

List of Attendees at March 22, 2006 Oregon Renewable Energy Working Group Meeting

Rep. Chuck Burley	Gregg Lande, DEQ
Mike McArthur, AOC	Anne Morrow, BPA
David Van't Hof, Governor's Office	Carel deWinkel, ODOE
Kevin Banister, PNGC Power	Christopher Dymond, ODOE
Jeremiah Baumann, OSPIRG	Don Coates
Bob Chamberlain, PV Powered	Doris Penwell, AOC
Michael Early, ICNU	Jim Chauncey, OHBA
Jack Evans, ORECA	John DeMoss
Bill Fashing, OEDA	Dick Sandvick
Katie Fast, OFB	Jan Lee, NW Hydro Assn.
Troy Gagliano, RNP	Matt Tidwell, ODOE intern
Michael Grainey, ODOE	Gary Thompson, Sherman
Cylvia Hayes, BASE	County Judge
Jim Lobdell, PGE	Michael O'Neil, Solaire
Jim Manion, WSPE	Homes/OHBA
Tucker Ruberti, IdaTech	Cliff Schrock, Inland Electric
Virinder Singh, PacifiCorp	Warren Shoemaker
Chris Taylor, Horizon Wind	Robert Preus, ARE
Jim Walls, LCRI	Helen Hull
Dick Wanderscheid, City of Ashland	Don Bain, Aeropower Services
Peter West, ETO	Steve McGrath, Sustainable
Paul Woodin, Western Wind Power	Solutions
Ashley Henry, Stoel Rives	Andrea Fogue, LOC
Jason Eisdorfer, CUB	Jeff Rola, Deschutes SWCD
Tom Starrs, BEF	Julia Mikelson
David McClain, DW McClain & Associates	Lance and Jennifer Barker,
Jon Miller, OSEIA	SolWest Fair
Tom O'Connor, OMEU	Kathy Shinn, ODOE
Bill Drumheller, ODOE	Allan Bates, ODOE

**Oregon Renewable Energy Working Group  
Meeting Notes for March 22, 2006 (Bend, Oregon)**

**Introductions of alternates or others not at first meeting:**

Comments on conduct of meeting, lunch instructions, etc.

**Report from BASE (Business Alliance for Sustainable Energy) summit; key take-away messages for REWG from the conference**

- Considerable enthusiasm for topic was clear and impressed at large number of people.
- Pleased that Governor announced \$1.5 million for feasibility study.
- Group has more responsibility given the enthusiasm evident at the summit.
- Optimistic about the number of viewpoints and policy flexibility evident at summit.
- Liked the talk about export opportunities and creating a market niche for Oregon at summit.
- It was clear from the summit that a lot has happened over the course of a year's time.
- Like when Wyden recognized the need to extend the Production Tax Credit for 10 years.
- We have been selling renewables on environmental grounds for years. Good to see it also selling as economic development.
- Appreciated discussion on production-based incentives and feed-in laws at summit.
- Appreciation for so many people staying and contributing to last session at conference.
- Remarkable progress in the Central Oregon region over the last two years was evident.
- Networking between sessions was productive: an abundance of small business entrepreneurs and several finance companies. Led to real opportunities.
- Different than the usual "preaching to the choir" at these types of events.
- A sense that the climate for renewables in Oregon is maturing.
- Emphasis that GE put on talking about this as big business; how it is now a mainstream industry.
- Repeated message that Oregon needs to be a world leader in renewable energy from elected officials.

Cylvia will send BASE Summit summary document to Bill for distribution to REWG. BASE Summit presentations and such will be available on the BASE web site in the near future.

**Principles Discussion**

Chair: if we can agree, adopt the list as compiled tentatively, and carry them forward to next meeting for formal adoption.

Chair opens it to discussion

- Question: Other groups working on issues, what is meant by that?
- For example, the PUC hearings and working groups.
- Concerned about processes that aren't public processes
- Don't duplicate work of geothermal, biomass, groups, etc.

Discussion on First Bullet on List:

- What is meant by "significant" or "large impact", how do you define
- Is it one big project, or a variety, or what is meant by that.
- "Significant impact or difference" change in wording
- Perhaps "biggest impact", example of national RPS, not realistic
  
- Concern as to how others will interpret if they are presented in a given order
- Chair: list has no particular priority
- Add disclaimer that they are in no particular order

- First and fourth bullets seem to be the same
- Second and third seem to be similar as well
- Get rid of some of the duplicate language

#### Discussion on Second Bullet

- Add identify other groups, need to know what else is going on out there, “identified through the work group”

#### Discussion on Third Bullet

- Related to second one

#### Discussion on Fourth Bullet

- Need long-term vision for business interests
- Basically four points: Condense, 1 and 4, 2 and 3, 5 and 7, 6 a stand alone
- Policy impacts that can happen in short term, but with long-term impacts
- Several points mean focus on what is achievable

#### Discussion on Fifth Bullet

- Problem with word “solely” ; change “solely” to “primarily; general agreement

#### Discussion on Sixth Bullet

- A request for clarification
- Goal is to achieve consensus, question whether we should allow for minority reports
- Concern about whether there will be implied support by all members of group for all recommendations
- Concern about the ratio of number of utility and industrial interests to other members
- Proposal to allow for minority report option
- Intended for “true logjam” where group get tied up and can’t move forward
- To the extent that we can achieve consensus we will be much more effective
- If group splits severely the legislature will not take recommendations seriously
- What is the idea as to how the RPS language will be crafted? Impacts how decisions are made by REWG.
- Q: What is the form that the Governor wants? A: Ideally, a consensus by the group. Short of that, probably looking at different bills by different parties.
- Timing, package by late summer, or later since the Governor can add
- Proposal “goal is to reach significant consensus”, accepted.

Governor’s office doesn’t claim ownership of RPS, will give to legislator to champion if that makes sense.

#### Discussion on Seventh bullet (delayed)

##### Idea for new principle

- Any recommendation needs to be supported by economic analysis
- Proposal: additional principle, any recommendations should be informed by quantitative analysis
- Need economic impact on customers, ratepayers, state economy
- Don’t kill process by weighing it down with overly burdensome economic analysis
- Economic analysis shouldn’t be used to kill process.
- Demand for months-long analysis could be used to end RPS discussion.
- At what stage in the process should extensive analysis be required?
- Most likely result is that there will be range of impacts, and we should be willing to move on those data
- Set a reasonable expectation for analysis
- Whether Staff can handle economic analysis is a matter of degree
- True economic analysis should take into account all externalities and so forth

- Look at what other states have done, we are not doing this first so there should be data from other states
- Need to address economic analysis, but economic analysis has been used to hinder renewables development
- Lack of faith in data and analyses in global warming group hurt that process, don't want that with REWG
- Need balanced, non-partisan analysis and data for process
- Ryan Wiser at LBNL has done cost studies, he has a compilation of studies that can be used
- We have real data to work with here as opposed to global warming group which is modeling based
- Proposal: to the greatest extent possible economic analysis should be considered in any recommendation
- Need to consider how RPS affects rates, how it affects economy of Oregon
- Governor's Office believes we need to consider both issues
- Need to consider financial situations of companies when making recommendations
- Impacts on capital investments in transmission and so forth
- Impacts vary from company to company

Any other comments on principles? No answers.

Proposal: Are there policy principles we want to focus on

- Question whether transmission should be highest priority given magnitude of problem "highest priority" should be taken out
- Missing major principles: Does it impact reliability? Siting inside Oregon? Is it sustainable? Reducing carbon emissions is number one priority.
- Considering impacts on entities and structures (ETO) that are already out there important too.

Proposal: will email back out, ask for more policy principles

- Draft process principles, send policy principles back out
- Global warming principles worked well, need to be brief
- Shouldn't have list with tons of principles, should have list of 5 to 8 principles
- Should we reduce length of principles?
- Look at global warming principles again.

### **New Initiatives from Governor**

#### Legislative ideas for REWG to consider

- Changes to RETC for homebuilders to get tax credit instead of home buyers
- Multiple uses of tax credit for alt energy credits in same tax year
- Change RETC for fuel cells to match changes in PV laws from last session
- Get rid of BETC offset for federal tax credit
- Production incentives, federal PTC, should state do something like guarantee federal PTC or other incentive
- Renewables Fuel Package – biofuels bill from last session (10 different measures)
- As part of biofuels package a production tax credit for biofuels
- Oregon Farm Bureau will be also contributing a legislative package on renewables
- Concern from BASE Summit about lack of tax appetite for BETC pass-through
- There are problems finding partners for the first time for BETC pass-through
- Idea for refundable credit for BETC
- Looked at on the residential side, but need appropriation from legislature, so like spending bill

- Additional hurdle to deal with if that option were to be pursued
- ODOE is actively looking for pass-through partners
- Guaranteed PTC would reduce cost for renewables in state
- Guaranteed PTC might put off some renewable development since PTC rush wouldn't happen
- Question about aggregating residential customers to participate in BETC pass-through
- Question about impact of refundable BETC on federal tax situation.
- Question about state PURPA, still in Oregon law. State-level PURPA came up in BASE Summit session
- Noted that state energy consumption is very large, talk about Governor's 100% renewable plan
- Legislature might want to add weight to Governor's 100% plan
- Question as to whether the REWG wants to weigh in on the Governor's 100% plan

### Priority Discussion

Governor's Priorities: \* RPS \* Biofuels \* Tax Incentives

- Question: Is the goal simply to have more electricity produced by renewables, and RPS simply a mechanism to reach a goal
- Yes, it is only a mechanism, but there is flexibility for other mechanisms to reach same goal

Clarification by Governor's Office that 25 by 2025 goal is not set in stone if REWG decides it should not be.

- RPS does not necessarily produce more renewables in the state
- Tax policy is more effective at ensuring that renewables are produced in the state
- Is the goal to add renewables or to reduce emissions?

Governor's position is to both increase renewables in a way that promotes economic development as well as reduce carbon emissions.

- Focus should be about increasing proportion of load met by renewables as opposed to simply increasing renewables.
- There should also be a focus on jobs and economic development.

Governor's position is that we are talking about economic development.

- Carbon Allocation Task Force existence is noted as a way of addressing carbon emissions.
- RPS increases diversity of portfolio and makes us less reliant on fossil fuels.

Clarification: Governor is really focused on three issues, not just two:

- Energy Independence
- Emissions and Global Warming
- Economic Development
- Assume that policy not trying force the displacement of existing resources or investments
- One staff member notes that RPS goal will lead to displacement of existing coal.
- Disagreement as to whether existing coal will need to be displaced.
- Agreement that all new load growth would have to be met by renewables.
- Need to have a power market to get market penetration, tax incentives themselves won't do it.
- Are we talking capacity or energy target, thought that we can reach goal with capacity.

- Impact on customers of displacement, example of Boardman plant situation with recent shutdown.
  - Discussion about Gorge haze study.
  - What about natural retirement of coal plants before 2025? RPS will factor into shut-down, re-powering decisions.
  - Should forget about statement that we will need to shut down coal plants until more analysis is done.
  - Discussion is centering around rate impact principles, need to figure those out.
  - Difference between stranded assets in Oregon and outside of Oregon ... some impact on bond rating.
  - Should also examine the costs of business-as-usual scenario and costs of doing nothing.
- Can't meet 25 by 2025 goal with only Oregon resources.
  - Can establish priorities for Oregon resources, but can't limit it to only Oregon based renewables.
  - General agreement that we will need to get regional resources.
  - Note that a founding principle of RNP is megawatts in the ground.
  - Consider emphasizing taking power from California instead of other way around. Difficult to limit policies by geography. Should emphasize regional approach.
  - Interplay of states putting in place RPS policies. Race for renewable power in the Northwest.
  - Multiple goals at work, should have broad eligibility to limit costs. Specificity means higher costs.
  - Tax policies and similar, as opposed to RPS, is best way to address location issues.

Chair asks Staff to summarize initial "top 5" survey results. Explanation of results.

Staff will keep open the possibility of submitting additional survey results.

Question as to what the legislature is looking for.

- Legislature is wide open to ideas. As to RPS how can we minimize cost without passing cost to customers. Interest in production policy ideas.

Proposal that priorities should follow governor's priorities

Proposal to split discussion into RPS and biofuels discussions.

- Noted that Biomass Coordination Group is working on biofuels.
- Other groups working on biofuels, perhaps other groups can take the lead on biofuels.
- Biofuels discussion ties into tax credit discussion, so there is lots of overlap there.

Question to chair about setting up sub-committees (RPS, biofuels, etc.)

Encouragement to set up sub-groups to start getting at tasks.

- What were the other subcommittees discussed?
- Chair notes that we talked about legislative/federal policy and some others, but seems to be coming down to three (fuels, RPS/production payment, tax incentives)

Noted that RPS and production payment policies are not mutually exclusive.

Noted that not all renewables are electricity or fuels focused, e.g., solar daylighting and solar hot water.

-- LUNCH BREAK --

**Presentation: Elements of a RPS** (on REWG web site)

Question about contracting issues between New England and the Northwest

Question about voluntary sales in WA RPS? Answer: Can't count green power sales in WA RPS.

- Allowing voluntary green power contradicts fundamental message being sold to consumers.
- Not allowing voluntary green power in RPS is a consumer protection issue.

**Presentation: Introduction to Renewable Energy Production Payments** (on REWG web site)

- Question about integration of wind in Germany and Scandinavia
- Question how high is the feed-in tariff in Germany?
- Question about tax credits vs. feed-in tariff as a driver for economic development in Europe.
- Question about cost per kWh of feed-in tariffs.
- Question about who pays for tariffs?
- Clarification that rates can be spread out over the entire country. Industrials pay less than others.
- Clarification that Solar PV projects get a lot more. Rate impact is roughly 4 to 5 percent.

Staff provides a more detailed explanation of German PV rates in detail.

- Question about how long-term contracting works in a feed-in tariff approach.
- Question about net-metering in Germany, belief that situation is very different in Germany.
- Could be something like the Energy Trust to provide the payment mechanism for feed-in tariff.
- Question about cost caps and how it is calculated.
- Question about size of turbines being used in Europe.

Chair asks for questions about both presentations.

- Has there been cost savings derived from the feed-in tariff approach?
- Noted that the Germans also put on place a lot of tax incentives to create incentive for local distribution.

**Public Comment Period**

Don Bain, Aeropower Services, Inc.

- Regarding RPS discussion: what's the current level of renewable development in Oregon? How does it relate to the percentage figures we're talking about?
- Regarding principles: Agrees that markets are needed. All renewable projects are subject to variables: lead time, cost, risk, complexity.
- There's a good case to be made for BETC changes to refundable credit. Is there a federal taxable income issue? Refundability is a huge benefit.
- Regarding RPS vs. Feed-in tariff advocates: this is not an "either/or" question programmatically to serve certain goals. The two policies are complimentary. Alternatives should be thought of as complements.

Robert Preus, Abundant Renewable Energy

- Small wind advocate and Oregon manufacturer for small markets. Wants to extend credits to small wind as is done for solar (residential costs \$20,000-60,000). Is selling more equipment to Wisconsin and other places.
- Question as to what are the Oregon obstacles:
- Need to be in ETO territory. BETC helps, but doesn't help homeowners. Fifty percent rebates are available in some places or energy costs are much higher. 30-year payback for solar, 15 year for wind.
- Question as what size is being developed:
- Has developed a new 2.5 and 10 kW wind system. Is planning a 5 kW and eventually a 15 kW and a 20 kW. Cost for 10 kW is \$36,000, including the inverter and controls, but not including installation and the tower. Something approaching \$50,000 all included.

Helen Hull, consultant and married to Robert Preus.

- Have found ODOE tax programs to be a great help.
- Would like a review of state tax credits. Are we disqualifying some projects?
- Their company is also manufacturing alternators for other companies being used nationwide.
- They received a \$450,000 USDOE grant for small wind turbines. Lost a follow-up grant due to federal budget reductions.
- BASE conference was great for networking and finding resources.

Don Coates, Farmer

- Farms in Sherman County. The county now has 100 MW. Will get 400-600 more in a few years. Working for two plus years on community based energy. Policy driven effort, BETC and PURPA very important. These projects are complementary to large-wind. Large economic impacts of community-owned projects. Community energy will be a huge benefit to rural areas of the state. Would like BETC enhanced and streamlined. A place for community wind alongside large-scale utility wind.

Steven McGrath, Sustainable Solutions Unlimited LLC

- REWG on the right track. Need adaptable and flexible solutions due to federal and market conditions. Energy Trust model is really good, and would encourage looking at that model as a way to avoid having to do legislation. RETC needs to aim toward bigger solar systems.
- Question: How big a system does RETC need to target? Up to 15 kW or so.

End of Public Comment Period.

### **Next Steps Discussion**

- Announcement of Production Payment Workshop in Salem on April 5<sup>th</sup>.
- Next meeting April 20 or 21.
- Staff will continue mapping project as to who is doing what on the REAP tasks.
- Incentive program map as to what other states are doing.
- Question as to a timetable for the group.
- Chair suggest September or October for legislation for the '07 session.
- REWG can keep going as long as it is useful.
- Discussion next meeting of what group should do.
- RPS elements will probably lead to a discussion for next meeting.
- Need to start nailing down some of the RPS elements if the group is going to get going.
- Staff will post reports on RPS on the web site.
- Request to Staff for mapping process.
- Request for meeting notes and discussion of previous meeting at start of each REWG meeting.
- Suggestion that a sub-committee on RPS and feed-in is too much for one sub-committee.

**Meeting closed.**