Renewable Energy Advisory Council Meeting Notes

November 17, 2017

Attending from the council:
Erik Anderson, Pacific Power
Bruce Barney, Portland General Electric
JP Batmale, Oregon Public Utility Commission (by phone)
Jason Busch, Oregon Wave Energy Trust
Kendra Hubbard, Oregon Solar Energy Industries Association (by phone)
Suzanne Leta-Liou, SunPower
Michael O'Brien, Renewable Northwest
Adam Shultz, Oregon Department of Energy
Frank Vignola, University of Oregon
Peter Weisberg, The Climate Trust

Attending from Energy Trust:
Gwen Barrow
Hannah Cruz
Michael Colgrove
Matt Getchell
Jeni Hall
Betsy Kauffman
Judge Kemp
Debbie Menashe
Joshua Reed
Lizzie Rubado
Peter West
Rachel Wilson
Lily Xu

Others attending:
Berit Kling, Pacific Power
Caroline Moore, Pacific Power
John Reynolds, Energy Trust Board of Directors
Silvia Tanner, Renewable Northwest
Jason Zappe, Portland General Electric

1. Welcome, Introductions and Updates

Betsy Kauffman convened the meeting at 9:30 a.m. The agenda, notes and presentation materials are available on Energy Trust's website at: https://www.energytrust.org/about/public-meetings/renewable-energy-advisory-council-meetings/.

2. Update on Community Solar

Lizzie Rubado, renewables program strategies manager, presented an update on Oregon's Community Solar request for proposals. Senate Bill 1547 (Clean Electricity and Coal Transition Plan, also referred to as Coal to Clean bill) was passed by the Oregon Legislature in 2016, and included a directive to the OPUC to establish a community solar program for customers of Portland General Electric, Pacific Power and Idaho Power. The community solar program will be administered by a program administrator, and the OPUC will use a competitive bidding process to select a program administrator.

> Energy Trust is planning to apply for the administrator role. Energy Trust wants Oregon's Community Solar program to be successful, and believes Energy Trust is well-qualified to administer the program. Oregon's Community Solar program aligns with Energy Trust's mission to support the development of new sources of clean, renewable energy generation. It would also allow Energy Trust to expand to serve new customers. Serving Oregon customers of Idaho Power would be a new opportunity.

Energy Trust's plan to submit a proposal hinges on final approval from the board of directors in December. This is an opportunity for the Renewable Energy Advisory Council to make comments to the board of directors.

Jason Busch: Can you define what constitutes community solar?
Lizzie Rubado: Community solar projects are between 25 kilowatts and 3 megawatts in size. They have a minimum of five participants, and 50 percent of those participants need to be small commercial or residential customers. Ten percent of the 50 percent must be low-income residential customers. The participants must also be within the service territory of the utility to which that the project is interconnected.

Jason Busch: Does the term participants include investors?
Lizzie Rubado: Participants can be partial owners of or subscribers to a projects.

Peter Weisberg: Who's at the table?
Lizzie Rubado: A diverse array of organizations. The utilities have been actively involved. Clean energy advocates have been involved, including Renewable NW, Spark NW, Oregon Solar Energy Industries Association (OSEIA), Northwest Energy Coalition (NWEC) and Interstate Renewable Energy Council (IREC). There have also been low-income service providers, municipalities and rural-serving organizations. It's the longest service list I've seen on an OPUC docket.

Peter Weisberg: How do potential service projects overlap? Is there a conflict of interest?
Lizzie Rubado: For Energy Trust, one primary challenge is how the Renewable Energy Certificates (RECs) are handled. By rule, RECs stay with participants and can't be transferred or sold. If Energy Trust participates, we would not be able to take ownership of any RECs from participants, which poses a challenge for our REC policy.

John Reynolds: How will the 10 percent low-income capacity be delivered to customers?
Lizzie Rubado: In the order, commissioners established that 5 percent requirement per project and 10 percent for program. They left the door open that if the administrator, commission staff and low-income facilitators agree to a better design, they would be open to adopt a new methodology.

Kendra Hubbard: I want to hear what you think the pros and cons are for Energy Trust managing this program.
Lizzie Rubado: Pros include how closely aligned Community Solar is with Energy Trust's mission. It would also help us to achieve goals we have around expanding participation, access and distributed generation. There are, however, risks to be considered on the other side. We've weighed those with our management team, and will talk through those risks in more detail with our board in December. I would be interested in hearing from you about any concerns that you see in moving forward.
Kendra Hubbard: It does align with Energy Trust's mission and the low-income outreach you have been doing over the past year. You're familiar with the work. At initial glance, OSEIA would be in support of this.
Lizzie Rubado: This will be part of the conversation with the board on December 15. Since this is a competitive solicitation, we may be limited in what we are able to share publicly from that conversation. While thinking through those risks, we appreciate any insights you have. We'll share with you what we can.
Kendra Hubbard: I'm happy to take any concerns back to OSEIA's board for more feedback. Initially, I'm in support of this project.

Jason Busch: I want to understand the way this works. You're not forcing the utility to buy the output? This is privately owned project?

Lizzie Rubado: Utilities are obligated to purchase output from the project. There is a power purchase agreement between the project operators, called project managers, and the utility to act as a backstop for any unsubscribed generation from the project. For the capacity that does have a customer subscriber or owner, that energy will be valued at whatever bill credit rate is applicable. The rate will be established by the time the program launches.
Silvia Tanner, Renewable Northwest: The unsubscribed power is valued at an as-available market rate.

Jason Busch: In considering this program, Energy Trust is evolving as an organization. It seems like a natural opportunity to apply your expertise.

Bruce Barney: Have you thought about roles and hiring new people? Will your response to the RFP cover those costs?

Lizzie Rubado: If we become the administrator, the program would be handled under a separate agreement with the OPUC and would have its own funding source. It's important to us that we put walls in place—as well as transparency—to ensure that public purpose dollars are not inadvertently going to this program. We think we're well-positioned to do this in a transparent way because we are very experienced and successful at keeping a multitude of funding sources separate. We anticipate having dedicated staff to run the program. One asset we have is the expertise on staff, who would act as consultants, particularly during the start-up stage of the program. While there will be some general ratepayer support for getting the program set up and running, ultimately, the program needs to be self-funding through fees recovered from participants in the community solar projects. Thus, there is pressure to be cost-effective in delivery and in administration of the program. That lens of being good stewards of ratepayer funding is something we apply on a regular basis.

Frank Vignola: Let's say that the project wants to include storage. Would that be something Energy Trust could consider funding?
Lizzie Rubado: The question is about whether Energy Trust could support community solar projects with higher value is a good one. I don't know. It's an open question. Nothing would preclude storage from being part of community solar projects. All of the generation from these projects is exported to the utility—they do not serve on-site loads. There have been discussions on how including storage might positively impact the bill credit rate for a project.

3. Review of Renewable Energy Certificate Costs
Betsy Kauffman presented an annual review of Renewable Energy Certificate (REC) prices and implications for current REC management practices. Each year, Energy Trust makes a recommendation on whether to continue the practice of taking contractual title to RECs, but not registering RECs in the Western Renewable Energy Generation Information System (WREGIS). This recommendation is based on REC prices and whether it costs more to register in WREGIS than the RECs are worth. Energy Trust has not seen conditions change over the last year. Energy Trust's recommendation this year is to continue the current practice of taking contractual title to some RECs from all projects, but not registering RECs in WREGIS for projects where neither the project owner nor the utility want to register their share of the RECs. For solar, our recommendation is to continue the current policy of retaining title to project RECs, but not to require WREGIS registration until it is cost-efficient.

Peter Weisberg: If Energy Trust takes ownership, then of course the project owner won't want to register. Is there a threshold where you have to be taking less than 75 percent? Could it be cost-effective, but Energy Trust has all the ownership?
Betsy Kauffman: We take title to RECs in proportion to the above-market costs we cover. We also look at what the RECs are worth when we determine our incentive and how many RECs to which we

will take title. In many cases, we don't take title to 100 percent of the RECs. For example, solar project owners own the first five years of RECs and we take the last 15 years of the expected life of the project. After that, ownership would go back to the project owner. In some cases, we have split ownership 80/20 percent. For many projects, we own 100 percent of the RECs. We're supposed to provide them to the utilities to help them meet their renewable portfolio standard (RPS) requirements. The utility doesn't need them at this point because they have sufficient RECs to meet their obligations. Some project owners who have large numbers of RECs may end up registering. WREGIS is really designed for large projects.
Peter Weisberg: Project owners taking 100 percent of RECs might not rely on a utility's assessment of cost-effectiveness. They rely on Energy Trust's assessment.

JP Batmale: Is there insight you could share on national REC prices? What's driving down prices? Is there data on REC prices in Oregon or western Washington?
Betsy Kauffman: I would ask the utilities if they have thoughts on this.
Caroline Moore: We might be willing to share that information with you, JP. I'm not sure if we would tell you what we're looking at this year. It's not reflective of the northwest market.
Betsy Kauffman: In the last few years, we haven't heard any project owners say that they've been able to get lucrative REC contracts that outweigh getting our incentives. My sense is that RECs aren't very valuable. Jed will get back to you.

Caroline Moore: I'm curious about what REC ownership means for claims. Does that factor into decisions to register?
Betsy Kauffman: No, it factors into decisions about using our funding. Some projects have decided not to use our funding so they can make claims about renewable generation. Sometimes we take title to RECs after the first few years of project life, so project owners can make green claims in the first few years. The primary concerns are economic—around energy cost reduction—and the greenness of the energy is secondary. If needed to make claims, project owners can often buy RECs to pair with existing generation. That's a suboptimal situation, but they consider it.

Betsy Kauffman continued her presentation. There continues to be no cost-effective way to register RECs in WREGIS. We will continue taking title, but not registering. This is our recommendation to the board.

Michael O'Brien: In the packet, you said the voluntary market remains illiquid.
Betsy Kauffman: If you have RECs to sell into a voluntary market, you probably won't be able to find a buyer. I will check with Jed.

Peter Weisberg: In environmental markets, if you pay upfront, you see the value in performance. If you're not registering, is there another way to track performance?
Betsy Kauffman: We track the generation from projects. All of our budgeted goals refer to generation. We're not making claims on RECs provided to meet RPS obligations, and we do talk about the amount of renewable generation produced by our projects.

Bruce Barney: Is there any obligation to register? Is there a problem if utilities are not getting the benefit that the charter says they should?
Betsy Kauffman: The statute under which Energy Trust was formed, Senate Bill 1149, does not mention RECs. Taking title to RECs is an Energy Trust board policy; we're not out of compliance with the statute. We have worked with the board to adjust policy to match market conditions.
Debbie Menashe: Yes, it is a board policy developed early on. In the last few years, the board has discussed how the market has impacted our ability to register.
Betsy Kauffman: When compared to similar organizations across the country, Energy Trust is unusual in taking title to RECs. Most organizations do not.

Bruce Barney: I'm confused about the phrase "retired RECs." If Energy Trust is not providing RECs to the utility, does the utility get anything out of it?
Betsy Kauffman: The utility gets a reduction in load which results in a reduction in RPS obligations. This is a benefit utilities get even if the REC is unregistered.
Peter Weisberg: That's true on the renewables side too, not just in energy-efficiency?
Betsy Kauffman: Yes, it's true on the renewables side. If you have a solar system, you're using less electricity.
Betsy Kauffman: Renewables add value to the system through reduced transmission and distribution costs. Without registering RECs, projects aren't valueless. The state is doing a Resource Value of Solar docket, which should show the range of values of solar.

4. Diversity, Equity and Inclusion Strategy
Debbie Menashe presented Energy Trust's Diversity, Equity and Inclusion strategy. Diversity, Equity and Inclusion is one approach to making sure that Energy Trust is reaching out to all customers and being innovative in designing programs. This work has been going on for several years, and Energy Trust's proposed 2018-19 Budget and Action Plan proposes resources for Diversity, Equity and Inclusion program and operations work. To implement this strategy, Energy Trust expects to contract with many community-based organizations. Energy Trust is adopting an organization-wide Diversity, Equity and Inclusion operations plan with comprehensive objectives and 11 specific goals. Energy Trust has also developed a Diversity, Equity and Inclusion Lens questionnaire that workgroups will fill out to inform decisions. In 2018, this work will focus on developing benchmarks.

Michael O'Brien: Does the lens consider diversity, then equity, then inclusion? Do you have working definitions of each?
Debbie Menashe: Yes, we have working glossaries. Diversity refers to any and all differences between and among people. Equity is the state, quality or ideal of begin just, impartial and fair. Inclusion is the action or state of including or being including within a group or structure. We have not mapped the questions in the Diversity, Equity and Inclusion Lens back to see if diversity, equity and inclusion are covered. That's a good question.

Frank Vignola: There is some diversity already, and some missing. It's a work in progress.
Debbie Menashe: Yes, and we're exploring the concept of targeted universalism. Focusing on a couple of groups in the beginning can have a universal effect. People will become more aware of us.
Frank Vignola: It would be nice to see recommendations to Renewable Energy Advisory Council on Diversity, Equity and Inclusion.

Jason Busch: Has Energy Trust ever provided incentives to push customers toward businesses who have taken those steps?
Debbie Menashe: We haven't, but it's those kinds of ideas that we want to discuss. We'll talk later.

Debbie Menashe continued her presentation. Energy Trust's current equity policy is not specific. It does direct Energy Trust to expand to all customers, even if the cost in one sector is higher. This year, Energy Trust is working with the board policy committee to expand the equity policy into a Diversity, Equity and Inclusion policy. The board policy committee will review the policy each year.

5. Draft 2018 Budget and 2018-2019 Action Plan Update
Betsy Kauffman introduced an update on the Draft 2018 Budget and 2018-2019 Action Plan. Round one (R1) was presented at the October Renewable Energy Advisory Council meeting. Since then, Energy Trust has re-calculated and produced round two (R2) of the draft budget. The presentation covered changes between R1 and R2 as well as high-level comments.

Peter West: We appreciate your advice throughout the year. You have until the end of today to submit public comments. Feedback from public presentations indicates broad support for the Draft 2018 Budget and 2018-2019 Action Plan. Gas companies raised concerns about savings and costs, especially for residential offerings. Shifts in how we calculated have to do with value to the utilities from ratepayers on the resources side. We're in dialogue with the utilities. We'll work in 2018 to see if there is a different allocation to explore.

> The OPUC expressed concerns about staffing and administration costs, asking that year-to-year changes not exceed 10 percent and that we segregate contractor costs from staffing costs. Those changes start in 2019.
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> The residential LED market has largely been transformed. LEDs have gone from 10 percent of residential bulb sales to 50-60 percent of sales. The shift is causing us to look at an exit in that market. We'll do the same amount of bulbs in 2018, but savings will diminish. The OPUC is interested in seeing how fast we exit the market in 2019.
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> Overall, the OPUC is supportive. In this budget, we looked at where 2018 projects could extend to 2019. We're not looking at anything that will adjust our savings or generation goals. We're slowing down web enhancements. We're experimenting to see how we can do things cheaper and faster.

Frank Vignola: By extending projects to 2019, are you changing the budget?
Peter West: We're taking the same budget and, rather than doing it in one year, we're doing it in two. The budget has the same dollar amount.
Frank Vignola: Does that mean you'll spend half in 2018? Or that parts of it will be reduced? What happens to extra money?
Peter West: We're lowering what we ask for in utilities and rates. We're lowering our expenditures.

Betsy Kauffman: The efficiency side of operation changes in the amount of revenue coming in, what is spent and how much efficiency we can achieve. The renewables budget is fixed. We can't claim that we can get more savings if they give us more money. There is flexibility on the efficiency side that doesn't exist on the renewables side.
Peter West: In SB 838, there is a provision for the state to acquire all available energy efficiency. We explain everything we can do, and this becomes a funding request to the utilities.

Frank Vignola: How does the budget for efficiency compare?
Peter West: In 2018, we're 0.2 percent higher than in 2017.
Frank Vignola: So it's not a big change?
Peter West: No. The overall percentage change from R1 to R2 is relatively small. It's not going to change our generation or efficiency goals. The bigger change is in the allocations that Betsy is about to talk about.

Betsy continued the presentation, providing information on the changes in the renewable energy budget. The big change from R1 to R2 is in money coming back into the budget from the cancellation of a solar installation project at Medford Airport. We adjusted the cash carryover calculations.

John Reynolds: The Medford Airport project has been cancelled?
Betsy Kauffman: Yes, we've cancelled our incentive. They could reapply. We can't hold those funds for more than two years.

Caroline Moore: Do those funds remain designated as customer incentive funds?

Betsy Kauffman: The funds came back in as general purpose renewable energy funds, not designated specifically for incentives. They are Pacific Power dollars.

Betsy Kauffman continued her presentation. The other change to the budget is that spending and generation for 2018 decreased in R2.

Bruce Barney: What was the driver for the decrease?
Betsy Kauffman: When the Medford Airport funds came back in, some funds went to project development assistance (not generation). Some funds were allocated to a project that won't complete in 2018. Generation for 2019 went up slightly as a result. If we had created an R1 2020 budget, we would likely have seen a generation increase between 2020 R1 and 2020 R2. Some dedications that will be made in 2018 will likely result in project completions in 2020.

Kendra Hubbard: Is there anything you can share about why the Medford project is not moving forward?
Peter West: It is related to the developer's needs versus the public entity's needs, the length of the contract and the financial feasability of the project. Medford wanted more flexibility in the power purchase agreement with the developer than the developer could finance.

Suzanne Leta-Liou: Is there anything Energy Trust would have done differently in due diligence?
Betsy Kauffman: No, it looked like a good project at the time. We built in milestones to be able to pull funds. Our commitment worked as it should. We can't hold funds for projects that are not moving forward. Problems like this are difficult to foresee.
Peter West: Public sector projects take patience. It's worth erring on the side of more patience.
Betsy Kauffman: We gave them two years. That was a long time.

Suzanne Leta-Liou: Does Energy Trust expect to have funds available for another open solicitation?
Betsy Kauffman: No. Some funds went to project development assistance, some into standard solar incentive funds and some into the Watson Hydropower Project.

John Reynolds: Are we meeting the OPUC benchmark for generation?
Betsy Kauffman: We used to have a 3-year rolling average benchmark of 3 aMW. It no longer exists. We're meeting all current OPUC benchmarks, but these are different now than what they used to be. For solar, we're exceeding the benchmark of meeting 85 percent of the budgeted goal for generation. We're also expecting to exceed our budgeted renewables goal for 2017.

Betsy Kauffman continued presenting on changes between R1 and R2. A larger amount of money is available for 2018. Incentives are going up for the residential solar program, which was going to be tight. It's a huge relief. The accomplishments we presented in October will not change, as these accomplishments were optimistic. Now with more funding in the budget, we are more confident.

6. Public Comment

There was no public comment.

7. Meeting Adjournment

Betsy Kauffman adjourned the meeting at 11:30 a.m. The next scheduled meeting of the Renewable Energy Advisory Council is on February 7, 2018.