EnergyTrust of Oregon

Policy Committee of the Energy Trust Board of Directors

March 16, 2010, 4:00-5:30 pm

1. ARRA/EEAST update. The City of Portland, Clackamas County and others have applied for $75 million in federal stimulus (ARRA) block grant funds. These funds would help support additional pilots we are expected to launch under the state Energy Efficiency and Sustainable Technology (EEAST) legislation. We are engaged with various communities that are interested in becoming EEAST pilots, contingent on getting loan funds (one hopes from the ARRA grant), and utility willingness to handle on-bill repayment. Without ARRA funds, it will be hard for pilots to offer loans. A grant announcement was expected March 15, but has apparently been delayed.

2. Strategic Utility Roundtable. After the February 3rd roundtable, staff asked the participants to prioritize a list of potential issues for the April 7 roundtable, and/or the Energy Trust board's June strategic planning workshop. Sarah Castor analyzed the responses (Attachment 1) and staff developed recommended agendas for 2010 (Attachment 2). The committee reviewed the draft agendas and suggested: For the April roundtable: (1) Move the discussion of IRP collaboration from June to April; and (2) elaborate and re-phrase the subjects in part 3 of the April 7 agenda, and ask the utilities to introduce the discussion of what Energy Trust should do differently in IRP development and implementation. For the June workshop: (1) move the board decision on Integrated IT Solutions from the first part of the June 11 meeting to the end of the day; (2) move the proposed Lee Beyer presentation to first on the agenda; and (3) rephrase the discussion of climate, RECs, etc., so it is focused on industry drivers that influence efficiency and renewables.

3. Carbon offsets associated with methane at dairy projects. At the last policy committee meeting, staff briefed the committee on a proposed uniform incentive for several projects that would capture methane at dairies and use it to generate electricity. The project would also produce greenhouse-gas offsets. By way of background: The project will produce two kinds of environmental credit: green tags and greenhouse-gas offsets. Green tags will be produced by generation, and energy that is not accompanied by green tags is considered "null" power, i.e., not renewable. In contrast, greenhouse-gas offsets will be created when the project captures and destroys methane, by burning. Generation need not occur for offsets to be created, as long as the methane is captured and destroyed, which may be in generation, flaring or otherwise. Staff proposes to treat green tags in accordance with the green tag policy. Staff proposes to include offset revenue in calculating above-market costs, but not take ownership of offsets. The offset value would thereby reduce the Energy Trust incentive. Offset value would be based on market intelligence, and an escalation factor like the factor used for other operational costs. The committee agreed with the staff's approach.

4. City of Gresham Green Tags. In 2005, Energy Trust provided the City of Gresham an incentive ($82,379 toward a $1.2 million, 395 kW generator fired by digester gas). At the time, Energy Trust's policy required 100% ownership of green tags, and the City agreed to this. Recently, however, the City has decided to join various municipal

government climate and sustainability initiatives and would like to take credit for reducing emissions via the project. The City has written us a letter asking Energy Trust to cede ownership of all tags produced after 2009. Given that we have received four years worth of tags from a 20-year contract, this would be roughly consistent with Energy Trust's current green tag policy's sharing formula. Staff sought the committee's reaction. At least two members were strongly inclined to decline, for several reasons. First, Energy Trust should protect the ratepayers' interest in green tags. Second, we could not agree to such a proposal without offering a comparable deal to other projects, which could involve a large number of renegotiations and forego significant green tag value. The committee would like to explore whether there are other ways to help the City accomplish its objectives.

5. Renewable energy policy. Elaine Prause updated the committee on analysis of potential new Energy Trust renewable energy services she is researching, e.g., paying for performance bonds, bridge and/or construction funding, taking an equity position, 3rd-party technology and underwriting-criteria reviews, and lender training. At this point, the most worthwhile option appears to be providing pre-completion financing. Elaine will send the committee a paper outlining the analysis in more detail, for discussion at the April 20 policy committee meeting. Jason suggested that changing REC markets, particularly the California market, may affect how we think about our renewable energy program and would like to explore this.

6. Legislative update. A summary of energy bills that passed in the Oregon 2010 short session was distributed. We have some concerns about the BETC amendments, but analysis is still underway.

7. Boardman coal plant options. On February 29, staff met with PGE to learn more about their plans and options regarding Boardman and potential early closure of the plant in 2020 instead of 2040. A variety of factors are at play, including how Boardman is treated in the update of PGE's IRP filing with the OPUC, pending lawsuits involving the Sierra Club and other parties and the potential for waivers from the state and federal governments representing environmental compliance matters. Following the resolution of these other issues, additional efficiency and renewables may play a small role in any future Boardman options and decisions. We anticipate a follow-up meeting to explore that role. In the meantime, Energy Trust is already accelerating acquisition of all energy efficiency to meet PGE IRP targets.

8. Three-state summit. Margie and another member of the management team meet annually with our "sister" organizations in Wisconsin and Vermont. This year's meeting is in Portland, in late June. Opportunities for the board to meet representatives from the other states will be made available. Margie will provide a draft list of topics for discussion at the next Policy Committee meeting.

ATTACHMENT 1

Poll Results: Strategic Roundtable Topics

Ranked from highest to lowest interest (5=highest), with number of votes for including a subject in the June strategic planning meeting (SP):

	Average rating	Number of SP
Opportunities to formalize the interrelationship, responsibilities and accountabilities between utilities and Energy Trust to prepare, update, measure progress toward and achieve utility Integrated Resource Plan implementation.	4.6	7
Legislative outcomes from the February 2010 special session, including changes to the solar feed-in tariff; utility access to Energy Trust renewable dollars; BETC; EEAST; etc.	4.4	1
Defining the “line” between marketing, customer outreach and program/service delivery, including the specific utility and Energy Trust roles in each.	3.8	3
Discuss new models of delivery, informed by early lessons from Clean Energy Works Portland and other possible concepts on the horizon.	3.7	2
Energy Trust and utility opportunities and roles in better serving low and moderate income customers.	3.6	0
Strategic policy discussion and collaboration opportunities related to climate issues, renewable energy credits and markets (particularly in California).	3.6	5
The “self-perform” (retainage) percentage/amount and purpose for electric utilities (SB 838) and extending the same provision to gas utilities.	3.6	2
Evaluating “persistence of savings,” particularly from "softer" approaches such as behavioral change.	3.6	1
The need to update and implement new data transfer agreements between utilities and Energy Trust, in part to enable better identification of opportunities and have the ability to make mid-course adjustments.	3.5	1
Expanding the definition of renewable energy to include clean biogas, going beyond the current statutory (SB 1149) definition of renewables limited to electricity generation.	3.1	1
Utility/Energy Trust coordination of EEAST pilots outside of Portland.	2.9	0

Other topics suggested:

- Is there a role for Energy Trust's investments in reducing peak loads, and reducing T&D expenditures?
- Can electrical energy storage at a utility significant levels be made cost effective in OR and SW WA to enable larger wind and solar fraction? Very long range

- What is the ETO and utility policy towards plug-in electric or plug-in hybrid vehicles? 2-5 years…suggestion incentivize renewables + smart hybrid chargers to stay grid neutral
- How to align greenhouse gas reduction target and state/federal goals
- How to proactively identify and target for improvement energy hog buildings
- How to bring into the fold PUDs in Oregon - could we work together in Salem on this issue?
- Energy Trust role in customer behavioral change

Working with state agencies, trade organizations, NGOs and other stakeholders to ensure we understand the many policy agendas as they relate to energy efficiency.

ATTACHMENT 2

DRAFT STRATEGIC UTILITY ROUNDTABLE
AGENDAS APRIL-SEPTEMBER 2010

April 7: Strategic Utility Roundtable

(1) Discuss tentative agendas for upcoming roundtables:
- Survey results
- Review agendas below

(2) Report on 2010 developments:
- Legislation: solar feed-in tariff; utility access to Energy Trust renewable dollars, BETC, EEAST
- OSD grant
- Home Star

(3) Energy Trust-utility "roles" discussion, self-perform percentages, etc.
- Given the focused attention that the OPUC, utilities and Energy Trust are dedicating to these issues, what role should the roundtable play?

June Board Session

June 11:

Board meeting:

	9:00-10:15:	IT Integrated Solutions decision
Break	*10:15-10:30*	

Annual workshop:

	10:30-12:30	Opening presentation/discussion • Lee Beyer (invited, not confirmed): What's next? A look at Oregon energy policy in 2011 and beyond • Discussion (including utility roundtable participants)
Lunch	*12:30-1:15*	
	1:15-2:15	Strategic utility issues: Energy Trust-utility collaboration in IRP development and implementation
Break	*2:15-2:30*	
	2:30-3:30	Strategic utility issues: Policy discussion and collaboration on climate issues, renewable energy credits and markets (especially California)
	3:30-4:30	Implementing the strategic plan through sector plans
	4:30-5:00	Discussion: areas in which the board would like special sessions and/or training

June 12 (if warranted)

9:00-10:30	Federal developments affecting Energy Trust • Home Star • Federal grant to Office of Sustainable Development/EEAST pilots
Break	*10:30-10:45*
10:45-11:45	New options for the renewable energy program

September 1: Strategic Utility Roundtable

- Updates:
  - ETO-utility collaboration: IRP, self-perform, marketing/outreach/service delivery
  - RECs and carbon
- New delivery models based on Clean Energy Works and others
- Plan/discuss agendas for 2011

ATTACHMENT 3
BILLS THAT PASSED THE 2010 SHORT SESSION

Business Energy Tax Credit
HB 3680: http://www.leg.state.or.us/10ss1/measures/hb3600.dir/hb3680.b.html. In 2009, the legislature passed HB 2472, which would have restricted BETC and introduced some accountability and transparency measures. The Governor vetoed the bill. Since then, key parties negotiated a compromise, encompassed in HB 3680. The bill:

- Establishes caps for allowable credits: $300 million for renewable energy generation facilities for the current biennium, and $150 million for the 2011-2013 biennium (current projections put the BETC cost at around $800 million without this cap),. Manufacturing facilities are limited to $200 million for this biennium and the 2011-13 biennium, and $50 million for the second half of 2013. Wind generation facilities larger than 10 MW are allowed $3.5 million in 2010, $2.5 million in 2011 and $1.5 million in 2012.
- Large wind projects (over 10 MW) are limited to 5% of cost if the facility was preliminarily certified after 2009, and $7 million if preliminarily certified in 2010, $5 million if in 2011, and $3 million if in 2013.
- For renewable projects finally certified after 2009 and costing over $10 million, the 5-year BETC credit period begins with the tax year after the tax year in which the application for final certification is filed.
- Sunset dates: For energy generation and conservation, final certification must be received before July 1, 2012. For manufacturing facilities, preliminary certification must be received before January 1, 2014. The 2011 legislature is expected to review whether to extend the BETC program further.
- Timelines for reviewing BETC applications. ODOE has 90 days to review and determine whether to issue preliminary certifications for renewable energy projects or manufacturing facilities if the project cost is less than $6 million, and six months if the project costs $6 million or more.
- Manufacturers of certain types of electric vehicles are included in the definition of "renewable energy resource equipment manufacturing facility." Total eligible costs are limited to $2.5 million.
- Changes included in the bill will not be applied retroactively to projects that have already received credits under the BETC program.
- The 10-percent cost overrun (compared to costs preliminarily certified) that used to be allowed is precluded.
- ODOE is given more discretion to prioritize projects when the programs are over-subscribed.
- The bill makes no changes to energy efficiency components of the program.

ODOE had already set a March 30 deadline to make permanent the temporary BETC rules. Reportedly, ODOE expects to proceed with this action and also tie in related aspects of HB 3680, such as the elimination of multiple smaller applications for one large project. A report on the program will be issued in October 2010, and it is expected that the legislature will revisit BETC in 2011.

Renewable energy

Solar feed-in tariff, HB 3690,
http://www.leg.state.or.us/10ss1/measures/hb3600.dir/hb3690.en.html. The bill:

- Establishes different size categories for solar PV systems. Defines a residential qualifying system as one with a nameplate capacity of 10 KW or less and a small commercial qualifying system as being greater than 10 KW and less than or equal to 100 KW.
- Allows OPUC to adjust PV system deployment targets in utility pilot programs.
- Establishes a July 1, 2010 deadline for utilities to have pilot programs available to customers (date was April 1, 2010).

The OPUC already has two dockets associated with the solar feed-in tariffs --AR 538 and UM 1452.

Utility reliance on Energy Trust-funded projects to meet renewable energy standard, HB 3691, http://www.leg.state.or.us/10ss1/measures/hb3600.dir/hb3691.en.html. The 2007 renewable energy act and the 2009 solar capacity law provided that if utilities use a project to meet RPS or solar capacity requirements, the cost could not be considered an above-market cost for purposes of SB 1149 (the three-percent charge that funds basic Energy Trust electric programs). HB 3691 removes those provisions, eliminating a major uncertainty in Energy Trust's relationship with the utilities in renewable energy projects. HB 3691 also allows utilities to recover "all prudently incurred costs associated with the RPS" in rates--including above-market costs that are not funded by Energy Trust. The bill also calls for the Oregon PUC to establish an automatic adjustment clause or some other method that would allow timely recovery of such prudently incurred costs for constructing or acquiring facilities that "generate electricity from renewable energy sources and for associated electricity transmission."

Treatment of vintage biomass under the renewable energy standard, HB 3674, http://www.leg.state.or.us/10ss1/measures/hb3600.dir/hb3674.en.html. Last session, the legislature passed a bill (HB 2940), which would have allowed energy from vintage biomass facilities built before 1995 to count toward RPS compliance. The Governor vetoed the bill and sought a compromise, which was introduced in the 2010 session as HB 3674. Under HB 3674, energy from vintage (pre-1995) PURPA biomass projects may be used for RPS compliance. However, the projects' renewable energy certificates may not be used until 2026—between now and then they may only be banked. As a result, the original RPS must be met primarily with new resources, but the vintage biomass RECs can be used for ongoing compliance (since utilities have to maintain the 25 percent standard forever once it's been met in 2025). HB 3674 also allows a limited amount (up to 11 aMW) of municipal solid waste generation to be used for RPS compliance; and the PUC may allow cost recovery for hydrogen stations using anhydrous ammonia. Some observers expect there to be pressure to allow unlimited municipal solid waste generation under the RPS in 2011.

Marine renewable energy, HB 3633: The community energy goal established in the 2007 Renewable Energy Act (ORS 469A.210) is amended to include "marine renewable energy resources." The Department of Land Conservation and Development is directed to perform study, and a Marine Renewable Energy Resources Study Fund is established in the State Treasury. The study fund is to be fed by any source, public or private (sec. 3). http://www.leg.state.or.us/10ss1/measures/hb3600.dir/hb3633.b.html.

Hydropower under the renewable energy standard, HB 3649: (http://www.leg.state.or.us/10ss1/measures/hb3600.dir/hb3649.en.html). The bill allows utilities to include up to 40 aMW of certified low-impact hydroelectricity per year to be used to comply with the renewable energy standard ("RES") created by the Renewable Energy Act of 2007. The facilities don't have to be owned by a utility, but must be located in Oregon and either licensed or exempted by FERC.

Prevailing wage for solar projects, HB 3651: requires prevailing wage rates on some public works projects involving the construction or installation of solar energy systems. (http://www.leg.state.or.us/10ss1/measures/hb3600.dir/hb3651.en.html)

EEAST

Adjustments to the energy efficiency and sustainable technology loan program (EEAST), HB 3675: http://www.leg.state.or.us/10ss1/measures/hb3600.dir/hb3675.b.html. Makes a variety of adjustments to clarify EEAST, e.g., requires ODOE to complete an energy savings projection before issuing an energy efficiency and sustainable technology loan.