

## RENEWABLE ENERGY ADVISORY COUNCIL

Notes from meeting on June 19, 2013

### Attending from the council:

Glenn Montgomery, Oregon Solar Energy Industries Association  
Frank Vignola, University of Oregon  
Megan Decker, Renewable NW Project  
Dick Wanderscheid, Bonneville Environmental Foundation  
Tashiana Wangler, PacifiCorp

Dave McClelland  
Dave Moldal  
Peter West  
Fred Gordon  
Shelly Carlton

### Attending from Energy Trust:

Betsy Kauffman  
Jed Jorgensen  
Thad Roth  
Lizzie Rubado

### Others attending:

John Reynolds, Energy Trust Board, University of Oregon  
Erik Anderson, PacifiCorp  
Matt Hale, Oregon Department of Energy  
Jimmy Lindsay, Renewable NW Project  
Juliet Johnson (phone for first two topics), Oregon Public Utility Commission

## 1. Welcome and introductions

Betsy Kauffman called the meeting to order at 9:30 a.m. There were no objections to the previous minutes. The agenda, notes and presentation materials are available on Energy Trust's website at [www.energytrust.org/About/public:meetings/REACouncil.aspx](http://www.energytrust.org/About/public:meetings/REACouncil.aspx).

## 2. Follow-up regarding discussion of Renewable Energy Advisory Council purpose and role

Betsy provided a summary of discussion and action items. At the last meeting, staff asked council members to talk about their individual backgrounds, how long they have been on the Renewable Energy Advisory Council and what they think is the purpose of the council. A summary of the roles included: advise on strategy, review budgets, review projects, provide market information and represent constituency. The Renewable Energy Advisory Council is a functional, integrated and useful group. Members have an accurate understanding of their roles and are aligned with board and staff priorities. Members do want more context regarding the budget. In response, staff will present quarterly dashboards and additional budget updates throughout the year as needed.

At the last meeting, the council also discussed ideas for agenda topics, including follow-up on previous projects and issues, discussions of cross-technology issues, site visits, more guest speakers and hearing from each other more.

Betsy: Suggestions are always welcome. This is a two-way conversation.

Matt: Half-day site visits would be good, with time to reflect afterward.

Others agreed. Betsy will circulate a list of potential sites and dates.

Thad: Budget presentations are based on our budget process. Is there value in understanding ahead of time where these presentations might occur and give you time to prepare?

Tashiana: This would be helpful, and I would like to know about the general cycle.

Betsy: In the fall there is definitely a cycle, so we can provide that.

Matt: For site visits, would we have to meet here, or could we meet elsewhere? Could we invite others from our organization?

Thad: That will be related to each site and how many we can accommodate there. Seeing the project makes a big difference.

Frank: Does it have to be an Energy Trust project?

Thad and Betsy: Ideally yes, but we're open to and interested in others.

Betsy: One thing that did not come up in the last meeting but came up later in a staff meeting is the idea of training. The Conservation Advisory Council had training on cost-effectiveness, and maybe we could provide a training on a useful topic as well, although it should be said that we have not had the impression that there are gaps in knowledge among this group.

Juliet: As Energy Trust is ramping up early stage development and looking at barriers to technology, I think it would be interesting to get this group involved in those discussions early on. Such a diverse group of folks could contribute to the discussion of barriers regarding cross-technology issues.

Betsy: Great suggestion.

### **3. Inaugural dashboard presentation**

Jed Jorgensen presented an overview of a "dashboard" for the Renewable Energy sector.

Jed: We set up dashboards for our Management Team so that they understand the state of the business. There are differences between renewable energy and energy-efficiency dashboards. Renewables dashboards include confidential information, so we're looking for ways to present meaningful data that also protects confidential information.

Our budgets are complex and can be difficult to understand. What we do drives the complexity. We give incentives for project development assistance or project installations. When we make a commitment to a project or a development assistance activity we set aside the funds from our current year budget for future payments. This is a key point. We don't necessarily make a payment in the year that we commit to an incentive. For custom projects we often make payments over time, which means we set aside money in 2011, for instance, for payments that may not start until 2014 and which will continue through 2016.

We utilize two different budget views: an action plan budget and a profit and loss budget. The action plan shows how we commit or spend the new funds for a given calendar year. This shows the dollars available for new projects or activities in that year. There are no previously dedicated funds in the action plan.

The Profit and Loss (P&L) budget tracks only spending and expected spending in a given calendar year. This shows previously dedicated funds and any action plan funds that are committed and spent within the same year.

Megan: To clarify, carryover rolls over into the next year's action plan fund?

Jed: Yes. It rolls from one action plan to the next.

Jed showed the action plan budget and activity from Quarter 1 for PGE and Pacific Power.

Jimmy: How many projects are represented in these graphs?

Dave McClelland and Thad: The action plan doesn't tell the whole story for completed projects because it won't show any completions that occurred from funds that were previously dedicated. This would only show what's dedicated and completed in Quarter 1 from 2013 new funds.

Frank: A comparison between this year and last year would be helpful.

Jed: That's a great point and something we can try to add. If we were looking at comparison, we would see that this is one-half of what occurred in 2012.

Jed: Here are the things we'll expect to see in Quarter 2 on the action plan: the funds that were committed from the RFP for custom projects in Pacific Power territory such as the Central Oregon Irrigation District project that came to the council in April. By the end of the year we would expect to see the bars reaching the targets with a combination of completed and committed funds. Any gap would become cash carryover that would roll into the next year.

Dave McClelland: Previously dedicated funds are not shown here. What if a project cancels? Where do those funds show up?

Jed: The funds do go back to the program, but technically the budget is finalized so we don't change where the bars are. So we could go over the budget bars based on money returning to the program. That would then show up as a variance we would explain in a quarterly report to the Oregon Public Utility Commission.

Dick: Sometimes your project funding is based on performance. Are there ever more payments based on better performance?

Jed: There's always a cap on the amount of funds.

Dave McClelland: But a project could get paid more quickly if it performs better than expected.

Betsy: If that happens the present value of the incentive goes up, because they get it faster, but it doesn't increase the amount of our incentive.

Jed: Now let's look at the P&L budget. This budget looks at spending, including previously dedicated funds and any new funds that are committed and spent in this year. We make our budgets in August, so there is always a degree of uncertainty about project completion timeline. If a project's commercial operation date slips it will move off of this budget. That means the white area at the top could grow bigger. That doesn't mean more money is available; it tells us our expectations changed.

Blue is what's been done this year, and green is contractually obligated. Green can change based on schedules for projects changing from 2013 completion to 2014 completion. We don't see our expectations for the Solar program for the second half of this year on this chart either. We would expect to see the chart turn fully blue by the end of the year as projects complete.

Betsy: Another way of thinking about the P&L budget is that it is the checks we'll write over the course of 2013, regardless of when we set aside that money.

Megan: What is the gray bar?

Jed: The gray bar is the budget that we set in August based on our understanding of project completion schedules and our expectations about development assistance and other incentives we would award over the year. It is difficult to hit exactly at the gray bar because schedules change all the time.

Dick: Do you need board approval when you go over the gray bar?

Jed: No, but we do need to explain it.

Thad: This is included in quarterly reports, so differences between performance and budget will be somewhat expected.

Jimmy: Is it fair to say that the activity budget is the more important one?

Jed: They are both important and they show us different things. Our performance goals for generation are driven by the P&L budget because generation is acquired when we spend our funds.

Megan: But as far as what you have to commit to this year, the action plan is the one.

Peter: If you looked at a typical financial report for an organization, the P&L budget would be on the first page, and the action plan would be buried in the budget notes. We are trying to be more transparent by being clear about our action plan.

Betsy: I would say that the action plan is more of a barometer of market conditions. If the market is bad, it will show up in the action plan first.

Glenn: The gap, could it also include uncommitted projects that are unanticipated?

Betsy: If someone decides to install solar in July and actually does so in October, that's in the white on the P&L chart.

Thad: We know this is a complicated topic, and we'll come back to it again and again. There will be practical examples of how these change over time.

Betsy: The goal today was to introduce these budgets. We'll provide more detail over time.

#### **4. Program and budget merge for Biopower and Other Renewables programs**

Betsy: We are planning to merge Energy Trust's Biopower and Other Renewables budgets and programs. This would make our structure match the way we have been functioning for some time. Our competitive Requests for Proposals are technology-agnostic, as long as the technology is not solar. We commit to projects that are the best use of our funds. Externally, the merge would not be evident. We would still support a portfolio of technologies, each supported by a staff member. There will be two budgets: one for Solar and one for Other Renewables. This aligns our budget structure with our practice. We are concerned that with a separate budget for biopower, we are indicating that there is money for that regardless of the opportunity. This change would create a more accurate visibility to our work. We also feel this is a better use of staff resources by avoiding duplication of effort. This goes to the board Policy Committee in July. We are giving the Renewable Energy Advisory Council visibility to it.

Thad: Some things that will not change include developers will still see that we're supporting their chosen technology. Also, we're not giving up opportunities in individual technologies. I encourage you to think of these as how we allocate our funding. The custom side evaluates each project, and that's how we allocate funding. We won't lose any detail in terms of tracking by technology, but it will get a little more complicated internally. Lastly, on the custom side, an organizational benefit is the similarity among technologies in the way they develop. Three project managers in the custom team will be dedicated to building the pipeline. What we'll strive to do is cross-train based on the opportunities available during each year across technologies.

Frank: What if there's a solar project that doesn't fit into standard incentives? How would that be handled?

Thad: We've done a number of projects with PGE and Pacific Power of this type. Our approach is to fund them if we have unallocated dollars in the rest of our budget.

Frank: What about solar thermal electric?

Betsy: There would be discussion, but the solar group would likely handle it, with help from the custom group on evaluating the financials. We wouldn't necessarily want to do this at the expense of the standard solar program, but if it fits, we would work with it.

Thad: We are open to all opportunities

Dick: Are we moving to a competitive RFP process for PGE?

Thad: We may be moving to that. We have used the RFP eligibility requirements for PGE in assessing project applications, but we have enough funding now for all proposed projects. We currently deal with PGE projects on a first-come, first-served basis, but in 2014, we expect that to happen.

Dick: I am interested in the schedule for the rest of the year. Are more RFPs coming?

Thad: To be clear, we can't mix funds between the two utilities. We will review as we go and see what is available. Two projects on the PGE side are still in negotiations, and they've applied for state funding programs. The results of that will affect our funding for the project.

Matt: I thought we were only considering one PGE project?

Thad: The question I was answering was related to custom non-solar, you are referring to the custom solar RFP. Those dollars are available for our standard program, but if someone comes along, our door is always open.

Frank: How long does it typically take to make a funding decision?

Thad: We're prepared to do that in 60 days. Depending on demand for funding it may take longer.

## **5. Update on solar commercial program**

Lizzie: When staff last talked with the council, we described some changes we were thinking about for 2013 in response to a very lean pipeline for commercial solar projects. We gathered market intelligence, talked to many trade ally contractors and stakeholders, ran lots of models, and came up with a new incentive structure that we released in mid-April. The updated incentives are on the Energy Trust website.

Projects in PGE territory sized up to 35 kW can now receive \$1.20 per watt. For projects 36-200 kW, the rate decreases (not linearly) from \$1.20-\$0.60/watt. Systems 201-500 kW are eligible for \$0.60/watt for a max of \$300,000.

Pacific Power is \$1.10/watt up to 35 kW. From 36-200 kW, it drops from \$1.10-\$0.50/watt, with a max of \$100,000. The maximum size system that could use the standard incentive is 1 MW.

We've seen a steady stream of activity, about 1 MW of applications, since we made the change. We've been able to acquire the projects at a blended average incentive of \$0.77/watt, which is competitive, and the result of getting a good blend of large and small projects. We now have an OPUC benchmarks for our activity, which is 0.66 aMW for standard solar electric, and our goal is to get one-half of that through commercial and industrial installations. With the response to the changed incentives, we feel like we'll make that goal.

We have seen a particularly healthy rebound in Pacific Power territory, which typically moves more quickly than PGE. We are nearing the end of the current Step One allotment. In the standard solar program, we allocate blocks of our incentive budget at a

given incentive rate in order to manage the budget. We can then adjust the incentive based on market demand. It allows us to control activity in the program and exposes us to less risk. It's a control mechanism and it creates more transparency for trade allies. When we transition to the next incentive step, we expect to reduce the incentive by approximately 10 percent.

Remaining funds in any given step are regularly communicated to trade allies in a Solar Status report that is posted on Energy Trust's website. The report shows the current step allocations for PGE and Pacific Power. You can see on the chart that things were flat at the beginning of the year. When the new incentive rates were published, activity started up again. This report keeps trade allies apprised of changes coming up. If things run too hot and we cannot sustain the activity, we step down the incentive rate. We have options, which is great.

Dick: Why does the Pacific Power market react faster?

Lizzie: The time between pitching and closing sales seems to be shorter. There is more solar resource in Pacific Power's territory, as well as some ongoing market building initiatives in Southern Oregon, such as Rogue Solar. We also see projects that apply for but don't receive the volumetric incentive rate.

Jimmy: Why the different incentive structures for PGE and Pacific Power?

Lizzie: Pacific Power has a better solar resource and a lower budget. We have under \$1.5 million for Pacific Power this year. So we can and must offer lower incentive rates.

Tashiana: How many projects do these graphs represent?

McClelland: There are about 20, and 12 are in Pacific Power territory.

Tashiana: What's the size of those?

Lizzie: It depends on each contractor's business model and sales approach. Most are between 30 and 60 kW.

Lizzie: Last year we teamed up with the New Buildings program to develop solar-ready solutions for commercial new construction. We've done this in the past with residential, and there's been interest. For commercial buildings it's more complex, but we finally pulled all the pieces together. There's been a lot of interest, and it just launched about three weeks ago. It's being delivered and administered through New Buildings. We'll be checking in to evaluate at three months, six months and eight months.

John: Does it involve additional efficiency?

Lizzie: The projects must be enrolled with the New Buildings program. They can engage with a variety of offers from certification programs to lighting-only or Market Solutions. We're not mandating anything particular.

John: Can we see this online?

Lizzie: Yes. From the homepage of the website, follow the links from commercial, to new construction to solar ready. From these pages you can download forms and reference a template. Technical requirements have been developed with the New Buildings program.

Dick: It's a \$10,000 maximum?

Lizzie: \$15,000 maximum for the Solar-Ready Construction phase, depending on the size of space made available. There are no other programs offering commercial solar-ready in the U.S. We're blazing new ground, and this is being done as a pilot. One goal is to try to understand the

cost added for making a building solar ready. They have to submit this information. They're just moving things around, rather than installing things, so this is a data gathering venture.

Jimmy: If a solar project comes to fruition, do they qualify for additional incentives?

Lizzie: Yes, they would qualify for our standard installation incentives. Because this is a pilot, we won't reduce incentives for actual installation of solar on these buildings initially. Later that may change. Developers want confidence that this will actually come to fruition, and are concerned that this will be value-engineered out.

#### **6. Public comment**

No public comment.

#### **7. Meeting adjournment**

Betsy thanked the council members for their participation and adjourned the meeting at 11:30 a.m. The next full council meeting is July 17, 2013.