RENEWABLE RESOURCE ADVISORY COUNCIL
Notes from meeting on August 12, 2009

Attending from the Council:
Robin Straughan, Oregon Department of Energy
(sub for Carel DeWinkel)
Thor Hinckley, PGE
Robert Grott, NW Environmental Business Council
Ed Kennell, Clean Energy Systems
Teresa Gibney, OPUC
Sandra Walden, OSEIA
Troy Gagliano, enXco
John Audley, Renewable NW Project
(sub for Suzanne Leta-Liou)

Attending from the Board:
John Reynolds

Others attending:
Jason Junot, OR. Dept. of Revenue

Attending from the Trust:
Kacia Brockman
Erin Johnston
John Volkman
Betsy Kauffman
Lizzie Rubado

1. Welcome and Introductions

Betsy called the meeting to order at 9:35am. Everyone introduced themselves. The agenda was adopted without changes. The May minutes were adopted without change.

2. Energy Trust Draft Strategic Plan

John Volkman summarized the Draft Strategic Plan. A copy of the draft plan can be downloaded from the RAC pages of the website.

The strategic plan was developed to give a fresh, long-range perspective to Energy Trust's activities, and a more specific projection of activities over the coming five years. In the years since Energy Trust's first strategic plan was written, the scope of energy efficiency and renewable energy programs has expanded, driven by a collection of economic, environmental and other objectives: saving consumers money; avoiding higher-cost generation, transmission and distribution for new power plants; reducing carbon emissions; and building a clean energy economy. Overall, demand for Energy Trust services and incentives continues to grow, even through the 2008-2009 economic downturn.

This strategic plan takes a long-term perspective and acknowledges that a range of factors—the economy in particular, but also policy and regulatory decisions—will shape our work.

The long-term goals are as follows:

Goal 1: Help utilities and their ratepayers acquire all cost-effective energy efficiency.

- Between 2009 and 2013, save between 200 and 244 average megawatts of electricity, depending on funding, through efficiency and conservation
- Between 2009 and 2013, save between 8.5 million and 19.4 million annual therms of natural gas, depending on funding, through efficiency and conservation

Goal 2: Accelerate the rate at which new renewable energy generation is produced, helping to achieve Oregon's 2025 goal of meeting at least 8 percent of retail electrical load from small-scale renewable energy projects.

Energy Trust will sharpen the renewable energy goal to tie it to the new focus on smaller projects under 20 MW. Between 2009 and 2013, achieve an additional 36 average megawatts of renewable energy.

Long-term, Energy Trust aims to help ratepayers acquire all cost-effective energy efficiency. Energy Trust analyzes the cost-effectiveness of its measures and programs, and it coordinates its analysis with Northwest Power and Conservation Council methods and utility integrated resource planning.

Over the coming five years, utility integrated resource plan analyses show a range of potential energy efficiency savings. Figure 1 shows per-year Energy Trust program savings for electricity at both ends of the range: the bottom line shows energy savings for five years under 2009 rate assumptions (the "current-funding" line), and the top line shows what we judge to be the fastest feasible acquisition of cost-effective energy efficiency, based on utility integrated resource plans (the "IRP-achievable" line).

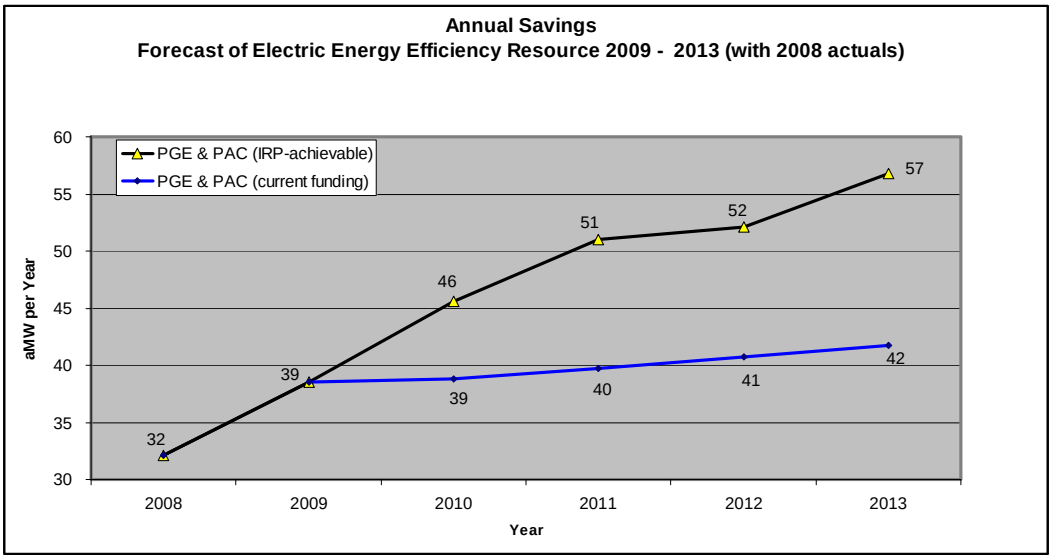

Figure 1

The gas scenario is similar, as seen in figure 2.

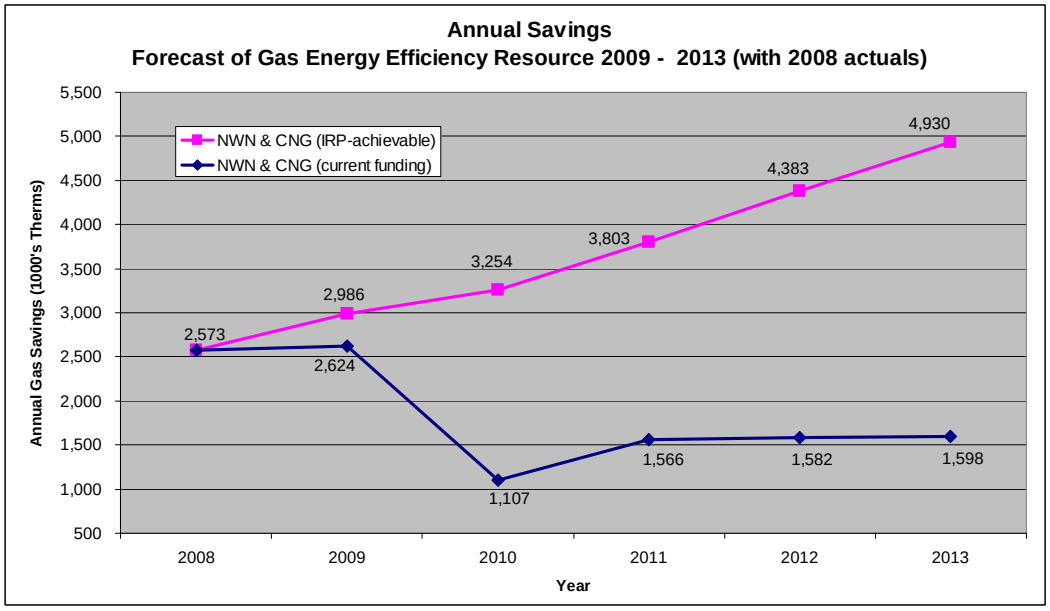

Figure 2

Since 2008, Energy Trust's renewable energy programs have been limited by the 2007 Oregon Renewable Energy Act to projects of 20 MW or less. Unlike electric efficiency, the Act provides no additional sources of funds for renewable energy development. Thus, figure 3 assumes current-level funding, current programs and modest increments of new generation. Given these assumptions, Energy Trust estimates that it can acquire another 36 aMW of renewable energy between 2009 and 2013, for a cumulative total of 133 aMW:

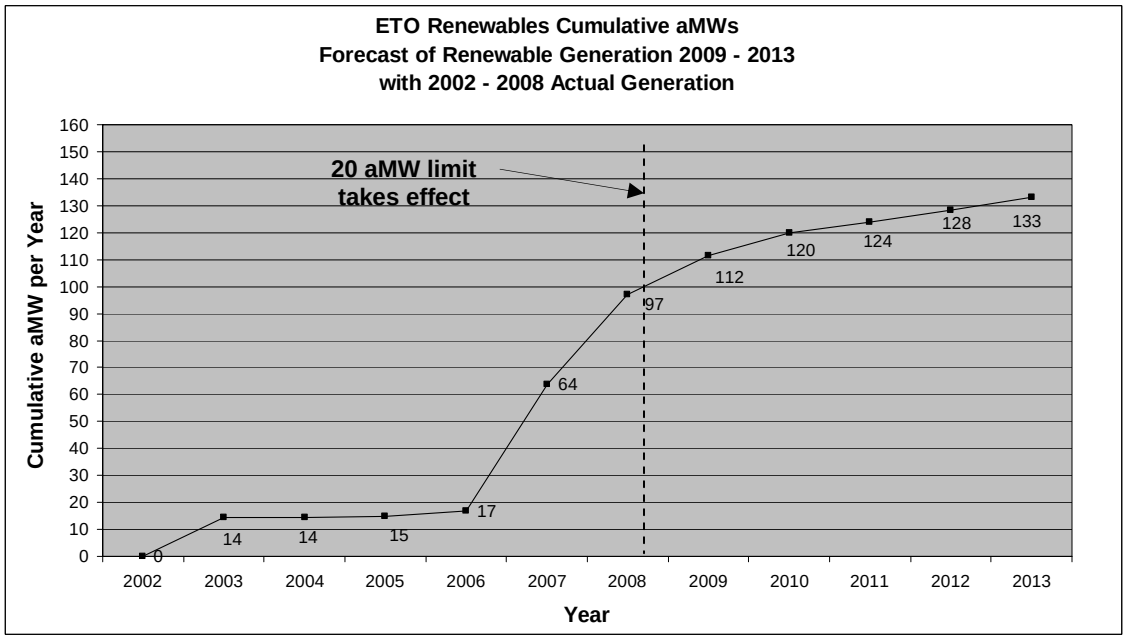

Figure 3

Under either efficiency funding scenario, Energy Trust would have to stretch to meet the goals of this plan. This section outlines the activities Energy Trust expects to undertake, although the scope of these activities depends on funding levels. In future two-year action plans and annual

budgets, Energy Trust will establish quantitative objectives consistent with this plan and then-current utility funding projection

Five year activities include:

Accelerating activity
- More standard efficiency measures and supply chains
- More behavioral measures
- Increase measures-per-customer
- Link activities to larger-scale initiatives
- Degree of acceleration depends on funding

Providing excellent customer service
- Better market intelligence, targeted messaging
- Innovate in program delivery: simpler, automate forms, offer financing tools, etc.
- Offer efficiency and renewable measures in an integrated way

Encouraging innovation
- Leverage NEEA, ACEEE, others
- Develop metrics to guide technology development
- Criteria for technology development

Balancing investments in budgets and action plans
- Sectors/geographies
- Long-term/short-term
- Upstream/downstream

Supporting businesses and industry
- Infrastructure: contractors and trade allies
- Market transformation
- Help integrate efficiency and renewables in business plans
- Explore incremental investments with deep energy benefits (e.g., zero-net)

Communicating the value of efficiency and renewables

Being efficient and transparent
- Evaluate effectiveness compared to others
- Open meetings, etc.
- Ethics
- Risk assessment
- Core mission is the touchstone in evaluating expansion

Betsy led a conversation about the specific challenges and opportunities in the five-year plan for renewables. Since 2008, the renewable programs have focused on <20 MW projects. Because demand for smaller renewable energy projects is projected to outstrip Energy Trust funding by 2011, Energy Trust will need to reassess its investment strategy, and may re-focus funding on fewer renewable technologies and/or program areas.

Given current funding, Energy Trust is planning to do the following within renewables:
- Target medium-to-large (<20 MW) renewable projects, such as biopower and hydropower
- Continue standard PV and small wind programs

- If funding and/or tariff mechanisms allow, integrate PV into leading-edge construction projects to demonstrate innovative applications and/or in connection with initiatives such as zero-net energy

The big issue, however, is the demand outstripping supply and resulting in a funding "cliff" in 2011. Staff is seeking the RAC's input on how Energy Trust should address these challenges.

Staff has brainstormed some possible responses to the upcoming budget cliff, including: providing project facilitation services in lieu of bigger cash incentives; reducing all program budgets across the board, which would result in fewer projects in each sector; focusing on fewer technologies, with a more limited portfolio of programs; and creating a single pool of funding that is offered through a competitive, technology-blind process. For example, hydro projects would compete with biomass or wind projects for available dollars.

Robert asked how Energy Trust plans to "encourage innovative technologies and practices" when the mandate has always been to work with commercially available technology. As long as BETC is available, Energy Trust's funding is less critical. Facilitation and non-incentive project services are possibly more valuable than the cash incentives.

Betsy responded that Energy Trust is more and more frequently working with customers who are not in the energy businesses. Thus, project facilitation to assist these projects navigate the energy world is more desirable.

Sandra commented that Energy Trust has clout in its position as a neutral entity that does not stand to benefit from specific projects. In this trusted position, Energy Trust could partner with businesses to assist them in communicating with potential customers.

In response to the comment on the value of the BETC, most projects must utilize the pass-through mechanism due to their lack of tax liability or lack of education about the benefits and application of tax credits.

Thor said that lack of education about energy is a huge hurdle—not just for possible projects, but for the service providers that are necessary to make projects happen (like lenders, appraisers, equipment suppliers, financial advisers, etc.). Facilitation and education is a major value-adder, and an excellent opportunity that makes a lot of sense for Energy Trust.

Betsy asked how the RAC would like to be involved as Energy Trust comes up with possible solutions to this challenge.

Sandra said she is particularly concerned about the competitive process proposal and the parameters under which projects are judged. She would like to be involved as these possibilities are explored. Robert added that his observation is that competitive processes slow markets down.

John Reynolds said that he is concerned about eliminating or severely curtailing a program. On one hand, this would create pressure legislatively. However, with our plethora of renewable resources, eliminating support for any opportunity seems shortsighted.

Thor said an electronic and meeting-based communication as we're developing these concepts would be best. Sandra said that electronic updates would be helpful in soliciting feedback from OSEIA.

Comments on the draft strategic plan are requested as soon as possible. Written comments should be sent to Betsy. The Board will be meeting September 3rd to review and adopt the plan.

3. Presentation on Solarize Portland

Lizzie presented information on a community-based solar electric project being done with SE Portland homeowners to stimulate residential installs. The project aggregates a large number of residential projects in a community to obtain a better price per watt, and to deliver education and marketing more efficiently. The systems are directly owned by the homeowners. The concept has been used elsewhere, most notably in San Francisco where it is responsible for almost 25% of the installations.

The project approach has generated a huge amount of interest in Portland and is expected to result in approximately 100 new solar installs in the next 3-5 months.

The project has several components, including:

- local events for neighbors to learn about solar
- a single service provider for the installations and equipment
- help for homeowners every step of the way – site assessment, no having to get bids from multiple contractors
- affordable prices because of the bulk purchase and competitive bidding prices
- turnkey installation process for each participant

The project is being run by SE Uplift, a neighborhood coalition that works with communities in SE Portland. Energy Trust is supporting the project's aggressive education and outreach strategy with marketing materials and the delivery of targeted workshops in the area. SE Uplift issued an RFP to hire one contractor to perform the installations and provide equipment. The response was very competitive, and Imagine Energy, a Portland-based company, won the RFP.

John Reynolds asked if this included solar water heating. Lizzie answered no because the first time out, staff decided to keep this very simple.

John Reynolds expressed concern about putting solar on a home that is not energy efficient. Lizzie said Energy Trust's current solar program does not mandate efficiency as a pre-requisite for incentives. She added that for some people solar is the gateway to efficiency.

4. Wind Update

Erin explained that the Board approved up to $1,203,557 for a 9 MW community wind project in Sherman County, which will be owned and operated by Oregon Trail Wind Farm LLC. The PáTu Wind Farm will consist of 6 turbines, each with a name-plate capacity of 1.5 MW. Total name-plate capacity would be 9 MW, generating 26,103 megawatt-hours (MWh) per year.

The facility will be installed on land leased from the Hildebrand family in Wasco, Oregon in Sherman County, and the project has already secured all lease agreements, distribution easements, and permits. It is expected to be completed in December 2009.

The project was reviewed by an outside consultant, and the costs were considered to be well within the reasonable costs for a project of this size, and some costs were deemed to be on par with a utility scale project.

Energy Trust is paying an incentive that leaves room for additional projects in 2009. At 58% of the above-market cost, Energy Trust will take ownership of 58% of the green tags produced.

At a total payment of $1,203,557, the project's energy will cost Energy Trust about $404,000 per aMW. On a net present value basis the cost to Energy Trust is $306,000/aMW. This cost is low in comparison with what we are contributing to other wind projects. The 2009 Wind program budget goal for project cost to Energy Trust ranges from $5.82 - $8.32 million/aMW.

At 9 MW, the PáTu Wind Farm project would be a significant increase in the Wind program portfolio. Currently, Energy Trust has 0.1 MW of small and community wind systems in operation.

Energy Trust expects the contract to be signed within the month, at which point the funding will go into escrow.

Sandra asked who the partners are in the wind farm. Erin replied that the Hildebrand family is the owner and investor. Sandra asked how they would utilize the tax credits. Erin believes that the family has numerous land leases with large wind projects, and farming revenue. They have significant revenue. The ITC is being taken as a grant, and the state tax credit is being passed through. They also applied for a USDA REAP grant.

Troy asked about the agreement with the PUD. Erin said that the agreement is a done deal, and Wasco Electric has been easy to work with.

Ed asked what makes it a "community" wind project. Erin said that the money stays in the community, as opposed to leaving the state. The consultants and installers are also local.

Robert asked how they make the project happen when Energy Trust pays only 58% of the above-market cost. Erin says that the calculation includes a reasonable rate of return, so they can make it happen.

5. Legislative Wrap-up

Jeff Bissonnette from the Fair and Clean Energy Coalition provided a summary of the legislation that will affect renewable energy projects. Renewable energy was the most disappointing and discouraging performer in the energy field in this legislative session. The renewable energy community has a lot of educating to do about its objectives.

From last year, we now have a 25% renewables by 2025 standard with benchmarks. Rulemaking on that legislation is still happening, but the utilities are well on their way toward compliance with the upcoming benchmarks.

HB 2940 and 2472 dealt with the RPS and BETC. In Jeff's opinion, both were an attempt to roll back the progress made in 2007. In HB 2940, the main issue was whether to allow existing biomass to count toward the RPS. These resources were built between the 1930s and 1980s. The RPS was intended to create goals to inspire progress on a going forward basis, not to reward ourselves too much for what was done in the past. Additionally, another 11 MW of solid waste energy were allowed in.

HB 2940 did ultimately pass, but the governor vetoed the bill. There will likely be a move to overturn the veto in the next session. The renewable energy community will need to organize an effort if we do not wish to see this happen.

HB 2472 related to the BETC. Because the BETC has been so successful, it was targeted during the current economic climate. Jeff said there are legislators who don't like tax credits and don't like large wind. The bill decreased the BETC available for large projects and primarily affected large-scale wind. The legislature believed that these projects would be built anyway or that the RPS will require the utilities to build them. This bill was vetoed by the Governor. The bill had also included a tax credit for electric vehicle manufacturing, meaning it was a difficult decision for the Governor. There is talk of overriding the veto in the next session which is in February.

HB 3039 created a solar feed-in tariff for 25 MW in capacity. Jeff is troubled by the fact that solar capacity will be counted two for one against the RPS. There is a lot of work to be done to figure out exactly how the feed-in tariff will work. Theresa said that the pilot must be launched in April. Workshops will happen in September and October. Theresa is currently collecting names of people who want to be at those workshops.

John asked about the bill that would have stopped homeowner associations from prohibiting clotheslines or solar. Jeff said the bill did not pass.

Another bill sunsets all tax credits, including the BETC, in 2012. Jeff said there is a lot of work to be done to explain the role of the BETC and its relationship to local economies and jobs. Jeff isn't sure if the sunset applies to the RETC, but thinks it does.

Troy asked how the feed-in tariff will be funded. It will be funded by ratepayers. People who install solar will be able to choose whether to get current incentives or use the feed-in tariff. The mechanics will be worked out during rulemaking, but it will be a utility-run program. Theresa said the feed-in tariff is a contract between the utility and the generator. Currently, there is no pot of money. It will contrast people's ability to self-fund with this revenue stream vs. the current system of incentives. Jeff wondered if this will create a competitive situation between the utilities and Energy Trust.

Jeff said the two bills that were vetoed passed with two-thirds majorities.

Betsy asked about a bill that requires ODOE to develop a formula for the BETC passthrough and would require it to be recalculated every quarter. Jeff did not have information about the bill. Betsy will send the bill number to interested parties.

Theresa said that the bill language for HB 2626 references small renewable projects as well as efficiency, but she hasn't heard much discussion about that aspect of it. Jeff said it applies to measures that can be easily offset by on-bill payments. Theresa said a small amount of money is available next June and asked if it will be constrained to efficiency only. Jeff said no.

6. Adjournment

Betsy adjourned the meeting at 11:45 am.