

**RENEWABLE RESOURCE ADVISORY COUNCIL**

Notes from meeting on February 11, 2004

***Attending from the council:***

Angus Duncan, BEF  
Doug Boleyn, Cascade Solar Consulting  
Jeff King, NPPC  
John Reynolds, UO and Board  
Justin Klure, ODOE  
Sonja Ling, RNP  
Thor Hinkley, PGE  
Tom Foley, Board  
Virinder Singh, PacifiCorp

***Attending from Energy Trust:***

Anna Parry  
Char Rollier  
Dave Bonkowski  
Fred Gordon  
Kacia Brockman  
Maureen Quaid  
Peter West  
Sherry Seceast

***Others attending:***

Jon Miller, OSEIA  
Dave Tooze, City of Portland OSD  
Mark Olson, solar trade ally

**1. Introductions / review agenda**

The RAC approved notes for October 2003 and November 2003 RAC meetings.

Peter proposed that RAC meetings move to quarterly meetings, with some optional meetings reserved for special topics, such as RAC review of large-scale Open Solicitation projects. John Reynolds expressed concerns about not reviewing all Open Solicitations proposals. Peter agreed to include all projects for review.

**2. Co-generation Policy**

Fred Gordon presented four related co-generation policy options to modify our current policy, which allows us to fund renewables-based co-generation or cost-effective improvements to waste heat recovery as an efficiency measure, but limits funding for other types of projects. Energy Trust has received 15 proposals on the efficiency side for combined heat and power (CHP) facilities. Fred added that we have flexibility in our approach to a new policy.

Option 1 would allow us to fund cost-effective projects, even if they promote fossil generation. Option 2 would fund market transformation projects, where we may be able to build a small-scale co-gen market, even if they cannot demonstrate long-term cost-effectiveness. Option 3 would fund local, distributed generation where there is heat recovery potential. Option 4 limits projects to 250 kW per site. Staff would like to take a new recommended policy to the Board in February 2004.

The RAC discussed the pros and cons of the proposed policy options. Angus was concerned about the emissions from co-gen projects, when renewable projects are competing for the same funding. Jeff also expressed concerns that the emissions would

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be localized to the area of the co-gen facility. He doesn't support this policy because fossil-based CHP produces nitrogen oxide, and projects are often sited in areas that have inherent ozone problems. Jon expressed concern that fossil fuel generation might compete with renewable opportunities, such as solar pool heating. Tom said that though they may not be as efficient, CHP projects are recovering heat, which is efficient. Peter said that the heat recovery has to be more efficient than a new facility built with currently available technology, otherwise there are no savings. Thor asked if we would use renewable dollars for CHP projects. Fred said that projects would be funded through energy efficiency.

### **3. EE Demonstration Policy**

Fred presented policy options for energy efficiency demonstration projects. Peter said that we don't have a demonstration policy for energy efficiency as we do for renewables through the Open Solicitation program. He said solar thermal, direct-use geothermal, and distributed generation renewables are affected by this.

Fred said that efficiency demonstration projects must incorporate market-ready technology, which have high savings, are cost-effective, increase market penetrations, are superior to conventional alternatives, and/or address important new markets.

### **4. Break**

### **5. PV Program Update**

Kacia presented a proposal for lower incentives for the PV program. Incentive money is being used too quickly – December and January were very successful months.

Kacia gave some history about raising the residential incentive from \$2.50 per watt last spring to \$4.25 in August, and then lowering it to \$3.90 in October. With higher incentives, the program received an average of 11 – 12 projects per month in Pacific Power territory.

Kacia proposed lowering the incentive from \$3.90 to \$3.50 per watt, which at current sales rates would allow for about 84 systems to be installed by October 2004. Different approaches include lowering the incentives in small increments, or lowering them all at once. Kacia also proposed that the cap be reduced from \$12,750 to \$10,000. We could also eliminate the contractor's bonus to save more money for system incentives.

Kacia clarified that she would like any changes to be made consistent in both PGE and Pacific Power service territories. The depletion of the incentive fund is a problem only in the Pacific Power areas - there is still funding available in PGE territory.

John Reynolds asked if we could shift funding from another one of our renewable programs that will not use all their funds in 2004. Peter said that if we cut back on some other efforts, we could help fund the program, but there are no current plans to do that.

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The group discussed the different experiences marketing in PGE and Pacific Power territory. The majority of applications coming in are from outside the Portland metro area. Participation is strong in Roseburg and south, in Klamath Falls, and in Bend and Redmond.

PGE customers are not responding to the same marketing. Thor and Doug added that there are many potential PGE participants in the Portland area, and that the challenge is in developing an effective marketing campaign.

John Reynolds suggested that we leave the contractor bonus of 10¢ per kW. Jon Miller said that the solar contractors don't even know about the bonus and don't need the bonus. Jon Miller also voiced his concern about lowering the incentive and how it will affect PGE. He thinks Pacific Power customers will buy solar anyway, but Energy Trust might lose PGE participants, forcing the program to raise the incentive in the future.

Mark Olson, a solar contractor, said that the market is slowing down, and that in his experience, \$3.90 is a hard sell. He asked about Energy Trust administrative costs, and suggested that more funding be used for incentives. Peter said that our current program cost per watt is lower than the national average.

Dave Tooze asked if the budget imbalance presents an opportunity to take another look at the different incentive levels for PGE and Pacific Power. Peter reinforced the point – the logic doesn't work the same for both utilities. Peter said that Energy Trust doesn't want to raise the incentive again once it's been lowered. The key to a \$3.50 incentive is marketing and bonus incentives.

Another important issue is the requirement that the systems be installed within 45 days for existing sites and 90 days for new construction. Contractors are bumping into deadlines due to multiple issues including supplier delays, weather, utility net metering agreements, and other factors. Energy Trust is considering extending this deadline for new construction.

Fund reservations were also discussed. The current program allows reservations be made 10 days prior to Energy Trust receiving all the required project paperwork. The effect has been a flood of reservations during the 10 day notice of incentive changes. Options being considered include eliminating some forms or making forms editable on the website and decreasing the notification period. Jon Miller said that the contractors need time to talk to their customers. Kacia suggested that the contractors can use the 2 weeks as a selling tool for people considering solar projects.

Peter reiterated that if funding runs out before the end of the year, it creates disruptions in the program operations – a boom and bust cycle – which can undermine our marketing efforts, as well as hurt the contractors.

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### **6. Small(er) Wind Program Design Workplan**

Peter distributed a draft work plan for the community scale wind program. He asked the RAC to review and comment before the next meeting.

Virinder asked if funding for this program would come from the large-scale wind budget. Peter said there are \$4 million dollars of incentives for small and medium-scale wind program development in 2004, which is split evenly between PGE and Pacific Power territory.

### **7. Updates**

#### **PV RFP**

Energy Trust received 20 proposals, all of which were technically feasible and answered all the RFP questions. Energy Trust has selected the top seven projects and is beginning contracting.

#### **Open Solicitation Program**

Staff is currently reviewing several biomass and wind proposals for possible funding in 2004.

### **8. Public Comment**

John Reynolds asked when Energy Trust is going to do something in biomass. Peter said the Biomass program is starting in 2005. Right now there are several proposals that have been received through the Open Solicitations program. Open Solicitations will continue to be the route for Biomass projects until 2005.