EnergyTrust of Oregon, Inc.

Board Decision
Amending Combined Heat and Power Policy

December 19, 2008

Summary

The policy committee proposes an editorial amendment to the combined heat and power (CHP) policy, to remove implementation instructions that have been completed.

Background

- The current board CHP policy (attached) allows Energy Trust to offer incentives for cost-effective CHP insofar as the generation is used on-site. Generation used on-site is regarded as an efficiency resource. Generation that feeds the grid is treated as a generation resource, not efficiency. Incentives are calculated at levels that reflect the unique characteristics of CHP projects, which often entail higher risk that other efficiency projects.

Analysis

- The CHP policy is working and no substantive change is required. The policy was most recently applied in the OSU project, which the board approved on September 3, 2008 (resolution 485).

- The implementation steps in the current version have been completed and references to them in the policy can be deleted.

Recommendation

Amend the policy on board approval of programs as shown in resolution number 499.

RESOLUTION 499
AMENDING COMBINED HEAT AND POWER POLICY

WHEREAS: The current board policy on program approval (attached) outlines implementation steps that now have been completed.

It is RESOLVED that the board of directors of Energy Trust of Oregon, Inc. amends the CHP policy to delete references to implementation steps (section 2 of the current policy) that have been completed.

Moved by: Seconded by:

Vote: In favor: Abstained

Opposed:

4.11.000-P Combined Heat and Power Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	December 19, 2002	Approved (R149)	March 3, 2004
Board	March 3, 2004	Reviewed-No Change	February 2005
Board	February 16, 2005	Reviewed & deferred for 6 months	August 2005
Board	September 7, 2005	Revised (R348)	Report to board in early 2006; review implementation in 9/08

Introduction

Combined heat and power (CHP) projects may have certain economic and environmental advantages, including potential energy efficiencies, which make them of interest to the Energy Trust.

Energy Trust currently supports only renewable energy CHP projects, small market transformation CHP projects, and the use of waste heat for limited purposes.

The Oregon Public Utility Commission has encouraged the Energy Trust to support CHP projects that reduce customers' on-site energy requirements.

Policy

~~1.Replace the existing CHP policy (resolution 149) with the following:~~

a. In addition to incentives under current policy, Energy Trust should offer incentives for CHP generation that is more cost-effective than the alternative resource and would be used on-site, not for sale (other than utility buy-sell arrangements).

b. Energy Trust will use budgets and structures of existing building and production efficiency programs, and adjust incentives to reflect any higher level of risk compared to other industrial projects.

c. Energy Trust will evaluate projects using a cost-effectiveness methodology that is comparable to that used for other industrial projects, but which accounts for unique CHP features.

d. Energy Trust will limit eligibility to facilities that use Pacific Power or PGE electricity.

e. Energy Trust will provide no higher incentives for CHP projects funded through efficiency programs than comparable CHP projects funded through the renewable program.

~~2.Implement the policy as follows:~~

~~a.September-November:~~

~~i. work with Power Council staff to develop estimates of alternative costs for typical large CHP projects;~~

~~ii. work with PUC staff to develop a way to credit CHP generation toward Energy Trust energy efficiency savings goals~~

~~b. October January: select a consultant and develop rules for determining eligibility, procedures, cost-effectiveness, etc.~~

~~c. Report to the board in early 2006, or as soon as this program element is ready to be launched.~~

~~d. Review implementation in two years to see if adjustments are desirable to promote a more diverse CHP portfolio (as opposed to a few big projects).~~