



WASHINGTON STATE
HOUSING FINANCE COMMISSION

November 7, 2017 ^{Karen Miller}
Chair

Mr. Kim Herman
Executive Director

Utilities and Transportation Commission
1300 S Evergreen Park Dr. SW
Olympia, WA 98504

RE: U-161024 Rulemaking

To Whom It May Concern,

The Washington State Housing Finance Commission (“Commission”) has provided bond and loan financing for energy projects since 2011. As a lender and conduit issuer of bonds, the Commission has financed nearly \$10 million of wind, solar and biodigester projects, some of which are large enough to have been considered qualifying facilities.

Our Sustainable Energy Trust offers low-interest loans up to \$1 million for energy or energy efficiency projects, with terms up to 10 years. Even with below-market interest rates, we find that some projects struggle to reach simple payback within the 10-year term. For example, we are currently working with a large solar project that aims to take advantage of the federal investment tax credit, accelerated depreciation, the state solar production incentive, and net metering at the retail rate. However, due to low regional energy prices, the project does not achieve simple payback within our 10-year constraint. The project will likely pursue an alternate lender who can offer a 15-year term, though at a higher interest rate. For this and other projects, the term of the loan is more important for making the project economically viable than the interest rate.

The Federal Energy Regulatory Commission has stated that PURPA contract lengths should be long enough to allow qualifying facilities (QFs) reasonable opportunities to attract capital from potential investors. Lenders typically match the term of a loan to the length of the contract for a QF. At the QF avoided cost contract rate, it would not be uncommon to see solar projects pencil out in a 9-13 year timeframe. This means that a significant number of projects would struggle to pencil out economically in 10 years, and thus be unlikely to attract financing. A standard contract term limited to 10 years would inhibit QF activity in Washington by not allowing reasonable opportunity to attract potential investors.

Therefore, I encourage you to extend the QF contract to 15 years to better align the contract term with project payback and encourage financial institutions to invest in projects. This would be a boon to the state’s economy and would help diversify Washington’s energy supply.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Juliana Williams".

Juliana Williams
Senior Sustainable Energy Analyst