



**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 21, 2016**

REGULAR X CONSENT _____ EFFECTIVE DATE April 21, 2016

DATE: April 12, 2016

TO: Public Utility Commission

FROM: Cindy Dolezel 

THROUGH: Jason Eisdorfer and Aster Adams 

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1020) Revised 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) revised Renewable Development Fund (RDF) Guidelines (Guidelines) meet the requirements of Order No. 14-273¹ and Order No. 16-123² and approve the Guidelines (See Attachment A).
2. Adopt Staff's revised Renewable Fund Review Process (Review Process) as set forth in Attachment B to this memorandum for whenever funds are sought under

¹ Order No. 14-273, issued 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.

² Order No. 16-123, issued on March 28, 2016, rejected PGE's proposed Guidelines as written, directed PGE to work with Staff to remove utility-owned projects from the proposed Guidelines, directed Staff to revisit the appropriateness of commingling voluntary and rate payer funds, did not accept the utility-ownership component of Staff's proposed Renewable Fund Review Process, directed Staff to present a revised review process at a future public meeting, and directed PGE and PAC to work with Staff to adjust tariff language to include reporting requirements in the PGE's and PacifiCorp's respective schedules.

Pacific Power's (PAC) Blue Sky Community Grants (BSCG) program or under PGE's RDF program.

3. Conclude that while Staff explores the appropriateness of commingling voluntary and rate payer funds and returns to the Commission with its findings, except for those projects set forth in Attachment C, new projects receiving funding from PAC's BSCG program or from PGE's RDF program cannot also use ratepayer funds for those same projects.

ISSUE

Whether the Commission should: (1) approve PGE's revised Guidelines; (2) approve Staff's revised Review Process; (3) direct that voluntary programs may not use funds provided by the Energy Trust of Oregon (Energy Trust or ETO) for any projects not already reviewed and approved by the Energy Trust for funding as of the date of this Order and conclude that this moratorium on the commingling of funds continue until the Commission considers the results of Staff's review of this matter.³

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

³ As set forth in this memorandum, both PGE's revised Guidelines and Staff's revised Review Process have removed references to utility ownership as directed by the Commission in its Order No. 16-123.

Order No. 14-273 (issued in Docket UM 1020).

On March 22, 2016, Staff recommended that the Commission approve PGE's first proposed grant program to distribute the voluntarily collected grant funds. As set forth in its Order No. 16-123, the Commission did not approve Staff's recommendation. Instead, in its Order No. 16-123, the Commission directed PGE to work with Staff to remove utility-owned projects from its proposed Guidelines, directed Staff to revisit the appropriateness of commingling voluntary and rate payer funds, they did not accept the utility-ownership component of Staff's proposed Review Process, directed Staff to present a revised review process at a future public meeting, and directed PGE and PAC to work with Staff to adjust tariff language to include reporting requirements in the companies' respective schedules.

Staff's memo has three main discussion sections in accordance with the Commission's directions set forth in Order No. 16-123:

- 1) Revised Guidelines: Staff and PGE work together to remove the inclusion of utility-ownership from PGE's Guidelines, and the revised Guidelines are included as Attachment A.
- 2) Revised Review Process: Staff revised its proposed Review Process to eliminate all references to utility-ownership. Staff's revised Review Process is included as Attachment B.
- 3) Commingling Voluntary and Rate Payer Funds: Staff proposes an approach to review of the appropriateness of commingling voluntary and ratepayer funds for voluntary grant funded projects.

Finally, Staff intends to work with PGE and PAC to adjust tariff language to include reporting requirements in the companies' respective schedules once the Commission issues an order for these Guidelines. The reporting requirements and process of the tariff language will not be discussed as part of this memorandum.

Section 1: Revised Guidelines

PGE has submitted the attached revised Guidelines (Attachment A) for consideration by the Commission. The revised Guidelines have removed all reference to utility-owned projects per Order No. 16-123.

Section 2: Revised Review Process

Attachment B presents Staff's revised Review Process for voluntary funds sought under

PAC's BSCG program or under PGE's RDF program.

Section 3: Commingling Voluntary and Rate Payer Funds

Order No. 16-123(3) directs Staff to revisit the appropriateness of commingling funds collected from ratepayers participating in the voluntary program with funds collected from ratepayers through general tariffs. Staff will initiate its revisit as per Order No. 16-123 after this Commission decision, and will return to the Commission with those findings upon completion of its review.

Staff interprets the Commission's third action item set forth in Order No. 16-123 to have the following major meanings:

- 1) Funds collected from ratepayers participating in the voluntary programs include PAC's BSCG and PGE's RDF program
- 2) Funds collected from all ratepayers through general tariffs includes:
 - a. 17 percent of the 3 percent public purpose charge, which is directed to the ETO for Renewable programs, and
 - b. Any utility-owned and rate-based project.
- 3) Revisiting the "appropriateness of commingling funds" collected from the above two categories of ratepayers asks for an analysis and separate report back to the Commission as to whether using funds from each category to support the same project should be continued.

Further, except for those projects set forth in Attachment C, Staff recommends the Commission issue a temporary suspension of funding by Energy Trust of any new projects if the ETO funds would be provided in addition to funds provided by PAC's BSCG program or by PGE's RDF program. This suspension would continue until Staff reviews the matter and reports its findings to the Commission.

Staff proposes a suspension of commingling of these funding sources for two reasons:

- 1) In Order No. 16-123, the Commission's second action item removed from the Guidelines the option for utility-ownership of any projects that use voluntary grant funds. Because Energy Trust is also funded by all ratepayers, Staff recommends following a similar approach in suspending the commingling of voluntary grant funds and Energy Trust ratepayer funds for renewable projects until the Staff review of appropriateness is complete and presented to the Commission

- 2) Staff notes that if the suspension is not in place, a new grant program would be launched by PGE introducing a significant amount of voluntary funds, (\$11.6 million dollars) to fund renewable projects and this would result in additional commingling of Energy Trust and voluntary funds.

New projects are defined as projects that have not yet been presented by a developer to the ETO with a proposed funding request. Due to the short notice of this plan to suspend fund commingling, Staff and the ETO have identified a list of specific projects which have already received an ETO incentive commitment and have already applied for BSCG funds. Staff recommends that these projects be “grandfathered” and allowed to receive both funds.

A list of proposed grandfathered projects can be found in Attachment C.

Staff will initiate its review as directed by Order No. 16-123 of the appropriateness of commingling voluntary grant funds with ETO program funds or utility rate based ownership and return to the Commission with those findings upon completion of its review. This review will begin in spring 2016.

In summary, Staff believes the proposed revisions to the Guidelines and the Review Process is in alignment with the intent of the voluntary customers who paid into the fund and address the Commission’s expectations from Order No. 16-123.

Staff Recommendation:

Staff recommends the Commission:

- (1) Adopt PGE’s revised Guidelines as set forth in Attachment A;
- (2) Adopt Staff’s revised Review Process as set forth in Attachment B for whenever funds are sought under PAC’s BSCG program or under PGE’s RDF program; and
- (3) Conclude that while Staff explores the appropriateness of commingling voluntary and rate payer funds and returns to the Commission with its findings, except for those projects set forth in Attachment C, new projects receiving funding from PAC’s BSCG program or from PGE’s RDF program cannot also use ratepayer funds for those same projects.

PROPOSED COMMISSION MOTION:

The Commission:

1. Conclude that PGE's revised RDF Guidelines, as set forth in Attachment A to Staff's memorandum, meet the requirements of Order No. 14-273 and Order No. 16-123 and approve the Guidelines.
2. Adopt Staff's revised RDF Process, as set forth in Attachment B to Staff's memorandum, for whenever funds are sought under PAC's BSCG program or under PGE's RDF program.
3. Conclude that while Staff explores the appropriateness of commingling voluntary and rate payer funds and returns to the Commission with its findings, except for those projects set forth in Attachment C to Staff's memorandum, new projects receiving funding from PAC's BSCG program or from PGE's RDF program cannot also use ratepayer funds for those same projects.



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. PGE's Renewable Development Funds come from a portion of the payments that renewable customers voluntarily 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 applications must be reviewed and approved or denied by the Oregon Public Utility Commission (OPUC) before any funds are assigned to a proposed project.
6. Projects receiving less than \$400,000 require the OPUC Staff to receive a list of funded projects for review. Following a one-week waiting period, PGE will notify the selected applicants of the funding decision.
7. 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 five years.
8. 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 third 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 million (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 document¹

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

¹ PGE will present an informational update on projects at a regularly scheduled Portfolio Option Committee meeting.

Attachment B

Revised Renewable Fund Review Process (Review Process)

The following Review Process applies whenever funds are sought under PAC's Blue Sky Community Grants program or under PGE's Renewable Development Funds program (See Table 1 for PGE and Table 2 for PAC).

Staff defines two project categories for review:

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

Projects in Category 1 will comply with the following process:

- Category 1 Projects are submitted and reviewed by third-party contractor (currently, both PGE and PAC use Northwest SEED for this review);
- A list of project recommendations is 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.

Category 2: Projects requesting more than \$400,000 in voluntary grant funds and will comply with the following process

- Category 2 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;
- Commission approves or denies the Staff recommendation for the funding allocation for that project at a Public Meeting.

- 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.

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. PGE worked with Staff in developing PGE's revised Guidelines (Attachment A). 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. 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.

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

The over \$400,000 trigger point was developed to ensure that the Commission has the opportunity to approve or deny projects receiving a larger sum of voluntary customer funds.

PGE has to-date 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 \$400,000 threshold since its program started in 2006. Staff decided to

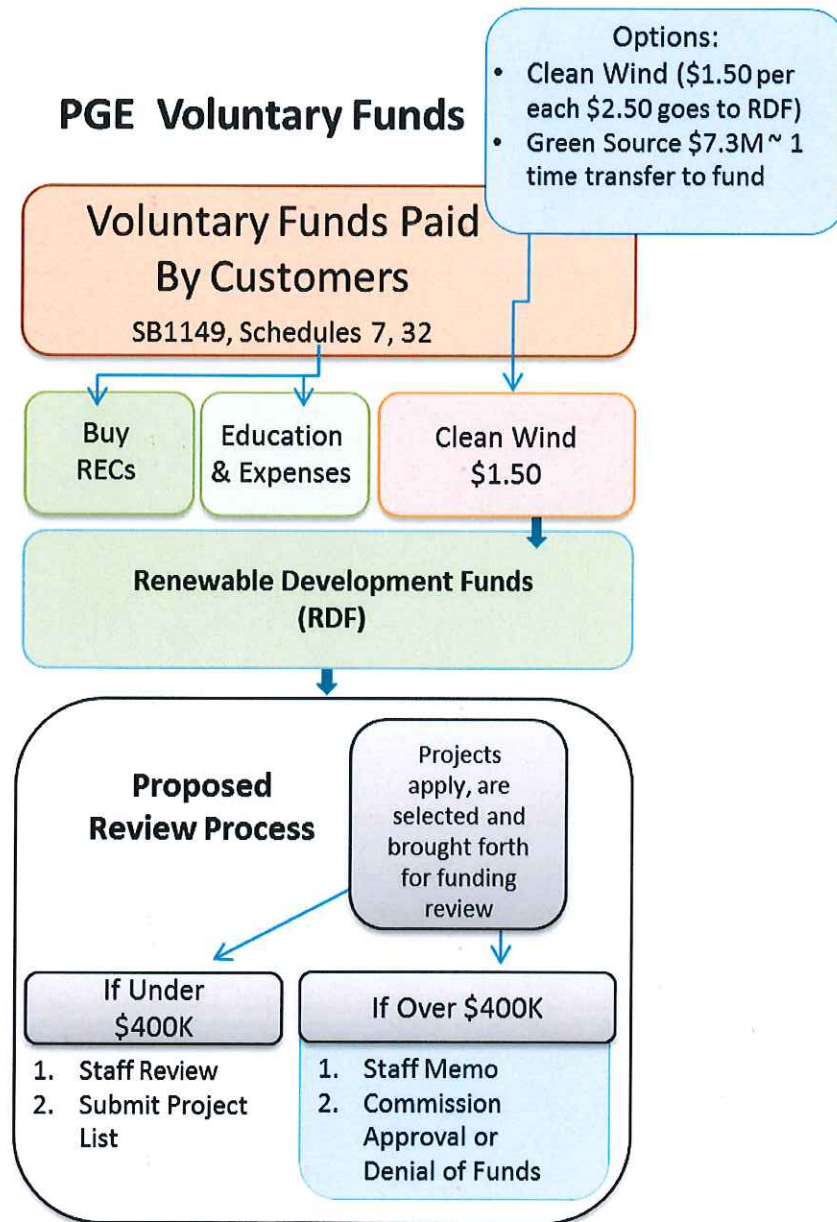
recommend use of this threshold as a trigger point for larger projects to be treated differently and warrant a deeper review. The utilities agreed with this approach.

➤ **Renewable Energy Credits (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.

Attachment B

Table 1



Attachment C

List of Exempt Projects That Can Commingle Energy Trust Funds and Voluntary Grant Program Funds

Energy Trust is working with the following six entities who have been asked to apply for voluntary funding as a part of the process in working with Energy Trust where it is standard procedure to discuss and encourage grant applicants to seek non-Energy Trust funding sources. The list includes five hydro projects and one biogas project. Each of these custom renewable projects is currently engaged with Energy Trust, receiving Project Develop Assistance from Energy Trust as of April 12, 2016. Although not all of the following projects may be awarded voluntary grant funds, Staff is recommending that if they are awarded voluntary funds, the following list of projects¹ be allowed to also receive Energy Trust funds during the Staff review of appropriateness of commingling these funds as per Order No. 16-123.

Project Type	Relationship start year	Entity Type
Biogas 1	2013	Municipality
Hydro 1	2010	Water District
Hydro 2	2014	Municipality
Hydro 3	2015	Irrigation District
Hydro 4	2015	Municipality
Hydro 5	2007	Municipality

¹ The names of the entities are not provided in the table above in order to maintain ETO's confidentiality agreements with each entity.