Board Decision
Amending the Green Tag Policy

May 4, 2011

Summary

Amend the green tag policy (Attachment 1) to: (1) remove provisions allowing sale of tags; and (2) using the term “renewable energy certificate” or “REC” instead of “green tag.”

Background

- Green tags, also called renewable energy certificates or RECs, represent the environmental attributes of electricity generated from renewable resources. RECs can be traded in “compliance” markets, to satisfy legal renewable energy obligations, or “voluntary” markets that value environmental goods.
- The Energy Trust green tag policy was adopted in 2004 to address Energy Trust ownership of RECs. In its current form, the policy provides that when Energy Trust provides funding for a renewable energy project, it takes title to a share of the project’s RECs in proportion to Energy Trust’s share of the project’s above-market costs, and in relation to the REC market value.
- The policy also allows for the sale of Energy Trust RECs. These provisions have never been used. Energy Trust holds title to all the RECs associated with its projects.
- In this year’s financial audit, Energy Trust’s auditors observed:
    - These RECs represent an intangible asset, as defined in generally accepted accounting principles
    - While their value (estimated at $0-$180,000) is not considered material to the 2010 audited financial statements, this could change in the future as values increase.
    - If so, Energy Trust might have to record unrealized gains and/or losses on its income statement merely as a result of changes in the REC market, or amortize the value over their life.
    - If Energy Trust revised its REC policy to say that it does not intend to register and sell RECs, these accounting questions would not arise.

Discussion

- While a sale of RECs is possible in theory, staff has seen no reason to undertake sales.
- REC sales could generate revenue with which to fund more renewable projects.
- Sales would also raise several issues.
    - It would permit a purchaser to build more non-renewable generation
    - It could complicate Energy Trust compliance with SB 1149 that we use our renewable energy funds for renewable energy projects: if we sell a REC, is the project still a renewable energy project?
- In staff’s judgment, removing the sale provisions from the current policy would not disadvantage Energy Trust, and these provisions could be reinstated later if it would be advantageous. The policy committee concurs.
- In addition, “green tag” is outdated. “Renewable energy certificate” and “REC” are the terms now in use.

Recommendation

Amend the green tag policy as shown in Attachment 1, to: (1) remove provisions allowing sale of tags; and (2) using the term “renewable energy certificate” or “REC” instead of “green tag.”

RESOLUTION 584

AMENDING THE GREEN TAG POLICY

WHEREAS:.

1. **The green tag policy provides that when Energy Trust provides funding for a renewable energy project, it takes title to a share of the project’s green tags in proportion to Energy Trust’s share of the project’s above-market costs, and in relation to their market value.**
2. **The policy also allows for the sale of Energy Trust tags. These provisions have never been used.**
3. **Energy Trust’s financial auditor advises that as green tag market values increase, Energy Trust may have to record unrealized gains and/or losses on its income statement merely as a result of changes in the green tag market, or amortize the value over their life. However, if Energy Trust revised its policy to say that it does not intend to register and sell green tags, these questions would not arise.**
4. **The term “green tag” is outdated. “Renewable energy certificate” and “REC” are the terms now in use.**

It is therefore RESOLVED: The board of directors of Energy Trust of Oregon hereby amends its green tag policy to: (1) remove provisions allowing sale of tags; and (2) using the term “renewable energy certificate” or “REC” instead of “green tag.”

Moved by: Seconded by:

Vote: In favor: Abstained:

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

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ATTACHMENT 1:

4.15.000-P Renewable Energy Certificate (REC) Policy

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History			
Source	Date	Action/Notes	Next Review Date
Board Decision	March 3, 2004	Approved (R256)	February 2005
Board Decision	February 16, 2005 (residential tags)	Amended (R313)	
Board Decision	April 6, 2005	Rescind R313	February 2008
Board Decision	March 28, 2007	Amended R433	February 2010
Policy Committee	October 12, 2010	Reviewed, no changes	October 2013

Resolution 433

BE IT RESOLVED: That Energy Trust of Oregon, Inc., Board of Directors adopts the following principles and policies regarding the ownership of renewable certificates (RECs):

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Principles

The following principles should guide Energy Trust's ownership of RECs generated by renewable resources:

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- **RECs generated by renewable energy are one of the multiple values for Oregonians provided through investing in renewable resources.**
- **RECs are for the long-term benefit of customers of Pacific Power and Po General Electric.**
- **The disposition (retention, transfer or sale) of RECs will coordinate with further the goals of Energy Trust, state policies and regulatory requirements.**
- **The minimum ownership of RECs should reflect the market value of the RECs and the relative above-market support provided by Energy Trust.**

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Policies

1. **Ownership**
   - **Energy Trust's minimum share of a project's RECs will be determine follows:**
     - **Energy Trust will ascertain market values and forward price curves for relevant types of RECs, and update them periodically. Energy Tr consult with PGE, Pacific Power and the OPUC staff before publicly announcing referent prices. Energy Trust will announce such prices unless it creates competitive concerns.**
     - **If Energy Trust's above-market incentive exceeds the referent REC market value, Energy Trust will take title to all RECs.**
     - **If Energy Trust's above-market incentive is less than the referent Energy Trust will negotiate for enough RECs to fairly recognize th**

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Energy Trust provides an assured revenue stream that reduces the project's market risk.

- **In no case will Energy Trust accept fewer RECs than Energy Trust incentive could buy on the referent RECs market.**
- **Energy Trust will negotiate either a reduction in Energy Trust incentive or retain additional RECs if the above steps would accord the project owner/developer a higher-than-reasonable rate of return.**

- **Energy Trust's ownership of RECs should be flexible over time, while reinforcing incentives for long-term project performance.**
- **A developer or project owner could propose to retain RECs to market in the near-term, provided this lowers Energy Trust's funding.**
- **Up-front retention of RECs by a developer or project owner must include contractual assurances that future RECs will revert to Energy Trust.**

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Deleted: <#>Sales of Energy Trust green tags¶
<#>Green tags owned by Energy Trust could be sold for up to three years; the tags would be retained long-term for the benefit of Pacific Power and PGE customers.¶
<#>Energy Trust would sell green tags it retains on a limited basis to avoid significant disturbance to the market for green tags. Initially, not more than 50 percent of Energy Trust tags would be sold in a single year. ¶
<#>Energy Trust will monitor the effect of its green tag sales on the green tag market and adjust sales as necessary. ¶
<#>First options for sale would be to serve the green power choices authorized for Pacific Power and PGE or to organizations that will use the re-sale of the tags to invest in new renewables in those service territories. ¶
<#>The sale of tags would not be limited to Oregon, if no near-term opportunities exist in Oregon. ¶
<#>Reinvestment¶
<#>Revenue from the sale of Energy Trust green tags would be used to increase the development of additional renewable resources within three years of their sale.¶
<#>All proceeds would be reinvested in renewable resource projects that benefit Pacific Power and PGE customers. ¶
<#>Sales of tags from projects supported by funding from PacifiCorp would be reinvested in projects to benefit PacifiCorp customers. Sales of tags from projects supported by funding from PGE would be reinvested in projects to benefit PGE customers.¶