

Renewable Energy Advisory Council Meeting Notes

Wednesday, June 26, 2019

Attending from the council:

Alexia Kelly, Electric Capital Management
Anna Kim, Oregon Public Utility Commission
April Snell, Oregon Water Resources Congress
Dick Wanderscheid, Bonneville Environmental Foundation
Jaimes Valdez, City of Portland
Kendra Hubbard, Solar Energy Industries Association (phone)
Les Perkins, Farmers Irrigation District
Michael O'Brien, Renewable Northwest
Rebecca Smith, Oregon Department of Energy (phone)
Susanne Leta, SunPower

Attending from Energy Trust:

Betsy Kauffman
Dave McClelland
Jed Jorgensen
Lily Xu
Dave Moldal
Hannah Cruz
Jay Ward
Jeni Hall
John Volkman
Joshua Reed
Kate Hanson

Lizzie Rubado
Matt Getchell
Mike Colgrove
Nancy Morales
Peter West
Samuel Girma
Shelly Carlton
Thaddeus Steerman
Zach Sippel

Others attending:

Nate Larsen, Pacific Power
Angela Crowley-Koch, Oregon Solar Energy
Industries Association
Natasha Smith, OPUC
Kate Hawley, TRC

Josh Halley, Portland General Electric
Brendan McCarthy, Portland General
Electric

1. Welcome, Introductions, Announcements

Jed Jorgensen called the meeting to order at 9:00 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/>. The meeting was recorded on Go To Meeting. If you'd like to refer to the meeting recording for further detail on any of these topics, email info@energytrust.org.

Jed Jorgensen opened with brief notes and updates for the group:

- This meeting will be the final Renewable Energy Advisory Council meeting led by Jed Jorgensen. Continuing to work in the irrigation modernization sector, Jed will be moving to a position with Farmers Conservation Alliance starting in September.
- The senior program manager position for the Other Renewables program will be posted online and open until filled.
- All future council meetings will be led by Lily Xu.
- The next council meeting on July 31, 2019 will be an offsite tour of the Clean Water Services-Durham water resource recovery facility in Tigard.

2. Communication updates between the advisory council and board of directors

Betsy Kauffman gave an update on the formation of the Diversity Advisory Council

- Energy Trust tapped seven community leaders to help shape the direction and vision for a new Diversity Advisory Council.
- On a volunteer basis, these leaders have helped shape the foundational components of the council's charter, goals and focus. This charter will be presented to the board of directors at the next board meeting on July 24.
- The draft Diversity Advisory Council charter includes procedures for recruiting members and developing agendas which may be beneficial to the other councils. More information will be shared in January 2020.

Betsy Kauffman gave an update on the Community Solar Program:

- At the May Renewable Energy Advisory Council meeting, it was discussed whether Energy Trust will provide incentives to the Community Solar Program. Opinions from the Renewable Energy Advisory Council were largely positive.
- Energy Trust will now consider how incentives might be structured and any potential trade-offs with providing funding. This will be discussed during the budget process this fall 2019.

3. Draft 2020-2024 Strategic Plan

Topic summary

Michael Colgrove and Energy Trust staff presented and sought feedback on the Draft 2020-2024 Strategic Plan. A facilitated discussion centered around the plan's five focus areas and their strategies and progress indicators. Renewable Energy Advisory Council members were invited to provide feedback on the plan, particularly on how well it reflects Energy Trust's role.

Discussion

High-level feedback included:

- Focus area one will be where Energy Trust focuses the majority of investments. Energy Trust is not looking to invest exclusively in locations that benefit utilities, but also identify areas that meet other needs and bring co-benefits to communities.
- The Diversity Advisory Council will be a vital asset for weighing-in on Energy Trust's practices and future strategic plan priorities moving forward.
- Energy Trust is working with the OPUC to discuss additional sources of funding beyond SB 838 and SB 1149.

Suzanne Leta: How do you prioritize these focus areas from a budget standpoint? Will Energy Trust be working with the Oregon Public Utility Commission (OPUC) to change the nature of the lines between energy efficiency and renewable energy? Does focus area two—which mentions Distributed Energy Resources such as solar and storage—open up any additional flexibility? What focus area is the highest level of priority when developing the budget? Would it be locational value or underserved communities?

Anna Kim: There is a technical delineation between storage and the work that Energy Trust does. The OPUC is looking at storage in a docket. It is not opposed to considering how storage might fit into above-market costs, but the path toward this connection is not clear.

Michael Colgrove: Energy Trust is having conversations with the OPUC about the broader view of our work and exploring how it might impact the current work and how the OPUC is integrated into that work, and whether public purpose charge funding has a part of it. As for prioritization, focus area one will be where the majority of the investment goes. Energy Trust is not looking to exclusively invest in locations that benefit the utilities, but also how to meet other needs and bring co-benefits to communities.

Michael O'Brien: The Diversity Advisory Council should weigh-in on how to prioritize these focus areas.

Michael Colgrove: Yes. We are hoping to engage the council.

Alexia Kelly: In light of recently announced emergency response policies and outages to prevent wildfires, and as communities start looking at energy resilience, it is important that Energy Trust think about how resilience can be integrated into Energy Trust's future role. Communities are looking at prolonged periods of no energy.

Les Perkins: Yes, for local communities it is vital that they get storage.

Anna Kim: The OPUC has worked with Oregon Housing and Community Services and Energy Trust to develop an agreement that would allow public purpose charge money from Energy Trust to be combined with low income weatherization money. That agreement will be presented at the July 2 public meeting and is one example of how the OPUC is trying to formalize where to combine different types of funding.

Alexia Kelly: What about Energy Trust providing the service of loan guarantees for loans from other sources? With thin margins for energy efficiency and renewable energy in Oregon, Energy Trust will need to leverage outside funding.

Michael Colgrove: We are looking for a range of different funding from the government, philanthropies and other industries.

Michael O'Brien: In terms of cultivating diversity on the board of directors and advisory councils, will there be term limits for members?

Michael Colgrove: The Diversity Advisory Council has recommended three-year term limits for itself, with an option for one additional three-year term. Currently the Renewable Energy Advisory Council and the Conservation Advisory Council do not have term limits. We will discuss this at the start of 2020.

Suzanne Leta: Energy Trust has not provided analysis on what more the organization could do with an expansion of funding for the renewable energy programs. Can Energy Trust provide this type of analysis or does the request need to come from the OPUC?

Michael Colgrove: Technically, we can provide that research, however what is done with that research has restrictions as it cannot be used to shape or inform public policy.

Betsy Kauffman: Energy Trust's Renewable Energy program is funded through SB 1149. Energy Trust's energy efficiency programs are funded from SB 838 which fluctuates annually. Funds from SB 1149 do not. SB 1149 has a sunset date of 2025.

Jaimes Valdez: The percent of allocated funds were established in the past when energy efficiency and renewable energy were in very different places and renewable energy did not exist like it does now in the current market.

Suzanne Leta: It is not about Energy Trust using this research for policy advocacy but rather recognizing that we are not meeting all of the market needs with the current budget and should identify what more the organization can do if it were granted more funding.

Michael Colgrove: Energy Trust is not the only entity to answer these questions and it is important to make sure that the right people are part of this conversation. The original grant policy did not say that we must meet all market demand, but rather support utility customers with the specific amount of funding.

Anna Kim: The OPUC is open to talking about this with Energy Trust and the Oregon Department of Energy.

Alexia Kelly: It would be good to leverage existing state level perspectives to help identify sources of funding.

Jaimes Valdez: For focus area five, I recommend adding community resiliency and how direct policy changes are impacting customers.

Dick Wanderscheid: Bonneville Environmental Foundation is interested in electric vehicles. This is a space that is moving quickly and there are so many benefits to electric vehicles, including vehicle-to-grid technology and energy resilience. It is hard for Energy Trust to transition into the transportation sector, but it is emerging, and it will impact the energy space.

Les Perkins: Electric mobility is a key component of the rural community energy landscape. The reality is that a lot of these communities are situated on prime transportation corridors and it is important to have electric vehicle infrastructure. From a rural perspective, electric vehicles are a key component to energy resiliency and need to be part of the conversation.

Jaimes Valdez: Are the advisory council comments today tracked?

Hannah Cruz: We will take all of these comments and roll them up into themes of what was discussed and recommended from the advisory council as a group. These will then be presented at the staff strategic planning meeting. You can submit feedback on behalf of your specific organization as a letter that goes verbatim—versus the summary tracked here—and it will be reviewed by the board.

Michael Colgrove: We take these comments very seriously and consider these questions as still outstanding.

Anna Kim: The OPUC is working with utilities on electric vehicle projects. However, one of the complications is that, per the grant agreement, Energy Trust must be fuel neutral and cannot promote fuel switching. Transportation electrification suggests fuel switching so the OPUC is cautious to engage. If there are ways that Energy Trust can help the energy resiliency market, within the boundaries of renewable energy or energy efficiency, then the OPUC would be open to suggestions. It would be great to have Energy Trust be part of dockets if there is opportunity for them to provide support.

Suzanne Leta: Is there a bill that states Energy Trust must be fuel neutral?

Anna Kim: The OPUC requires it because Energy Trust is receiving funding from natural gas and electric utilities and the OPUC does not want Energy Trust to be caught in the middle. The OPUC is cautious for fuel switching sensitives overall.

Jaimes Valdez: Even for unregulated industries like petroleum?

Anna Kim: The OPUC would want to think about.

Alexia Kelly: Electric vehicles are significantly more energy efficient and therefore can be seen as specific to energy.

Next steps

Staff will provide this feedback to the board Strategic Planning Committee as it considers any revisions to the draft plan in August and September. The final plan will be presented to the board for adoption at its October public meeting. The current draft is available on the Energy Trust website. Comments may be emailed to info@energytrust.org or mailed or submitted in person by August 2 to: Energy Trust of Oregon, Attention: Strategic Plan, 421 SW Oak St., Suite 300, Portland, OR 97204. Energy Trust expects to finalize its 2020-2024 Strategic Plan for board adoption on October 16, 2019. A final version will be posted on the Energy Trust website.

4. Business planning: draft 2020 organizational goals follow-up

Topic summary

Staff provided an update on the final 2020 organizational goals and how feedback from the Renewable Energy Advisory Council and Conservation Advisory Council was considered and incorporated. These final goals will guide the organization in developing the 2020 budget and action plan this fall.

Discussion

Kate Hawley: How will these organizational goals be reflected in the budget?

Michael Colgrove: These are goals are providing staff focus and guidance as they prepare for work in 2020. All work flows down from the strategic plan at the end of 2024—what does Energy Trust need to have accomplished?

Next steps

No next steps.

5. Above-market cost policy and procedures

Topic summary

Betsy Kauffman and staff presented on Energy Trust's above-market cost methodologies. Energy Trust is charged with funding above-market costs of new renewable energy resources. The above-market cost is a comparison between the cost to build and operate a renewable energy project versus the market value of an equivalent amount of power.

Discussion

High-level feedback included:

- Energy Trust uses information provided on applications, including upfront costs and yearly expenses, to build the above-market cost model for projects. Models consider the project's expected yearly revenue, expenses, cash flows and rate of return.
- Energy Trust conducts a unique analysis for specific projects.

Suzanne Leta: A lot of customers are working with energy suppliers that have variable rates. What is the retail rate you work with to determine the above-market cost?

Betsy Kauffman: For commercial solar projects, we look at the average commercial rate for the types of projects currently funded and then collect that information from customers and build that into the financial models.

Jaimes Valdez: Is this related to different rates for coming up with this above-market cost?

Jed Jorgensen: We separate things out for custom projects, conducting a unique analysis for specific projects with specific electricity rates.

Betsy Kauffman: For solar net-metered projects, we look at the average rate for a whole class of projects and determine the above-market cost for the average project. Individual differences get sorted out when trying to set a standard commercial rate.

Jaimes Valdez: If utilities are pushing to reduce the qualifying facility terms, how does that impact the above-market cost calculations?

Betsy Kauffman: Typically, a project life is 20 years. But now that power purchase agreement terms are more often 15 years, this might be something we want to revisit. How we review the costs of projects is an important part of our work. When proposed projects submit their expected costs, staff evaluate what the project should cost. For example, if the operations and maintenance cost estimate is a certain amount, and we feel it is low compared to the industry standard, then staff will adjust the model and give that feedback to the customer.

Brendan McCarthy: How do you integrate profit and financial stability of each entity as reflected in cost of capital in the above-market cost calculations?

Betsy Kauffman: For each entity proposing a project, we evaluate whether the financials make sense and how cashflows are going to work. We also build a certain amount of profit into the model; the amount of return allowed is associated with the risk of the project. The internal rate of return is about 8% or paybacks within 8-10 years, however this varies depending on the project.

Brendan McCarthy: Public entities don't anticipate a rate of return on projects.

Les Perkins: I disagree. Farmers Conservation Alliance expects a return on timber, we aren't cutting timber to breakeven but to fund projects. Governments don't expect a return on mandatory projects like streets, but they do for optional projects such as an electricity generation project.

Suzanne Leta: For solar projects do you have similar assumptions according to rate of return and payback?

Betsy Kauffman: Yes. After the sunset of the Residential Energy Tax Credit, payback for a residential project is 15-17 years, and for a commercial project it's about 8-10 years.

Jed Jorgensen: Depending on the complexity of the project, there might be different inflation rates depending on technology or the people working on the project. We usually model 2% inflation per year.

Suzanne Leta: For solar specifically, rates can go up mid-year. It would be helpful for Energy Trust to refresh these values more than once a year.

Betsy Kauffman: Energy Trust tracks costs all the time. Although the big refresh is once a year.

Alexia Kelly: How are you factoring in the impact of the Administration's tariffs?

Jeni Hall: We get real time feedback—with every signed contract, there is information about project costs. So that when it comes time for the next review, this information helps determine whether to adjust the rate.

Brendan McCarthy: When it comes to a custom project where the above-market cost is high, how does Energy Trust decide when and how much you are going to pay? Also, when projects are generating co-benefits, at what point does Energy Trust decide to request a contribution from another funder?

Jed Jorgensen: To address the first question, there are a lot of factors for determining how we allocate funds to any given project including project timing and whether Energy Trust funding will secure stability for the project.

Betsy Kauffman: We also look at how much is spent per megawatt hour on previous projects and how much money is available. To answer the second question, if the project is selling one of its byproducts, that gets incorporated into lowering the project's expenses. Projects carry a certain amount of risk and we expect that if a community is able to take on that risk, then there should be a certain rate of return for them.

Jed Jorgensen: For projects where rate payers are paying more, typically they are getting things back. For example, for an irrigation modernization project the rate payers are gaining more reliable water supply and the hydrogeneration will pay toward the long-term loan.

Les Perkins: It should be noted that there is a significant amount of risk that these entities take on.

April Snell: It seems like Energy Trust's funding is something that comes in after the point of the project idea and other funding is secured—putting the project at risk for not happening if Energy Trust funding isn't secured. Are there other boundaries in that project development where this could come in as an option?

Lily Xu: Typically, when a project comes in, we consider the information and determine where the project is in the development phase (i.e. 80-90% designed or engineered) and that informs where Energy Trust steps in with an incentive.

Jed Jorgensen: The application is at a point in time and we need to be able to provide the customer with a level of certainty around the incentive amount so the customer can make a final decision about moving forward.

Dick Wanderscheid: Does Energy Trust ever go back and look at the costs and results of a project compared to what was anticipated?

Jed Jorgensen: Yes, we do it on a periodic basis and this informs future projects.

Next steps

No next steps.

6. Public comment

There was no public comment.

7. Adjourn

The meeting adjourned at 12:02 p.m. The next council meeting on July 31, 2019 will be a tour of the Clean Water Services Durham Wastewater Treatment Facility in Tigard.