Briefing Paper
Using 2010 PGE funds for large solar projects

July 21, 2010

Summary

The Renewable Energy programs expect to have approximately $9 million in unspent PGE funds at the end of 2010. Staff proposes to invest as much of this amount as possible in large-scale solar electric projects by providing custom incentives, based on above market cost calculations, to solar projects larger than 500 kW that are awarded BETC pre-certifications.

Background

- The 2010 Solar program budget was approved with an additional $5 million in PGE funds (transferred from the canceled Warm Springs biopower project) and $2.3 million in Pacific Power funds (transferred from money returned by Pacific Power for the Goodnoe Hills wind project.)
- The additional funding was justified to support the high volume of project applications the Solar program received before it lowered the standard incentives in November, 2009. Energy Trust agreed that if the program ended up not needing the full $5 million of PGE funds and/or $2.3 million of Pacific Power funds due to solar projects being canceled, we would bring the issue back to the RAC for discussion.
- At the time, PGE was interested in using any excess funds to support utility-scale solar electric projects. Staff proposed to seek such projects via RFP in 2010 if sufficient PGE funds became available.
- Approximately $9 million of 2010 PGE funds has become available, comprised of $4 million from the Solar program and $5 million from Open Solicitation and Biopower programs together.
- There will likely be no excess Pacific power funding available in 2010. The Biopower, Open Solicitation and Solar programs all expect to commit their entire 2010 Pacific Power budgets, including the $2.3 million additional funding in the Solar budget.
- The Solar program's standard incentives are not designed to support projects larger 500 kW. Incentive rates vary by system size. Single-site projects in PGE territory of 200-530 kW are eligible for $0.75/watt. The largest single-site installation we have funded to date in 2010 was 217 kW.

Discussion

- All of our programs have more PGE funding than projects to fund. Staff believes that solar projects over 500 kW, larger than those supported by the standard solar incentives, present the best opportunity for Energy Trust to invest this funding in renewable energy in 2010.

- Solar projects larger than 500 kW are not eligible for the feed-in tariff, but are eligible to count toward PGE's solar capacity mandate passed in 2009 in HB 3039.
- We don't see value in using an RFP process to seek large solar projects because the limited availability of BETC under its new program caps is, in effect, performing the selection for us. If a project does not already have a BETC pre-certification or has not already submitted a Tier 2 or Tier 3 BETC application, the project will not be viable unless Energy Trust makes up the lost BETC, which we consider too expensive for solar projects.
- Instead, we propose to support solar projects with previously approved BETC pre-certifications or awarded Tier 2 and Tier 3 BETC pre-certifications in 2010 that are larger than 500 kW and will deliver power to PGE.
- Incentive amounts would be based on above market cost calculations and subject to Energy Trust board approval. We propose to pay no more than $1/watt. That amount is higher than the standard offer of $0.75/watt for systems 200-530 kW, but in our limited experience larger projects sometimes require higher per-watt incentives due to property tax, financing and other transaction costs.
- The above market cost analyses would give us market intelligence that we currently lack for systems larger than 500 kW.
- This custom incentive offer would be made as an exception to the standard Solar program and available only to projects larger than 500 kW in PGE service territory that receive BETC pre-certifications prior to December 2010 and can complete installation within one year. Project construction milestones will be incorporated into the incentive offer contracts.

Next Steps

- Establish selection criteria in case there are more eligible projects than funding available.
- Announce this custom solar incentive offer and invite project developers to submit their project information through an RFI (request for information) enabling Energy Trust to begin the above market cost project review in anticipation of BETC award announcements.
- Review the list of projects that receive BETC pre-certifications in the first Tier 2 competition (to be announced in August). Calculate above market cost for interested and eligible projects, negotiate custom incentives and seek Energy Trust board approval at the September 1 board meeting.
- Review the list of projects that receive BETC pre-certifications in the first Tier 3 and second Tier 2 competitions (to be announced in November). Calculate above market cost for interested and eligible projects, negotiate custom incentives and seek Energy Trust board approval at the December 17 board meeting.