FINAL REPORT

EVALUATION OF THE ENERGY TRUST OF OREGON COMMUNITY WIND PROJECT SOLICITATION

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Executive Summary

This report summarizes the results of a process evaluation of the Energy Trust of Oregon's (Energy Trust's) solicitation of projects for its Community Wind Program. The RFP was issued on March 3, 2006, and 17 proposals representing potential total generation capacity of approximately 140 MW were received, including 11 Track One proposals with an anticipated 2007 project start date and 6 Track Two proposals with later start dates. The RFP process culminated in the signing of two Letters of Intent representing 14.5 MW by February 2007. In addition, calculations and determination of a power contract are continuing for one project, but no letter of intent (LOI) has been signed yet, while another project found not to have above market costs is going forward without Energy Trust assistance and is expected to be operational by the end of 2007.

Evaluation findings include the following:

- The RFP process highlights the extent to which the community wind marketplace is dominated by a few developers; four developers accounted for most of the proposals and for all those that had a reasonable chance of being funded.
- Overall, respondents commented favorably on the RFP process, noting that it was clear, had generally reasonable deadlines and requirements, and appeared to have been fairly evaluated. However, several respondents and one non-respondent expressed reservations about the use of an RFP to decide which projects would receive funding.
- Those who submitted proposals said that the technical data was reasonable, particularly for the Track 1 projects that would be completed before the end of 2007. Financial requirements were generally more challenging for respondents, primarily because of the uncertainty surrounding turbine availability, cost and interconnection to the grid, and the future value of green tags.
- While the RFP listed a set of selection criteria for both Track 1 and Track 2 projects and most respondents found those criteria easy to understand, several developers who submitted proposals wondered how projects would be compared against each other. Evaluation of proposals was also complicated by the uncertainty noted above, which made it particularly difficult to determine the extent of above market costs for any specific project.
- *Community Wind: an Oregon Guidebook* published for Energy Trust by Northwest SEED has been widely downloaded and is well regarded by people who have read it, but does not appear to have prompted any individual or group to pursue a wind project without a developer. The Guidebook is being used as an effective educational tool by developers to use with land owners and others.

Key barriers to community wind projects include the lack of turbines, high project initiation costs, and the difficulty of connecting to the grid.

- Almost every project, no matter how promising, faces uncertainty both about the availability of turbines and about their price.
- The high "transaction costs" of community wind projects reflect not only the numerous factors that must be investigated before a project can proceed, but also

the much greater magnitude of the cost of these investigations relative to the overall scope of the project.

- Interconnection costs are particularly difficult for community wind projects, both because of the fixed costs associated with any interconnection and because of the reluctance of utilities to negotiate power purchase agreements with community-scale organizations.

Despite these barriers, recent and pending regulatory actions have the potential to significantly improve the prospects for community wind.

- The Oregon legislature has passed a renewable portfolio standard that will require 25% of the power produced in Oregon to be from renewable sources by 2025. This legislation also enables Energy Trust to focus exclusively on community wind rather than utility scale projects.
- Oregon's Business Energy Tax Credit is expected to be increased to 50% for projects up to $20 million, which would cover most of the community wind projects proposed in response to the RFP.
- The Production Tax Credit (PTC) was renewed for 2008, and is expected to be renewed for subsequent years, although it is not clear whether a decision will be made covering multiple years that would eliminate the on-again/off-again nature of this credit and its disruptive effect on the market for turbines and wind power.
- Establishment of new power purchase rates that utilities would pay to community wind (and other renewable) projects is expected by early summer of 2007.
- For smaller scale wind projects, a redefinition of net metering that would allow power generated in the winter to offset power used in the summer may create potential for net-metered small wind projects for agricultural users in parts of the state with an adequate wind resource.

The recommendations for Energy Trust going forward is to use a mix of strategies determined by the evolution of the market and the extent to which Energy Trust chooses to work with existing developers or encourage landowners and communities to act as their own developer.

- If it is a goal to encourage individuals to develop their own projects, we believe and open or standing solicitation provides the needed flexibility.
- For both landowner- and developer-driven projects, we believe a standard offer provides a clearly defined Energy Trust contribution available to all qualifying projects rather than the handful selected through the RFP process.
- To further build on the strengths of the existing Energy Trust effort, we recommend that Energy Trust also continue to support the preliminary groundwork needed for all projects, including grant writing assistance and co-funding for USDA grants, the anemometer loan program, analysis of wind data, and facilitation of negotiations with utilities on power purchase contracts.