



September 23, 2011

Dear Governor Kitzhaber:

We support your goal of establishing a ten-year energy plan for Oregon. Designed and implemented correctly, the energy plan will stimulate job growth throughout the state, attract business to Oregon, reverse the flow of energy dollars sent out of Oregon, combat climate change and make Oregon a national model for sustainable prosperity.

The decisions we make at this pivotal time have profound impacts for future generations. Capital investments made now can bind us to decades of fossil-based energy generation whose profits flow out of state; or conversely can produce widespread local ownership, local job creation, and leadership in renewable energy and conservation.

The widely dispersed nature of renewable energy resources and the urgent need to deploy them present Oregon with new opportunities for widespread economic development and broad participation in the production and sale of electricity. We believe this calls for a shift in the way we produce energy in Oregon and our energy policy must reflect this shift by assigning value to the non-energy objectives of inclusiveness, sustainable economic development and environmental impacts, as well as cost-effectiveness.

We support a broad, robust statewide feed-in tariff as a highly effective policy mechanism to lower barriers to participation in the clean energy market, encourage rapid deployment of renewable energy, reduce the cost of renewable energy and bring sustainable economic growth to Oregon.

A just and effective FIT program for renewable energy should be *designed as if community matters*. Below we set forth in detail the principles for feed-in tariff design that have proved effective elsewhere. We urge you to include them in your ten-year energy plan.

A good FIT for Oregon should: 1) attract private and local capital; 2) achieve broad participation; 3) provide fair value to ratepayers; 4) distribute economic benefits fairly and broadly; 5) support local production, community ownership and local content; 6) minimize negative environmental impacts from increased electricity demand and maximize onsite production while minimizing energy use; 7) contain clearly stated program objectives that strike a fair balance between inclusivity, sustainable economic development, environmental impacts and cost-effectiveness; and 8) be administered by an agency capable of achieving all these program objectives.

1. **To attract private and local capital**, the feed-in tariff must include:

- Transparency, longevity and certainty for investors
- A 100% purchase guarantee for renewable energy generators

- Guaranteed connection to the electricity grid
 - Fixed prices calculated to repay capital costs and yield a return on investment equal to that earned by investor-owned utilities
 - Scheduled reviews of tariffs and program rules written into regulations to increase investor certainty
 - Elimination of barriers to local community investor groups
2. **To achieve broad participation** in renewable energy generation by local governments, non-profits, schools and houses of worship, communities, farmers, tribes and low-income individuals, the plan must include:
 - Simple and streamlined application procedures
 - Reasonable reduction of zoning and permitting barriers
 - Elimination of state and federal tax liability as a project cost requirement for participation
 - Participation open to customers of all Oregon electric utilities
 3. **To give fair value to ratepayers and minimize ratepayer impacts**, Oregon's feed-in tariff must:
 - Differentiate FIT rates by technology, geographic location, and project size
 - Spread program costs equitably across all ratepayer classes and customers of community-owned utilities and investor-owned utilities
 - Develop contract lengths based on the expected life of the technology
 - Provide strategies for low-income ratepayer protection such as targeted weatherization or exemption from the surcharge
 - Include periodic reviews of tariff rates in order to reduce ratepayer impacts by adjusting tariffs downward as system costs decrease
 4. **To distribute the economic benefits most broadly** to Oregon workers, small businesses, ranchers, farmers, homeowners and tribes, the design of the energy plan should be an open process, and the FIT should:
 - Calculate the cost of renewable energy installation based on prevailing industry wages
 - Emphasize distributed generation of small and mid-size renewable energy projects
 - Include a diverse mix of renewable energy technologies
 - Provide published fixed FIT rates readily available to all Oregonians
 - Reduce administrative burden and provide streamlined approval processes
 - Include mechanisms that are developed by a transparent political process with broad input that includes, but is not limited to industry, labor, consumer advocates, energy producers, consumers, and environmental groups
 - Include public input from many stakeholders around Oregon
 5. **To achieve even greater economic benefits in local communities**, the FIT could include the following mechanisms successfully applied in other jurisdictions:
 - Local content requirement to stimulate local manufacturing
 - Preferential terms and/or tariffs for local, community-, or tribal-based ownership, and for projects that serve as job-training sites

6. **To minimize negative environmental impacts** of increased electricity demand from sources including population growth and electrification of transportation, the FIT program should:
 - Base decisions about which renewable energy technologies to include on environmental impacts as well as economic development and cost impacts
 - Emphasize renewable energy in the built environment and on disturbed land to help protect pristine natural habitats and minimize the loss of prime agricultural land
 - Minimize the need for large-scale, remote energy facilities that require new transmission lines that are expensive, have inherent inefficiencies and can cause detrimental environmental impacts
 - Base cost comparisons to fossil fuels on a triple bottom line analysis; i.e., apply the same social, economic and environmental standards when comparing the costs of continued fossil fuel use versus the cost of creating a 100% renewable energy mix to power Oregon's economy
 - Provide tariff-adders that pay a higher price for energy generation that exceeds the producer's onsite consumption, thereby encouraging energy conservation
 - Provide program caps based on the long-term goal of 100% renewable energy rather than annual targets
7. **Choices about the design of Oregon's feed-in tariff will be driven by its stated program policy objectives. We support program objectives of broad participation, local economic development, environmental sustainability and cost-effectiveness.**
8. **To achieve its program objectives Oregon's FIT should be administered by an agency or combination of agencies that:**
 - Possess(es) the core competencies required to assess, implement and monitor all program objectives
 - Can work effectively with all Oregon utilities, both IOUs and COUs and with an increasingly diverse group of stakeholders

The decision by the legislature in 2009 to house Oregon's Solar Pilot Program (B3039) at the Oregon Public Utility Commission, which operates under a least cost mandate, and the absence in the legislation of clear direction on how to value economic development, environmental impacts and inclusiveness in its program design, resulted in a program almost exclusively weighted to considerations of cost-effectiveness.

To correct this and other shortcomings of Oregon's Solar Pilot Program, future FIT legislation should include:

- Clearly stated program objectives that include the values of inclusiveness, economic development, environmental impacts and cost-effectiveness, and how they should be weighted
- Specific language that complies with FERC's January 2011 interpretation of "avoided cost" under PURPA, to now enable all producers in Oregon's FIT to sell 100% of the energy they generate to their local utility at a pre-determined fixed price
- An opt-in provision for customer-owned utilities that allows for participation by all utility customers in Oregon

Academics in Oregon are recognizing the value of a well-designed FIT to encourage sustainable community development. To provide Oregon's policymakers sufficient locally-specific data on which to base program decisions, we suggest Oregon-based research be done to determine the:

- Sustainable production potential of various renewable resources in the state, including rooftop solar PV and solar thermal; rural, small wind; and low-impact, small- and micro-hydro
- Economic development, environmental, and cost-saving value of locally produced renewable energy
- Long term cost comparison (rate modeling) of two scenarios: developing renewable energy and continuing to produce electricity from fossil fuels (coal and natural gas)

Oregon has abundant clean energy resources available now. We are suffering long-term high unemployment, while at the same time we send 85% of our energy dollars out of state. The cost of continuing to do business as usual with centralized generation using fossil fuels and extensive transmission infrastructure will rise dramatically as easily accessible supplies become increasingly scarce and our climate continues to change. A carefully designed feed-in tariff will provide a stable funding source for developing renewable energy, put Oregonians back to work in communities all across the state, spur economic development, increase conservation and energy efficiency, and make Oregon a national model for transforming to a sustainable energy economy.

We respectfully request a meeting to discuss the program objectives an Oregon FIT should contain in order to lower barriers to participation in the clean energy market, encourage rapid deployment of renewable energy, reduce the cost of renewable energy and bring sustainable economic growth to Oregon.

We look forward to hearing from you and to the opportunity to discuss the design of an energy plan for Oregon and share FIT lessons learned elsewhere, including successful strategies used to build public acceptance,

Sincerely,

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