REGIONAL DIALOGUE RENEWABLES FOCUS GROUP
NOTES 04/14/05

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Malin (Asks for introductions.) Thank you for introducing yourselves. Rachel asked why there were so many people on the telephone. I made an announcement in the last Conservation Workgroup that this focus group was happening and we would be talking about the $6 million renewable rate discount and the specifics of the payout schedule. A lot more utilities were interested, so that is why we have so many on the phone. I want to summarize where we have been and where we are. This is our fifth meeting of the focus group. The other meetings went into establishing our Record of Decision (ROD) for the next rate period. Thanks to your feedback, our position was revised and adopted. We now have a renewable rate discount once again just like we always have, and there is flexibility between Conservation and Renewables, just like before. We want to thank you very much for your patience and your input, because it makes a difference.

Today, we are going to start out talking about facilitation. In the ROD we made a commitment to facilitate renewables up to $21 million a year. That is a cap, not a spending target. We are looking for suggestions. We are beginning to think about specifics—about what we can do to facilitate renewables in the next rate period. We are looking at a little delay in the Fourmile Hill, so we have an opportunity to do something else in the interim. We want to ask you if you have any ideas for us.

Williams — I have a question on a reality check for Fourmile Hill. It seems to be getting drug down the road in front of us rather badly. I wonder if there is any point of considering its possible reality?

Malin — We are still contractually committed to the project. When and if it comes on line, we need to anticipate having to pay for it.

Williams — Yes, but hasn't the developer breached the contract, in Bonneville's view?

Shimshak — There is a contract dispute. The developer thinks one thing, Bonneville thinks another. It is in arbitration.

Williams — Binding arbitration?

Malin — I think so.

Shimshak — However it comes out, either Bonneville will be responsible for it, or not. It is out of our hands.

Duncan — When will you know?

Shimshak — It is uncertain at this point. If we go into a second round of discovery—I don't know if that is likely—it could drag out through October. But it could be over as soon as July.

Mainzer — The on-line date has been pushed back to a minimum of?

Malin — December 2008. Physically, they can't get it on line before December 2008. We heard from the customers during the Power Function Review that if the project can't come on line before that, why is it in rates? We are thinking that we can do something in the interim. So, once again, we are listening to you.

Carr	You started by saying that there is a delay in Fourmile Hill. That is the delay you are speaking of to the on-line date. Potentially the earliest on-line date being December 2008. Now the question is, what do we do with that hole that was dug in terms of funding—is that what you are asking?
Malin	No. We made a commitment to facilitate renewables, and we have an opportunity now to do something, because not all of our money is being used up by Fourmile Hill. We want to know from you guys, what do you want us to do?
Brattebo	How much more money are we talking about?
Malin	Fourmile Hill is about $11 million a year.
Brattebo	So we are going to add the $6 million and the $11 million together?
Malin	No. We are not saying anything about money now. We are just saying that we have a chance to do something for a couple of years until Fourmile Hill comes along. It does not have to necessarily be $11 million. It could be $10 million or $5 million, if there is something really cool you guys wanted us to do.
Duncan	How specific do we need to be? Is it project specific? Is it programmatic?
Malin	What we need to do, basically, is to come up with something by about 3 weeks from now to put in the rates as a line item. As to specificity, the more specific the better. But I think we can put in program stuff as well, so long as behind it, when you look behind the curtain, there is something real and strong there.
Brattebo	Is simply not spending the money an option?
Shimshak	No.
Malin	We would like to honor our commitment to facilitate renewables. I do not think a zero, or doing nothing, is an option.
Carr	You probably will be getting today the customers' first look at the PFR comments and a statement therein about renewables. I think it says something like "Fourmile Hill does create an opportunity for savings. The $21 million is not a spending target. Rather, it is an 'up to' amount." You know this. But just so we are honest with each other that is what our comments will be saying.
Mainzer	Does it have a recommended level of spending?

Carr No. It says the $21 million is an "up to" amount and this creates an opportunity for savings. Somewhere in the agency, this e-mail is floating around. It was e-mailed earlier today.

Mainzer Are you guys advocating taking it out of the budget altogether for the '09 budget as well, because of the legal uncertainty around it?

Williams I think the biggest concern for the customers is 2007. That is the real pinch year, because you are going in with probably really low reserves. So anything that gets moved out of '07 would be very helpful, because the rates are looking astronomical.

Carr We see this big pinch point of '07 being so bad. Low reserves. Poor water going in there. Anything that can be saved from '07 is really important.

Duncan It ought to be on the record that the $21 million represents an opportunity for a number of things. Savings on rates might be one of them. But we can probably specify some others and make sure we get a memo circulating suggesting what some of those other opportunities are that are presented by that $21 million, so that we do not think of it in quite that black-and-white a way. Having said that, the more there is an interest in thinking creatively about affirmative outcomes for that money, probably the more interested other folks are likely to be in responding to identify crunch points. If moving money around in order to deal with, particularly, reserve-low, or cash-low, or water-low times, is not an unreasonable management tactic. Unless it becomes an excuse simply to zero out Bonneville spending money on renewables. At which point facilitation basically becomes a totally empty concept.

Williams I agree with Angus. I don't think what I am saying—if it sounded that way—don't spend the money at all. That is not what I meant to say. To the extent that we can be creative, that we can do something that facilitates, but maybe means Bonneville does not have to pay for it in '07, would be a way to start looking at it. It is not black-and-white, but kind of grey.

Mainzer I think the marching orders we have been given is that Paul Norman is very uncomfortable with what he sees as unfunded mandates. He doesn't want to have something out there that is completely loose, where he says, well, we can spend up to $15 million, but let's not put any even money in the race now for it, but if we get in the middle of the rate period, we will dip into reserves, or have some sort of "green" CRAC, or something like that. If we are going to spend some money on renewables, the challenge is, as a group, to figure out some specific, compelling things we want to do, and the appropriate level of spending. Maybe there is a sweet spot in there as we transition. ’07 is a real bump in the road that we may need to smooth out a little, but we shouldn’t be zeroing things out. I think that would be totally inappropriate. On the other hand, we don’t want to end up with something so nebulous that no one knows what it is. It gets to some of the points Angus has been talking about. What is facilitation? What does it really look like? What are the specific, tangible initiatives we are going to throw in there? Hopefully, you guys have some ideas on that.

Duncan Do you want to move to that now?

Mainzer We need to get real here. We now have some key things to resolve. We now know the $6 million for the conservation and renewables credit is going to be there. Utilities have the option of substituting renewables investment for a portion of the conservation credit. To the extent that that happens, we are going to collect some funds. We are going to compensate the Conservation folks so they can meet their targets. That’s the solution we came up with. Hopefully that works. Now we have the other $15 million. You guys have seen the numbers, given where the gas curve is right now. It is not looking—given our renewables acquisition and the cost basis of those things—like we are doing a lot of subsidization of our renewables investments. That is the PF rate is not, in effect, any higher than it would otherwise be if we were not doing these investments right now. There are some facilitation activities that do not necessarily have to draw into the $15 million fund, either. Sales and integration services, things like that, can typically be done at cost, or with some risk margin, however we sell them. Those won’t drain the $15 million fund either, but they can have some real tangible, meaningful impacts in getting renewables projects facilitated. Other things, which would involve either specific cash outlays that do not have an offsetting revenue credit, are things we need to be thinking about, or some sort of small-scale acquisition, which would have a basis associated with it, like a price versus market. If we can come back to the table and say that our constituent groups and customers have agreed that these are three or four specific, tangible things we want to do in the ’07-’08 period, that’s going to give more legs.

Williams Timing question. Are we talking specifically ’07 and beyond, or are we talking about something that might come in in ’06, potentially?

Mainzer Debra, you may have to remind me—and Rachel you might have an idea, because you participated in one of those conversations—what was decided in terms of the renewables budget for 2006?

Shimshak What is in the rates now lasts until October 2006.

Zelenka One of the things that I understood about, something that has kind of fallen through the cracks, is solar water heaters. That is a direct application of renewables. The benefit cost ratio is over 1 for that, so it is not eligible in the new rules associated with conservation rate credit stuff. And it is not in the renewables stuff, so it is kind of lost in the middle. So I think the renewables side should pick it up. It is not a lot of money, but we should facilitate the water heater program.

Stills And solar electric direct application, as well.

Shimshak I just want to finish what I was saying before. If we are talking about objectives for the future, and programs and investments we could make in the future, there will be a point for some of you when you need to invest in new resources. For some of you it is today, for others it is a little later on in the decade. I think one of the things to keep in mind as we are having this conversation is, what will position you well, even if it is a little in advance of your need, to be ready to launch when your need arrives? So even if you may not have it this minute, you want to be ready and able to implement when the moment hits you. I think those are the kinds of things we might try to think about in the context of our suggestions here.

M. Johnson Let's make a process check. I know a lot of people on the phone are probably specifically interested in talking about what type of thing the $6 million of the rate credit could be spent on, and that is why you are getting comments about solar water heating.

Malin We are going to talk about that next on the agenda starting at 1:40 p.m.

Duncan Can we talk about facilitation then in the next 10 minutes?

Malin What I want to do is encourage everyone, if we don't get to your ideas heard today, to keep those cards and letters coming, call us, e-mail us.

Duncan In anticipation that we would talk about this, and that someone should be prepared, I scribbled down a few facilitation ideas, and was unfortunately unable to make them electronically available to Debra, so they could be sent out to people on the phone. I apologize for that. Some of these on the list are already checked off. I put them on there to give credit where credit is due, to Bonneville for getting some of these things already done. I am going to go through these for the benefit of the folks on the phone. I considered just putting one thing on this memo, which is $15 million, just send it to BEF, you know, specific line items in the budget taken care of, no more problems, we can work right around 2007. So just consider that offer on the table, whenever you want to respond to it. I realize we are on the PBL side, but I started with TBL because I think it is not out of the question to consider facilitation services that could cross the line, at least on a project specific basis even if they didn't do so on a TBL-PBL basis. The big issue on the TBL side is the mismatch between when transmission facilities for a wind project have to be committed to and paid for, and when that wind project is ready to commit to and pay for them. This is an issue that has become very personal with those of us in the Last Mile project for the last month or so. If there were a way that some of that money could be used to either buy down or at least temporarily share risk of moving some of those transmission facilities forward in advance of the project themselves being in a position—due to project financing being in place—to pay for them. I don't know exactly how to do that, but I know it is a big problem, and I know it is often specific to moving a project forward or not forward. It is not that I do not think the projects ought to carry those costs, but it is very difficult sometimes for the projects to carry at least the interim risk. It may be a way to use that money—put it in, carry the risk, and then have the projects basically back that Bonneville money out, so that it is available again to deal with the next project. When I say risk, there is certainly risk, and there may be some losses there, and one would have to think through very carefully how to structure this so the losses are at a minimum, and so the projects are real projects and not flakey projects, and there are a few of those out there. That is the issue on the transmission side, particularly for these wind projects.

Shimshak — Can I give a specific example here? If you are a wind project—the good news about wind is you have a very short timeline. Once you get a permit, it only takes 3-6 months to build. The timeline for transmission upgrades that you might need for your project, however, is sometimes 18-24 months. So if you are the wind developer, you may have a permit, but you can't get a purchase power agreement until your utility feels comfortable that you have the transmission. You can't put money down on the transmission upgrade until you get the PPA from the utility and you know you have a cash flow. So it is a chicken and egg problem. It is not that the developer will not ultimately pay for the transmission upgrade; it is just the timing at which they can make that payment available. Between the time you need to start making the transmission investment, and the time you sign your power purchase agreement, there is a gap of time.

Brattebo — You are talking about interconnection facilities, not main grid facilities?

Shimshak — Pretty much.

Duncan — Interconnection, but they can end up being network facilities. Very specific was, we in the Last Mile project were hit with a request from TBL to put $6 million on the table within 30 days—which was a lot for us, given that we are all pretty small. We basically worked that out so that this is not an issue specific to the Last Mile project at this point. But clearly if it hits us, it is going to hit other people, and particularly if it hits customers who are trying to put a renewable energy project on the ground to meet their loads and load growth. It is a hard gap frequently for people to deal with. I don't want to belabor this one. I just want to put some ideas on the table rather than debate them all right now. And not all of these, by the way, involve dollars. Some involve non-dollar facilitation. I won't go over the ones that are already checked off. The Last Mile proposed some of these in one of the many regional processes. One was the potential for BPA to take a balance or swing position, if that's what it takes to make a project go forward or not go forward, with the understanding that the customers will basically take back that generation as their loads grow. So again, it is a way of bridging the gap between a small customer with a slower load growth and the need to build at least an 80 or 100 MW project to get any kind of decent output cost. I don't know whether we talked about the decrementing issue here before or not, but obviously there is an issue here with a customer bringing a resource on, declaring it, and being rewarded by Bonneville policy for having stepped up to develop renewables and to meet their load growth by being decremented. The suggestion that we posed back—and actually there is a space right now, there is a program where we are not decremented up to what—200 MW?—but once you go past that, you are back in the soup. The proposition there, again, was that customers who do this be, in effect, temporarily decremented but that they would have a right as their load grows to grow back into their allocation—not beyond it, but at least back up to it, so if they did have load growth they wouldn't be permanently punished for having developed that resource.

Mainzer: On that point, everything I've been hearing in policy discussions going on right now regarding the regional dialogue, and even in discussions about existing policy, anybody who starts developing resources over the next several years, before there is some sort of long-term allocation or resolution, will not be decremented for developing those resources in terms of what their ultimate allocation will be. I've also heard, generally, that you can develop a resource without actually declaring it as a load-serving resource. Can't you do that?

Williams: At least in the IOU case. There was a big debate, and there may still be a debate, as to whether Port Westward, for example, will be put in rate base and be a PGE resource, or whether it will be considered a merchant plant by the Commission.

Mainzer: Right. All I am saying is that in the span of the big battles that we have to fight, the balance of the evidence indicates that we are probably going to be OK on this one. There should not be too many gross disincentives for renewables development. The conservation issue is a little trickier, especially for full requirements customers, who are sort of naturally decremented. I'll try to get you some more information on that.

Duncan Yeah. That's good, but it is usually better to do that kind of policy decision making by writing it down and having Steve sign it than by hearing about it in the hallways.

Mainzer Absolutely.

Duncan Not to belabor that. There is a proposition—this is particularly for Cowlitz to deal with—to create some flexibility on new large single loads for customers if they are serving that entirely or substantially by developing new renewables. And then there is an RD&D category that we haven't spent much of any time on, but which clearly ought to be a programmatic part of the use of this money.

Brattebo That's an interesting proposal. What kind of renewable would you have that could serve an industrial customer 8760 hours a year without ever relying upon the embedded system?

Duncan You would have a firmed renewable resource. I didn't understand your point.

Brattebo My point was if you are going to monkey around with a new large single load, we have a stake in that. I don't think we would agree to it. You cannot serve that load without 100 percent firm backup.

Malin We are going to be talking about just this issue in the long-term regional dialogue discussions, which start up in June. It is a very hot topic.

Brattebo I am sure it is.

Duncan I just put it on the table, because it had been put on the table in the dialogue, and I don't think we had ever gotten a response back on it. You wanted to know what facilitation means, so those are some of the things facilitation can mean. Some of them involve dollars. Some of them do not.

ENW Rep When might we expect to see something in writing on the prices of declared resources, or undeclared, whatever they are, in relation to that requirement?

Malin You are going to see that when we do our Record of Decision on the long-term regional dialogue.

ENW Rep OK.

Mainzer Although Al, we are dusting off the implementation manual now for the '07-'09 period as well, right?

Ingram Yes. I think it is real important to separate the '07-'09 rate period, and the things that go into the rate case, from those decisions like the one you just discussed, that will be long-term regional dialogue, and really have impact after this rate case. Certainly they are an issue, but there are decisions we need to make for the rate case that are one set, and then there is another set of decisions for the long-term regional dialogue. I think it is like Debra accurately represented, that there are going to be some other decisions made in the long-term regional dialogue closure that are related but not strictly germane to the current rate case.

Duncan That's fine. I know you have to sort them into different boxes for different processes, and God knows there is no shortage of processes. It might be helpful for purposes of this, as a forum that is supposed to be focused on the renewables package, to at least understand the activities and related processes, and how those would affect us.

Shimshak I have one other suggestion. Some of you in this room, or represented by those in this room, have talked about an interest in smaller renewable resources, some, perhaps needing a peak shaving opportunity in your service territory. You ought to think about ways to be able to facilitate those kinds of investments, too, which may actually be cost effective in those applications, but there might be some barriers to getting those resources lined up where they ought to be.

DeWinkel I would like to follow up on that. Some of this you have heard before on the production incentives, particularly for the smaller scale, either wind farms, biomass/biogas technologies. I would like to see some kind of pot of C&RD options and money for these smaller-scale systems. We need to get something in the ground. We need a long-term contract. Whether or not that is an up front pot of money that is spread out over 10 or 15 years, but that is the only way we can get farmers and counties or schools to be able to afford these kinds of projects. It is a kind of repeated request. I am not sure how to deal with it otherwise.

Malin We are going to deal with it on our agenda next, Carel.

Brattebo Does that fit in the small wind category?

Malin Carel, there was an e-mail that went out this morning around 9:00. Did you guys on the phone get that?

DeWinkel Do you mean discussion of the C&RD amounts of money per MWhr—the 2-pager? Yes.

Malin We are going to get to that pretty soon. But before we leave this facilitation topic, I would really appreciate any suggestions you guys might have.

Shimshak We have some suggestions here on the table, and I would like us to have a longer conversation on some of these at some point, whenever that seems right. It is not like we haven't made suggestions, but we haven't taken the next step to say, OK what would that look like, what would it cost, what would the impact be on the funds available, and what kind of utilities could take advantage of it?

Malin I agree. I just want to make sure those people on the phone that we haven't heard from, if you've got any suggestions, we only have three weeks to figure this out.

Mainzer Three weeks? Why is that such a binding timetable?

Ingram We have a timetable when input data needs to be completed, at least the first cut, with deadlines starting in May. What that means is we have to have some knowledge on what kind of program impact we are going to have on loads and resources and our revenue requirements. These don't have to be the last details of this, but we have to have some idea about where things are going to fall, so that we can start getting them adequately represented in the rate case.

Mainzer Are you going to be running a single base case, or are you going to be running a couple of different cases where you could put a couple of different levels in, if you needed the sensitivity.

Ingram No. Actually, we are going to need a forecast to do what we are going to do. There are some other things going on that might—well, it won't change these. If you basically come up with a look at what you put in your revenue requirement, what you put in your loads and resources.

Malin Consequently, because we only have a short period of time, at the end of this meeting, we will schedule another meeting within the next week to talk about facilitation. The reason I want to let it go today is I want you all to think about it a little bit. We just wanted to plant the seed.

Brattebo You are interested in a number, not necessarily how it's going be spent, right?

Ingram Yes, at this point, our first deadlines mean that we have some numbers to put in. We've got to know what pot to put it in. We don't have to have the details. That will come later, and probably faster than you would like.

Malin We need enough to know if it's going to be acquisition or RD&D, or enough to know what bucket to put it in.

Ingram Or what your actual C&R discount is going to be, those are the kinds of general questions we need to have answered. Those things will get set in stone, pretty much, and we will go on with whatever we have at that date.

Shimshak Since it is a pretty small amount of money, just assume we are going to develop programs to accommodate it, and you can decrease it later, if we fail.

Ingram Some decisions are not quite that easy to shift around, even though it is not a terribly large amount of money. About the rate discount kind of program, depending on how big we make that, what goes into that—that is something that gets set fairly early. We have already posted deadlines. I've gotten deadlines from people who need that input, about when that has to be done. We get on a time line for the rate case. I am definitely a deadline taker, not a deadline maker in that process.

Shimshak I just have one more comment on this. I also think it would be good if we could agree on some program areas and some needs that customer utilities have that we could use this money to help facilitate. But it is also true that you cannot always perfectly predict the future. We did not do that well between 1999 and 2000-2001. We should do the best we can, and come up with things we think most useful, bearing in mind that some other need may jump forward that we did not anticipate, and will create a need that will have to be served.

Brattebo Just for clarification. Are we talking about facilitation using the money, the $15 million, the $6 million, or a combination of the two?

Malin We are not talking about the $6 million, although we could expand the $6 million.

Brattebo So we are talking about the temporary use, if any, of the $15 million.

Malin Yes. However the "$15 million" is not a rates number. Only project costs are going into rates. Remember that talk about the management target, versus what is in rates?

Brattebo Maybe.

Malin	Uh oh.
Carr	We are the same people.
Shimshak	Let's just keep talking about opportunity.
Mainzer	Let's just say, is the PF rate going to be higher in '07 because of renewables activities than without them?
Brattebo	Shouldn't be any higher.
Mainzer	That is one position.
Duncan	That's a pretty conciliatory position, Scott.
Brattebo	It's the utilities' money. It has never crossed Bonneville's threshold. Which means Bonneville doesn't have a program.
Duncan	Except it is not the utilities' money, its Bonneville's money that it has collected.
Williams	Not if the utilities spend it.
Duncan	We are not talking about the discount. That's the $6 million. We are talking about the $15 million.
Mainzer	So the $6 million is going to be a pot of dollars that is sitting there—let's say $6 million worth of conservation credits are applied to renewables activities. Therefore, that $6 million will then be transferred from the renewables line to the conservation group. I think, if I remember how you all set it up, you will then go out and do Con-Aug with it—is that right?
M. Johnson	It will go to bilateral contracts.
Mainzer	It will go to bilateral contracts, OK. So that will be the transfer. If only $3 million is spent on renewables—since the principle was to try to preserve that level of spending that has been happening on renewables—that $3 million, theoretically, at this point, gets kind of put over into the broader $15 million fund. And the principle there, in terms of dollars, conceivably is—let's just say that somebody came to us and offered to sell us 25 MW of wind at the busbar for $28. Say it happened, OK? We then looked forward, and we took our $4 gas and reached into the forward market. Technically, if we just assumed that that would be surplus to firm requirements, those megawatts would go out the back door as secondary and they would be sold into the market, right? So, technically, in that kind

	of situation, that could be a moneymaker. It could. I don't say it is. It could.
Shimshak	Does the money go back to the $15 million fund, or does it go to lower the rates for other customers?
Mainzer	At this point, it goes to lower rates. Right now we are making money on our wind portfolio, good money, because prices are $65-$70. It could easily cut back to '02 and get into the $22 market again. So things change. They will change. We are going to experience it again. Five or six years from now public utilities will be clamoring to get off Bonneville when we are back in the $25 marketplace.
Carr	Never again.
Williams	They will clamor to get off at the $25.
Mainzer	Then it will go in the other direction. We know the world is a volatile place, right? A lot of these activities can be done in a way that do not actually increase rates. I am not necessarily thinking you have to only go out and do facilitation activities that raise rates. If you can show me compelling opportunities that get more megawatts built without increasing the PF rates, then we should do those. But we should also be open to things which may be just flat out…. what you are talking about, Angus, is spending money on substations…
Duncan	I think I was talking about both ones that didn't cost any money and things that would cost some money.
Mainzer	One of the options is we have some infrastructure to build here to get these projects done and a few people have deep pockets, so if we have some public power customers or some joint IOU/public power customers who pool together, and there is some money sitting there that we made a policy decision to spend, maybe you spend some of it on some transmission infrastructure. That is probably a good thing, if you are trying to promote renewables. Ultimately, the question we need to figure out is, as a group to try to come to some consensus—$15 million is 25 cents a MWhr at the PF rate, roughly. I use the $16 million metric. It is about 25 cents a MWhr. That if we were to tap out the $15 million fund, we would raise the PF rate somewhere between zero impact and 25 cents a MWhr impact, is what we need to figure out, I think, here. And 25 cents a MWhr is probably too high. If we just assume we are going to spend it all, we've been pretty consistent that we are not just going to go out and do silly stuff. Because, you know what? The next time the commodity market collapses, we will have blown through the $15 million fund. So there is some sense in rationing this a little bit, and being a little bit conservative

about how you approach it. On the other hand, if you can find $15 million that's a one-off, one-year expenditure, that doesn't take a long-term exposure that is exposed to the commodity curve, then maybe you do that. But I think the challenge is moving from abstractions and what, philosophically, facilitation means, to putting…what are some specific project opportunities? Let's get names. Let's get developers. Let's get options. Let's get points of delivery. Let's get terms and conditions and start putting things on the table. Because if we don't start getting some of those, I think we are getting to the point where it is just too nebulous.

Duncan — If you have to get that specific at the front end of a five-year period, then what you are saying is you spend it all in year one, and better projects that show up in year three or four do not have access to this. I agree you have to be reasonably specific about what kinds of things the money is available to do. You have to be a little bit flexible as you go through the rate period, because almost certainly that optimum list on day one is not going to be the optimum list on day 501.

Ingram — It is a three-year rate period.

M. Johnson — I want to bring us back on subject. I understand most of you want to talk about the $15 million. But a lot of people on the phone, and I know I would like to talk about the $6 million. We keep going back and forth between the $15 million and the $6 million, so I am kind of confused as to what we are talking about.

Duncan — Let's move on.

Malin — OK. We are going to look for some e-mails from those on the phone, and any additional ideas from those of you in the room, if you have any. I know we have heard zero.

Shimshak — Can I just make one additional request? The people who are in this room deal with Bonneville policy issues. That is what your role is in your company. It would be a good thing for you guys to go talk to anybody in your associations or in your personal utility who are actually focused on doing renewables projects, and ask them for some suggestions about what would be useful for us to do here. Angus and I are pretty well versed in what people we are associated with need to be able to make projects go forward. Maybe you are, or maybe you are not, but at least it would be a good exercise to go sit with them and say, here is an opportunity—it is not that much money—but what would be helpful for Bonneville to do? Because we could have a little bit more productive of a conversation if we had a few more ideas in the hopper to talk about.

Williams — I just want to clarify: I was not saying zero.

Duncan Right. She was not.

Williams I was saying, if you are going to do it in the '07-'09 rate period, shape it toward the end, so the costs do not hit rates in '07.

Malin Got it. OK. My apologies.

Mainzer We are going straight into the $6 million. But before we begin, I would like to drop into the nano detail on it. We have a C&RD program in place right now. It seems like it is working reasonably well. Although, judging by the customer response, it was as if we were sacrificing apple pie and baseball. C&RD is there. What I would like to know is, from your perspective, in terms of things that were eligible for renewables spending in the current rate period, do you have issues with those things? Are there suggestions for what things we might want to change, and why might you want to change them? Do you think the incentive structure that is in place, in terms of the magnitudes of the credits, is right? Would you want to change those? What would be the basis for substantial changes to the program?

M. Johnson Maybe I can talk a little bit about where the money has been going. For a number of utilities, probably from $18 of the approximately $19 million over the past three years has gone for utility-scale wind—for large-scale wind. There has been another $200,000 that has gone to solar water heating and PV, customer direct-application renewables. There are provisions in there for small-scale wind and hydro and biomass. We haven't seen anything come through on those. The largest part of the problem with that is we require if its is going to be a deemed credit for dollars up front, that you be able to estimate the production of that resource up front. For wind, that means you have to do a year's worth of wind monitoring. For a lot of people who want to put up a 1 kW machine, that doesn't make sense to them. Hydro and biomass are in the same situation. So we haven't seen any of that. So if we are going to do something for the small-scale stuff, you need to find a way to give them a chunk of money up front, instead of doing it as a production credit. Those are my thoughts on the subject right now. Any other comments out in the field?

DeWinkel Couple of them. One is, I would like to see a category between wind, utility scale, and wind, small. That is kind of on the same scale as we have been working on with the IOUs and the PURPA rules, like up to 10 MW or so. When you talk about small wind farms owned by a bunch of local farmers, or a combination of public and private ownership, like we are working on in Sherman County, that would be very good to have. I think the case in Oregon where we have the BETC pass-through that gives us some payment as well as some tax credits; our office would like to push more for basically the principle of the C&RD. We like the production-based, instead of the payments. We think that for distributed generation, that is the way to go to really push the renewables. As some of you know, when you look internationally, those countries who have been the most successful in promoting not just distributed generation, but also the infrastructure with production and manufacturing facilities, those countries that have production-based incentives and long-term contracts, those are the countries that are most successful: Germany, Denmark and Spain. We as an office here would like to see more exploration of pushing for production-based incentives, at least for the smaller scale, like 10 MW and less type projects, and possibly even other incentives for the larger systems.

M. Johnson	For the production credit, the way it is currently administered for the C&RD is only for the current rate period, and the next one is for the 3-year rate period. If you have something up and running at the beginning of the rate period, you could collect three years' worth of production credit. If you get it ready in the last year, you only collect one year of production credit.

DeWinkel	That is something then that we need to discuss in the longer term. Right now, we need to change it in such a way that a project owner can count on that for a 10- or 15-year period. It may be a present value to the firm, but if a project owner comes to us for a loan, with a self-loan program we run, they have to be able to show a 15- or 20-year flow of money for that long-term contract, otherwise a loan manager will not give the loan.

Mainzer	So Carel, do you think the State of Oregon would like to provide some credit backstops for small-scale renewables projects?

DeWinkel	I am not sure exactly what you mean, Elliott.

Mainzer	Everybody always wants long-term certainty, but nobody likes providing it.

DeWinkel	That is why we pushed very hard with the IOUs before the PUC that we need 15- or 20-year contracts for the PURPA contracts. While we are still waiting for the PUC to make a decision, I think the consensus was—based on the current rates in this part of the country and the cost of these renewables—that you need a 15- to 20-year loan.

Shimshak	Carel's example raises a kind of general issue, and that is, sometimes even when you can get money from other places, you need someone to put up the collateral so you can actually get the loan from someplace else. Bonneville is a natural entity to do that. But you also want to make sure that Bonneville doesn't get stuck with something if the project doesn't follow through the way it is supposed to.

DeWinkel But that is the beauty of production-based incentives, particularly here in Oregon, where we have the BETC pass-through, that gives 25 percent of the cost of a project up front. That helps a great deal. There is an incentive for the project owner to make the project run smoothly and on long term, because that is the only way to pay back the debt.

M. Johnson The reality is, the rate credit for this rate period and for the next rate period is going to be limited to things that go on during the rate period.

DeWinkel I am sorry to keep bringing this up, but I have trouble understanding that argument when all utilities make investments for the long run. Why is renewables, and possibly also conservation, singled out and not put on a long-term contract? Sorry, I just don't understand that argument.

Ingram We do make long-term investments, of course. The C&R discount mechanism is limited to a rate period, because a decision was made, with public participation, to make it part of the rate case and the rates. When you do that, you take on the fact that it only lives as long as that rate case and rate period. Other long-term acquisition contracts, certainly, go beyond that, and we manage that. But you can't take a rate credit program and do anything with it outside the rate period in which it lives.

DeWinkel Maybe, then, today is not the right meeting. But I would like to again revisit that, because it does not make sense to single out renewables, and possibly conservation, to make it so they cannot get long-term contracts.

Shimshak This just means this particular program is not appropriate for meeting that need.

DeWinkel But the mechanism is beautiful. This is a production-based incentive—that makes sense to make these kinds of projects work in the field. When the PUC makes the decision to get a good PURPA rate, we have then in the IOUs in this state a pretty good structure to make these distributed generation systems work. I was just in Lakeview last week, where Surprise Valley Electric Coop has some 69-kV lines. We followed the lines, because these small-distributed generation projects cannot afford to be far from these lines. What we have to do, as long as the Coops and PUDs do not have long-term contracts, is wheel a little power on the Surprise Valley Electric Coop, to wheel it to Pacific Power, because we can't get a 20-year contract. That is roughly 75 percent of the area within the State, where we have to find ways to wheel the power to the IOUs, because we can't get a long-term contract. That just doesn't make sense.

Shimshak Either we have to put more money in this to be able to front load it and allow it last over that period of time, or we have to think of another program, that is not this rate credit program, to design around it.

Mainzer Geoff, what are you guys thinking at the NRU on conservation and renewables discounts for the long, long term, say a 20-year contract?

Carr I don't recall seeing much about it in the joint customer discussions. I do not think we've focused on it. What we have been focusing on is this 3-year rate period that Al keeps talking about, and we are going to engage next on the long-term stuff.

DeWinkel OK, that's fine.

Mainzer So Carel, what I would say is that your perfect world comes together when you find a utility that has load growth needs and would like to diversify its portfolio with small-scale renewable resources, and also has the certainty that there is a long-term conservation/renewable discount program available to buy down a portion of the cost. Those two things may come together.

DeWinkel Right. I think the crucial thing is that the cost of those kinds of incentives is carried by all ratepayers, not just by the smaller Coops. That is a crucial aspect of that. So it is basically a public purpose charge.

Mainzer I would say that I am sure there are a lot of people in the room who share your frustrations, and maybe the stars will align on that. In the short term, I do not think this program is going to get us there.

M. Johnson I think in order to make the rate credit work for all the renewables, you almost have to front load the incentives. For us, that means you have to reliably estimate the energy production into the future and somehow guarantee that that facility is going to continue to produce for the measure of life you have specified. We can do that for solar water heating and PV, because we have pretty good data and there is a good track record out there. That is not necessarily the case with other things.

Mainzer Good points well made. Shall we segue into a couple of the other questions we were trying to address here?

Malin I sent out a discussion draft. It is not set in stone. It is just meant to be somewhere to start, since it is always easier to edit someone else's work than to start from nowhere. It does not have management's blessing or anything.

Shimshak Are we still talking about the $6 million?

Malin — Yes. Shall we start at the top? Does everyone on the phone have the draft discussion paper? Are there any comments on the proposed goals? Do you think those are laudable?

C. Johnson — You are talking about cost effective. What is the definition of cost effective? How are we determining that?

Malin — That is a good question and I debated deleting those words, because they bring up just such a question. This is actually your money, not ours. So the cost-effectiveness standards don't really apply.

M. Johnson — The first goal comes out of the Act, almost verbatim. That is why it is there. The Council currently is the one who is defining what is cost effective and they are using societal benefits, which is the value of the energy savings in carbon and other things.

Malin — Right, I understand all that, but this is not an acquisition program.

C. Johnson — I understand about conservation. But how do you determine what cost effective is when you are tying it to renewables?

Williams — The Council does not define cost effectiveness for renewables, only for conservation.

Duncan — No. The law, the Northwest Power Act of 1980, says the Council has to put together a Power Plan and it works through the different resources based on cost effectiveness, and there is a methodology for calculating cost effectiveness, and it applies to any resource that is acquired.

C. Johnson — What is that? What are the numbers, then?

Duncan — The Council calculates that in each one of its Power Plans, so it is different, depending on which Power Plan you are operating in.

C. Johnson — If the utility was to go out and select renewables, how would they know what is cost effective?

Duncan — Based on these goals, it says "currently cost effective, or has the potential to be cost effective." So a bigger question is probably what has the potential to be cost effective? That is much more a judgment call than a calculation, and I don't know that the Council or anybody has spoken directly to that, although the Council does do a resource stack.

C. Johnson — I understand that. If a utility was to go out and select some renewables, they would probably want to see what's in the portfolio, right?

Duncan Or maybe Bonneville defers to the utility, in a significant regard; to make a judgment call about what that utility thinks has the potential to be cost effective.

Malin I am hearing a suggestion bubble to the top here. Why not just delete the last half of that first goal, and just have the goal to be to promote renewables technology?

Roth Isn't that defined by what you are willing to pay for it? So the question really is, did you do what you said you were going to do in your goals, by what you ended up paying for it?

Malin Shall we move on to eligibility? I expect this to be kind of troublesome.

Stills Were you going to make that change, then, and make the goal to promote renewable technologies, period? [yes]

Malin Number 1. We just put in here, anything that came on line during the next rate period?

Shimshak Seems reasonable.

Shumacher In the C&RD program, if we are purchasing renewables, can those renewables be transferred over to the new program?

M. Johnson My understanding is that the production credits you are receiving are for resources that were built in this rate period, and they will end at the end of this rate period, unless special provisions are made to carry those over. We are starting to talk about eligibility, and the first item on there is availability of new resources, "new" meaning energized between 10-01-06 and 09-30-09, which is the next rate period. To answer your question, no.

C. Johnson So then those contracts we have with our existing renewables, we would be likely to exit those, if that's the case. Because when we entered those, the credits that we have been receiving was part of our thinking.

Shimshak That is the same issue Carel brought up with the small resources. That you need to be able to depend on this being here for a long time so you can make your judgment.

C. Johnson I agree. Yes.

Shimshak We are really only talking about the C&RD part of this, not the rest of it.

Duncan So are you using C&RD money for Nine Canyon?

C. Johnson Yes, Nine Canyon.

M. Johnson It looks like it is going to cost you a penny and a half more running into 09-30-06.

Duncan Specifically with respect to Nine Canyon, given the hit those utilities have taken on the REPI already, to pile on by taking away their expectation of being able to use their C&RD money—that is another significant additional hit on that project.

M. Johnson You are proposing that they should be able to continue getting the rate credit for an existing resource?

Duncan I am raising, or seconding them raising that issue. It may be that we can craft something that says if it is a long-term resource started in the last rate period—can we build a category that allows folks to be able to continue to rely on this for projects they started in good faith? I may have some partners in Last Mile Electric Coops White Creek wind project who are not in that same boat now, but could be three years from now.

M. Johnson The second goal is to promote incremental investments. To allow resources that are currently on line to qualify for production credits in the next rate period violates that goal.

Duncan I think that is why the question was raised about that goal. Because the alternative is you drive people to looking only at resources that can basically be cost effective based on three years worth of discounts. That severely limits both the number of resources they can look at, and probably the usefulness of those resources to the region.

D. Johnson Can I ask a question. It is kind of concerning to me to be allowing renewables in—certain renewables—and at the end of a 3-year rate period dropping them, then adding new ones, and then dropping some. Originally, the assumption of the C&RD is that it was going to be an ongoing, eight years of steady funding. And utilities kind of plan around that in regard to renewables.

Brattebo There was a rate period commitment, and that was it. When it was designed into the rates last time, it was a rate period commitment.

Shimshak This is a relatively small amount of money to be distributed among the 141 utilities. Because it is such a small amount of money, there are a limited amount of things that it can usefully be spent on. One thing could be to buy green tags for utilities to use over the rate period. One thing could be, just as you do a conservation program: You do a specific project that gets paid for all in one year. It is as if you've expensed the project. And outside of that, if you are talking about three years, there are not that many more things you can spend it on, because there is just flat not that much money. So one question is, how do we want to approach this?

Brattebo I am not particularly opposed to it being available to continuing projects, the problem is, that's all you will ever get. There will be no incentive to do anything more than what has already been done in the last rate period.

M. Johnson That is a real concern for John Pyrch and Mike Weedall. They want Conservation it to be incremental.

Phone Participant Mark, the rate period should be longer than three years. Just in regards to setting up contracts, you don't normally set up a contract for just a 3-year period.

Duncan While I agree with Scott that the discount was a rate period discount, and there certainly were no guarantees to anybody about what happens in year six. That doesn't mean we ought not to go back and reconsider the value of investing in a long-term resource, and having some reasonable expectation you can rely on, on exercising your own discretion as a customer about where you want to put your share of that discount money. To some extent I am arguing against my own self interest here, because it would be swell if every utility said the only thing we can do in three years is buy green tags, lets go talk to BEF. I hope they do that. But that is not necessarily a good use of the money either, from utilities' perspective, or from the region's perspective. I think we are better served by utilities having gone into a Nine Canyon than those utilities buying three years' worth of green tags. It is one thing to stimulate incremental renewables, it is another thing to stimulate and continue to support long-term incremental new renewables, even if the increment was added three years ago rather than next year.

Zelenka I would like to reiterate that. With all due respect to Weedall and Pyrch, incremental in conservation is easy, because every year you create a new conservation measure, you install it, and it's done. That kind of thinking does not carry over into renewables in the C&RD. You have to buy the renewables up front and they are there for 20 or 30 years. Unless we are going to go just to a green tags program, there has to be an understanding that we are going to buy a project and we are going to use that money in our C&RD for that renewables project for a long time. That has to be really clear. That can't be ambiguous at all. That needs to be something we all agree on. Otherwise we are just going to end up with a green tags program. If that's what we want to do, let's just say that. But that's really a dumb idea.

Duncan — Just a corollary to that. I think it is clear that you can't rely on that discount in the current rate period and carry it over into the next rate period. There is that risk associated with it. But you ought to be able to reasonably expect that if, in fact, the discount goes forward, that you have a reasonable expectation of carrying the project forward as well.

Shimshak — I agree with all this, except for this particular program or mechanism may not be the right program for those kinds of investments. It is more likely that the sorts of program we might be able to describe with the $15 million, for instance, would be…long-term investments would be appropriate for that program area. Like I said, $6 million just isn't that much money. I can't even imagine what the customers of Nine Canyon are getting out of this to put towards their program. It can't be that much.

Mainzer — This program is focused—I think Alan kind of nailed it—either it just automatically morphs into a green tag program, or it becomes something that entities that are doing resource acquisition can use to buy down their costs on the margin—sort of the same thing. Or, you go to the other extreme—this is what I always kind of liked, although I don't think everybody is favorable to this—and you pool the money together and you go out and buy six wind turbines, and then you have Bonneville market the energy. And every year you buy six more wind turbines, and you build yourself an 18 MW wind project over three years, and then people can grow into it in their Tier 2, or however we end up running the world some day, and even presumably make money off it. Otherwise, it is such a small amount of money it either degenerates into just a green tag program for existing projects, or it goes into very small pockets of research and development money, and I've never been convinced that it is an appropriate role for Bonneville. I think the federal DOE guys in Washington are the logical source the big R&D money, and I think we should be focusing on ways to get some incremental generation from that. It doesn't have to be wind. Wind is the cheapest stuff right now. It could be biomass, or whatever. But get something in the ground and get it spinning, and pool the money. Get people to work together. Everybody is so fragmented all the time. What about working together once and actually getting something built?

Duncan — But that is what we are doing. That is what the Last Mile folks are doing.

DeWinkel — I want to comment, Elliott, on your RD&D suggestion, that the federal government has the proper role there. That may be true, but particularly with the current administration, I don't think it will happen. Investment in long-term, publicly available data for wind, for example, or some geothermal work, or wave energy—ocean energy—that may still be a good use of part of this money.

Mainzer	I am comfortable with that, Carel, to a certain degree. But eventually, at some point, you want to point your finger at some infrastructure. I think we have an opportunity to actually get something built here. I've always pointed to that conservation power plant that they've built over the years that saves us billions of dollars.

DeWinkel	Ideally, you do both.

Mainzer	You have got to do both, somehow. It is just a question of how do you leverage the $6 million.

Shimshak	What Elliott is talking about is the first item under the options.

Duncan	Have we closed the conversation about the incremental or not incremental?

Malin	No.

Duncan	Because I don't disagree with what you said, Elliott, obviously. That is what we are doing, and we ought to collectively do more of that. But there is still this question of whether someone who starts out with a long-term resource can use this revenue source.

Malin	Even if we decided that incremental didn't matter—just say that we decided after this meeting to allow existing projects to be eligible—the amount we should be allocating for wind is really zero. It is below market. It is below the gas-fired CT. Utilities could actually make money on their wind projects now.

Duncan	Are they at Nine Canyon?

Malin	I don't know.

ENW Rep	Nine Canyon is not.

Duncan	That is why I want to be specific. You can make generic judgment calls about wind being cost effective or not, but that depends on each individual project. Particularly in the case of Nine Canyon, where they got hit hard on a discounted REPI last year. You all got what, 70 percent? I think something like that. Each individual project is a little different.

Mainzer	It is not going to matter, ultimately, whether it is zero, or $3 or $5, if you don't have utilities that are already in the resource acquisition mode. So the question is, how do you get people into the resource acquisition mode? You are not going to get people to line up to buy 100 MW wind projects when they don't need them. But if you take that money and start small and build on it over time…excuse me, but I have to get on a plane.

Duncan We are supporting the mutual fund.

Malin Just by way of explanation, that mutual fund idea that Elliott was just talking about—the idea is that this would get you past the whole mess about allocations, and decrement and not decrement. We could put something in the ground now, and we can market it in mid-C for you, and you wouldn't have to dedicate it to load, but the resource would be there for you after all the dust settles on the allocation. We thought that might be a good way to bridge this awkward 3-, 5-, 7-year gap between pre- and post-allocation. That is what the mutual fund option was about.

Roth It only works if everyone agrees.

Duncan No, for whoever agrees. But would it carry over to year 4? If Bonneville were to make this acquisition on behalf of the mutual fund, for whoever agreed to it, would Bonneville or those customers be able to use their renewable discount in year 4 to continue supporting that acquisition financially?

Malin We can't decide that until we have the long-term regional dialogue discussion, which is this summer. So I don't know.

Shimshak You take whatever money is available from whichever customers want to participate, and you invest that. You get whatever that buys you.

Williams The cafeteria plan.

Malin You get whatever it buys you, and you get a dollar-for-dollar discount for this 3-year rate period. But year 4 I don't know. That is beyond the horizon.

Duncan But it is exactly the incremental question we were talking about, and the question was not whether it could be guaranteed, but would it be available?

Malin Your portion of the project would be yours forever. But whether or not your eligibility for the C&RD would be yours in year 4, we don't know.

Brattebo This might be a dumb question, but what is a dollar-for-dollar discount?

Malin Just that every dollar you put into the mutual fund, you could claim on the C&R discount.

Brattebo In other words, it is full reimbursement.

M. Johnson Given the shortness of the rate period, it strikes me that to the extent you can front load as much as you can, to provide a lump sum incentive, or figure out a structure where you can put the money out today and have it trickle out over the measure's life, is something that would work better. Another thought, too, is if you are going to do a production credit, maybe we should also add a needs test to it. So, for large-scale wind, which is already cost effective, or is at the cost of a CT, maybe that shouldn't qualify for a production credit? They don't need help. For the Nine Canyon situation, where the costs are higher, maybe you could.

Malin We are going to get to that, Mark. We thought about that, and we decided that although it is in the money today, that doesn't mean it's going to be in the money in four years. And, frankly, wind is more of a pain to manage and acquire, and to deal with transmission, than a gas-fired combustion turbine. We felt there was some level of incentive that needed to be provided there, just to tip the scales.

Shimshak Not to mention that everybody's got a different idea about what is cost effective and what's not. So it makes it a tough call.

Still I have a comment regarding the incremental investment. I just want to throw in a pitch again for direct application. As Alan was pointing out with conservation, you have a great incremental investment with that. Direct application of renewables does the same thing. You build a resource over time.

Roth I would second that, also. That's a big gap in what is being offered here.

Malin If there is enough customer support for putting direct applications in the renewables program; we can probably lobby to make that happen. But if there is not enough support, then it wouldn't be worth it.

Still Who do you lobby? What do you have to do to proceed with this?

M. Johnson For starters, the comment period for the current proposal that Energy Efficiency has right now—I think the deadline is April 28. You need to make a comment on that. If you know of other utilities or civil groups that would interested in commenting, you should encourage them to comment as well.

Shimshak Are you just talking about solar water heating and on-site PV?

Still	That's Alan's issue. We have an issue with carrying over our existing renewables under the C&RD program into the post-'06 conservation program.
M. Johnson	You're talking about your EPP purchases or Third Party West?
Still	Nine Canyon. We buy from Nine Canyon.
M. Johnson	You definitely need to make comments on both of those subjects to Mike Weedal and John Perch.
Still	You say you are going to lobby for this if there is enough interest. You have a great number of utilities on this call today. I wonder if you wanted to do a quick straw vote on this?
Malin	Yes, that's a wonderful idea. So all of those who would like us to have direct application renewables in the R portion of the C&RD, let your voice be heard. Is there anybody out there who objects to this?
Shimshak	I don't object until you answer my question properly. And my question is, for direct applications like solar water heating, have they been stricken from the conservation list?
Zelenka	Yes. They are not cost effective. The benefit to cost ratio is too low.
M. Johnson	Weedall and Perch are concerned that anything that goes to a non-cost effective resource, whether it be conservation or renewables, means there is a cost effective resource that they do not acquire. They are focusing specifically on conservation, and that is why we were not going to fund the renewables out of the rate credit unless we were reimbursed.
Shimshak	This means there is not enough money to do all of this. So you have to purge things that would otherwise be considered conservation.
M. Johnson	Right. But there are also a lot of conservation measures that are not considered cost effective that are being taken off the table, too, that utilities like.
Shimshak	Like I say, there is not enough money to do all the stuff that you ought to do.
Malin	I heard that most of the utilities on the phone want direct applications in the renewable option of the Conservation rate credit. You will see here on this discount schedule, I included solar thermal in the table.

Shimshak — Just let me make this clear, though. For renewables, we have even less money than conservation, we now have new things to pay for out of the renewables budget that were not previously paid for.

Phone Participant — Are you talking about the $6 million budget?

Shimshak — Yes.

Phone Participant — What was it in the past?

M. Johnson — In the past three years, I think a total of about $135,000 has been spent on solar water heating, and about $70,000 on photovoltaic. So it isn't a huge amount.

DeWinkel — What about geothermal direct use, then? Do we include that, too?

Phone Participant — For Klamath Falls?

DeWinkel — That area.

Phone Participant — That is PP&L.

DeWinkel — Lakeview is not.

Malin — Geothermal is in there, Carel. Oh, you are talking about heating?

DeWinkel — Yes. It is similar to solar water heating.

Malin — Has anybody claimed that before?

M. Johnson — No, there is not even a placeholder for it. The problem with small wind and hydro and biomass is—the C&RD credit is based on the value of the energy savings, which is estimated and deemed credit for, which is something you can do fairly reliably using the solar radiation data that we currently have. It is pretty consistent, region-wide. But when you get into wind and hydro and biomass, you don't have that ability to estimate reliably up front. So you have to take one year's worth of production and interpolate it out to the measure life, or something.

Malin — I realize that we are going to have to revise the eligibility criteria Number 4, to account for the direct application renewables. Let's get back to that later. First, let's go back up to eligibility Number 2. Any thoughts or comments on that?

Carr Are people doing this right now?

Shimshak They are doing it on the conservation side.

Duncan I think I agree with Number 2, particularly because one is going to go up and the other's going to go down. If the discount dollars are available in the Energy Trust territory, then the Energy Trust payment will automatically go down for these activities. Which is not necessarily a bad thing or a good thing, since they will simply reprogram the dollars to something else. It's just a question of whether you want to substitute C&RD dollars for Energy Trust dollars there.

Shimshak I think the way this reads is fine.

Duncan I think so, too.

Malin We just did not want double dipping, that's all.

Duncan It really wouldn't be double dipping, but there would be substitutions.

M. Johnson I am not sure that the two cross. Energy Trust dollars—the only people who are claiming their donation to the Energy Trust to satisfy their C&RD obligations is PGE. PacifiCorp spends all their C&RD credit on utility scale wind. So I don't see that happening now.

Malin OK. So that is kind of a non-issue. What about Number 3?

Williams That makes sense.

Duncan Absolutely.

Malin It just means if you are ordered to build renewables pursuant to a renewable portfolio standard, those renewables would not be eligible for the renewable rate credit because they would have been built irrespective of the rate credit.

Duncan If you had an RPS, you would be.

Shimshak You would be required to.

Malin Number 3 was put there in case an RPS is instigated in the PNW within the next few years.

Shimshak In the State of Montana, the House just passed an RPS. The Senate is considering it, and it was sponsored by the governor of the State. It is unlikely to get passed in the last few days, but it is not like it is not an option out there.

Williams They have been trying to pass one in Washington. We supported it in BC.

Shimshak So it could happen. Maybe not in this 3-year rate period.

M. Johnson So, generally, there is support for Number 3.

Duncan Yes.

M. Johnson Number 4? There is a question whether we should raise that? Because I know that limit has stopped at least one small hydro from being claimed under C&RD.

Duncan It can't be bigger than that, or can't be littler than that?

M. Johnson There are two aspects of this. Direct application of renewables is smaller than that. Debra was going to adjust that so it could be included. The other question is, you might want to raise that limit, too, because there are probably some biomass and gas that are bigger than that.

Shimshak I interpreted Number 4 as being bigger than 25 kW.

Malin Yes.

Shimshak 25 kW and larger.

Malin Yes, that is what I meant.

Duncan So where does that leave small wind? So it should read, "except for direct applications"?

Malin Yes. I am going to have to put in a Number 6 that addresses direct applications.

M. Johnson I do not think small-scale wind is considered direct application.

Shimshak Small scale wind is less than 25 kW?

Duncan Yes, sometimes 10 kW.

Still	It depends on how small you are talking about, when you say small scale. If you've got an individual consumer whose got a wind turbine, that's direct application.
Malin	We are trying to incent production from projects. Hence production payments. So I would like to make that the largest possible threshold because then you get the biggest bang for your buck, right? Below some level it is not worth putting a meter on—like with water heaters.
Duncan	So, why don't you just say, "output metered"?
Brattebo	You mean it has to be metered?
Duncan	Except for direct applications.
Roth	Direct application implies behind the customer meter.
Duncan	So, if you do those two things you have covered your waterfront. And, frankly, even small solar PV is almost always metered now.
Malin	What about direct application? Do we need to have an up-front payment? It wouldn't be a production payment.
M. Johnson	Anything less than 25 kW, you might want to propose a single up-front payment. If we do that, then we need to come up with standards that people need to meet in order to determine an estimate of what the energy production would be. We currently have good methods for doing that with PV and solar. We don't have good methods for doing that with any of the other ones.
Malin	Alright. Mark, you and I will work out another iteration of this. The next version you will see will a have direct application eligibility bullet, and solar thermal will be deleted from the discount schedule, and you will have an up-front estimation. So, mutual fund? Shall we move on to the options yet?
Carr	No. I wish Tom O'Connor was here. Eligibility bullet Number 5 has "EPP does not qualify," but it does qualify under the current C&RD. I think this might be a major area of controversy.
Malin	You are right. I am sorry that I moved on.
Carr	When do you want comments on this by?
Malin	Let me back up and tell you why we did that: because we are going to lower the price of EPP in the next rate period, significantly, to keep it in

line with market. So the sting will be gone out of that. Also, because we are trying to promote incremental investment. We want all those utilities that bought EPP just because they needed to spend their money, to spend their money on something else—maybe through the mutual fund idea, or through solar water heaters, or an RD&D project.

Duncan So what happens to tags in this? Are they still eligible?

Malin They are mentioned in this. Tags would have the same eligibility requirement as everything else. In other words, they would have to come from projects meeting all of the eligibility requirements

Shimshak I thought it was only the new portion of the EPP that you could claim.

Malin No, it is all. The whole thing.

Carr It says right in the beginning: renewable products are eligible for C&RD.

Shimshak So that violates the goal of the program.

Malin What we need to know from you guys is, what other things besides EPP would be really easy for you to put money into that would actually make a difference? The projects that support EPP are already in the ground. They are already being paid for in rates. Maybe it is pool your money for RD&D resources, or research, or the mutual fund, or something else out there that we haven't thought of?

Carr For the smaller utilities, this is where they go to get their renewables credits. I need to talk more with the folks who are affected by this. What is the timing on all this stuff?

Malin We have a lot more time on this. We don't have to have the final version until October, which is when ex parte starts. You have lots of time to shop.

Carr We need to understand about the lower price of EPP in the next rate period, and the need to promote incremental investments. We need to bring all this back. This is a very important issue.

Malin Yes, I figured it would be. There's lots of time.

Duncan I want to briefly weigh in on this, because it goes back to the earlier question about what is new, and resetting the clock every rate period. I think I would make the same argument, but even more emphatically, in this case. Because we have a set, as you know, of national standards of what is new and what is not. BPA would then be departing from that set of national standards. I know what you want to do. The reason the environmental community that worked out green e standards, of which we were a part, drew a line in the sand in 1999, was to recognize exactly the issue that the Nine Canyon project brought up, which is, if you are going to develop a 20-year project—this is also what Carel brought up earlier—you simply can't get much value out of a small 3-year support system. And I would argue there is greater value for this region in getting long-term renewable resources developed than in getting 3-year renewable resources developed. I don't want to belabor the point, but it is the same issue.

Malin OK. I hear you. It is the same issue. We can't contemplate anything beyond the three years right now. We can this summer, though.

Duncan Repeating again. We understand the commitment can't carry past the rate period. But the potential for being able to use the C&R discount in the next rate period should not be precluded by the rules here, and I think that's true whether it's a project, or EPP, or tags. I do think the EPP should only qualify, at this point, to the extent that it comes from new resources.

Malin New, meaning what?

Duncan Post January 1, 1999. Rachel and I might be different on this.

Shimshak We have an issue we need to deal with on this. We need to think about how to stimulate long-term investment, the two different objectives that we have, and not much money we have with which to do either.

Carr I know you want to end this topic. But if you look at incrementality, as defined here on page 4, Nine Mile and this program would fit right under it. It doesn't have any time line. It says, "to encourage additional investments in conservation." Customers must self-certify that the spending is incremental to the investments that would have been made absent the thing. So it could be Nine Mile, it could be EPP.

Malin Keep in mind this is only my draft. It hasn't gotten management approval.

Shimshak I am reading the definition of EPP, of what you get reimbursed for. It looks to me like it is 100 percent of the green energy premium, and the decrement. That's what I thought it was.

Malin That's correct.

Duncan Yes, but the green energy premium is whatever it costs above PF. So that includes both the old hydro, snazzy hydro, and any new resource, such as wind.

Malin There is another meeting scheduled in here at 3:00. Do you want to continue this discussion, or spend the remaining few minutes scheduling another meeting or move to another conference room?

A new meeting was scheduled for Tuesday, April 26, from 9:00-12:00 in Room 545.

Malin The goal for this next meeting is to get something into rates for renewable facilitation in the next rate period. I will be also be accepting comment on the $6 million issue.