EnergyTrust of Oregon, Inc.

# Board Decision
# Authorizing Funds for the PHC LLC Solar Photovoltaic Project

February 14, 2007

## Summary

Authorize the Executive Director to enter into a contract with PHC Solar LLC to pay up to 75% of the above-market cost of an 869.4 kW solar photovoltaic project, not to exceed $1,236,750, using funding from the Open Solicitation and Utility-Scale Program budgets.

## Background

- PHC Solar proposes an 869.4 kW solar photovoltaic array (nameplate capacity) for the Portland Habilitation Center's new 110,000 square foot manufacturing facility in Northeast Portland. The project is scheduled to be completed in November, 2007.
- The LLC consists of Portland Habilitation Center, a non-profit, and a major investor. The investor will use the project's tax benefits in the project's early years, and then majority ownership will "flip" to the Portland Habilitation Center, at which point the LLC may or may not continue to exist.
- Staff calculates that project generation will cost up to $1,632,809 above-market. Staff proposes to pay 75% of these costs ($1,236,750). This incentive would be paid in two parts: (1) up to $1,086,750 to the LLC, and (2) up to $150,000 to Portland Habilitation Center -- $1 in Energy Trust money for every $2 the Center raises for the project. Payment would be made when the project begins commercial operation.
- Energy Trust would own the project's green tags for years 3-20 of the project.
- The project is expected to be net-metered if the net-metering limit under state law is increased. Energy Trust funding would be contingent on such an increase.
- If the project fails to generate at least half its generating capability in any 12-month period, or the project is terminated before the end of its 20-year life, the LLC would repay a pro-rated portion of the Energy Trust subsidy. Repayment would be secured by the project facilities.

## Discussion

- The project would be the largest photovoltaic system in Oregon, increasing total photovoltaic capacity in Oregon by about 35%. Demonstrating that large solar projects are feasible in Oregon could help expand Oregon solar development to a new scale.
- Using a "flip" financing structure for the project would demonstrate a model that might be used for other large PV systems by non-taxable entities such as non-profits and municipalities.
- Funding the project through the Open Solicitation Program would consume all the program's funds for 2007. Because of the project's size, staff believes it is reasonable to fund the project partly by transferring $736,750 from the Utility-Scale Program, which is 4% of the Utility-Scale budget. This contribution would not materially affect the Utility-Scale program's ability to meet its goals.

## Recommendation

Staff recommends the Board transfer $736,750 from the Utility-Scale Program to the Open Solicitation Program budget, and approve up to $1,236,750 for the PHC, LLC Solar PV project from the Open Solicitation Program budget.

**RESOLUTION #423**

**AUTHORIZING FUNDS FOR THE PHC LLC SOLAR PHOTOVOLTAIC PROJECT**

**WHEREAS:**

1. **Energy Trust's renewable energy goal calls for generation of 150 aMW by 2012.**
2. **The PHC LLC Solar Photovoltaic project would provide 869.4 kW of generation.**
3. **The project's generation is expected to cost up to $1,632,809 above-market. Energy Trust would pay 75% of these costs (up to $1,236,750), and own green tags for years 3-20 of the project.**
4. **The project would be the largest photovoltaic system in Oregon, increasing total photovoltaic capacity in Oregon by about 35%, and helps demonstrate the viability of large-scale solar projects in Oregon.**
5. **The project's financing structure helps demonstrate a model by which non-taxable entities such as non-profits and municipalities can partner with investors to finance other large renewable energy systems.**

**It is therefore RESOLVED:**

**The board of directors of the Energy Trust of Oregon, Inc.:**

1. **Authorizes the transfer of $736,750 from the Utility-Scale Program budget to the Open Solicitation Program budget.**
2. **Authorizes staff to enter into a funding agreement with PHC, LLC to commit up to $1,236,750 from the Open Solicitation Project budget.**
3. **Requires that the funding agreement be consistent with the following terms:**
    a. **Project size: 869.4 kW solar photovoltaic array (nameplate capacity);**
    b. **Energy Trust payment will be in two parts: (1) up to $1,086,750 to the PHC Solar LLC, and (2) up to $150,000 to Portland Habilitation Center on a matching**

**basis -- $1 in Energy Trust money for every $2 the Center raises for the project.**

c. **Payment will be made when the project begins commercial operation.**

d. **Energy Trust will own the project's green tags for years 3-20 of the project.**

e. **If the project fails to generate at least half its capability in any 12-month period, or the project is terminated before the end of its 20-year life, the LLC will repay a pro-rated portion of the Energy Trust subsidy. Energy Trust must acquire appropriate security for such repayment.**

Moved by: Seconded by:

Vote: In favor: Abstained:

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