Renewable Energy Advisory Council Meeting Notes

July 15, 2015

Attending from the council:
Shaun Foster, Portland General Electric
Kari Greer, Pacific Power
Robert Grott, Northwest Environmental Business Council
Michael O'Brien, Renewable Northwest
Elaine Prause, Oregon Public Utility Commission
Dick Wanderscheid, Bonneville Environmental Foundation

Attending from Energy Trust:
Amber Cole
Chris Dearth
Sue Fletcher
Matt Getchell
Jennifer Hall
Mia Hart
Hannah Hacker
Ally Hoffman
Jed Jorgensen
Betsy Kauffman
Dave McClelland
Dave Moldal
Gayle Roughton
Jay Ward
Peter West

Others attending:
Cindy Dolezel, Public Utility Commission
Peter Greenberg, Energy Wise Lighting, Inc.
Pooja Kishore, Pacific Power
Wendy Koelfgen, Clean Energy Works
Lisa Logie, Solar Oregon
Alan Meyer, Energy Trust board
John Reynolds, Energy Trust board
Matt Shane, Oregonians for Renewable Energy Progress
Ann Siqueland, One Energy

1. Welcome and introductions

Betsy Kauffman convened the meeting at 9:30 a.m. The agenda, notes and presentation materials are available on Energy Trust's website at: www.energytrust.org/About/public-meetings/REACouncil.aspx.

2. Legislative wrap-up

Jay Ward reminded members that Energy Trust does not advocate for or against legislation. We track on legislation that intersects with Energy Trust's work and provide information about our programs and results. Jay provided a summary of energy bills we watched in the 78th Oregon legislative session.

Cindy Dolezel: House Bill 2941 directs the Oregon Public Utility Commission to evaluate solar incentive programs and report to legislature with recommendations for a community solar program design.
Betsy: Will the OPUC make a recommendation?
Cindy: Unknown at this time.
Michael O'Brien: Does HB 2941 build on OPUC Docket UM 1673 to assess the effectiveness of solar programs in Oregon?
Cindy: I'm not sure.

Betsy: Does HB 2987 repeal the requirement that public entities spend 1.5 percent of a new or major renovation contract for a public building on green energy technology?

Jay: No, it does not repeal that requirement. The law removes the requirement if the contracting agency determines that including green energy technology is not appropriate, and describes the process an agency must undertake to arrive at that decision.

Dave Moldal: Was HB 3492 signed into law regarding property tax exemption for solar projects?
Jay: Yes. HB 3492 allows, but does not require, counties where solar projects are sited to enter into an agreement wherein the solar project owner will annually pay an amount equal to $7,000 per megawatt of nameplate solar generation capacity, in lieu of property taxes.

3. 2016-17 planning and considerations
Betsy presented on several external variables that may lead to changes to our funding allocations and strategy in the 2016 budget. The 2016 budget and action plans will not reflect these external factors.

> The transportation package introduced in the 2015-16 legislative session could return in the future. It is unknown whether the Public Purpose Charge will be addressed during discussions of the transportation package.
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> Pacific Power filed a request with the OPUC to adjust the rules for Qualified Facilities, QFs, projects in Docket UM 1734. Proposed changes include a reduction in the standard contract fixed-price period from 15 years to three years for all QF projects, and a reduction in the eligibility cap for standard QF pricing from 10 megwatts to 100 kilowatts for wind and solar facilities. While UM 1734 is under consideration, Pacific Power filed a request for interim relief to reduce the cap for solar and wind QF projects from 10 MW to 3 MW. QF projects represent about half of our generation portfolio thus far and if the filing is approved by the OPUC, it would have a significant impact on a project's ability to acquire financing.

Alan Meyer: What's the rationale for the public?
Betsy: In the filing, Pacific Power said it is inundated with QF projects applying for power purchase agreements. It also said that a 15-year power purchase contract is inconsistent with its usual methods of purchasing power.

Michael: As part of Docket UM 1610, Pacific Power proposed less stringent changes to the QF rules and the OPUC did not approve those proposed changes. Under that rationale, our perspective is that the OPUC would not approve a new, stricter set of rules.

Betsy: The Solar Investment Tax Credit, ITC, is expiring at the end of 2016 for residential solar projects and will be reduced to 10 percent for commercial solar projects. The state's Residential Energy Tax Credit for Solar, RETC, is expiring at end of 2017. The expiration of the tax credits has been part of our budget planning process and will be reflected in the 2016-17 budget.

> Energy Trust has been tracking national trends related to policy changes surrounding net metering in other states. If net metering is altered in Oregon, it would increase the above-market cost of net-metered projects to some extent.

Alan: Would changes to Oregon's net metering policy impact Renewable Energy Certificate, REC, allocation?
Shaun Foster: Some jurisdictions are phasing out net metering. RECs may be handled differently under a "buy-all, sell-all" metering policy such as a value-of-solar tariff.

Peter West: Shaun, what are tax implications of a “buy-all, sell-all” approach to solar? Would the incentive be taxable?
Shaun: This is still being vetted. Regardless, PGE would not provide tax advice. With the current feed-in-tariff pilot that kicked off, PricewaterhouseCoopers’ opinion is that the sale of energy is equivalent to the sale of merchandise, and therefore would not be reportable.

4. Draft changes to the Renewable Energy Certificate policy
Jed Jorgensen provided a summary of proposed amendments to the Renewable Energy Certificate, REC, policy.

Jed: The first amendment would allow Energy Trust to not register RECs in the Western Renewable Energy Generation Information System, WREGIS, when the board concludes the REC market price, cost and effort is disproportionate to the value of a REC.

Shaun: PGE had some concerns about the amendments. Ratepayers should receive value back from Energy Trust’s investments in projects. Since the only value of Energy Trust’s RECs for utilities is Renewable Portfolio Standard, RPS, compliance, voluntary market prices may not be the best way to measure the value for ratepayers. If the utility doesn’t have Energy Trust’s RECs, what is the cost to be in compliance?
Peter: Can we know that number? The cost of future RPS compliance could be easier to calculate than the REC market.
Shaun: It’s hard to calculate the REC value since the market fluctuates. It’s possible to assign a cost, but I’ve never seen one.
Pooja Kishore: The resource value of solar could be a good comparison.
Peter: Does RPS have a penalty?
Jed: Yes, the penalty is $50 per megawatt hour if the utility is not in compliance.

Shaun expressed concern about the timing of the REC policy changes going to the board at the end of July and suggested waiting longer to allow time for Renewable Energy Advisory Council members and their organizations to examine the proposed changes in more detail.

Elaine: I like the avoided cost idea. On the list of pros for the first amendment, add in the cost-effectiveness aspect for ratepayers.

Jed: The second amendment calls for policy coordination between Energy Trust and utility green power programs by reducing our share of RECs to the extent that a utility retains RECs.
Elaine: I see one downside regarding the second amendment. With voluntary projects like Clean Wind or Pacific Power Blue Sky℠, we are willing to take fewer compliance RECs so that the voluntary programs can be made whole. This is small in the scheme of things, but there would be fewer RECs towards compliance than there would have otherwise been.

> The third amendment allows owners of custom projects to keep RECs to meet environmental goals if the owner provides substitute RECs that meet certain requirements. The utility is not limited in its use of RECs for QF projects, and they are treated as a bundled REC for compliance.

Michael: Why is this intentionally limited to Oregon QFs for replacement RECs?
Jed: RECs from Oregon QFs can be used as bundled RECs under the RPS without any limit to the number that are used, therefore they are more useful for RPS compliance purposes.

Shaun: If we limit the amount of RECs, it could drive us to negotiate against ourselves.

Jed: We're trying to avoid that with this policy proposal, which is restricted to project owners that would use the RECs to meet green goals. If the owner's goal is to sell RECs, they're not eligible. Contractually they cannot sell the RECs under this proposal

Dick Wanderscheid: The devil is in the details with green goals. It's better to claim that they are using solar energy.
Jed: One goal would be making green claims. The purpose is that they are using the RECs for themselves, not selling them.
Cindy: I would suggest looking at a company's strategic plan to make sure their green goals are official, either in their Corporate Social Responsibility plan or a municipal star rating, for example.

Jed: The fourth amendment consists of rewriting the REC policy and make clarifying edits. We will circulate the proposed language for review and present it to the board after July.

5. Q2 update and results
Betsy provided an update on generation results for Q1 and Q2 2015.

Betsy: Large renewable energy projects in the pipeline and installed generation have put us on track to exceed generation goals for PGE and Pacific Power. In 2015, we expect to continue seeing a strong solar market. We are evaluating applications for two competitive bidding processes for one Solar and one Other Renewables project. During budget presentations to the council, both competitive projects will be reflected in the budget, in addition to a cash carryover to cover activity related to coming ITC expiration.

Peter: 350 solar projects are committed through this year. How many more do you expect?
Dave McClelland: Another 500 solar projects with an estimated total of 1,000 projects installed in PGE service territory. In Pacific Power service territory, about 700 solar projects are expected to complete.

Kari Greer: What's in the pipeline for 2016?
Betsy: There are several large solar projects in the pipeline. A large portion of that generation will come from the Old Mill solar project that came out of Pacific Power's RFP to meet its capacity requirements.

Elaine: In the other renewables RFP, was the same amount of funding allocated for PGE and Pacific Power?
Betsy: $3 million was allocated for PGE and $5 million was allocated for Pacific Power.

John: Where does this place us in the three-year rolling average benchmark?
Betsy: That is no longer a PUC benchmark for Energy Trust. There are new benchmarks, including a solar benchmark to achieve 85 percent of the budgeted goal for standard solar. We are currently at 55 percent of goal and on track to exceed that benchmark. For non-solar custom projects, the PUC benchmark is a three-year rolling average of incentive dollars per REC, which we will also meet. The last benchmark is to report on large-scale solar projects.

6. Public comment
There was no additional public comment.

7. Meeting adjournment
The meeting adjourned at 11:15 a.m. The next Renewable Energy Advisory Council meeting is scheduled on September 9, 2015.