



## MEMO

**Date:** November 7, 2005  
**To:** RAC members and participants  
**From:** Peter West, Director of Renewable Energy Programs  
**Subject:** Possible budget shifts for large-scale renewables for Pacific Power

At the October meeting of the Energy Trust of Oregon, Inc. Renewable Advisory Council (RAC), staff presented draft budgets for 2006 and 2007. RAC members representing the Oregon Public Utility Commission and Pacific Power asked staff to provide relatively more funds for larger-scale resources in the Utility-scale program for Pacific Power.

Energy Trust has a fixed amount of revenue to divide among programs. To provide more funds for utility-scale projects, we would have to cut budgets in other programs. This memo outlines \$920,000 in cuts from the other programs serving Pacific Power to provide more for the Utility-scale program.

Staff is not recommending these cuts. We are providing a response to a public request. As noted at the October 19 RAC meeting, interested parties must provide written comments on the draft budget as well as the scenario outlined in this memo by November 11, 2005. This memo will be part of the discussions to finalize the budget at the RAC meeting on November 16, 2005. Details on the original budgets proposed by staff from the meeting materials for the October 16<sup>th</sup> RAC are available on the web at [www.energytrust.org](http://www.energytrust.org).

### **Potential Pacific Power Program Cuts 2006-2007**

#### Open Solicitation

**Action:** Cut the program. Finish committed projects for 2006 but do not accept any new projects for 2006 and 2007.

**Gain:** About \$330,000 over the two-year budget period. The majority of the funds in the original (10/16/05) budget are committed to projects underway for 2006 and cannot be cut.

**Rationale:** The program has some of the highest costs per unit, with little expectation that these will become lower over time. The program is not designed to find cheap resources.

**Issue:** The Open Solicitation program has been one of the strongest programs, bringing in new ideas and finding a home for small-scale projects that are out of the norm. There will be no separate outlet to test market re-defining ideas. We will be saying no to small-scale hydro in Pacific Power territory.

## Community Wind

Action: Cut one project. The draft budget provides funding for up to two projects serving Pacific Power. Funding for the 1.5-MW Sherman County Community Wind Project would remain. Continue efforts to support market transformation through on-site assessments and feasibility studies to leverage federal funds.

Gain: About \$400,000 in 2007. The majority of funds in the original budget are earmarked for the second project.

Rationale: The program has a relatively high cost per unit. The near-term supply of turbines is uncertain due to high demand, and prospects for a second project may be doubtful. Actions to build a pipeline of projects would be geared toward 2008.

Issue: The idea of the program is to provide an alternative form of windpower development that links the benefits of large turbines and distributed generation. The first years of market transformation programs always have relatively high costs. As the market becomes standardized, the costs should drop significantly. Pacific Power provides the easiest opportunities for near-term success. There will be not room to absorb open solicitations. Increased reliance on federal funds for program support is risky.

## Solar Electric

Action: Reduce industry and market support. Reduce marketing, cut training for the industry, cut funds for resource assessments, delay program evaluations and limit technical and community support.

Gain: About \$190,000 over the two-year budget period. The majority of the current budget is earmarked for incentives, and this would remain so. Retain new initiatives to support solar in new buildings in coordination with Energy Trust's energy efficiency programs.

Rationale: The program has relatively high costs per unit. Some of this is the result of including market transformation efforts. Lowering these and expecting the industry to pick up the slack may be early but is inevitable.

Issue: This is the resource with the highest potential in the state and the most likely to have large reductions in costs. Cutting efforts to speed the transformation of the market in the early stages of a program is contrary to the recommendations of the program evaluation. If the Open Solicitation program ends, Solar Electric will have to absorb special (i.e., innovative approaches, new technologies, or large installations) projects with no additional funding or – more likely – decline to fund them.

## Biopower

Staff would not alter the Biopower program budget. This is based on the wide availability and relatively low costs of the resource over the near term; the significant short-term federal tax incentives; and, the program's direct links to Energy Trust's efficiency programs. We would expect to tilt the program more heavily toward market-ready biomass energy resources. We would not consider resources that may require a prolonged market transformation effort and be relatively more expensive, such as dairy waste. Like many of the possible actions above, this last step would run counter to elements of the Governor's energy plan.