

## UM 1020

### Energy Trust of Oregon responses to OPUC questions to consider

June 9, 2016

**Q: When funds are “commingled” for a specific project, is the intended purpose of either fund compromised?**

Energy Trust encourages all projects to leverage additional funding sources. This reduces the above-market cost of projects, enabling us to stretch dollars further. Energy Trust’s role is to build markets and assist projects that need help to become financially viable. Projects that are able to access all of the funds they need are more likely to succeed. This supports Energy Trust’s intended purpose.

QF projects fall into the same category. Power sales are generally not enough to enable a project to meet its financial requirements for success. These projects generally need additional funding sources.

**Q: Under what circumstances does combining voluntary and general ratepayer funds lead to additional benefits for voluntary and all ratepayers that could not have been achieved with one or the other fund?**

The vast majority of projects that receive funding from with both Energy Trust and voluntary funds are owned by municipalities, schools, government agencies, or non-profit entities. These projects bring the same benefits to ratepayers that all renewable energy projects bring: generation capacity, reduction of line losses, avoidance of transmission and distribution investments, hedging of carbon regulatory risk, diversity of fuel mix, and other benefits that are harder to quantify such as reduction of pollutants. Plus these project owners – food banks, affordable multifamily housing, schools, community centers, providers of family services to name a few -- provide services to communities and hard-to-reach customers. By installing renewable generation and lowering their electric bills, they are able to stretch their dollars further. Finally, these projects increase the diversity of renewable energy participants.

What is important to note is that these projects are different from privately-held projects. They cannot access tax credits and other benefits because they owned by non-taxable entities. Without being able to stack both voluntary and Energy Trust funding, the projects that use both funds would be less likely to happen.

Non-taxable entities are unable to utilize the federal Production or Investment Tax Credits, the tax benefits of depreciation, and are ineligible for many other sources of grant funding such as the USDA’s Rural Energy for America Program. As such, projects owned by these entities need to leverage more sources of funds than projects owned by privately held entities. Energy Trust

funds, the voluntary funds, and the project owners' funds create the financing stack that enables the projects to be successfully paid for and constructed.

Segregating the use of Energy Trust or voluntary funds would require an increase in the amount of funds dedicated by either Energy Trust or a voluntary program in order to provide the same level of incentive as has been provided in the past. Larger, non-solar projects could be disproportionately impacted by this change. Such projects, which include biogas digesters at municipal wastewater treatment plants and small hydro projects installed in municipal and irrigation district water delivery pipelines, typically have higher total costs than solar projects. Conversely, these projects typically have higher capacity factors, higher total energy generation, and a lower overall cost of energy than the solar projects that have received both Energy Trust and voluntary funding in the past. Without combined funding availability, the incentives required to make non-solar projects financially viable could, in some cases, exceed the ability of Energy Trust or a voluntary program to fund a given project on its own. Under segregated funding restrictions it is likely that some of the municipal, school, governmental, or non-profit owned projects, both solar and non-solar, would be delayed or cancelled.

Energy Trust is aware of several past projects that would not have been able to move forward without the combined funding of Energy Trust and the Pacific Power Blue Sky program, including the Tamastlikt Cultural Institute's 50kW wind turbine owned by the Confederated Tribe of the Umatilla Indian Reservation and the City of Astoria's 30kW hydro project located near the town's Bear Creek reservoir.

Energy Trust's involvement in voluntary-funded projects brings the value of consistent consumer protection, best practices and quality standards across the market for small renewable projects. For solar projects, Energy Trust manages a list of qualified trade allies and has installation standards and expert technical verifiers that help ensure projects will be long-lasting and perform well. These services protect both the individual customers and the investments of voluntary and all ratepayers. While the grant programs could set up parallel quality management services, it would likely require some duplication of efforts. Energy Trust's non-solar program also provides significant assistance to projects that differs from what is offered and provided by utility grant funds. The program guides project developers in best practices related to their particular site, technology and permitting requirements, increasing project success rates. In addition, the program offers third-party financial analysis of projects, helping project developers to ground-truth their financial assumptions against Energy Trust's experiences across dozens of complex project installations.

Energy Trust has, over the past ten years, provided \$9 million in incentives to 80 projects that also received voluntary funds. Approximately \$3 million of that incentive funding has gone to non-solar custom projects: hydro, biopower, geothermal, and wind.

**Q: How does commingling of funds impact the administration of individual funds for specific projects and for reporting purposes for each fund?**

For non-solar projects receiving a custom incentive, the expected voluntary fund award is included with other grants in the above-market cost calculation. Most projects combine multiple incentives and funding sources in their financing package and Energy Trust is experienced in accounting for these funds when performing above-market cost calculations. Energy Trust

details all funding sources for a project when it is approved by our board, but there is no special reporting required of projects using voluntary funds.

For solar projects funded through Energy Trust's prescriptive, standard incentive program, staff perform periodic checks to make sure the combination of Energy Trust and voluntary funds does not, on average, exceed above-market costs. Earlier this year, given recent reductions in solar prices, Energy Trust proposed a methodology for a project by project above-market cost screening for co-funded solar projects above a certain size. Should the OPUC decide to allow co-funding of projects in future years, Energy Trust would expect to implement such a methodology moving forward.

Energy Trust makes adjustments to the REC allocation for projects that also receive voluntary funds. This used to require some negotiation and administrative time because the programs allocate RECs differently. Energy Trust bases its REC allocation on the percentage of above-market cost represented by our funding. The Blue Sky program allocates based on the percentage of upfront project cost. (All of the Clean Wind projects have been custom allocations thus far). The difference led to an approach to ensure that the appropriate allocation of RECs was assigned each party. Energy Trust's REC policy was updated last year, and codified our ability to appropriately allocate RECs. Energy Trust has effectively collaborated with the utilities on REC allocations.

**Q: ...In light of existing and new policies, how can voluntary and general ratepayer funds be optimized to meet requirements at least cost while providing opportunities to exceed requirements when customers prefer to do so?**

The goals of Energy Trust's programs are to transform and build markets for renewable energy projects, delivering long-term benefits for utility customers by reducing dependence on fossil fuel resources and the benefits noted above (reduction of line losses, etc.). Energy Trust does that by building volume, helping projects navigate upstream project challenges, assuring project quality and consumer protection, maintaining a contractor network, and bringing down costs over time. Energy Trust staff build long relationships with customers including governments, tribes, non-profits, schools, and developers that lead to projects installed close to load and sized to the available resource. Although Energy Trust's work has led to cost reductions, Energy Trust's programs do not necessarily start with least-cost projects across all technologies. Energy Trust is mandated to provide incentives for the above-market costs of new renewable energy projects. Under this mandate, Energy Trust works to build markets for the long-term benefit of customers, expanding commercial opportunities and driving down costs over time. The efforts are most similar to market transformation efforts in acquiring energy efficiency.

Energy Trust's work has been an important part of a national trend of cost reduction in solar and increased usage of clean renewable energy by a growing variety of customers.