

This testimony is amended January 10, 2010 to include specific references to sections of the rules and to specific pages of reference works on Feed-In Tariffs – Judy Barnes.

Testimony on AR538 and UM1452 for HB3039, containing Oregon's Feed-In Tariff Pilot Program for Solar Energy before Administrative Law Judge Patrick Power.

January 6, 2010

Dear Judge Power,

Oregonians for Renewable Energy Policy (OREP) believes Oregon's Feed-In Tariff pilot can and was intended to create:

- Solar panels on neighborhood homes, small businesses, churches and schools
- Average Oregonians producing solar energy and earning a return on their investment
- Local lenders financing solar projects in rural and urban Oregon, to keep money circulating locally
- A stable and flourishing solar industry with living wage jobs
- Widespread support among voters for a solar subsidy plan they participate in and benefit from directly

We believe these outcomes can best be achieved by:

1- Adhering to the legislature's intent that 75% of the energy in the pilot programs be generated by smaller-scale and residential systems (HB3039 Section 2 (6)). The proposed rules do not achieve the statute's intended goal (Dec 4th Straw Proposal Table 2 Deployment of Pilot Program Capacity by Project Size).

2 – Ensuring broad participation in the FIT pilot. If we set incentive rates that assume the producer will use the 30% federal tax credit for renewable energy, then schools, churches and individuals without sufficient federal tax liabilities are at a disadvantage because they must make up 30% of their costs from another source. We create a barrier to maximizing solar energy production from available roof-space if a criterion for participation by the retail customer who happens to live beneath the roof is having sufficient tax liability to make use of the credit. The proposed rules make no allowance for this difference in tax status (Dec 4th Straw Proposal Table 1 Variable Incentive Rates by IOU Service County and Project Size – assumptions in footnote).

3- Ensuring a rate setting process that is transparent to investors and ratepayers. This process must clearly describe and use real world costs to calculate an incentive rate that will cover the costs of generation. The proposed rules have not yet set out all these costs in a transparent fashion Dec 4th Straw Proposal Table 1 Variable Incentive Rates by IOU Service County and Project Size – assumptions in footnote).

4- Ensuring that the pilot tests the key characteristics that make the FIT model successful.

The success of the Feed-In Tariff policy model is now well established. FITs increase the rate at which new renewable energy is produced, creating accelerated mass deployment.

Several key characteristics of the FIT model are responsible for these results:

- a. A FIT pays an incentive rate for all the renewable energy produced by a retail customer, not just the amount consumed by the retail customer. This feature encourages excess production and maximizes the use of available rooftop space for production rather than artificially limiting it as traditional net-metering does (“Powering the Green Economy: The feed-in tariff handbook” by Miguel Mendonca, David Jacobs and Benjamin Sovacool, Earth Scan Publications, 2010, page 29, Section 2.8 Purchase Obligations).
- b. A FIT replaces the customary single Power Purchase Agreement (PPA) which negotiates prices one project at a time with the “standard offer” PPA (a fixed price set for a fixed period of time). Different incentive rates are set by project categories (size, solar radiation level) rather than by single projects. This feature speeds deployment because it eliminates the lengthy price negotiation associated with the traditional PPA and expands development opportunities beyond those who can manage these individual negotiations, allowing more producers to enter the market (“Paying for Renewable Energy: TLC at the Right Price”, a Deutsche Bank Green Paper on FIT Policy design, December 2009, page 50 Chapter V, 2.0 Pricing Electricity: The role of PPAs - online at <http://www.dbcca.com/research>)
- c. A FIT employs a transparent rate-setting process that clearly lays out for a potential producer what costs the incentive rate will cover. This provides certainty to the potential investor that the incentive payments will yield a return and creates a low-risk environment that attracts more capital (“Powering the Green Economy: The feed-in tariff handbook” by Miguel Mendonca, David Jacobs and Benjamin Sovacool, Earth Scan Publications, 2010, page 19, Section 2.3 Tariff Calculation Methodology; and "Paying for Renewable Energy: TLC at the Right Price", a Deutsche

Bank Green Paper on FIT Policy design, December 2009, page 15
Section 2.0 Investor Response).

OREP believes it was the intent of the legislature to test the FIT model and compare it to our current incentives. A work-around for the FERC pre-emption issue that eliminates any of the above features will fail to test the potential of the FIT model and will severely skew any comparison with our current incentives.

Sincerely,

Judy Barnes
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