



Oregon

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To: Portfolio Options Committee (POC)

From: Oregon Department of Energy (ODOE) Staff

RE: Green Tag Transactions Involving Self-Directed Public Purpose Funds

This memo is in response to the issues raised with regards to the transaction of green tags associated with the Jackson County Solar project (i.e. self-direct funds). Questions were raised by POC members at the December 9, 2005 meeting surrounding the financing package and the subsequent green tag transactions.

Pacificorp, in conjunction with Blue Sky and a collaboration of self-direct customers is supporting the construction of a 24 kW solar photovoltaic project. Funds to complete the project will be provided by nine large self-direct customers, Blue Sky, and the Business Energy Tax Credit (BETC). PacificCorp will finance the project. Blue Sky and the BETC program will support up-front financing with the remainder of the project covered by self-direct public purpose funds over a period of four to five years.

The first issue raised by POC members was the ability of the project to transfer green tags to Three Phases Energy Services. It was determined that any green tags associated with the investment of self-direct dollars are immediately retired on behalf of those self-direct customers investing in the project. However, the the green tags associated with portion of the project covered by Blue Sky and the BETC could be transferred to Blue Sky customers on behalf of their participation.

The second issue raised by the POC was whether or not Blue Sky funds were required to make the project happen. Based on discussions with Pacificorp, RNP, and ODOE it was determined that Blue Sky funds were a required component of the financing. Also, the question of whether or not Blue Sky customers were paying twice for the same tags was raised. The fact that Blue Sky funds were needed for this project and that there are no claims on the portion of green tags associated with the project covered by BETC and Blue Sky, allow for a legitimate transaction.

In summary, only the above-market costs of a renewable energy project can be covered by self-direction dollars. In addition, all green attributes are retired on behalf of those self-direct customers in conjunction with contributions of their dollars. Any other above market costs covered by BETC or any other entity, and the subsequent green attributes may be transacted.