Board Decision
Transfer Funds to Solar Electric Program Budget

March 28, 2012

Summary

Transfer $1,770,000 to the 2012 Solar Electric program budget from the Other Renewables program budget and interest income reserve accounts. The transfer will meet an extraordinary jump in 2012 program activity, which coincided with a 40% reduction in the 2012 solar electric budget. Without this adjustment, we expect the Solar Electric program to exhaust its budget before the end of this year. The program is ratcheting down solar incentives to a level that can be sustained with annual renewable energy revenues in 2013 and beyond.

Background

- The Solar Electric program recently experienced unprecedented growth, especially in the residential sector, thanks to rapidly declining photo-voltaic (PV) module prices, strong consumer awareness and third-party ownership options that reduced the customer's up-front costs. In the fourth quarter of 2011, we received double the volume as the same period in 2010. In the first quarter of 2012, the typical seasonal slowdown in the market did not occur and we received triple the volume of the same period in 2011.
- The 2012 board-approved budget did not anticipate the high volume of commercial solar applications at the very end of 2011. Those projects consumed 20% of the 2012 budget for new projects in PGE and Pacific Power territories.
- The 2012 budget for Solar Electric incentives for new residential and commercial projects (excluding utility-scale solar) is just 60% of the amount committed to new projects in 2011. Until 2012, the renewable energy programs had unspent carryover from previous budget years; there was no carryover in 2012, which explains this 40% reduction in the solar electric budget.
- In order to manage to this smaller budget, we have already begun a systematic reduction in incentives throughout 2012. We expect these smaller incentives to allow the program to maintain about the same number of projects as in 2010 and 2011, primarily due to anticipated lower system costs.

Discussion

<u>Funds for Portland General Electric customers</u>

- In November, the Solar Electric program "gave back" $1.2 million from its 2011 PGE budget that it did not expect to need, and those funds were distributed to other renewable energy program 2012 budgets. The "giveback" was based on our expectation that commercial solar projects with Business Energy Tax Credit precertifications would not apply for Energy Trust incentives, given their lack of progress for at least 8 months and numerous inquiries by staff.
- In fact, commercial project applications in PGE territory jumped from $215,000 to $1,450,000 per month in December, creating an unanticipated $1,235,000 in obligations (roughly matching the funds we gave back), and consuming 20% of 2012 PGE funds.

- Staff proposes to fill this $1,235,000 gap from two sources:
  - $585,000 of PGE interest income from reserve account
  - $650,000 of PGE funds from the 2012 Other Renewables budget:
    - $300,000 for a hydro project that we do not expect to qualify for an incentive this year due to delays in permitting and increased cost; and
    - $350,000 that was included for anticipated growth in the small wind program in 2012. We expect this growth to be delayed as the wind program is revamped and national wind turbine requirements and certification processes take effect May 1.

Pacific Power

- Late in 2011, the solar program received $845,000 of unanticipated incentive applications for ARRA-funded PV systems on low-income housing facilities. The applications came from numerous trade allies and Southern and Central Oregon community action programs in Pacific Power territory.
- $535,000 of those applications were received after the board-approved budget was finalized, so that amount hit the Solar Electric 2012 incentive budget, consuming 20% of 2012 Pacific Power funds. We do not expect the incentive budget to last through the year unless those funds can be replaced.
- To bridge this gap, staff proposes to transfer $535,000 of Pacific Power interest income from reserve account.

Procedure

- The Finance Committee reviewed this recommendation on March 19.
- The proposed use of interest income would not reduce the Energy Trust reserve account below the desired level.

Recommendation

- Adopt Resolution #626 to approve (i) a one-time transfer of $585,000 in PGE funds and $535,000 in Pacific Power funds from Energy Trust's interest income reserve account to the 2012 Solar Electric program budget and (ii) a transfer of $650,000 in 2012 PGE funds from Other Renewables program budget to the Solar Electric program budget.

RESOLUTION 626

TRANSFER FUNDS TO SOLAR ELECTRIC PROGRAM BUDGET

WHEREAS:

1. **The Solar Electric program recently experienced unprecedented growth due to rapidly declining photo-voltaic (PV) module prices, strong consumer awareness and third-party ownership options that reduced customer costs. There were double the volume of incentive applications in the fourth quarter of 2011 compared to 2010, and triple the volume in the first quarter of 2012.**
2. **The 2012 Solar Electric incentive budget (excluding utility-scale solar) is 60% of the amount committed to new projects in 2011, due largely to the absence of carryover funding available in prior years.**
3. **In order to manage this smaller budget, Energy Trust has begun to systematically reduce incentives throughout 2012, while maintaining project volume with help from anticipated lower system costs.**
4. **Even with these reduced incentives, because of the extraordinary growth in program activity in late 2011 and early 2012, the Solar Electric Program is expected to exhaust its budget before the end of 2012 unless a budget adjustment is made.**
5. **Funds to maintain 2012 Solar Electric Program incentive activity are available from other renewable energy program funds and interest income.**

It is therefore RESOLVED:

1. **The Solar Electric Program 2012 budget is increased by $1,770,000, $1,235,000 for projects in PGE service territory and $535,000 for projects in Pacific Power territory.**
2. **The Other Renewables Program 2012 budget for PGE customer projects is reduced by $650,000, and the reserve account for interest income from PGE customer revenues is reduced by $585,000.**
3. **The reserve account for interest income from Pacific Power customers is reduced by $535,000.**

Moved by: Seconded by:

Vote: In favor: Abstained:

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