



Rural Development

Oregon State Office

1220 SW 3rd Avenue
Suite 1801
Portland, OR 97204

Voice: (503) 414-3300
Fax: (855) 824-6180

Public Comment
PUC Docket No. UM 1758
Docket Name: HB 2941 Solar Photovoltaic Incentives

Vicki L. Walker, State Director

United States Department of Agriculture (USDA) Rural Development

The following comments on Oregon House Bill 2941 are being provided from the perspective of administering a federal energy grant and guaranteed loan program.

The U.S. Department of Agriculture (USDA) Rural Development is dedicated to improving the quality of life and economy in rural America. In all, USDA Rural Development administers more than 40 programs, including a number of important funds to finance rural business development and expansion, support the adoption of new technologies, and invest in new approaches to rural economic development. Among the programs administered by USDA Rural Development is the Rural Energy for America Program (REAP), which provides funding to agricultural producers and rural small businesses nationwide for the installation of renewable energy systems or to make energy efficiency improvements.

To be eligible for funding through REAP, businesses must be located in a rural area outside of any city or town with a population of greater than 50,000 inhabitants. The rural areas in Oregon that are eligible for USDA energy funding were recently expanded in May of this year to include 12 additional communities, primarily located in southern Oregon and the Willamette Valley area. Agricultural producers located in either rural or non-rural areas are eligible for REAP funding.

Under REAP, any project with a production capacity greater than 100 kilowatts is classified as a large-scale project. It's important to note, however, that this classification varies across federal and state energy programs. Additionally, REAP includes a funding set-aside for small projects requesting \$20,000 or less in grant funds as smaller projects are a priority for this Administration.

Small-scale projects, in general, have different financial incentive needs than large-size or utility-scale projects. Therefore, these comments have been categorized based on the scale of the project.

Small-scale Solar Projects:

Oregon is a leader in providing REAP funding for small-scale solar projects. The availability of incentives from the state, as well as local nonprofits, utilities, and other entities, plays a crucial role in this national success.

USDA is an equal opportunity provider, employer, and lender.

To file a complaint of discrimination, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by mail at U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410; by fax at (202) 690-7442; or by email at program.intake@usda.gov.

The Rural Energy for America Program is limited to paying no more than 25 percent of eligible project costs. Therefore, leveraging is often critical for these projects.

In Oregon, over 50 percent of USDA's REAP grant awards have been part of an overall financing package that included incentives from the nonprofit Energy Trust of Oregon. The nonprofit's service territory includes those areas serviced by the investor-owned utilities Pacific Power and PG&E. Therefore, small businesses and agricultural producers located outside of that territory are not able to leverage Energy Trust of Oregon incentives with federal or state funding.

Various programs administered by the State of Oregon are frequently used in conjunction with USDA's REAP funding as well. Those programs include the Oregon Department of Energy's Renewable Energy Development Grant Program and the State Energy Loan Program.

Additionally, Oregon's net energy metering law allows all utility customers to generate their own electricity and reduce their electric bills. Out of all REAP grant projects in Oregon, 98 percent are interconnected with a utility. Therefore, the majority of those projects utilize net metering, thus demonstrating the importance of this option for rural businesses and agricultural producers that utilize USDA energy programs.

Past state programs have also been used to leverage REAP grant funds, including the Volumetric Incentive Rate Pilot Program and the Business Energy Tax Credit Program.

The limited amount of federal financial assistance currently available for energy projects, especially those small in scale, exemplifies the crucial role that state and local incentives play in enabling these projects to come to fruition. Since the start of the current Administration in 2009, USDA Rural Development in Oregon has received applications requesting a total of \$3.83 million to help finance small solar energy projects. With the agency's level of funding, we were able to provide \$2.81 million in grants. Overall, the development of these projects costs \$12.4 million, which demonstrates the significant role additional funding sources can play.

Over the past five years in particular, USDA Rural Development in Oregon has received more applications for REAP grants than it has the funding to accommodate. During the current federal fiscal year (fiscal year 2016) alone, Oregon Rural Development received a REAP allocation in the amount of \$422,000 with a set-aside for small-scale energy projects in the amount of \$155,000. In fiscal year 2016, Oregon Rural Development received applications requesting more than \$1.2 million in total funding. Therefore, 23 small-scale energy projects in Oregon were not able to receive federal grant funds this year and instead had to rely solely on the assistance available from state and local sources.

The projects that receive USDA funding help to significantly increase the state's renewable energy use. The small-scale solar energy projects alone that received USDA Rural Development grants between 2009 and 2016 are projected to generate a combined 67.23 million kilowatt hours of energy each year.

Large- or Utility-scale Solar Projects:

The majority of utility-scale solar energy projects require debt financing, and USDA's REAP loan guarantees can complement such financing, helping to mitigate the risk assumed by lenders.

Additionally, utilizing guaranteed financing along with federal tax credits (such as the Investment Tax Credit) to fund the development of large-scale energy projects could free up limited federal and state grant funding for small-scale projects.

The USDA loan guarantees available through REAP can guarantee 85 percent of the energy project's financing up to \$25 million with no limit on production capacity.

Both the Oregon Department of Energy and Business Oregon have programs to support renewable energy projects. Those state agencies have the option to apply for non-regulated lender status. If approved, they would be eligible for USDA's REAP loan guarantees, which could be used to significantly mitigate the state's risk in providing loans to support renewable energy or energy efficiency projects.

A need often reported in utility-scale solar energy project development is construction financing. If state programs were to provide financing during construction, taking on the upfront risk, they could then utilize USDA's REAP guarantee to mitigate the risk of long-term financing of the project, helping more projects get off the ground.