



November 16, 2007

Diane Davis, Rules Coordinator
Oregon Public Utility Commission
550 Capitol St NE #215
PO Box 2148
Salem OR 97308-2148

Re: AR 518 Phase I, In the matter of a rulemaking to
implement SB 838 relating to renewable portfolio
standard

Dear Ms. Davis:

Thank you for the opportunity to provide comments to staff on the OPUC rulemaking to define Section 27 of SB 838, which defines the phrase "constructing and operating" in amended ORS 757.612(3)(b)(B). Energy Trust's comments are as follows:

Proposed Definition of "Constructing and Operating"

The draft rule includes the following changes to OAR 860-038-0005, Definitions for Direct Access Regulation:

- (9) "Constructing and operating," as used in ORS 757.612(3)(b)(B), means constructing, or operating, or both.
- (a) As used in ORS 757.612(3)(b)(B), "constructing" includes the following activities:
 - (A) Pre-development project studies, activities or costs that are related to the planned development of a new renewable energy resource that a developer or owner would reasonably expect to incur; and
 - (B) Activities or costs directly related to the building of a new renewable energy resource.
- (b) As used in ORS 757.612(3)(b)(B), "operating" includes the activities and costs necessary for a new renewable energy resource to function and to be maintained in good working order.

We interpret this proposal to define types of expenditures that are consistent with Energy Trust operations. It is our understanding that the proposed language is intended to describe customary costs for renewable energy projects, independent of whether a developer, owner, or Energy Trust staff performs the work or to whom payments are made. In light of this rule language, renewable energy project-specific expenditures are currently, and are expected to remain, the majority of all Energy Trust renewable energy expenditures. All renewable energy incentives are project-specific expenditures. These incentives are projected to constitute 86% of the draft 2008 Energy Trust renewable energy budget. Additional project-specific expenditures in the Energy Trust renewable energy program include preparing and assisting with legal and contractual arrangements for specific projects, providing specific project-related quality control and quality assurance activities, and managing and providing verification, evaluation, and

inspection of specific projects. These additional expenditures are projected to be another 3% of the draft 2008 renewable energy budget, leaving only 11 % of anticipated renewable energy expenditures of a general, or non-project specific, nature.

We understand that Energy Trust renewable energy expenditures that are not project-specific will be addressed in the OPUC-Energy Trust grant agreement.

Tracking and Reporting Project-Specific Expenditures

Energy Trust would appreciate further clarification regarding expectations of Energy Trust tracking and reporting of project-specific “constructing and operating” expenditures. Currently, Energy Trust uses a standard allocation method to track expenditure categories. This method is consistent with Generally Accepted Accounting Principles (GAAP) and approved by the OPUC. Energy Trust proposes to continue using our current allocation methodology, modified to include categories identified as “project-specific” in the rule, once the rule is adopted. This approach would minimize Energy Trust time and costs associated with rule compliance.

In addition, Energy Trust proposes that reporting on project-specific expenditures, if required, be summarized as part of Energy Trust’s annual report to the OPUC on performance measures.

Tracking and Reporting Non-Project-Specific Costs

Non-project specific expenditures in the renewable energy program reflect a small portion of the entire renewable energy program. Examples include efforts to attract and identify promising new renewable energy resource technologies and projects and programmatic development assistance to potential project developers. As noted above, these costs are expected to account for only 11% of the draft 2008 budget for the Energy Trust renewable energy program.

Energy Trust is concerned that these expenditures be accounted for in compliance with revised statutory and regulatory requirements, and wishes to confirm its understanding of Energy Trust renewable energy program costs not directly related to a specific renewable energy project. The proposed rule addresses only to project-specific renewable energy costs and not to other costs which are also legitimate renewable energy program costs. We understand that Energy Trust renewable energy program costs not directly related to a specific renewable energy project are and will continue to be covered by the public purpose funds Energy Trust receives for renewable energy. These non-specific, program-related costs, including and not limited to general renewable energy program and market development activities, will be addressed in the OPUC/Energy Trust Grant Agreement in a public process separate from the current rulemaking process and consistent with ORS 757.612(3)(d).

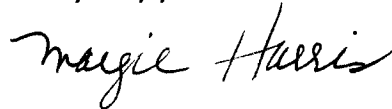
Timing of Revised Allocation Definitions, Grant Agreement Discussions, and Energy Trust 2008 Budget Preparation

Any new, additional, or revised tracking and reporting requirements will affect current Energy Trust allocation conventions and processing of accounts. Any new requirements, therefore, impact the preparation of our draft 2008 budget. Energy Trust is required to submit a draft budget to the OPUC on November 15, 2007 and a final budget by no later than December 31, 2007. Budget submittals will likely precede final adoption of proposed rule 860-038-005. Energy Trust is coordinating with OPUC staff on this matter, and continues to urge that any changes in allocation methodology stemming from the proposed rule be addressed as soon as possible.

Energy Trust looks forward to working with OPUC staff on amendments to the Grant Agreement, as necessary, to address any tracking and reporting considerations for renewable energy program-related, non-project-specific, costs. We are coordinating with OPUC staff on this matter, and again urge that these changes be resolved as soon as possible to allow them to be incorporated to our current 2008 budget.

Thank you for the opportunity to comment. Please contact me or our General Counsel, John Volkman, 503-445-7633, if you have any questions.

Very truly yours,

A handwritten signature in black ink that reads "Margie Harris". The signature is written in a cursive, flowing style.

Margie Harris
Executive Director