EnergyTrust of Oregon, Inc.

Board Decision
Authorizing Funds for PacifiCorp's 94-Megawatt Goodnoe Hills Wind Project

May 9, 2007

Summary

Authorize the Executive Director to amend the Project Funding Agreement for the Goodnoe Hills East wind project (authorized in resolution 401, August 23, 2007) to pay up to $4.5 million of the above-market costs of a 94-megawatt Goodnoe Hills East project.

Background

- In August, 2006, Energy Trust approved $2.25 million each for the above-market costs of two 56-megawatt PacifiCorp wind projects, called Goodnoe Hills East and Goodnoe Hills West.
- Although Energy Trust has paid the entire $4.5 million into escrow, no funds are to be paid to PacifiCorp until the projects are substantially complete.
- PacifiCorp recently learned that it would be unable to proceed with the West project and instead wants to increase the output of the East project from 56 MW to 94 MW. They indicate that this project is still anticipated to come on line in 2007.
- PacifiCorp has asked that Energy Trust leave the $4.5 million combined above-market payment unchanged.
- Staff has invited Pacific to attend the May 9 board meeting to provide further background.

Discussion

- The proposed 94 MW project is expected to generate 266,900 MWh per year, or 30.47 aMW. This output is 20% lower than that expected from the combination of the two original project proposals.
- Installed costs for the single, revised project appear on the higher end of the range for projects completed in 2006 in the US, but comparable to estimates for PGE's Biglow Canyon project. PacifiCorp reports costs are in line with other projects they are reviewing for the Pacific Northwest.
- Assumed operating costs are on the low end of the range seen for other projects built in 2006 in the United States, but are close to what PGE is assuming for its wind project.
- Despite the smaller size, the above-market costs of the revised, single project are less than Energy Trust paid to the 41 MW Combine Hills project in 2003 on an energy or capacity basis: For the Combine Hills project Energy Trust provided $3.8 million, or $266,667/aMW of energy; the request from PacifiCorp is for $147,686/aMW.
- Funding from Energy Trust for other biomass and community wind projects has ranged from $232,000 to $1.7 million per aMW.
- Staff analysis of the above-market costs of the 94 MW project shows the costs for the revised project justify the request by PacifiCorp.

Recommendation

Staff recommends the board authorize the Executive Director to amend the Project Funding Agreement for the Goodnoe Hills East wind project (authorized in resolution 401) to pay up to $4.5 million of the above-market costs of a 94-megawatt Goodnoe Hills East project.

RESOLUTION #439

GOODNOE HILLS WIND PROJECT

WHEREAS:

1. **Energy Trust's renewable energy goal calls for Energy Trust to achieve 150 aMW by 2012; the Oregon Public Utility Commission (OPUC) performance measures call for 9 average megawatts (aMW) per year as a three-year rolling average.**
2. **To help achieve these goals and objective, in 2005, Energy Trust and PacifiCorp entered into a Master Funding Agreement designating funds for utility-scale projects yet to be determined. Under the agreement, specific projects would be funded through individual funding agreements.**
3. **In August, 2006, Energy Trust approved $2.25 million each for the above-market costs of two 56-megawatt PacifiCorp wind projects, called Goodnoe Hills East and Goodnoe Hills West.**
4. **Pacific recently learned that it would be unable to proceed with the Goodnoe West project and instead proposes to increase the output of the East site from 56 MW to 94 MW, to come on line in 2007.**
5. **Staff has analyzed the project and determined that the above-market costs of the proposed project would justify an Energy Trust subsidy of up to $4.5 million.**

It is therefore RESOLVED that the Board of Directors of Energy Trust of Oregon, Inc.:

Authorize the Executive Director to amend the Project Funding Agreement for the Goodnoe Hills East wind project (authorized in resolution 401, August 23, 2007) to pay up to $4.5 million of the above-market costs of a 94-megawatt Goodnoe Hills East project.

Moved by: Seconded by:

Vote: In favor: Abstained:

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