RAC Briefing Paper
Early Stage Project Assistance

November 28, 2012

Energy Trust is proposing to expand its existing program for providing early stage project assistance. In its current targeted format, it has been an effective tool for adding projects to our portfolio, building a pipeline of future projects, and expanding the market's understanding of renewable technologies, barriers and opportunities.

Motivation for expanding our existing program comes primarily from reduced financial incentives at the state and federal levels and constraints on Energy Trust budgets as we have spent down accumulated surpluses from early program years. The goal is to focus additional funding at the development level, improving the overall impact of our incentive dollars in a challenging development market.

Current early stage assistance

Funding for project development assistance – chiefly feasibility studies and resource assessments -- has always been part of Energy Trust's renewable energy program. In addition to assisting individual projects, this work has served broader purposes for both Energy Trust and Oregon's renewable energy market, including:

- Building a pipeline of projects
  The typical custom project takes two to three years to develop. It is important that we are searching for and finding new projects while others are in the development process. Co-funding early stage assistance helps us identify projects, evaluate developer capability, and provide technical advice and direction to projects.

- Development of market intelligence
  Feasibility studies and other assistance help us understand the variables and costs involved in developing Oregon's renewable resources. We learn what is possible, what differing types of projects cost and what the technical requirements are, enabling us to better target our funding.

- Building project developer capacity
  Creating a sophisticated project owner/developer who can bring financial resources is critical to a successful project. By offering cost-share funding for development assistance, we are able to support the expansion of project owners capable of developing distributed renewable projects in Oregon.

- Market education
  The studies and resource assessments educate customers as to what these projects cost and what is involved in developing them. They help us create a more informed set of project owners, reducing misinformation in the marketplace.

Results of Current Program

This document examines the last five years of our project development assistance. Since 2008, we have provided just under $1.8 million to 107 projects. The figure represents 2% of our total budget for that five-year period[1].

The amounts of assistance ranged from $665 to $60,259. The median amount of assistance $15,501.

Staff examined the 107 projects and categorized each as follows:

- Yes: a project has resulted from the assistance
- In the pipeline: project development is ongoing or the resource owner is open to someone else developing the project
- Technically or financially infeasible: the project does not work technically, is too expensive for a developer to pursue, or does not meet the hurdle requirements for the developer
- Other: the assistance was not tied to a specific project – a county-wide resource assessment, for example

So far, 17% of the projects that received assistance have developed into successful projects. An additional 33% of the projects are characterized as "in the pipeline". The following table shows the full results.

Result	Number	%
Yes	18	17%
In the pipeline	35	33%
Technically or financially infeasible	43	40%
Other	11	10%
TOTAL	107	100%

In terms of dollars, the breakdown looks like this:

Result	Dollars	%
Yes	$399,179	22%
In the pipeline	$689,069	38%
Technically or financially infeasible	$536,714	30%
Other	$167,687	9%
TOTAL	$1,792,648	100%

Our results are similar to those achieved by Oregon's Renewable Energy Feasibility Fund (REFF).

[1] *The 107 projects do not include 16 small wind and 37 solar projects for which we provided a total of $108,000. Of those, 13 wind and 33 solar projects were installed. Most of the assistance was for applying for USDA REAP grants and was successful in leveraging approximately $750,000 in federal funding. We did not include these in our overall results because the individual assistance amounts were so small, they would distort the analysis. In addition, these projects would not be the type to apply for larger amounts of assistance.*

Results (REFF)	Number	%
Yes	6	22%
In the pipeline	9	33%
Technically or financially infeasible	12	45%
TOTAL	27	100%

Planned program expansion

Our current project development assistance has been limited to $40,000 per project[2]. Our role has generally been limited to providing our funding and waiting for projects to take the next steps. Although we sometimes provide suggestions and/or encouragement based on our experience in watching the project development process, we have generally not taken on a technical assistance role or looked for additional ways to assist.

Our proposal is to continue providing that kind of assistance, and to add an option for more comprehensive development assistance solution for a select group of projects with which we will develop a deeper relationship. The likely scenario for use of this funds is a customer who has already done some feasibility work and needs assistance with moving forward with more detailed planning, initial design, and permitting for a specific project. We have several customers who fit this profile.

The expanded effort would include several components that would help reduce our risk and maximize the chances for success:

- Applicants would be required to have completed some feasibility analysis before becoming eligible for more comprehensive assistance. We want to know that a project has a good chance for success, that the owner has an understanding of the project's costs and requirements, and a decision has been made to pursue the project based on the currently available information.
- Assistance will be distributed on a competitive basis. We want to be able to choose project owners with the skills, passion, and resources to move a project forward.
- The project proposal should articulate the steps and milestones needed to move forward to a point where the project can be successfully financed. Funding will be distributed in stages as those milestones are reached.
- Our dollars will be accompanied by a more comprehensive relationship between us and the project team. We anticipate working more closely with project to offer our expertise.

[2] *We have exceeded that cap for a small number of projects for specific limited reasons.*