Board Decision
Waiving Program Cap and Authorizing an Incentive for an Intel Production Efficiency Project

December 16, 2011

Summary

Waive the Production Efficiency Program cap and authorize incentives up to $4 million, to be paid over several years for comprehensive energy efficiency measures at a new Intel facility.

Background

- The Production Efficiency program has worked with Intel under a nondisclosure agreement to identify comprehensive energy saving measures for a new facility (D1X) in which to develop advanced process technologies. The facility is scheduled to be completed in phases in 2012, 2013 and 2014.

- The D1X site is the largest construction project in the Portland metro area, providing several thousand construction jobs. Upon full operation D1X is projected to add a few hundred new Intel employees.

- Proposed incentives for the project would exceed $500,000, which requires board action: (1) waiver of the program incentive cap, and (2) authority for the executive director to sign a contract committing over $500,000.

- Under board policy, program caps may be waived if:
    - the project suspends self-direction for at least three years (Oregon law allows large energy users to “self-direct” energy conservation or renewable energy investments at a site, and reduce its payments to the three-percent “public purpose” fund that supports Energy Trust);
    - there is available incentive budget; and
    - the project is expected to save energy at a lower cost per unit of energy saved than is usual for the program.

Discussion

- Energy-saving measures proposed for this project are extensive, and include minimizing air changes per hour in the clean room space and installing highly efficient secondary process systems including chilled water, condenser water, compressed air, lighting and vacuum pumps.

- The project was reviewed through standard processes for complex custom-track industrial projects:
    - Energy Trust engaged a nationally-recognized expert in high tech manufacturing efficiency to perform a technical energy analysis study.
    - The study identified a baseline (typical energy use in a plant of this kind), and energy savings measures and incremental costs to exceed the baseline. The proposed incentive is based on the study’s baseline and savings.
    - The study has been reviewed in detail by Energy Trust's Industrial Sr. Technical Manager and our Program Delivery Contractor's engineers, and it appears reasonable.

- Based on the study, energy savings are conservatively estimated at more than 30,000,000 kWh over the first three years, which would make a significant contribution to meeting PGE's integrated resource plan and Energy Trust goals.

- The incentive would be paid as measures are completed and become operational in 2012, 2013 and potentially in 2014, depending on Intel's final construction schedule. Consistent with the established custom-track procedures, payments would require verification that measures have been installed, started up, commissioned and are in commercial operation. Any changes identified during the verification process that reduce savings from the study projections would reduce the incentive payment.

- Our funding agreement with Intel would require them to cooperate in Energy Trust's evaluation of energy saved by the project.

- Staff concludes that the project meets the criteria for waiving a program cap:
    - Funding would be contingent on Intel's agreement to suspend self-direction at this site for at least three years.
    - Funds for this project are in the 2012 and 2013 budget. Moreover, the project is not expected to displace other custom projects in PGE territory.
    - The project is expected to save energy at a lower cost than the average custom project:
        - The incentive for the project is budgeted at $.13/ first-year kWh at a levelized cost of < $.008/ kWh.
        - Custom capital project incentives average $.17/ first-year kWh, or ~ 1 cent levelized.

Recommendation

Waive the Production Efficiency Program incentive cap and approve up to $4 million, to be disbursed over two or more years, to fund the Intel D1X efficiency project.

RESOLUTION 614
WAIVING PROGRAM INCENTIVE CAP AND APPROVING INCENTIVES FOR THE INTEL D1X EFFICIENCY PROJECT

WHEREAS:

1. **The Energy Trust Production Efficiency program has worked with Intel to identify comprehensive energy saving measures for a new facility in which to develop advanced technologies. It is expected to be the largest construction project in the Portland metro area.**

2. **Energy efficiency aspects of the project were reviewed through standard Energy Trust processes for complex custom-track industrial projects, including a technical energy analysis study commissioned by Energy Trust and carried out by a nationally-recognized expert in high tech manufacturing efficiency.**

3. **The project's energy savings will cost less than the average custom project. The incentive for the project is budgeted at $.13/ first-year kWh, a levelized cost of < $.008/ kWh; while custom capital projects average $.17/ first-year kWh, or ~ 1 cent levelized.**

4. **Energy Trust funding would be contingent on Intel's agreement to suspend self-direction at this site for at least three years.**

5. **Funds for this project are in the 2012 and 2013 budgets, and the project is not expected to displace other custom projects in PGE territory.**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon:

1. **Waives the Production Efficiency Program's incentive cap for purposes of this project; and**

2. **Authorizes the executive director to negotiate and sign an incentive agreement with Intel to fund measures consistent with this resolution.**

Moved by: Seconded by:

Vote: In favor: Abstained:

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