Board Decision
Amending Combined Heat and Power Policy

December 16, 2011

Summary

Make minor editorial changes to the board policy on combined heat and power (CHP), and clarify that the policy applies to fossil-fueled projects, not renewable projects; and that Energy Trust may support fossil-fuel CHP projects in the residential, commercial or industrial sectors.

Background

- CHP uses a single fuel, usually gas, for several purposes. CHP often generates electricity from heat produced by an industrial or commercial process. Depending on the application, CHP may increase energy efficiency, reduce air emissions and help defer investment in transmission and distribution.
- Renewable CHP is funded through the Energy Trust renewable energy program.
- In 2002 and 2005, the board developed a policy for fossil-fuel CHP under the commercial and industrial energy efficiency programs.
- The current policy allows incentives for CHP projects that are more cost-effective than the alternative resource and whose power is used on site.

Discussion

- The existing policy is functioning well, and most of the proposed changes merely clarify the current policy.
- It is implicit that the policy applies to fossil-fuel CHP, not renewable CHP. The current policy applies a cost-effectiveness criterion to CHP, which is applicable only to energy efficiency, not renewable energy projects.
- The one exception is in applying the CHP policy to residential measures in addition to commercial and industrial measures. This would be an expansion of the policy to an area where the original policy did not anticipate activity. Allowing Energy Trust support for residential measures recognizes the growing possibility that such technologies as district heating may lend themselves to CHP applications.
- The proposed clarifications were discussed with and supported by the board policy committee and the CAC.

Recommendation

Amend the CHP policy to clarify that the policy applies to fossil-fueled projects, not renewable projects; and that Energy Trust may support fossil-fuel CHP projects in the residential, commercial or industrial sectors.

RESOLUTION 612

AMENDING THE COMBINED HEAT AND POWER POLICY

WHEREAS:

1. **In 2002 and 2005, the board developed a policy for fossil-fuel combined heat and power (CHP) under the commercial and industrial energy efficiency programs.**
2. **The existing policy is functioning well, and requires relatively minor clarifications, including: that the policy applies to fossil-fueled projects, not renewable projects; and that Energy Trust may support fossil-fuel CHP projects in the residential, commercial or industrial sectors.**

It is therefore RESOLVED that the Board of Directors of Energy Trust of Oregon, Inc., hereby amends the Energy Trust CHP policy as shown in the attachment.

Moved by: Seconded by:

Vote: In favor: Abstained:

Opposed: [list name(s) and, if requested, reason for "no" vote]

ATTACHMENT
4.11.000-P Fossil-Fuel Combined Heat and Power Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	December 19, 2002	Approved (R149)	March 3, 2004
Board	March 3, 2004	Reviewed-No Change	February 2005
Board	February 16, 2005	Reviewed & deferred for 6 months	August 2005
Board	September 7, 2005	Revised (R348)	Report to board in early 2006; review implementation in 9/08
Board	December 19, 2008	Revised (R499)	9/2011

Introduction

Fossil-fueled combined heat and power (CHP) projects may have certain economic and environmental advantages, including potential energy efficiencies, which make them of interest to the Energy Trust.

Energy Trust currently supports only renewable energy CHP projects, small market transformation CHP projects, and the use of waste heat for limited purposes.

The Oregon Public Utility Commission has encouraged the Energy Trust to support CHP projects that reduce customers' on-site energy requirements.

Policy

a. In addition to incentives for other measures~~under current policy~~, Energy Trust should offer incentives for fossil-fuel CHP generation that is more cost-effective than the alternative resource and would be used on-site. . Energy Trust will not offer incentives for fossil CHP power~~, not~~ for sale (other than utility buy-sell arrangements).
b. Energy Trust will use budgets and structures of existing ~~building and production efficiency~~ programs, and adjust incentives to reflect any higher level of risk compared to other ~~industrial~~ projects.
c. Energy Trust will evaluate projects using a cost-effectiveness methodology that is comparable to that used for ~~other industrial projects~~the same type of facility or dwelling, but which accounts for unique CHP features.
d. Energy Trust will limit eligibility to facilities that use Pacific Power or PGE electricity.
e. Energy Trust will provide no higher incentives for CHP projects funded through efficiency programs than comparable CHP projects funded through the renewable program.