

# Briefing Memo

## Community Solar Development Assistance Offer

October 10, 2019

The Solar Program proposes to offer *Community Solar Development Assistance Incentives* to help support early development activities of small and public/nonprofit-led community solar projects. The objective is to increase the feasibility and success of these community-driven projects and provide them with additional support so that they have an equitable opportunity to participate in this new market.

This will also provide Energy Trust with market intelligence that would help us design appropriate installation incentives for community solar projects. This offering would be an expansion to the development assistance we currently provide for net-metered projects and analogous to the offering we have been providing to non-solar projects for many years. It is likely that some of the projects getting this assistance will not be eligible for any further support, if Energy Trust does decide to offer installation incentives for community solar projects.

This proposed incentive aligns with the organizational strategies describe in the Draft 2020-2024 Strategic Plan. Specifically, this new offering is an example of: providing relevant programs and services designed specifically for underserved customers (Focus Area 1); supporting initiatives, objectives and complementary programs led by local and state governments (Focus Area 3); and quickly responding to changes, needs and new opportunities (Focus Area 5).

### Questions for the RAC to Consider

- Should we provide assistance at all to any project? If not, why?
- What should the project eligibility criteria be?
- Who should be eligible to apply for and receive this funding?
- What development activities should or should not be funded, and are the proposed incentive amounts reasonable to support such activities?

### Background

Energy Trust is committed to serving and benefiting all eligible utility customers and being inclusive in our program offerings. The State of Oregon's new Oregon Community Solar Program expands opportunities for underserved customers to participate directly in solar, including renters and people with low and moderate incomes, communities of color and rural communities. Notably, a minimum of ten percent of the Oregon Community Solar Program will serve low-income, residential customers at or below 80 percent of State Median Income.

Community solar projects can be developed and managed by private, public or nonprofit entities, as well as utilities. While we expect that most projects will be brought by utilities and private firms, there is a great deal of interest from public and nonprofit organizations. These

groups hope to build community-led projects that will serve, benefit and be sited in underserved communities.

Community solar is a new market and business model for Oregon, and there are many challenges to developing projects. They must navigate all the financial and technical hurdles of a typical solar project, with the added complexity of going through the interconnection process -- something new for companies that may only have experience with net-metered projects. Additionally, these projects must acquire and manage large numbers of subscribers and owners for decades.

At the May and September RAC meetings, through our work with the Low- to Moderate-Income Solar Work Group and in the recent [OPUC Staff Memo under UM 1930](#), we have learned that community solar projects led by nonprofits, local governments, and other community-based organizations (CBOs) will need more assistance to prepare for pre-certification than professional solar developers. These projects are likely to have less access to resources in the early stages of development and be less equipped to tolerate risk when making investments to move projects toward pre-certification. Therefore, a project development assistance offering would fill an important need for these projects by providing upfront financial assistance to help them navigate the development work required for these projects.

Energy Trust's renewable programs have a long and successful history of providing projects with early-stage funding to help overcome the barriers to project development and increase the pipeline of feasible projects in Oregon. Over time, Energy Trust has found that smaller amounts of funding at this crucial early stage can have more impact than larger incentives offered at construction. In some cases, Energy Trust has provided development assistance to projects that were not, ultimately, eligible for or did not use installation incentives. We have supported non-profit and for-profit entities.

Energy Trust's Renewable Energy Certificate (REC) policy ([4.15.000-P](#)) requires the renewable energy programs to secure RECs in exchange for incentives provided for the installation of projects that are 360 kW<sub>AC</sub> or larger. This would preclude the program from eventually providing installation incentives for larger community solar projects. Energy Trust's project development assistance incentives do not involve a REC transaction because they support pre-installation activities such as feasibility studies and early design work.

At the last RAC we had a request, echoed by several of those present, to have the Solar Program offer *Community Solar Development Assistance Incentives* to support the cost of development activities of small and public/nonprofit-led community solar projects that meet the Oregon Community Solar Program criteria for the 25 percent carve-out within the program's interim capacity tier.<sup>1</sup> This proposal describes how this type of support could work.

---

<sup>1</sup> The Oregon Community Solar Program has proposed to set aside 25 percent of the program's initial capacity for projects that are either a) managed by a nonprofit or public entity, or b) 360 kW<sub>AC</sub> in aggregate size or smaller. This proposal is still pending Commission approval. The definition of what types of projects qualify may shift, but the focus is expected to remain on small and community-based projects.

## Incentive Proposal

### *Budget*

Energy Trust proposes limiting this offering to a total budget of \$250,000. We expect this would serve about two dozen projects. We are forecasting that about 10 projects less than 360 kW<sub>AC</sub> and 14 projects larger than 360 kW<sub>AC</sub> will apply for funding in the first 12 months. We also forecast that these projects will, on average, utilize about 75 percent of the maximum incentive. We expect to provide an average development assistance incentive of about \$10,000 per project.

Energy Trust is currently aware of 14 small and or public/nonprofit-led community solar projects in the early stages of development. Of the 14, six are less than 360 kW and eight are larger than 360 kW. Twelve are in Pacific Power territory, and two are in PGE territory.

### *Incentive amount*

The *Community Solar Development Assistance Incentive* covers a portion of the final, invoiced costs of completing eligible project development activities, up to the caps described in **Table 1**. Incentive requests will be reviewed, and incentives reserved for approved, eligible activities, on a first-come, first-served basis.

Incentives will be paid to the Project Manager after 1) the work has been completed, 2) any consultants or contractors have been paid in full, and 3) the Project Manager has submitted the required documentation to Energy Trust.

**Table 1. Community Solar Development Assistance Incentive details**

Activity	Phase when the Work is Performed	Incentive covers	Maximum Incentive per Project	
			< 360 kW <sub>AC</sub>	> 360 kW <sub>AC</sub>
Work performed by third-party consultant or other contracted professional	Before Pre-certification	80% of eligible costs	\$4,500	\$13,000
	After Pre-certification	50% of eligible costs		
Work performed by a nonprofit or public Project Manager applicant	Before Pre-certification	50% of the cost of time spent on eligible activities	\$2,000	\$5,000

### *Project Eligibility*

For the purpose of this *Community Solar Development Assistance Incentive* offering, a “Project” follows the definition set by the Oregon Community Solar Program in its Program Manual. Under the Community Solar Program, a single Project may consist of multiple solar electric systems interconnected with the same utility and with an aggregated capacity of no more than 3 MW<sub>AC</sub>.

Projects shall meet the following eligibility requirements for *Community Solar Development Assistance Incentives*:

- The project must deliver power to Portland General Electric or Pacific Power
- The project must be a Pre-certified Oregon Community Solar project or intend to apply for pre-certification within the next 12 months.
- Proposed, not yet pre-certified projects must be capable of meeting the Project Requirements outlined in the Oregon Community Solar Program Manual.
- If the project is managed by a public or nonprofit entity, the Project may be sized up to 3 MW<sub>AC</sub> in aggregate size.
- If the project is managed by a private entity, the Project must be less than 360 kW<sub>AC</sub> in aggregate size.

### *Applicants*

Applicants must be registered Project Managers with the Oregon Community Solar Program. An organization can register as a Project Manager at any time. Project Manager registration is free and open to any entity that meets the criteria described in the Oregon Community Solar Program Manual. The Project Manager applies for the *Community Solar Development Assistance Incentive* on behalf of all parties involved in developing the Project (other parties may include a project developer, construction contractors, a system owner or financial partner, community partners, and/or operations and maintenance firms).

Nonprofit and public entity Project Managers may apply for incentives to offset the cost of their own time spent on certain eligible project development activities before pre-certification, up to the caps shown in **Table 1**. Work that is eligible for incentives is shown in the *Eligible Project Development Activities* section below.

This aspect of the proposal stems from the lessons Energy Trust has learned working closely with community-based organizations over the past several years. For public and nonprofit entities, it is not just the direct costs of developing projects that are a barrier, it is the expenditure of their time on opportunities that may fail to materialize and yield benefit for their constituents. Without some financial support for their time, it may be difficult to make the case to their boards or councils that it is worth investing the time in this necessary, but risky, early development work.

### *Eligible Project Development Activities*

*Community Solar Development Assistance Incentives* can be used for the types of activities described below.

**Grant-writing:** completing grant applications for non-Energy Trust project funding opportunities.

**Feasibility work:** assessing the technical and financial feasibility of the project. Feasibility studies commonly include or consist of solar resource assessment; financial modeling and analysis; siting options; design, permitting, zoning, structural and interconnection considerations; engineering studies; development timeline; assessment

of equipment options; assessment of the market potential for subscribers/owners; and additional conclusions and recommendations. Examples include hiring an expert to complete a comprehensive feasibility study, perform a market assessment of potential subscribers, or assess a variety of sites for suitability.

**Technical assistance:** performing work or engaging a consultant to provide expert assistance with technical development activities, such as: preliminary system design, assistance with permitting, utility interconnection, contract development, accounting and tax treatment, project management, customer acquisition and management planning, and product (subscription) development. Examples include hiring an expert to complete preliminary system designs, advise on subscriber contracts, consult on navigating the permitting or interconnection process, develop a pro forma, or put together a subscriber management plan.

*Project development activities performed by a nonprofit or public Project Manager*

In general, project development assistance funding is intended to help offset the cost of hiring third-party technical assistance, such as engineers, legal or accounting experts, or other professional consultants. Under this incentive offer, nonprofit or public entity Project Managers may apply receive incentive reimbursement for time spent performing certain types of development work. Activities that are eligible for this support include:

- Grant-writing
- Project Management
- Contract Development
- Customer acquisition and management planning
- Outreach and marketing planning

**Approach to roll-out and implementation**

According to stakeholders, time is of the essence. Small and community-led projects are requesting that Energy Trust provide support so that they have an opportunity to capture some of the capacity available at launch. We propose to fast-track development of this incentive offering in order to make it available in November. The program would build off current project development assistance forms and processes to minimize development time. We also propose that we use a lean and nimble approach and adaptively manage as the community solar program rolls out and evolves. This includes adjusting the offer and its criteria as we learn from the market and the Community Solar Program and other local policies evolve.