan on time and without incident.

### *Board Nominating Committee (Michael Colgrove)*

The committee will schedule its first meeting and review the board member needs matrix.

***Compensation Committee (Roland Risser)***

Energy Trust's 401k plan is increasing in value and employees appear to be managing their accounts well. The committee received a request from an employee to see if they could have some of the investment options disassociated with for-profit prisons.

***Evaluation Committee (Lindsey Hardy)***

The committee received a report on smart thermostat market transformation savings, which concluded that Energy Trust does have a basis to claim market transformation savings.

***Executive Director Review Committee (Melissa Cribbins)***

The committee will conduct a mid-year annual review of Energy Trust's executive director and will consider input from four staff members.

***Finance Committee (Susan Brodahl)***

The organization's finances are better than anticipated.

***Policy Committee (Debbie Menashe)***

There were two committee meeting: a special meeting to preview a presentation on business program contract and a meeting to review and approve new advisory council members.

***Strategic Planning Committee (Mark Kendall)***

The committee is working to set metrics for quarterly dashboard reports on strategic plan focus areas. Diversity, equity and inclusion consultants recommended Energy Trust wait to set metrics until it assesses its baseline, strengths, weaknesses and opportunities regarding diversity, equity and inclusion. The committee is exploring this recommendation and will work with the board governance committee.

***Conservation Advisory Council (Lindsey Hardy)***

The Conservation Advisory Council had two meetings with topics including cost-effective measures and program changes for 2021, 2021 program action plans and wildfire impacts. There were two departing Conservation Advisory Council members, Charlie Grist with the Northwest Power and Conservation Council and Wendy Gerlitz with the Northwest Energy Coalition. The council welcomed new members: Tina Jayaweera from the Northwest Power and Conservation Council and Keith Keuney from Community Action Partnership of Oregon. Holly Braun, NW Natural, retired from Conservation Advisory Council a few months ago.

***Diversity Advisory Council (Mark Kendall)***

The council received an update on data enhancement project; reviewed 2021 diversity, equity and goals; and reviewed and proposed revisions to a diversity, equity and inclusion lens.

***Renewable Energy Advisory Council (Betsy Kauffman)***

The Renewable Energy Advisory Council provided feedback that Energy Trust should increase available funds for project development assistance.

***Board Governance review Roles & Responsibilities Ad hoc Committee and Board Governance review Governance & Structure Ad hoc Committee (Roland Risser)***

The committee issued an RFP for a board governance review. The resulting report will provide guidance on the role of board, delegation of board committees and content of committee charters. Once the month-long RFP period closes, the work is estimated to complete in five months.

**Board Governance review Diversity, Equity & Inclusion Ad hoc Committee (Mark Kendall)**

The committee proposed a vote on appointment of members: Eric Hayes, Letha Tawney (with Anna Kim as proxy), Elee Jen, Lindsey Hardy, Janine Benner (with Ruchi Sadhir as proxy), Ernesto Fonseca and Roland Risser.

Moved by: Mark Kendall

Seconded by: Eric Hayes

Vote: In favor: 9

Abstained: 0

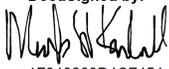
Opposed: 0

The committee will help the board develop more cultural awareness and sensitivity. Mark Kendall described guidance from consultants, potential engagement with Diversity Advisory Council members, roles of staff and next steps.

**Adjourn**

The meeting adjourned at 2:23 p.m.

**The next regular meeting of the Energy Trust Board of Directors** will be held Friday, December 11, 2020 at 10:00 a.m. at held virtually on Zoom.

DocuSigned by:  
  
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Signed: Mark Kendall, Secretary

1/10/2021  
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Date