

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1020

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON,

Recommendations for Guidelines and a  
Distribution and Reporting Process for Grants  
of Portfolio Options Voluntary Renewable  
Funds.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED IN PART;  
REJECTED IN PART

This order memorializes our decision, made and effective at our March 22, 2016 Public Meeting, to: (1) not approve Portland General Electric's (PGE) proposed Renewable Development Funds' Guidelines as written; (2) direct PGE to work with Staff to remove utility-owned projects from the guidelines and present the revised guidelines at a future public meeting; (3) direct Staff to revisit the appropriateness of commingling funds collected from ratepayers participating in the voluntary program with funds collected from all ratepayers through general tariffs; (4) not accept the utility-ownership component of Staff's proposed Renewable Fund Review Process, (5) direct Staff to present a revised review process at a future public meeting, and (6) direct PGE and PacifiCorp, dba Pacific Power, to work with Staff to adjust tariff language to include reporting requirements in the companies' respective schedules. The Staff Report describing the proposed guidelines and review process is attached as Appendix A.

Dated this 28 day of March, 2016, at Salem, Oregon.

*Susan Ackerman*

**Susan K. Ackerman**  
Chair

*John Savage*

**John Savage**  
Commissioner



*Stephen M. Bloom*

**Stephen M. Bloom**  
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.



**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 22, 2016**

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE  March 22, 2016

DATE: March 14, 2016

TO: Public Utility Commission

FROM: Cindy Dolezel (SD)

THROUGH: Jason Eisdorfer and Aster Adams *JE* *AA*

**SUBJECT:** OREGON PUBLIC UTILITY COMMISSION STAFF:  
(Docket No. UM 1020) Recommendations for Guidelines and a  
Distribution and Reporting Process for Grants of Portfolio Options  
Voluntary Renewable Funds.

**STAFF RECOMMENDATION**

Staff recommends that the Commission:

1. Conclude that Portland General Electric's (PGE) proposed Renewable Development Fund (RDF) Guidelines meet the requirements of Order 14-273<sup>1</sup> and satisfactorily address areas related to the funding and development of renewable energy projects and for these reasons, the Commission should approve the Guidelines (See Attachment A).
2. Accept Staff's proposal set forth in this memorandum to implement a Renewable Fund Review Process (Review Process) for whenever funds are sought under Pacific Power's (PAC) Blue Sky Community Grants (BSCG) program or under PGE's Renewable Development Funds (RDF) program.

<sup>1</sup> Order 14-273, signed on July 22, 2014, approved Staff's recommendations that PGE submit its Renewable Development Fund Guidelines to the Commission for review as part of its annual Portfolio Options Report. While the Commission did not state in its order the areas it wanted PGE's Guidelines to address, Staff has reviewed them in detail and recommends Commission approval for the reasons discussed in this memorandum.

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3. Require PGE and PAC to work with Staff to adjust their relevant tariff language to include reporting requirements as set forth in Staff's memorandum for Schedules 7 and 32 for PGE and for Schedules 211 and 212 for PAC.

## ISSUE

Whether the Commission should approve PGE's proposed Guidelines, Staff's proposed Review Process, and Staff's proposed changes in the utilities' relevant tariff language to add reporting criteria.

## APPLICABLE LAW

ORS 757.603 requires the electric utilities to provide a portfolio of rate options to residential customers. Commission Order No. 01-337, dated April 26, 2001, adopted "Portfolio Options" for PGE and PAC.

## DISCUSSION

In 2002, a total of four rate options were adopted by the Commission pursuant to ORS 757.603, one of which was the renewable block rate. PGE (through Schedules 7 and 32) and PAC (through Schedules 211 and 212) both offer renewable block rates to residential and small commercial customers. Voluntary purchases of the renewable block rate created the opportunity for customers to contribute to a renewable resources development and demonstration grant fund. Grants awarded from this fund were intended to increase renewable energy development in Oregon. PAC established its grant program in 2006. PGE is requesting to initiate its first grant program upon Commission approval of the proposed Guidelines, meeting the requirements of Order 14-273 in Docket No. UM 1020.

The Portfolio Options Committee (POC) previously reviewed PAC's guidelines in 2005 and the Blue Sky Community Grants (BSCG) program has been active under these guidelines since 2006. BSCG's guidelines are attached to this memorandum for reference as Attachment B. There has not been a request by the Commission to review PAC's guidelines.

This memo introduces PGE's first proposed grant program to distribute the voluntarily collected grant funds. Both the POC and Staff encouraged PGE to set forth specific criteria or guidelines for the allocation of its grant funds and a process for distributing the funds. PGE submitted its current version of the proposed Guidelines in April 2015

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to Staff for review. Since April 2015, there have been multiple iterations of the proposed Guidelines. The final version of PGE's proposed Guidelines, included with this memorandum as Attachment A, closely aligns with PAC's established program criteria for the Blue Sky Community Project Funds (BSCF) program as set forth in Attachment B.

The process for utility reporting on accounts that hold the voluntary funds and the allocation of grant funds to proposed projects has occurred with minimal formality. Because funding levels have accumulated to over \$14 million for the two programs combined, Staff is proposing its Review Process that formalizes accountability for both utility grant programs.

Staff's proposed Review Process creates a reporting structure and further develops a process and protocol that sets check-in points for Staff review (when the projects are requesting \$400,000 or less) and for Commission approval or denial for projects that are requesting over \$400,000 or involve utility ownership. The Review Process also defines annual reporting expectations for the funds held in voluntary accounts and for the projects associated with each year's disbursements and encumbered funds.

Staff's memo has three main discussion sections which are followed by Staff's reasoning and recommendations. The discussion sections are as follows: (1) a background and summary of PAC's and PGE's grant programs; (2) PGE's proposed Guidelines to Distribute Grant Funds; and (3) Staff's proposed Review Process for distributing grant funds for both PAC and PGE.

### **Section 1: PAC's Blue Sky Community Grants (BSCG) and the PGE's Renewable Development Funds (RDF)**

PAC and PGE accumulate funds from customers who voluntarily enrolled in programs to purchase renewable block rate products ("enrolled customers"). PAC and PGE pay their relevant approved average cost of capital as interest rate on the funds in the accounts that hold the voluntary funds on an annual basis.

#### **A. PAC's Blue Sky Community Grants (BSCG)**

PAC's BSCG program was established in 2006. To date, it has funded 77 projects, with 62 projects constructed for a total of 6.7 MW DC, and 15 projects in progress that total 1.3 MW DC. BSCG funds reached approximately \$3 million in 2015.

As part of PAC's Schedule 211 and 212, enrolled customers contribute funds to cover program costs and match renewable energy purchases to block purchases. Funds not spent after covering program costs and/or matching renewable energy certificate



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purchases can be used to fund qualifying initiatives. Qualifying initiatives include (derived from the Schedule language):

1. Funding for locally-owned commercial-scale renewable energy projects that produce less than 10 MW of electricity. The preference is for local, community-based projects that provide strong environmental and economic benefit to local communities and consumers that PAC serves under the applicable tariff schedule.
2. Funding for research and development projects encouraging renewable energy market transformation in order to accelerate marketability of renewable energy technologies.
3. Investment in the above-market costs associated with the construction of renewable energy facilities or purchase by contract of Renewable Energy Certificates (RECs) (actions which are intended to reduce the costs of renewable energy to be competitive with cost-effective resources).

PAC's BSCG program was designed to meet and promote each of the qualifying initiatives criteria set forth above. BSCG receives an unspecified dollar amount of funds each year, because the funds are available only after all the costs are covered to administer programs costs and after REC purchases to Block purchases are matched. Only then do funds get allocated to the qualifying initiative for grants. This is why funds have varied over time.

BSCG has traditionally allocated grant funds to community and nonprofit projects and distributed most of its accumulated funds through its annual grant cycle. This enables PAC to ensure that large amounts of funds do not accumulate from year to year. To date, PAC has not requested funding from the PAC's BSCG program for utility-owned or sponsored projects.

#### **B. PGE's Renewable Development Fund (RDF) Program**

PGE's RDF program receives funds provided by enrolled customers through Schedules 7 and 32. The RDF funds are allocated at \$1.50 per each \$2.50 collected through contributions to the Clean Wind fund. Each \$1.50 received for the RDF program has accumulated, resulting in a current balance of approximately \$11.6 million.<sup>2</sup> PGE does not make a profit by offering renewable options to customers.

<sup>2</sup> In 2014, the POC and Staff recommended that \$7.3 million of the total \$8.3 million in PGE's Green Source Reserve Fund and the \$800,000 balance in the Renewable Future Fund both be joined with the

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PGE pays its average cost of capital as the interest rate for the funds held in the voluntary account.

## **Section 2: PGE's Proposed Guidelines to Distribute Grant Funds**

Both PAC and PGE have brought forth guidelines for their respective programs that outline how they want to award and distribute their grant funds. The POC has reviewed the guidelines from both utilities and recommended that the programs move forward for Staff review.

### *PGE's Proposed Renewable Development Fund Guidelines (Guidelines)*

PGE's proposed Guidelines set forth criteria and protocol for project submissions and the awarding of grant funds (see Attachment A). PGE's submission represents a new program to distribute voluntary grant funds and is presented for Commission review as required by Order No. 14-273. The POC reviewed PGE's proposed Guidelines at its January 19, 2015, meeting and voted to recommend that the Guidelines be submitted for review by the Commission. Unlike for PGE, the Commission has not required PAC to submit its guidelines for Commission approval.

Staff recommends the Commission approve the Guidelines so PGE may initiate its first grant round under its RDF program.

Points to highlight about PGE's RDF program and Guidelines include:

1. What is unique and warrants Commission close consideration is that this is the first time a utility has asked for a role in using these voluntary grant funds for utility-owned or utility partnered projects, with the intent to rate-base the utility portion of the funding.
  - a. Staff believes that the desire to use grant funds for utility projects and then to rate base other portions warrants more oversight than has occurred in the past when PGE's program was less formal and public. PAC has not to date requested to use any portion of grant funds for their own projects.

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then \$3.2 million in the Clean Wind Development fund. This combined sum totaled \$11.3 million. (See Order 14-273) and was then jointly allocated under the development fund guidelines. PGE renamed the fund to the Renewable Development Fund. Since that time, interest has been paid and \$2 million from the Fund was granted to the PPS rooftop schools project in 2015. The PPS project and RDF granting decision was reviewed and recommended by the POC. The current account balance for the PGE RDF program is \$11.6 million as of February 29, 2016.

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- b. PGE agreed that oversight is warranted and collaborated with Staff to develop the Review Process being proposed.
2. PGE's Guidelines require Commission approval per Order No. 14-273;
3. PGE's grant funds have accumulated to a much larger amount than have PAC's BSCG funds (\$11.6 million versus \$3 million); and
  - a. PGE, like PAC, is giving preference to non-profits or public entities or projects in partnerships with such entities.
    - i. In Staff's opinion, PGE has appropriately chosen to align its program with PAC's program guidelines, building off of PAC's program that has proven successful for many years.
    - b. PGE includes education-focused projects and research and development projects as eligible to apply for the funds. This varies from PAC's program, but Staff finds it to be acceptable.
4. PGE's grant funds will typically cover above market costs, but may cover partial costs or basic expenses as in a project that is educational in nature.
5. Ineligible projects and activities include passive solar, geothermal, single family residential, and off grid projects. This is also similar to PAC's guidelines.
6. The projects must be:
  - a. Directly connected to PGE's grid or delivered to PGE via a Power Purchase Agreement (PPA);
  - b. Utility or commercial scale;
  - c. Capacity less than 10 MW;
  - d. New or an expansion of an existing project; and
  - e. Completed in 18 months (case-by-case extensions may be granted)
7. Preference will be given to projects that:
  - a. Are in PGE service territory; and
  - b. Owned by a PGE customer
8. No single applicant or project will be eligible to receive more than 33 percent of total development fund balance at the outset of each funding cycle.

Staff has had concerns over how the utilities separate program costs and related returns and expenses and then ensure that voluntary grant funds are properly separated and accounted for.<sup>3</sup> Staff's concerns were alleviated by PGE's recent (and first) internal audit of cost allocations in its voluntary renewable power program administration costs.<sup>4</sup>

<sup>3</sup> Costs incurred when voluntary programs are chosen by program participants are to be borne by the voluntary program participants. OAR 860-038-0220(8)(f).

<sup>4</sup> This audit stemmed from PGE's most recent rate case, where the Commission adopted a stipulated settlement, the terms of which required PGE to conduct an audit of portfolio options costs and participating customer contributions. PGE presented the audit findings to Staff in November 2015.



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In developing its Guidelines, PGE consulted with Staff, the Energy Trust of Oregon (ETO), the POC, and reviewed PAC's BSCG process requirements. Both the BSCG and the RDF programs will offer an annual, open and competitive process for awarding funds to applicants for renewable energy projects. Applications will be reviewed and evaluated according to eligibility guidelines, preferred project status, and evaluation criteria.

PGE has retained two contractors, Northwest SEED and Cadmus, to help evaluate the projects seeking grant funds, including comparing technological and economic feasibility of the projects against other projects applying for funding and against the relevant utility guidelines. Northwest SEED will evaluate projects that are relatively small (i.e., requesting up to and including \$400,000 in RDF funds) while Cadmus will evaluate projects requesting more than \$400,000. This dollar demarcation would roughly coincide with a project nameplate capacity of 500 kW and is in alignment with PAC's historical project allocations. This dividing line plays to the strengths of these organizations in experience and technical capability.

PGE has clearly declared its intent to Staff to compete for and use these grants funds for PGE owned projects and to pursue rate basing the non-grant portions of funding toward the projects. With that known, Staff proposes that for any projects that request a utility ownership-role, regardless of the project's capacity or the requested funding amount, the proposed project application will also be evaluated by the Cadmus group. The Cadmus group will send the results of these project evaluations directly to Staff.<sup>5</sup> Staff requested this process, so that a third party reviewer was in place. Staff was concerned that utility projects being submitted for funding would be competing with other submissions from non-utility projects and would be evaluated by the utility's contractor. Staff will receive all project evaluations from Cadmus to ensure the projects are fairly judged and ranked.

### **Section 3: Staff's Proposed Review Process for distributing grant funds for both PAC and PGE.**

Staff is pleased that PGE created a program that is similar to the demonstrated successes of the PAC's BSCG program. Staff is proposing a similar review process for each utility (Table 1 for PAC, Table 2 for PGE). Staff attempted to develop a review

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The audit results demonstrated that PGE's administrative support costs for the voluntary renewable power program were below five percent. As a result, no adjustment to PGE's method for accounting for program costs was needed. Similar audits will take place every three years on a going-forward basis. See Order No.15-356 at 8.

<sup>5</sup> PAC does not intend to have a utility ownership-role at this time, but if it does in the future, then Staff expects PAC to follow a similar process for independent evaluation.

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process for both utilities that is in alignment with PAC's established program for several reasons:

- Utility use of these funds is being requested formally for the first time;
- Accumulated funds in both programs combined has exceeded \$14 million;
- There is currently minimal formal accountability over these funds; and
- Participation in the enrolled customer voluntary programs continues to grow.

Staff defines three categories for review of projects as follows:

Category 1: Projects requesting \$400,000 or less in voluntary grant funds.

Projects in Category 1 will comply with the following process:

- Announcement of the funding program;
- Project submitted and reviewed by third-party contractor (both PGE and PAC use Northwest SEED for this review);
- List of project recommendations submitted to utility by Northwest SEED;
- Projects selected by utility, but the project proposer not notified until after Staff review of the project list;
  - Staff review of the project list allows the opportunity for Staff to raise concerns and seek more information about any project. Staff will strive to have its review of the list of projects completed within five business days, so as not to delay the awarding process significantly. If a project is flagged by Staff, the utility and staff will work to clarify any issues surrounding that proposal.
- The utility notifies the awardees only after Staff reviews the list;
- As is typical with solar project grants, the grant funds will be distributed once the project is constructed and operational; and
- Annual reporting (through a compliance filing), by March 15, of the grant funds for each utility will include a submission by the utilities of a list of projects that the voluntary funds were distributed to or allocated to and a year-end summary of the status of the voluntary funds account.
  - PGE and PAC will work with Staff on the format and content of the reporting.
  - Staff expects the reporting to outline the fund activity, funds encumbered, and annual tallies of project awards, size of the projects, and program administration details – similar to PAC's reporting sheet in Attachment C.

Category 2: Projects requesting more than \$400,000 in voluntary grant funds.

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Category 3: Projects where the utility owns, partners with, or contributes funds or in kind donations to in any way to a project. For example, the utility may support a project by conducting equipment or transformer upgrades or offering other services above and beyond a normal solar installation and utility interconnection.

Staff proposes to limit the percentage of grant funds for utility-involved projects to a maximum of 33 percent of the total funds available in each annual grant cycle. This could be one project or several projects, but the combined limit is set to a maximum of 33 percent of the total funds released for any one grant cycle.

Projects in Category 2 and 3 will comply with the following process

- Category 2 and 3 Projects are submitted and reviewed by a third party (PGE would have Cadmus group review the projects over \$400,000 and PAC would continue with Northwest Seed);
- The third party reviewer submits the project evaluation to Staff;
- Staff reviews project information and prepares a public meeting memo to the Commission outlining its review and providing Staff's recommendation; and
- Commission approval or denial at Public Meeting of the funding allocation for that project. PGE and PAC will submit annual reports outlining their respective fund's disbursements and collections.

### **Reasoning Behind Staff's Proposed Review Process**

Staff strongly believes a formal review process and oversight of both utilities' grant programs is needed due to their importance and the large sums at issue. *See generally* Footnote 2, *supra*. PGE worked with Staff in developing PGE's attached Guidelines. Staff worked with both PAC and PGE in developing Staff's proposed Review Process.

#### **➤ General Oversight of Funds**

PGE has had an informal process for funding projects with voluntary funds and has distributed funds to 18 projects since 2002 some of which include: Oregon State Capitol Building, Kettle Foods, Hillsboro Civic Center, Rosa Parks Elementary, Zenger Farms, German American School, Oregon Solar Highway, Portland Public Schools, City of Portland, Oregon Museum of Science and Industry, Baldock Solar Station, and Portland Public Schools.

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Some formalization was introduced at the POC several years ago, but the proposed Guidelines represent a much more formal, publically available process that allows for more oversight.

PGE's grant funds have accumulated to over \$11.6 million dollars in relation to PAC's program that reached \$3 million at its highest. This large accumulation of funds was a concern to Staff. Staff wanted to ensure that acceptable criteria were in place for equitable distribution, especially since utility access to these funds was being requested.

Staff notes that some reporting on these voluntary funds for both PGE and PAC already occurs through various Commission reporting mechanisms, such as: POC executive sessions, tariff reports, miscellaneous orders, and data requests. There is not a single standardized reporting mechanism that includes such data as project information, account balances for the current funds, and funds disbursed. Thus, Staff recommends bolstering the reporting with an agreed format and content for both PAC and PGE.

➤ **Defining Categories - Why Staff chose the \$400,000 or more threshold**

The \$400,001 trigger point that leads to a Commission decision was developed to ensure that the Commission has the opportunity to approve or deny projects receiving a larger sum of voluntary customer funds and if the utility was proposing to own the project.

PGE has funded two projects in excess of the \$400,000 threshold: (1) Portland Public Schools for \$2 million and (2) the Prologis II - Sunway 3 project for \$580,000. Staff notes that only one PAC project has received funds in excess of the \$400,001 cut-off since its program started in 2006. Staff used this threshold to be a trigger point for larger projects to be treated differently and warrant a deeper review. The utilities agreed with this approach.

➤ **Utility ownership**

Staff recommends that the Commission allow a utility to participate in ownership of the project for the following reasons:

- There are accounting and oversight complexities when a utility owns any resource – the utility would need to have separate accounts for *rate base funds and any associated return on investments* from *voluntary RDF accounts*. The utility has experience in separating accounts and it has

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been demonstrated to Staff that PGE is tracking voluntary funds adequately and they are being allocated separately. Follow up audits every three years on these funds will show Staff that proper accounting is set up and executed appropriately.

- Even with separate accounting in place, the utility has the benefit of economies of scale in administration and the marginal administrative cost for overhead could easily be attributed to all ratepayers. The recent audit process and the proposed accountability review will monitor the funds and allocations to ensure rate payers are not subsidizing the work done by the utility to own the renewable project. Staff notes that as the renewable programs grow, this needs to be monitored and the recent audit process helps with this issue.
  - RECs - Clear accounting needs to be in place and checked to ensure that funds are kept in separate accounts and that the RECs are tracked accordingly to the portion of funds. RECS for the voluntary portion will be retired on behalf of the customers and will be purchased by the utility before any other REC purchases occur.
- While ratepayers already have access to renewable energy through the Renewable Portfolio Standard, customers have expectations to support additional renewable development. So excluding the utility from applying for the funds that would stimulate projects they normally would not pursue seems unfair to Staff.
  - For renewable projects that will attempt to be rate based, a utility will usually file an update to the Renewable Resources Automatic Adjustment Clause (RRAAC) to recover the costs of qualifying utility-owned and/or contracted new renewable energy resource projects not otherwise included in rates. The first step in this process is for the utility to file an application for a deferral. The review of the deferral application will come in the same year that the project comes on line. For PGE, this occurs in April under tariff schedule 122. Typically, a utility-owned project would undergo no review until it was already built and is then presented to be part of the RRAAC. However, Staff will see a project proposal long before it is built and grant funds will be awarded only after review and Commission approval of the project proposal.



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- When a utility is seeking grant funds, the projects are being reviewed in the design stage and if the project seems reasonable, the grant funds may be allocated to that project and distributed upon completion. The risk is on the utility for the portion of the project that it intends to rate base.
- The approval of grant funds to that project in the proposal phase is not a guarantee that the project structure will qualify for rate basing at a later time. Staff wants to express caution that a proposed project is sometimes very different than what actually is constructed, so the allocation of grant funds through the RDF is not a pre-approval by the Commission that will guarantee that any portion of the grant funded project will or can be rate based at a later time.

➤ **ETO Involvement**

- Staff engaged with the ETO as PGE developed its Guidelines to understand how the availability of this large amount of grant funds in the market would affect the ETO.
- ETO is expecting renewable projects to apply for these funds and even noted that several biogas and other non-solar projects are awaiting the program launch.
- Past use of ETO funds for PAC projects has included a customizable process to allocate above-market costs.
- Staff notes that the amount of funds in both PGE and PAC's grant programs combined is almost equal to the ETO's annual budget for renewable projects. This has caused some concern about ETO's ability to cover above-market costs for several large projects that it had not budgeted for.
- ETO will review PGE voluntary grant funded projects on a case-by-case basis.

In summary, Staff proposes that the utility be allowed to apply for and use RDF grant funds, with the proposed Review Process in place to ensure proper accounting, fairness, and transparency. Staff believes the proposed changes are in alignment with the intent of the voluntary customers who paid into the fund and that the Review Process is manageable and necessary for these growing funds for both PAC and PGE. Staff believes the creation and oversight of funding categories is fair and enables different types of projects to be considered to receive grant funds.

Staff emphasizes that Commission approval of funding allocations to a proposed project will not constitute prejudging the ratemaking for such projects. Decisions whether to

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allow a utility to recover from its customers the costs associated with these renewable resources may only be made in a rate case proceeding, or the RRAAC, where the utility's resource investment will be found prudent (or not) for the purposes of cost recovery from ratepayers.

Staff would like to thank both PAC and PGE who have collaboratively worked with Staff to develop this new process.

**Staff Recommendation:**

Staff recommends the Commission adopt the following:

1. Conclude that PGE's Renewable Development Fund Guidelines meet the requirements of Order No. 14-273, and satisfactorily address areas related to the funding and development of renewable energy projects and, for these reasons, approve the Guidelines.
2. Accept Staff's proposal set forth in this memorandum to implement Staff's proposed Renewable Fund Review Process whenever funds are sought under PAC's Blue Sky Community Grants program or under PGE's Renewable Distribution Funds program.
3. Require PGE and PAC to work with Staff to adjust their tariff language to include reporting requirements for Schedules 7 and 32 for PGE and for Schedules 211 and 212 for PAC.

**PROPOSED COMMISSION MOTION:**

The Commission:

1. Concludes that PGE's proposed Renewable Development Fund Guidelines meet the requirements of Order No. 14-273 and satisfactorily address areas related to the funding and development of renewable energy projects and, for these reasons, the Guidelines should be approved.
2. Accepts Staff's proposal set forth in this memorandum to implement a Renewable Fund Review Process which will apply whenever funds are sought under PAC's Blue Sky Community Grants program or under PGE's Renewable Distribution Funds program.

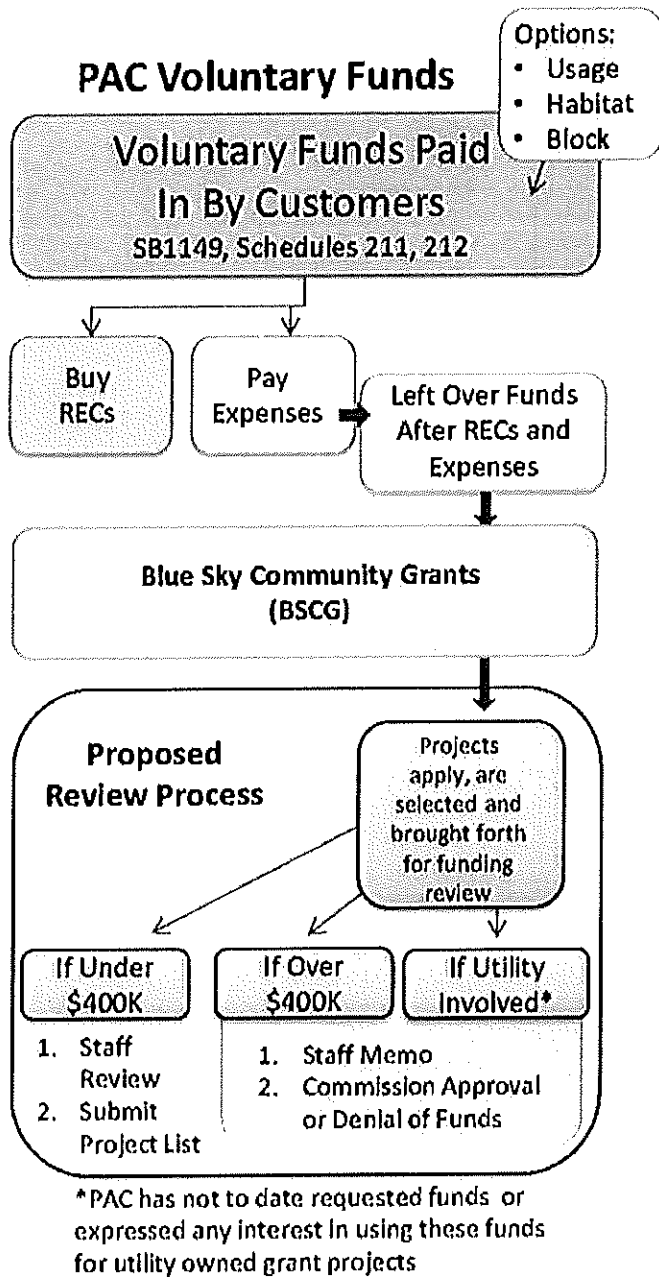
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3. Directs PGE and PAC to work with Staff to adjust relevant tariff language to include compliance filing requirements as set forth in this memorandum for Schedules 7 and 32 for PGE and for Schedules 211 and 212 for PAC.

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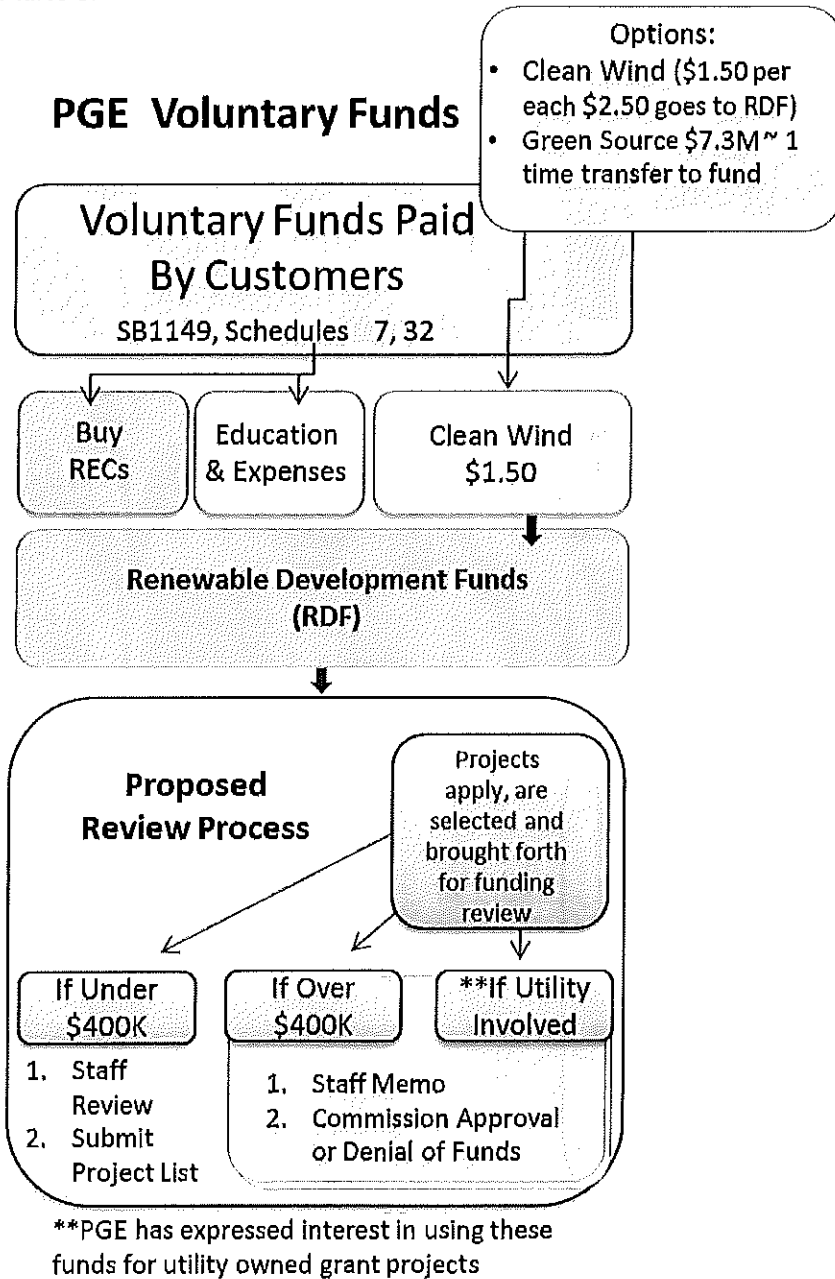
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Table 1



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Table 2







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## Renewable Development Funds' Guidelines - 2016

### Clean Wind and Green Source Development Funds

Thank you for your interest in PGE's Renewable Development Fund program - a program made possible by contributing customers participating in Portland General Electric Company (PGE) renewables offerings. Development Funds come from a portion of the payments that renewable customers pay in addition to their standard PGE light and power bill. Please review the eligibility guidelines, project requirements and evaluation criteria below. Applications will be reviewed by a committee of PGE representatives and community members based on these considerations and subject to availability of funds.

#### Eligible for Funding

1. Selected projects will be allocated funds to provide all or part of the costs of new "steel in the ground" renewable energy projects that are either directly interconnected to PGE's grid or delivered to PGE pursuant to a Power Purchase Agreement (PPA). Eligible renewable project types include:
  - Wind
  - Geothermal
  - Solar PV
  - Low-Impact hydro certified by the Low Impact Hydro Institute (LIHI)
  - Pipeline or irrigation canal hydropower
  - Wave energy
  - Tidal energy
  - Low-emission biomass or biogas based on digester methane gas from landfills, sewage treatment plants or animal waste and biomass energy based on solid organic fuels from wood, forest or field residues or dedicated crops that do not include wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol or copper chrome arsenic
2. Research and development projects that facilitate renewable energy market transformation or the emergence of new renewable technologies.

3. Educational components directly associated with a Clean Wind/Green Source funded renewable project.

### **Ineligible for Funding**

1. Renewable energy project types:
  - Passive solar or thermal solar systems
  - Geothermal heat-pump systems
  - Geothermal or biomass heat generation systems
  - Single-family residential projects
  - Off-grid projects with no additional educational benefits
2. Activities not directly associated with the capital costs of new renewable energy systems:
  - Structural or site improvements required prior to project construction, including:
    - o Canopies
    - o Roofing
    - o Tree removal
    - o Lighting
    - o Flooring
    - o Structural reinforcement
3. Fees incurred for project estimates or bids.
4. Site evaluation expenses.
5. Landscaping costs.
6. Construction Bond Costs.
7. Facility maintenance or repair costs.
8. Interest or warranty charges.
9. Donated, in-kind, or volunteer materials or labor.

### **Project Requirements**

1. Project must be either directly interconnected to PGE's grid or delivered to PGE pursuant to a PPA.
2. Project must be new or an expansion of an existing project.
3. Project completion (defined as delivering power) within 18 months of funding approval. Extensions may be considered on a case-by-case basis.
4. Commercial or utility scale, with capacity less than 10 MW.

5. In the event that any project receives over \$400,000 in grant funds or that involves utility ownership, applications must be reviewed and approved or denied by the Oregon Public Utility Commission (OPUC) before any funds are distributed.
6. Utility owned projects are subject to independent review by a third party, with the results of the evaluation transmitted to the OPUC Staff in a sealed envelope. PGE and/or its co-applicant will abide by the evaluation recommendation provided by the OPUC.
7. Projects under \$400,000 require the OPUC Staff to receive list of funded projects for review. Following a one-week waiting period, PGE will notify the selected applicants of the funding decision.
8. Equipped with production monitoring equipment to collect and report facility output, with data made available via both a production history electronic database and a public web link, to PGE for a period no less than 5 years.
9. Follow interconnection guidelines as required by PGE, the OPUC, the Federal Energy Regulatory Commission (FERC), or any other relevant regulatory agencies.

### Project Preferences

Projects meeting the following criteria may be given priority:

1. Site is located within PGE service territory
2. Site and/or system is owned by a PGE customer.
3. If customer-sited, host customer is either a public or non-profit entity or is proposing a project in a meaningful partnership with a public or non-profit entity.
4. Renewable Energy Certificates (RECs) from project are not sold to 3<sup>rd</sup> parties.
5. Multi-family and low-income housing projects are encouraged to apply.
6. Constructed with local materials or labor (preference for materials and labor from PGE's service territory, Oregon or the Pacific Northwest).
7. Provide a substantial benefit to the community in the form of educational engagement and public visibility.
8. Nominated or sponsored by a PGE customer or community in PGE's service territory.
9. Provide significant environmental and economic benefits to local communities and PGE customers.
10. Applicant has demonstrated efforts to obtain all other available funding sources, incentives, federal grants, and tax credits.

11. Projects that have pledged their own funds, secured in-kind donations, or shown a willingness to engage in creative fund-raising efforts which contribute to the overall appeal of the project
12. Projects in which the entirety of overhead, administrative, or project management costs are born by the project owner. In rare instances, PGE may consider requests for funding of administrative costs, depending on the circumstances and qualifications of the applicant.
13. Projects which provide direct financial benefit to the host customer, where the host customer is a for-profit business may be considered, but only if the host customer is purchasing renewable power through a Green-e certified renewable power program.

### **Funding Parameters**

No single applicant or project will be eligible to receive more than 33% of total development fund balance at the outset of each funding cycle. Available funding will be made known at outset of each year/application round. Available funding for the 2016 process is \$11.6 (as of February 29, 2016).

1. All applicants are expected to secure all other forms of available funding, including grants, incentives, and state/federal tax credits.
2. PGE's primary interest is to provide enough funding such that a project is economically feasible; the development funds pay down the above market costs. This may result in funding of anywhere from a few hundred dollars to millions of dollars.
3. Funding may differ from the amount requested.
4. PGE will allocate funding based upon qualified applications, with no guaranteed total amount to be released in any given round.
5. In rare instances, PGE may elect to fund up to 100% of the remaining capital costs of a project. Only projects which have explored all other funding options and which meet a majority of above-stated preferences will be considered in these rare instances.
6. PGE will not provide development assistance, or assistance in obtaining co-funding.

**Additional Considerations, as further defined in accompanying Project Evaluation & Selection Criteria document<sup>3</sup>**

1. Diversity of projects and locations: PGE will seek to fund a diverse mix of small and large projects
2. Reasonableness of the application
3. Thoroughness of project design
4. Feasibility of project budget
5. Qualifications of project team
6. Project complexity & technical feasibility
7. Project readiness

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<sup>3</sup> PGE will present an informational update on projects at a regularly scheduled Portfolio Option Committee meeting.



## 2016 Pacific Power Blue Sky Community Project Funds Guidelines

Projects are selected annually through a competitive evaluation process. Applications are accepted during a defined application period, typically in the spring each year. Funding is limited and varies year-to-year. Individual award amount is influenced by a number of factors, including the number and type of applications received and the outcome of the evaluation process. Submitting an application does not guarantee funding or funding amount.

### Requirements & Eligibility

#### Eligible renewable energy technologies

- Wind
- Solar PV
- Geothermal
- Low-impact hydro, certified by the Low Impact Hydropower Institute (LIHI). Please visit their website for information on pursuing LIHI certification for a hydro project.
- Pipeline or irrigation canal hydropower
- Wave energy or tidal action
- Low-emissions biomass based on digester methane gas from landfills, sewage treatment plants or animal waste and biomass energy based on solid organic fuels from wood, forest or field residues or dedicated crops that do not include wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol or copper chrome arsenic.

#### Project requirements

- Project must be new or a new addition to existing project using new equipment.
- Grid-connected following interconnection guidelines as established by Pacific Power (for small generation projects, typically smaller than 25 kilowatts, a net meter is required) [Learn more »](#)
- Site served by Pacific Power (located in Pacific Power's service area)
- Locally-owned
- Non-residential
- Capacity less than 10 MW
- Completed by December 31, 2017. If project is associated with the construction of a new building or structure, a one-year extension may be considered on a project-by-project basis.
- Equipped with electronic monitoring system to collect inverter energy production data for a period of at least five years. The monitoring system must consist of a production history electronic database and a public web link to be added to Pacific Power's website for educational purposes.
- Applicants are expected to enroll as a Blue Sky business partner as of the date the funding award agreement is signed. Installations that provide direct financial benefit to a for-profit business may be considered, but only if the organization is a Blue Sky participant at the Visionary level. [Learn more »](#)

**Funding is not available for:**

- Off-grid projects
- Heat generation systems - geothermal, passive solar, solar thermal or biomass
- Residential installations
- Projects that have received funding through other Pacific Power's programs such as the Oregon Solar Incentive Program and the California Solar Incentive Program.
- Activities not directly related to the capital costs of new renewable energy systems, such as:
- Structural improvements or other site preparation that would be considered general facilities maintenance (e.g. re-roofing, upgrading an overloaded electrical panel, tree removal or trimming, construction of a carport or other facility that will host the renewable energy equipment) site preparation activities that are only required for the renewable energy project and are otherwise not required for general facility maintenance (e.g., ballast rock removal, roof reinforcement, trenching a new wire run exclusively for the solar array), may be considered an eligible expense on an individual basis.
- Administrative or project management cost
- Construction bond costs, interest and warranty charges
- Ongoing system or facility maintenance or repair costs
- Donated, in-kind or volunteer labor or materials
- Engineering/design costs incurred to date (e.g., site evaluations, estimates/bids)
- Interconnection studies

*Note: Reasonable design costs proposed for the purpose of optimizing the facility's energy production and finalizing system design may be considered; however, Blue Sky funding may not be used to recoup the costs for preliminary designs incurred prior to application submission.*

**Evaluation & Selection**

Applications are evaluated by a diverse team of Pacific Power experts and a third party renewable energy consultant. Evaluation is based on the application materials and an interview with the project team and project contractor/engineer.

After screening for requirements and eligibility, applications are graded on renewable energy project feasibility/readiness, costs, financing, additionality and community benefits and Blue Sky exposure. The evaluation methodology considers the following criteria, among others:

Evaluation criteria	High-level summary of metrics
Project Feasibility/ Readiness	<p><b>Technology</b> – How appropriate is the proposed renewable energy technology/design for the site?</p> <p><b>Readiness</b> – How far along is the renewable energy project in the development process? How feasible is the project plan and installation timeline?</p> <p><b>Capability</b> – How adept and motivated is the project team?</p>
Costs, Financing and Additionality	<p><b>Cost</b> – How complete and competitive is the budget? Is the Blue Sky funding request reasonable?</p> <p><b>Financing</b> – How feasible is the financing model? What is the level of confidence that the project will be fully financed in the required timeframe?</p> <p><b>Additionality</b> – Are Blue Sky funds required for the project to be successful?</p>
Community Benefits and Blue Sky Exposure	<p><b>Community impact</b> – How much will the renewable energy project benefit the community, local economy and renewable energy industry?</p> <p><b>Education</b> – How physically visible is the project? How robust is the education plan?</p> <p><b>Recognition</b> – How robust is the plan to recognize Blue Sky customers for their contribution?</p>

**Preferred project characteristics**

In addition, additional weighting is provided for projects that:

- Advance new and emerging technologies, including solar tied to electric vehicle charging and microgrid
- Target underserved populations (low income or rural)
- Provide robust education and public engagement plans
- Are sponsored by a Blue Sky customer and/or community
- Use local labor and materials
- Have a host that is financially invested in the project. We recommend using the Database of State Incentives for Renewable Energy (DSIRE) as a resource to identify other funding opportunities applicable to your project.

## **Award Recipient Requirements**

If your project is selected for funding, you will be subject to certain requirements to maintain your project's eligibility. The following describes the current award requirements, which are subject to change without notice:

### **Project reports**

1. Submit quarterly progress reports on the 15th day of the month following the close of each calendar quarter until the project is completed and on-line. Failure to submit reports may delay the processing of future reimbursement or for the award offer to be rescinded.
2. Notify Pacific Power as soon as possible in writing of any change in project scope via the project change request form. You must receive approval from Pacific Power prior to altering the scope of the project. The original level of funding awarded will be reevaluated at that time against the new project scope.
3. Submit a final report, and supporting documentation, upon completion of the project, summarizing the project specifications, completion date, anticipated electricity production, educational components and community benefit, etc. as well as documentation that verifies completion (definition below) and detailed renewable energy project costs.
4. Provide documentation of any funding sources not secured at the time of application submission.
5. Keep the Blue Sky funding award administrator and local utility contact apprised of project updates and opportunities to participate in celebrations and news/press announcements as your project develops and upon project completion.

### **Reimbursement process**

Funds will be distributed once the award recipient demonstrates adherence to the requirements and eligibility and provides the following:

- Complete and accurate final report form and supplemental documentation
- Detailed invoicing that includes an itemized listing of all renewable energy project costs
- Documentation of all funding sources and final dollar amounts
- A fully executed Pacific Power net metering or interconnection agreement indicating approval of installation for operation
- Public web link to the inverter monitoring system displaying production data of the renewable energy installation
- Details of ongoing education plan with any supporting documentation such as signage, flyers, boards, blogs, and etc.
- Photos of construction, the completed installation, project kiosk/dashboard and project area (jpg format)

### **Communications**

Funding recipients are expected to notify Pacific Power of all media, outreach and education pieces in advance and submit all collateral for review by the Blue Sky team. All correspondence regarding the project quarterly reports, project change forms, Blue Sky partnership enrollment forms and communication must be submitted via email to Pacific Power at [blueskyprojects@pacificpower.net](mailto:blueskyprojects@pacificpower.net)

Projects provide an educational opportunity for communities – raising awareness and understanding regarding renewable energy technologies and the Blue Sky program. As a result, we expect project sponsors to commit to the following:

- **Permanent recognition:** Develop visible, permanent signage that publicly recognizes the contributions of Pacific Power's Blue Sky customers.
- **Celebrations and publicity:** Celebrate the project completion through one or all of the following: media event, tour, media advisory, press announcement, stakeholder communications. Blue Sky representatives must be provided an opportunity to participate celebrations.
- **Project host website:** Publish the Pacific Power Blue Sky logo and the online project monitoring tool on the project host's website at the time of project completion. Note: monitors cannot be used for advertising purposes.
- **Pacific Power website:** Allow Pacific Power to include information regarding your project in customer communication material used by Pacific Power. This includes Pacific Power's right to use photographs of the facility in brochures and internet pages for purposes of supporting the Blue Sky renewable energy program.
- **Site tours:** Allow Pacific Power and its customers and guests at least two tours each year, subject to 30 day advance notice by Pacific Power.

### **Renewable energy certificates**

To the extent the project is able to generate renewable energy certificates (RECs), award recipients agree to grant Pacific Power's Blue Sky program the right to its proportionate share of the project's renewable energy certificates – an added benefit for Pacific Power Blue Sky customers for the life of the project. The share amount is expressed as a percentage of output when comparing Pacific Power's Blue Sky program financial contribution to the overall cost of the renewable energy project. Project owners may not make claims involving the environmental attributes of the RECs retained by Pacific Power's Blue Sky program. Pacific Power will also be given the opportunity to purchase additional renewable energy credits from the project, up to 100 percent of the project's output.

### **Apply for Funding**

#### **2016 Funding Application Process**

1. Review 2016 award timeline, requirements and eligibility, evaluation and selection and award recipient requirements.
2. Download and complete the 2016 application form, including the supplemental document checklist. This application and supplemental material will serve as the primary means by which projects will be evaluated. Pacific Power and/or its designee may contact you for further information, so please provide current and complete contact information.
3. Submit completed application form in Microsoft Word format along with supplemental documents (a single PDF is preferred) by 5 p.m. PST, May 31, 2016 via email to blueskyprojects@pacificpower.net; please use the following format for your subject line: Applicant name; 2016 Pacific Power Blue Sky Funding Award Application. You will receive email confirmation that your applications materials were received.

- Your application package will be reviewed by company representatives and our renewable energy consultants. Applicants will be notified in writing of award decision by the fall of 2016.

## 2016 Funding Award Timeline

Schedules and the availability of funds are subject to change.

March 1, 2016	Pacific Power begins accepting applications.
May 31, 2016	Submittal deadline by 5 p.m. (PT)
September 2016	Applicants will be notified of award decision.
December 31, 2017	Project installations must be completed.*

*Please note: This is a competitive process. Submitting an application by the published deadline and meeting the eligibility criteria does not guarantee funding.*

\* Extensions to this timeline may be considered for projects associated with the construction of a new building or structure. Projects will be required to complete by December 31, 2018.

### Additional links:

Requirements & eligibility  
Award recipient requirements  
Evaluation & selection

Apply for funding  
Blue Sky fund recipients

Attachment C

	Year	Year	Year	Year
Beginning Available Fund Balance (State) - January 1				
<b>Program Revenue</b>				
Program - Customer Premiums				
Interest Earned				
<b>Total Program Revenues</b>				
<b>Program Expenses</b>				
Renewable Energy Certificates				
Marketing/Admin				
Project Funding Awards (Disbursements)				
<b>Total Program Expenses</b>				
<b>Ending Available Funds Balance (Year-End)</b>				
Project funding award commitments at end of year				
REC commitments at end of year				
<b>Total commitments against available funds balance</b>				
<b>Net Available Balance (Year-End)</b>				
<b>Number of Projects</b>				
# Projects Awarded Funding				
Total Capacity Encumbered				
Total Capacity Installed				
<b>Funding Awarded*</b>				
\$ Awarded & Distributed				
<b>Total Funds Distributed</b>				
Largest Single Project Award				