LEGISLATIVE CONCEPT

September 23, 2008

Concept Subject/Title: Pilot Program for Production-Based Incentives for Solar Photovoltaic Projects

Contact Person Suzanne Leta Liou, Renewable Northwest Project Phone No. 503-223-4544

♦ BRIEF DESCRIPTION OF THIS CONCEPT:

The legislation would direct the Oregon PUC ("OPUC") to conduct a proceeding to establish a pilot demonstration program to be offered by Oregon Investor Owned Utilities (IOUs) in order to evaluate the efficacy and effectiveness of a production-based incentive (tariff) for solar photovoltaic projects, as well as diversify Oregon utilities' renewables generation portfolios with regard to renewable fuel type, technology and project size.

The legislation could also direct public, municipal and co-op utilities to establish a similar demonstration program. We have not yet had the opportunity to discuss the concept of a pilot demonstration project with representatives from public, municipal or co-op utilities.

♦ PURPOSE OF THIS CONCEPT (DESCRIBE PROBLEM YOU ARE TRYING TO SOLVE AND SUGGESTED SOLUTION):

The cost of solar photovoltaic technology measured on a dollar per kilowatt-hour basis is prohibitive compared to other renewable technologies and as a result cannot satisfy the existing OPUC least-cost, least risk cost recovery criteria without significant subsidies. Existing incentives and subsidies, including the Business Energy Tax Credit ("BETC") and Residential Energy Tax Credit ("RETC"), as well as Energy Trust of Oregon funding and programs have been successful tools for expanding solar photovoltaic generation in the state, but each continues to have limitations.

Production-based incentives (or subsidies that are paid only after energy is delivered to the grid) for solar photovoltaic projects can be a critical tool for expanding and diversifying markets for renewable energy generation. Renewable Northwest Project, the solar industry, Oregon Department of Energy, the Energy Trust of Oregon, the Oregon Public Utilities Commission, the Citizens' Utility Board of Oregon, Pacific Power and Portland General Electric are currently discussing additional details of a possible pilot demonstration. Some of these details are to be included within the legislation, while other details will be part of a subsequent OPUC proceeding process. Details currently being discussed include:

- Reconciliation with existing OPUC least-cost, least-risk cost recovery criteria
- Overall nameplate capacity enrollment limit for the pilot demonstration program
- Customer type (tariff) eligibility criteria
- Maximum individual project size and project location eligibility criteria
- Production-based incentive rate cap and duration of payments
- Incentive rate valuation/methodology, including but not limited to avoided energy costs, renewable energy certificates, and utility transmission and distribution system benefits
- Availability of existing funding sources for production-based incentives
- Utility ownership of renewable energy certificates
- Reporting and/or final report requirements to the OPUC and legislature

♦ POLICY IMPLICATIONS:

The pilot program will allow Oregon to evaluate the efficacy and effectiveness of a production-based incentive (tariff) for solar photovoltaic projects, as well as diversify Oregon utilities' renewables generation portfolios with regard to both renewable fuel type, technology and project size.

♦ PARTNERS OR OTHER AGENCIES AFFECTED:

Agency:	Person you talked to about concept:	Phone:

Oregon Department of Energy	Christopher Dymond	503-378-8325
Oregon Public Utilities Commission	Lisa Schwartz	503-378-8718

- KNOWN SUPPORT

RENEWABLE NORTHWEST PROJECT, OREGON DEPARTMENT OF ENERGY

- KNOWN OPPOSITION:

- THIS CONCEPT: (Do not skip answers. Enter ***none*** or ***N/A*** as needed.)

Revises or repeals ORS [insert reference to the OPUC least-cost, least-risk cost recovery statutes]

Adds new sections to ORS Chapter TBD

Check one: ☐ Major program change X Minor program change ☐ Technical correction/housekeeping only

Was previously proposed in: Year N/A as Bill No. N/A

Why are you proposing it again (what changed)? N/A

Is a PLACEHOLDER? No ☐ Yes X Expected date of completion: 12/31/2008

Reason not completed: Discussion is ongoing between interested stakeholder groups and agencies

Is due to legal decision: N/A Case cite: N/A or AGO No./date N/A *(attach copy)*

Raises fees or assessments? No ☐ Yes ☐ *(attach Fiscal Impact Estimate and form 107BF22)*

This concept may rely in part on support from the Business Energy Tax Credit/state revenue

Imposes or adds to unfunded mandate on local governments? No X Yes ☐ *(attach Fiscal Impact Estimate)*

Has other fiscal, revenue, or position impacts? No ☐ Yes ☐ *(attach Fiscal Impact Estimate)*

This concept may rely in part on support from the Business Energy Tax Credit/state revenue

Have you discussed this Concept with your Attorney General liaison? No ☐ Yes X

The OPUC has discussed this concept with the AG liaison.

APPROVED FOR DRAFTING_____ _____

Department of Administrative Services Date Governor's Office Date

INSTRUCTIONS FOR COMPLETING LEGISLATIVE CONCEPTS

Use one form for each concept. You may photocopy this form or use the interactive form available online at http://www.das.state.or.us/DAS/BAM/forms.shtml. Leave no section or question blank; enter "none" or "not applicable".

ATTACH DETAILED EXPLANATION AND DRAFT LANGUAGE (IF APPLICABLE)

Send *an original and six copies* of this form, draft language, any fiscal impact estimate, and any supporting material, to the Department of Administrative Services, Director's Office, 155 Cottage Street NE U20, Salem, OR 97301-3966, ***no later than April 4, 2008***. Do not delay. It is to your benefit to submit concepts early.

CONCEPT NUMBER: This number is just for tracking; not priority. Combine your agency number and your own **sequential** concept numbers. For example, DAS would use 107-1, 107-2, 107-3 . . . Do not skip numbers in the series. Reviewers always wonder where it went.

AGENCY NAME & DATE: Name of the *agency* is needed, but include any division or program name. Date the concept is delivered to DAS.

SUBJECT/TITLE: A brief descriptive working title for each concept.

CONTACT PERSON: The person in your agency who knows the concept well -- the person to call in case of questions. Your legislative coordinator is a back-up contact.

DESCRIPTION: Briefly describe the concept. Attach additional detailed explanation of the problem and your proposed solution. Proposed statutory language does **not** substitute for a clear explanation of the problem and solution.

PURPOSE: Describe the need solved by the concept. Describe any clear ties to Oregon Benchmarks. Explain clearly, concisely, and completely. If it is a placeholder, explain why you have to have it.

POLICY IMPLICATIONS: Cover the issues that will arise in the Capitol. How will the concept affect other programs? Will it change or replace a program? How and why? What happens if the concept is enacted? What if it is not?

PARTNERS OR OTHER AGENCIES AFFECTED: List all the state and local agencies and other key players affected by the concept. Show the names (and numbers) of the people you contacted about the concept (necessary information). **Briefly describe their position on it.** This is critical information; please do your homework.

KNOWN SUPPORT: List stakeholders, interest groups, federal, local, or state agencies who may support the concept and why.

KNOWN OPPOSITION: List stakeholders, interest groups, federal, local, or state agencies who may oppose this concept and why.

LAST SECTION, "THIS CONCEPT:" Check or enter *all* that apply. A concept **cannot** be accepted if this section is not completed.

HOUSEKEEPING: This means purely technical adjustments and corrections with ***no*** policy issues and options.

FEES: If the concept would increase a fee or assessment, attach a Fiscal Impact Estimate and form 107BF22 providing details on the fee increase.

UNFUNDED MANDATES: Legislation (and rules) must comply with Article XI, Section 15 of the Oregon Constitution. It requires the state pay costs of new or added tasks that the state requires of local governments (or must make the tasks optional or provide for a local fee). If this concept triggers that law, attach a Fiscal Impact Estimate form and explain how you propose to meet this law.