EnergyTrust of Oregon, Inc.

Briefing Paper
Large scale PV for Pacific Power in Oregon

April 23, 2008

Background

Staff has been approached by several developers to support large-scale PV projects for Pacific Power in 2008. This would be beyond the current solar program scope and require a shift in funds from another program. These developers indicate Energy Trust would need to make a decision by mid-June at the latest to ensure these projects can happen in 2008. A federal tax credit worth 30% of installed costs is currently set to expire by the end of the year.

Staff prepared a briefing paper on the requests laying out the pros and cons. That paper and its conclusion were discussed at the Renewable Advisory Committee (RAC) on April 16th. Comments at the RAC and other feedback from interested parties indicate there is significant support for funding such projects and strong concerns about doing so.

Conclusion

We do not think we can move forward to solicit and fund large PV projects for Pacific Power in Oregon in the time frame developers say is necessary. We could rush to the possible benefit of a very limited number of projects, but do not believe this benefits the industry in the long run.

This decision is not without regrets. It hinges on the following factors and the belief that the critical tax credits will be extended to allow a more orderly market to prevail.

Speed

In order to get a full picture of the opportunity and select the best project, we should do a competitive solicitation. These take time and are not without cost for Energy Trust and respondents.

If we are to meet a mid-June deadline, we would have to draft, design and issue a RFP by the end of April (7 days) with responses due three weeks later (5/21). Review and selection would need to be concluded within two weeks (6/4) to be on the board agenda for the mid-June meeting.

The compressed timeline will limit responses. The project sponsors who have approached us have proposed incentives for large solar projects comparable to the incentives we pay for smaller commercial solar projects. More respondents would test the real cost of supporting large projects. To better understand the real opportunity, more time is needed to thoughtfully develop, issue and conduct a RFP.

Timing

Support for a large PV project requires the board to approve a transfer of funds from another program. Any timeline to meet the necessary deadline for 2008 requires staff to issue the RFP <u>prior to obtaining the board's buy-in</u> for shifting funds. The next meeting to engage them is on May 14th – after we would have to issue a RFP, as noted above. The board would also need to allow a special walk-on for this at their strategic planning retreat June 13-14.

Not proceeding at the point allows us more time to see how other programs perform and forecast the available budget for 2009.

Need

We have discouraged potential sponsors of large municipal projects in Pacific Power territory from soliciting funds from Energy Trust. We have also fully subscribed the successful third-party incentive for non-taxable entities, with a backlog of potential projects. Creating a new avenue after closing down an existing program offering seems counterintuitive to many of our customers.

The benefit of supporting a large solar project is the promise of more PV capacity per incentive dollar invested. The cost of supporting a large solar project is not spreading the opportunity to participate as widely as possible. The solar program seeks to support a diversity of participants, encouraging PV in all sectors. So far, this has served us very well. While a bird in the hand can be a good thing, the solar program has a long-term focus. It seems better to shift funds to unmet opportunity under the existing program.

Learning

One value of large PV projects is the experience gained. Certainly, this served the wind industry with the first projects a dozen years ago. We've gone from small, independent projects to large, cost-effective, utility-owned wind projects. This part of the wind market has been transformed.

We have the near-term budget in Pacific Power to fund only one of these large PV projects this year without foregoing opportunities in biomass, hydro and geothermal in 2009 and 2010. One was not enough to change the market for wind. We do have several large projects in the works for PGE, the announced 2MW project for the City of Medford and several pending RFPs that could serve as learning experiences for large PV.

Next Steps

Staff proposes to brief the board on the issue on May 14th.