**REGIONAL DIALOGUE RENEWABLES FOCUS GROUP**

Notes 04/26/05

**PARTICIPANTS**

**Phone**

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**Meeting Room**

Scott Brattebo, PacifiCorp
Eric Carter, BPA TBL
Annick Chalier, PPC
Steve Enyard, BPA TBL
Allan Ingram, BPA, Rates
Mark Johnson, BPA, Energy Efficiency
Debra Malin, BPA, PBL
Tom O'Connor, OMEU
Rachel Shimshak, Renewable NW Project
Thad Roth, Columbia River PUD
Sonya Bruce, BPA Writer/Editor Pool

Deb Malin (BPA) opened the meeting and gave background for today's discussion: The Fourmile Hill geothermal project is coming out of the PBL budget for the first two years of the next rate period, she explained. As a result, the only items in the 2007-2008 renewables budget are existing obligations which include the output of six wind projects and continued support for solar, wind monitoring, and other existing commitments Malin said. There isn't anything in the budget for additional facilitation, she stated.

At the beginning of the last rate period, BPA committed to spend up to $15 million net annually on renewables. In the absence of Fourmile Hill we will not meet this commitment. We would like to try to live up to this commitment, so "if this group comes up with some good facilitation suggestions we'll see about putting them in the budget for

2007-2008, Malin said. At the last meeting, we talked about facilitation ideas and what options would give us "the most bang for the buck"; a few people communicated suggestions afterwards – are there any others before we dive into this list? she asked.

Malin went over a list that incorporated the ideas from the last meeting and suggestions that were submitted later. (See pages 13-16) She explained the suggestions as follows:

1. We heard that 2007 is going to be a bad year, so we should defer any spending until 2008.
2. We heard that financing transmission upgrades would be a good use of the money. These could be main grid upgrades, mid-level network facilities, and/or distribution upgrades to facilitate small cluster wind projects in utility service areas. This could be accomplished through a grant-type arrangement. There are pockets of wind potential around the region, and we know there are farmers and likely others interested in the opportunity.
3. Buy down transmission rates, and charge wind by energy, not capacity.

The third one would be problematic, Eric Carter (BPA TBL) stated. It would require a change in the TBL rate structure, he pointed out. And we can't do something for one customer without offering it to all, Carter added.

These are all great ideas, but they cost a lot of money, Rachel Shimshak (Renewable Northwest Project) stated. We need the transmission side to come up with ideas, not just the power side, she added.

We are working on a conditional firm product – it is being actively pursued, Carter responded. We anticipate making a filing sometime this summer, he reported.

The question with the network and distribution upgrades is "for which projects," Steve Enyeart (BPA TBL) said. There are 20 projects in the transmission queue and, how do you decide which to fund "without picking favorites"? he asked.

Timing is a big problem for renewables, Shimshak stated. The project developer does not always have a clear line to financing before they know they need transmission upgrades, she explained. Shimshak suggested that if there were "a revolving fund" that could make money available up front, it could solve some of the timing issue for developers. People would pay back what they borrow from the fund, she added.

What is the length of the timing issue? Lyn Williams (PGE) asked. Many transmission upgrades take 18 to 24 months, Shimshak replied. But a developer's permit allows six months to get up and operating, she said. So there is about a year gap, Williams said.

For a large transmission project, it could take three to five years, Enyeart elaborated. For smaller projects, the construction time is usually three to six months, but ordering wind turbines can take 12 months – about 18 to 24 months is the total time, Enyeart said.

Malin returned to the list of suggestions:

4. Promote new technologies, such as biomass, focusing on the most cost effective or those that would help with peak shaving.
5. BPA takes "a swing position" in a wind project. The swing position is "a mini anchor tenancy" in which BPA participation is needed to push a project over the top. Our lawyers say we would have to demonstrate need for the power.
6. Increase the $6 million in renewables support. If we do this, we would need to have utilities say they could spend more than $6 million per year on renewables.

Could the increased funding go for a longer period than one year? Scott Brattebo (PacifiCorp) asked. If it's just one year, that could be a problem, he said. We already have a rate problem in 2007, Brattebo explained. BPA has "the biggest hole" in 2007 in terms of having adequate revenues to cover risk, but the rest of the rate period, 2008 and 2009, is not as bad, he said.

Providing money for a year or two will not involve long-term commitments – we are likely looking at issuing grants or providing one-time limited funding Malin commented. If we were to commit for a longer period and then Fourmile Hill became energized in 2009, "we'd be way over our $15 million net spending cap" she stated. It's possible we will settle Fourmile Hill by July, in advance of the rate case, Malin acknowledged. But at this point in time we do not know…increasing the $6 million Renewable rate credit may be a problem if we just "have money for a year or two," she pointed out.

We'd have to agree internally to increase the $6 million, Mark Johnson (BPA) stated.

There were questions about how funds have been shifted in the conservation and renewable budgets since the beginning of the Power Function Review (PFR). Malin explained that the conservation target and budget has increased because BPA committed to meeting the goal in the Council's power plan. Capping the renewables discount spending at $6 million will guarantee that the conservation group has enough money to achieve their targets, she explained. Annick Chalier (PPC) said she still wasn't clear about the new budget figures and whether $6 million has been added to the total conservation budget or whether there was double counting by including it in the renewable budget as well.

Malin explained that the renewable claims on the conservation rate credit will be capped at $6 million and reimbursed to conservations bilateral contract program out of the renewables budget. *Note: Malin has since discovered that renewable claims will go against the renewables budget not the conservation budget so repayment may not be necessary. We will discuss during the next Focus Group Meeting.*

It will be easier for us to hit the conservation target if we can use most of the C&RD money spent on conservation, Johnson said. We'll let $6 million go for renewables, but I don't know if Weedall and John Pyrch will want to take any more risk with the C&RD funds, he added. There may be problems for customers with increasing the $6 million if it is redirected towards ConAug (bilateral contracts) and results in decrements, Malin summed up.

Johnson noted that BPA is replacing the program names C&RD and ConAug with Conservation Rate Credit and Bilateral Contracts.

Let's be clear, it's not the renewables budget that is growing, its conservation, Shimshak stated. So if utilities invest in renewables, they can claim credit for up to a $6 million cap, she clarified.

Our job as a group is to come up with good ideas for BPA to invest in renewables over the three-year rate period, Shimshak stated. We need to come up with ideas for the money, she said. We have more time "to iron out the nuts and bolts" of the renewables option in the rate credit, but we need to have a renewables budget number within four weeks, Malin responded.

For the next rate period, we are talking about no increase in the $15 million net management target, Shimshak said. "The advocates have given up on trying to get more money," so we are talking about now to use the same amount or less, she added.

If we are going to put something else into rates in lieu of Fourmile Hill, the only things we have clear authority to do are acquisitions and RD&D, Malin said. If we add something outside those two areas, we will need your support, she stated.

I don't think there is a shortage of ideas about things to invest in, but it is a small amount of money, Shimshak said. The question is what can we afford? she stated. We hope to pick something that leverages other people's money, Malin replied.

She went on to the other suggestions on the list:

7. Expand the mutual fund. This would give utilities the option to invest in renewables by pooling their money and having BPA arrange a project. BPA would not have ownership, and BPA would either market the power or utilities could use it to serve load. Participants would have an equity ownership or a long-term power contract.

Could you use the renewable rate credit for this? Thad Roth (Columbia River) asked. It would have to be a qualifying project under the rate credit, Johnson responded.

So a utility could choose to use the rate credit for renewables, for conservation, or mix and match, Tom O'Connor (Oregon Municipal Electric Utilities) clarified. The rate credit could be used for renewables "until you hit the $6 million cap," he said.

We could divide the $6 million on a pro rata basis among customers or go with first-come, first-served, Johnson said. Asked who would decide about that, Johnson suggested people address the issue in their comments on the conservation proposal. I think we should discuss it here, Malin suggested.

There was more discussion about the shifting of dollars in the conservation and renewables budgets and how the renewables crediting would funnel dollars back to ConAug.  Al Ingram (BPA) pointed out that BPA would have a rate workshop on conservation in June, which would clarify the program proposal.

Malin explained the last suggestion on the list:

8. Set aside money for yet-to-be-identified opportunities.  It seems like a good idea, but I don't know about the reaction from the legal and rates staff.

Shimshak clarified the suggestion:  we could decide some things now, but reserve a little bit of money for unexpected needs.

You would need to identify some specific expenditure, but make it clear you might change them if other opportunities present themselves, Ingram advised.  But people don't want to be heading down one path to pursue a project and then have it switched, Shimshak pointed out.  My point is that it wouldn't all have to be decided in the rate case, Ingram said.  You would just indicate you might make some changes later, in consultation with all of the interests, he indicated.  We need to have a budget number for the rate case tied to something specific, and it would be good to have a record of the possibility that things may change, Ingram said.

<u>Transmission Suggestions</u>

The group decided to discuss in more detail the transmission-related ideas in 2.  We might as well scratch the main grid upgrades – we don't have enough money, Brattebo said.  The most important thing is to make money available to help projects get going at the outset, with the idea there would be payback, Shimshak said.  I would also like to see some megawatts come out of this – I wish TBL could come up with money for the revolving fund idea, she said.

In terms of mid-level network facilities, instead of TBL making judgments, I like the idea of having developers come to another entity to explain their risk and seek funds, Enyeart said.  Could you leverage the available money by buying bonds and using the $6 million to pay them down? he asked.  So you would have a one-time cash infusion for the upgrades? O'Connor asked.  Yes, Enyeart responded.

In terms of making the upgrades, we have projects on the books for integrating new renewables that range from $1.8 million to $9 million, he continued.  For really large projects, we could be talking about a $30 million to $50 million investment for a 500 KV transformer, Enyeart said.  It's "a sticking point" for some developers, he added.

Would a project of that caliber "break up the logjam"? Malin asked.  Yes, in many cases it would, he said.

To the extent wind projects can come to us together, it helps, Carter said. We could potentially combine the NEPA processes, and there is more than one developer footing the bill, he said.

The federal tax credit situation "wreaks havoc," Shimshak stated. Since the credit was extended only to the end of 2005, people have to rush to get in under the deadline, and transmission doesn't happen quickly, she commented.

Maybe there is some way to buy bonds or borrow funds and leverage them to do more, Enyeart reiterated.

You also suggested the use of a third party to apply for the funds, Malin said. Do you see any standards of conduct issues if TBL were involved in starting this? she asked. I don't see a problem, Enyeart responded.

It seems like this money should be spent on something that wouldn't happen otherwise, Brattebo suggested. Even well endowed developers hesitate to put money down upfront because of all of the other uncertainties, Shimshak pointed out. And with the rush to get in under the tax credit, some of the projects already in the queue may get "in the ground," but not others that are just starting out, she said.

What happens in places where there is an Independent System Operator? Williams asked. This is a problem everywhere, Shimshak answered. Timing for wind is difficult compared to developing a fossil-fuel project, she said. But that's worth investigating, and I'll look into it, Shimshak added.

If network transmission projects that break up the logjam cost over $30 million, where does the rest of the money come from? Malin asked. The $36 million project we have in the queue is associated with developing a 500 to 600 megawatt wind farm, and that is a $600 million to $700 million undertaking, Enyeart responded. While $36 million "isn't chump change," it's also not a huge part of the total cost, he explained.

If PBL puts money into a transmission upgrade, where would the output of the project be going? Back to BPA customers or elsewhere? O'Connor asked. That could be an interesting way to establish the threshold for making funds available, Shimshak replied: is it a project that will go forward? And where does the power go? But I am not envisioning a scenario in which a developer does not pay back the money, she added. Once a project is up and running, there is a revenue stream available to pay the money back, Shimshak said. O'Connor raised the issue of under what circumstances BPA would want to take on the upfront risk.

What we need to decide is whether there is enough money here to do anything with, and if so, what shall we do and how shall we do it, Shimshak said.

Does this mesh with the non-wires solutions (NWS) work? Williams asked. I've talked to the NWS staff, and their budget "is locked up and not budgeted for the next rate period," Malin responded. In addition, they are focused on three specific geographic areas, and that's not necessarily where our potential is, she added.

What happens if Fourmile Hill comes back? Brattebo asked. That's a possibility, and it's why we are only talking about two years of funding, Malin answered.

I'd say let's pull this spending out of 2007 altogether, Brattebo recommended. If you look at the numbers from the PFR, BPA had $36 million for conservation, with the presubscription contracts in the numbers, he said. You've thrown another $6 million into the budget, Brattebo said, and now we see that you have $42 million for conservation and $6 million for renewables. Plus there is "the wind risk premium," he added. The budget has gone up, Brattebo stated.

The way the capital and expense figures were displayed in the PFR, it is tough to crosswalk all of the numbers, Ingram pointed out.

This linkage to ConAug has us all frustrated, Chalier said. That was part of the conservation proposal letter, Ingram replied. But it's not clear in the letter, Chalier said. It's not even a good option anymore, she added.

"The PFR numbers were black and white," Brattebo stated: $36 million for conservation and $6 million for renewables. It doesn't sound like there are renewables projects that are easy to identify for the funds in 2007-2008, and there won't be an energy tax credit, he said. Maybe 2008 is the only place for the money, Brattebo said.

We heard today that the network transmission projects likely to break up logjams could be over $30 million, so maybe we should focus on the distribution project idea, Malin suggested. Developers are starting to pick spots that are more reasonable in terms of transmission, Enyeart commented. (Indicating $30 million may be on the high side in the future.)

The distribution upgrade idea was for small-scale renewable projects (<10MW), Malin pointed out. Biomass is another possibility, Carel DeWinkel (ODOE) suggested. There are prospects in Southern Oregon, for example, that could use a distribution upgrade, he said.

We have heard farmer and developer interest in small wind projects, are any utilities interested in buying the output from small wind projects? Malin asked. We support small wind, Elizabeth Reese (PSE) stated. We buy tags and support development financially, she said. Could we modify EPP to go for new projects and link it to small wind? O'Connor asked. Malin said that wouldn't be feasible unless BPA could demonstrate need. We may be able to link the reinvestment of EPP revenues to facilitate renewables, but we're not currently in an acquisition mode, she added.

I have three suggestions for how the renewables funds – not the discount – could be used, Shimshak offered: the mutual fund; upfront capital costs for small projects; and anchor tenant with Last Mile. For the second idea, we could identify demonstration projects across technologies that we could learn something from or that could provide grid support, she said. With Last Mile, utilities would grow into the load, but they could use initial help on the investment, Shimshak said. I like those ideas, DeWinkel said.

What about opportunities for partnership with Oregon Energy Trust? Ed Sheets (Oregon Energy Trust) asked. A partnership could improve the economies of scale, he said. Also, how does this fit with the long-term Regional Dialogue? Sheets asked. It would be useful to know who will put Tier 2 load growth on BPA, he indicated. We're only addressing issues in the short term, 2007-2009, in this group, Ingram responded.

Malin clarified which of the eight suggestions on the list had been eliminated and which were still under consideration:

- Eliminate 2 (a) grid improvements and (b) mid-level network facilities. If there is significant support for (c) distribution upgrades, we will keep it on the list.
- Eliminate 3 (buy down transmission rate); it would require a TBL rate case.
- Keep 4. (Buying down the up front capitol costs of new projects.)

"I think 4 is iffy," Brattebo said. Those projects would come to IOUs as QFs, he said. Yes, it would be a contract-length problem again, DeWinkel agreed.

- Eliminate 5 (BPA take swing position in renewable project; BPA can't obligate itself to long term commitments if we only have facilitation money for 2 years.)

You could fashion something from this that is like the mutual fund, Shimshak suggested. We still couldn't take title to a project, which leaves us with something like the mutual fund idea, Malin replied.

- Eliminate 6 (increase the $6 million).
- Keep 7 (mutual fund).
- Keep 8 (set aside dollars for yet-to-be-identified opportunities).

In addition to any facilitation budget, there may be unspent moneys from the $6 million renewable rate credit to spend on facilitation. If utilities decide against renewables and just go with conservation for the rate credit, $6 million will still be available in BPA's renewable budget for renewables, Malin said. If utilities use only part of the $6 million for renewables, the remainder will still be available, she said.

I understand there is $15 million plus $6 million for renewables, Shimshak said.

Just to clarify, we are not talking about $15 million as a rate number, Malin clarified. (It is a management target.) We are talking about an $11 million reduction in rates when Fourmile Hill comes out of the 2007 and 2008 budgets, she said. The available money was associated with the geothermal project, Malin stated. We are not including the $15 million in rates – we are proposing to include the costs of whatever idea we settle on, up to $11 million she said. If we put $15 million in rates for renewable facilitation in 2007 and 2008 we would exceed our $15 million net spending cap, Malin added.

So we are just trying to identify how to spend $11 million, Shimshak responded. "I object to the fact you aren't going to put $15 million into the budget," she added. We have tangible ideas, Shimshak went on: 2(c), 4, 7, and 8. But for 8, we have to come up with a particular use for rate case purposes, she said.

We are talking about a one-time situation due to taking Fourmile Hill out of the budget, O'Connor clarified. Yes, Fourmile is back in rates for 2009, Malin responded.

Do we need additional details on these suggestions for the rate case? Shimshak asked. The mutual fund seems like a good idea, but there is also a need for upfront money for small projects, she said. I'd like to accommodate two uses with the funds, Shimshak said. DeWinkel suggested an ocean-related project in Oregon is a candidate for funds.

We could try and come up with something that keeps all four remaining suggestions active/possible Malin said. We can always iron out the details over the course of the summer.

I would like to see nothing in the 2007 budget, but if we have to have a figure, how about half of the $11 million? Brattebo offered. Could we defer all to 2008? he asked. No, Shimshak replied. Maybe we do small projects in 2007, she added. We'd like to get started so people have something in place if they need to serve load, Shimshak stated.

What about projects that take advantage of other funding sources for 2007, with this kicking in for 2008? O'Connor asked. Maybe there's a way to use other sources in 2007, he said. Maybe state funds like the BETC, DeWinkel said.

The more tangible we get, the better, Shimshak said. Can you suggest projects, Carel, so we see what the opportunities are and get an idea about the budget? Shimshak asked. DeWinkel said he would do that. And look at those with a minimal impact on 2007 that could move to 2008, O'Connor added. The utilities should also look for ideas, DeWinkel responded. They will know about some projects that I'm not aware of, he said.

Are people comfortable with the $11 million in 2008? Malin asked. I guess so, Brattebo responded. PPC is open to entertaining the idea, but we need more details on the mutual fund idea, Chalier said.

We will ask for commitments from utilities three months ahead of the new rate period, and that is the amount we'll put into the annual budget, Johnson said. Does this mean we will be at $42 million for conservation? Brattebo asked. Yes, Johnson replied. Brattebo recounted how the dollar- for-dollar tradeoff from renewables credit to ConAug would work.

The key point is that conservation has a target to meet, and they will get their budget regardless of the participation in renewables, Ingram explained.

Shimshak recapped the new assignments: BPA will elaborate on the mutual fund idea, and Carel and others will get specific about projects that could use a little help from 2007-2009. With the mutual fund, we need to understand who would take title to the project, and put together an entity to carry this out, O'Connor pointed out.

Let me know if you are interested in working with me on these details, Malin said.

If we do this, we may generate revenue that could be used to do some transmission projects, Shimshak commented.

<u>The $6 Million</u>

Malin went over a list of comments on the $6 million rate credit for renewables:

1. Something should be available for small utilities.
2. Keep EPP eligible for the rate credit.

Did you look at how much of the current discount is used for renewables projects and how much is EPP? Shimshak asked. About 75 percent of the discount is for projects, and 25 percent is EPP, Malin said.

O'Connor said he liked the current EPP mechanism. I would also like to explore the marketing piece of this – if a utility could identify where it's investment is being made and link it to a specific renewables project, it would be a good selling point, he indicated.

It would be nice to know how you would want us to reinvest the EPP revenue, [if we can accomplish reinvestment we'd like utility input], Malin said. All of the EPP revenue has previously gone to offset rates and hasn't been used for renewable reinvestment, we do not currently know if BPA will be able to reinvest without getting tangled up in WPPS bond and slice issues, she said.

We need to try not to give a disincentive to those who are counting on using the renewables discount to help defray their costs, Shimshak said. From my perspective, as long as the majority of the money goes to new projects, "if no one is too angered by the idea," I'd say some could go to existing projects, she said. Let's put that issue on the back burner for today, Malin suggested, it needs more discussion and thought.

She proceeded to the third point on the list:

3. Concern over not being able to receive both state and BPA funding for the same MWh.

Citing a redline version of the Preliminary Discussion Draft dated 4/15/05, Renewable Payment Schedule for 2007-2009 Rate Period, Malin noted that the requirement had been changed, it now reads: "Cannot receive both State (previously *"Energy Trust"*) and BPA renewable discount for the same MWh (previously "*project"*)."

I have a concern about prohibiting either Energy Trust or state funds, DeWinkel said. A project should be able "to double dip," he said. We were trying to avoid having people receive money from the states (to bring project costs down to market) while at the same time drawing on the $6 million, Malin explained. *(Allowing double dipping won't squeeze more MWs out of the $6 million, it will, however result in state funds going farther… Is this equitable?)* This is a bigger problem on the conservation side, Shimshak commented.

The Energy Trust funds are limited too, and we hope people use monies from other sources, Sheets said. If we allow Energy Trust and C&RD funds for the same megawatts, it may be good for you, but not necessarily for others, Malin pointed out. I don't know quite how to fix this at this at the moment, she stated.

We could allow for BETC pass through, O'Connor suggested. I agree you should be able to leverage the state incentive with the C&RD, Shimshak said. So, I will remove "state" and put "Energy Trust" back in, and leave "for the same MWh," Malin agreed. The Energy Trust is not the only state entity – there is the Universal System Benefit Charge in Montana, Shimshak pointed out.

I'd say add "incremental," Reese suggested. If you receive funds from the state, they have to be used for something incremental to the original project, she said. Part of that depends on what is being proposed – you can't always get a project sized up, Sheets said.

Then we could have double dipping with ratepayer funds, DeWinkel pointed out. The problem is created because one source of funds is from retail customers, and the other is from wholesale customers – it seems we're mixing different benefits, Roth said.

If Oregon goes to a Resource Portfolio Standard (RPS) of some kind, we will need a BPA product and would use the discount toward that, O'Connor said. The Energy Trust is also looking to stretch its dollars to meet whatever RPS goals the state sets, Sheets said. Using other funds to do that is certainly attractive, he added.

The current C&RD manual currently has a self-certification as to whether the funds are being used for something incremental, Malin said. For some utilities, that is a big problem, and for others, it is not, Johnson added.

We don't want to use the C&RD for things that are covered by funds from somewhere else, Ingram stated. You could have a different approach for conservation and for renewables, he suggested.

Putting the incrementality language in the last contract/manual "was bad faith," O'Connor said.

The requirement is a problem for utilities, Chalier stated. They have a piece of paper that in some cases, boards have to approve, and there is the question, if a utility has an Integrated Resource Plan, does the incrementality requirement mean something above and beyond that, she explained.

Yes, "we're happy to get costs down to market," but to go lower, that's not what we want to do, Shimshak stated. We don't double dipping to buy down projects so they are below market, she said. You're proposing something that sounds like what Energy Trust has in its requirements, DeWinkel said.

We will put together a list of the remaining options for the $11 million and talk more about the $6 million at our next meeting, Malin said. We have until October to decide about the latter, she said.

The participants scheduled another meeting May 11 from 9 to noon.

The meeting adjourned at 12:05 p.m;

**4/26/05**
**Preliminary Draft for Discussion Purposes only.**
**Facilitation Suggestions**

1. Differ until 2008, 2007 is a bad year. Place holders: 2007- $5.5M, 2008- $11M.

2. Finance Transmission upgrades
~~a) Main Grid (e.g. McNary-John Day)~~ Eliminated. Too expensive.
~~b) Mid level network facilities (substation/line upgrades enabling several projects)~~
~~BPA could purchase enough capacity to justify upgrade.~~ Eliminated. Network facilities >$10M. In addition, costs associated with network transmission upgrades represent a small fraction of total project costs. Wind developers should be able to finance these upgrades without BPA help. Concern was raised over timing.
c) Distribution upgrades (to enable cluster wind projects <10MW)
Projects appear to BPA as reduced load.

~~3. Buy down transmission rates (e.g. Wind should be charged for energy not capacity.)~~
~~This is really a forecasting issue.~~
~~Utilities who purchase firm Trans. can sell unused portion in secondary market.~~
~~Would additional data increase the accuracy of forecasting in the region?~~
Eliminated. This problem should be solved via a TBL rate case not a PBL buy-down.

4. Promote new technologies such as Biomass (partially offset the up-front capital costs).
Focus on cost effective or those that help with peak shaving.
Lumber/paper mill biomass most cost effective compared to wind.

~~5. BPA could take swing position in wind projects.~~
~~BPA must first demonstrate need – currently not acquiring.~~
~~BPA role small but pivotal.~~
~~Conditioned on BPA having the ability to opt out.~~ The mutual fund idea was favored to this option because continued funding cannot be guaranteed (only 2 years of funding are available until Fourmile Hill settled)..

~~6. Increase the $6M.~~
~~Only works if utilities can spend more than $6M/year on renewables.~~
~~Utilities won't know level of R commitment until we design the program. (Too late.)~~
~~Idea will increase BPA Con-Aug, but reduce customer conservation~~
~~Renewable program will repay Conservation for Renewable claims made under the Conservation program, which will use the money for Con-Aug,~~ Con-Aug connection dampened enthusiasm for this idea. Better to establish separate/distinct funding mechanism than link to conservation rate credit.

7. Expand the mutual fund.

BPA must demonstrate need if BPA acquisition part of the deal – currently not acquiring.

8. Set aside $$ for yet- to-be-identified opportunities.

Rate process requires dictating use. Al Ingram indicated that we will need to identify a specific use by June 1. We can always change it later.

**4/26/05**
**Preliminary Draft for Discussion Purposes only.**
**Comments on $6M Discussion Draft**

1. Provide something for Small customers (45 utilities < 7.5 MW)

2. EPP should qualify.
   Only if BPA could reinvest the EPP revenue in incremental investments.

3. Concern over not being able to receive state & BPA funding. Solution:
   Same ***MWh*** shouldn't be claimed under the C&RD and a state program
      e.g. RPS or energy trust grant are examples of state programs
      Enables multiple claims on the same project but not the same MWhs.
      Enables larger projects.

5. Direct application solar should qualify (per project payment rather than production payment).

6. Cost effectiveness standards don't apply to this program (not an acquisition program).
   Delete reference to cost effective.

7. Existing projects should qualify. Perhaps projects whose costs are X% above market should continue to qualify?

8. Production incentive doesn't work. Want up-front payment for small projects.

9. Production incentive really works (even for small projects).
   Want BPA to commit production payment for +10 years.

10. The $6M cap is a problem.
   Reduces flexibility and forces conservation spending.
   If more than $6M/year invested, total should be increased not prorated down to $6M.

11. Separate category for cluster wind <10MW

12. Donations should qualify
   Don't specify specific organizations, specify reinvestment criteria
   e.g. +80% to projects within BPA service territory, within X years.

13. Reward projects receiving other funding – e.g. BETC, DOE/NREL, Dept. of Agriculture.
   Leverages $, rewards states with programs and encourages new programs.
   Filters projects down to those which are real

14. Allocate $6M.

$X for existing projects
$X for new projects
$X for tags
$X for mutual fund
$X for direct application.

15. "Incremental" doesn't work for publics. Many have integrated resource plans – can't say it wouldn't have happened without this funding.