EnergyTrust of Oregon, Inc.

Board Decision
New Homes Exemption from Green Tag Policy

August 8, 2007

Summary

Authorize a one-year exemption to the green tag policy for an estimated 100 solar electric installations in the new home construction program.

Background

- Until recently, builders have been reluctant to install solar as a standard feature on new homes, citing concerns about cost, complexity and increased financial risk.

- With heightened consumer interest stemming from marketing ENERGY STAR New Homes and Energy Trust solar programs, over a dozen builders have now begun to explore solar options, with a few having applied for incentives.

- The Energy Trust incentive is paid to the builder, given that the homes have no owner known or identified at the time of design and construction.

- Green tags are associated with and created by renewable energy generation. Unlike the existing homes program where incentive payments and green tag agreements is linked to the homeowner, no green tags are associated with new construction.

- Energy Trust has approached builders with a proposed agreement whereby the builder would cede ownership and potential sale of future green tags to Energy Trust and inform the homebuyer of this transaction. Builders saw proposal as a potentially strong disincentive for solar installations. In addition, it is unclear whether such an agreement would be valid.

- Subsequently, staff proposed the concept of exempting new solar homes from the green tag policy. This concept was reviewed with the Oregon Public Utility Commission (OPUC) staff, the Policy Committee and the Renewable Advisory Council (RAC).

- Though the OPUC would prefer the green tag policy apply, they are willing to accept a one-time exemption if there is no better way to break into this market. The Policy Committee concurred with a time-limited exemption, assuming a strong case for delivering tangible value to Energy Trust's renewable program. The RAC acknowledged the importance of this market, and did not reach consensus on the proposed exemption.

Analysis

- Homebuilders voiced three major concerns:
    1) If Energy Trust owns all green tags, it would make it more difficult for the builder to market homes as "green," because neither builders or homeowners would own the green tags
    2) The process of securing green tags for Energy Trust would add complexity to the sales process, requiring education of realtors and realtors having to explain green tags to prospective home buyers
    3) Complying with this policy approach was seen as an added administrative burden.

- The primary concern of those who would apply the green tag policy is that if Energy Trust does not retain the green tags, the utility ratepayer would pay twice: once for the initial public purpose charge and a second time when the utility's green power program acquired green tags from the participating homeowner who benefited from the Energy Trust incentive.

- Staff believes that exempting a limited number of new homes from the policy for a limited time will result in the following benefits:

    1) Access to a highly significant solar market, potentially resulting in production builders driving down individual solar system costs, standardizing installation practices, increasing consumer confidence and facilitating solar financing through home mortgages.
    2) A reduction in administrative requirements associated with tracking green tag ownership among both homebuilders <u>and</u> homeowners, a task more complex than tracking just individual existing residential installations.

- The proposed program exemption is expected to apply to about 100 new homes, probably much less -- the entire solar electric program installed 130 systems last year. However, assuming a worst- (or best-) case scenario of 100 homes, each with two-kilowatt solar systems, total lost green tag value would be in the range of $4,000-$10,000 over the course of a year.

- During the one-year exemption period, staff proposes to explore other solutions with homebuilders, such as allowing homebuyers to retain green tags subject to an agreement that tags not be re-sold. This approach might address the double-payment concern while mitigating marketing concerns raised by homebuilders.

Recommendation

Approve a one-year exemption from the Energy Trust green tag policy for an estimated 100 new homes by adopting resolution number 445.

RESOLUTION #445

APPROVING AN EXEMPTION FOR NEW SOLAR HOMES FROM THE ENERGY TRUST GREEN TAG POLICY

WHEREAS:

1. **Until recently, builders have been reluctant to install solar systems as a standard feature on new homes, citing concerns about cost, complexity and increased financial risk.**
2. **With heightened consumer interest and stronger solar incentive programs, a few builders have applied for Energy Trust incentives.**
3. **To comply with the Energy Trust green tag policy, staff proposed that homebuilders cede ownership and potential sale of future green tags to Energy Trust and inform the homebuyer of this transaction. Homebuilders saw this proposal as a potential disincentive for solar installations and it is unclear whether such an agreement would be valid.**
4. **Exempting a limited number of new homes from the green tag policy for one year will allow Energy Trust to enter into and test solar in the highly significant new construction market while exploring other longer-term options.**

It is therefore RESOLVED that the board of directors of Energy Trust of Oregon, Inc.:

1. **For a period of one year, authorizes Energy Trust incentives to homebuilders for approximately 100 new homes constructed with eligible solar energy systems, exempting such systems from the Energy Trust green tag policy.**
2. **During this same year, directs staff to explore other solutions to address homebuilder concerns and comply with the Energy Trust green tag policy.**

Moved by: Seconded by:

Vote: In favor: Abstained:

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