

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

AR 603

In the Matter of

Rules Regarding Community Solar Projects

Initial Comments of
Renewable Northwest

I. Introduction

Renewable Northwest thanks the Oregon Public Utility Commission (“Commission”) for this opportunity to comment on the AR 603 Proposed Community Solar Program Rules, 860-088 (“Proposed Rules”). Designing a program of this nature is no small task. We commend Commission Staff (“Staff”) for leading an open stakeholder process and for their diligent work in compiling the Proposed Rules.

Renewable Northwest is a nonprofit advocacy organization that brings together its business and nonprofit members to facilitate the expansion of environmentally responsible renewable energy resources in the Northwest. Renewable Northwest’s membership includes organizations ranging from consumer and environmental advocates to renewable manufacturers and developers, including solar and community solar developers.

Renewable Northwest appreciates Staff’s responsiveness to stakeholder concerns while drafting these Proposed Rules. Staff incorporated stakeholder feedback, leading to a community solar program that is generally more flexible and viable than the program design in earlier draft rules. Our feedback and suggestions in these comments are intended to further improve the Proposed Rules so that they lead to a program design that enables the development of community solar projects (“CSPs”) and results in equitable opportunities for Oregon utility customers to access CSPs. Omission of any subject from this discussion should not be interpreted as either support or opposition. Renewable Northwest looks forward to future opportunities to address additional topics found in the Proposed Rules.

These comments are informed by our experience in discussions with various stakeholders and in proceedings on issues related to solar, community solar, and programs aimed at increasing consumer access to renewable resources, both in Oregon and throughout the Pacific Northwest.

Of particular importance to this rulemaking, we are or have been active in Dockets UM 1690, UM 1716, and UM 1746, as well as in several Public Utility Regulatory Policies Act (PURPA) proceedings and integrated resource planning processes. We also played an active role in the development of Senate Bill 1547, the legislation that led to this rulemaking.

The design of the community solar program should provide a viable path for customers to access CSPs. We commend Staff for its efforts to address several sources of uncertainty in prior versions of the rules. Still, we encourage the Commission to consider addressing some remaining issues that could create the perception that entering the community solar market is unduly risky. Several subsections of the Proposed Rules impose restrictions and requirements aimed at addressing the potential for abuse of the program. We support Staff's goal of minimizing the potential for abuse of the program; however, we are concerned that certain restrictions and requirements in the Proposed Rules constitute redundant safeguards to address risks of unknown likelihood, potentially at the expense of the viability of developing projects under this program. Our recommendations aim to eliminate redundant requirements and address sources of unnecessary uncertainty.

Our comments are arranged as follows: In Section II, we highlight potential sources of financial and procedural uncertainty in the Proposed Rules that could inhibit the development of CSPs, thereby making it difficult for customers to increase their access to solar resources. We then offer recommendations aimed at minimizing those sources of uncertainty. In Section III, we offer observations and suggestions concerning the current scheme for compensating CSPs for their unsubscribed or unsold generation. In Section IV, we encourage Staff to clarify the parameters for utility participation in the program. In Section V, we offer recommendations to increase customers' access to CSPs. Section VI explores restrictions on customers' choice of CSP. In Section VII, we address the risk of undercompensating community solar participants. In Section VIII, we highlight positive aspects of the Proposed Rules that, together with our recommended changes, would form the basis for a successful community solar program. Finally, in Section IX we examine community solar as part of a larger transition in the power sector and the evolving regulatory paradigm.

II. The Level of Uncertainty in the Proposed Rules

The program design laid out in the Proposed Rules includes some sources of uncertainty that may dissuade potential developers and customers from participating in this community solar program. We offer below suggestions on how to reduce sources of uncertainty in the Proposed Rules. A concern that crosses both of the subsections below is that prospective project managers will need to dedicate resources in order to initiate the pre-certification process. As the Proposed Rules are written, developers could commit resources without understanding the financial

proposition of participating in a CSP due to not having a sense of the bill credit rate or the administrative costs. Hence, we encourage the Commission to consider, at least early in the program, providing aspiring project managers indicative figures on bill credit rates and the administrative costs to better help these entities determine whether beginning the pre-certification process makes financial sense. As the program continues, project managers may be able to infer these values from the previous capacity tier and this feature may become less critical.

A. Uncertainty for Participants and Developers Regarding Administrative Costs

Renewable Northwest recommends that the Commission clarify in the final rules that the upper limit of administrative costs would be known at the time of project pre-certification. Understanding the impact of administrative costs on the financial proposition for a potential participant will be important both for the developer marketing a project and for a prospective participant deciding whether to participate. Renewable Northwest commends Staff's efforts to reduce the uncertainty around administrative costs through the proposed OAR 860-088-0040(3)(a). Our conversations with Staff indicate that Staff envisions a project's administrative costs being set at the time of project pre-certification. To reduce ambiguity in the final rules, we suggest that the Commission clarify in the final OAR 860-088-0040(3)(a) that the upper limit of project-level administrative costs will be determined at the time of project pre-certification.

B. Uncertainty for Participants and Developers Regarding Bill Credit Rate

Renewable Northwest recommends that the Commission consider adopting an interim bill credit rate before the completion of UM 1716. We understand that Staff envisions this community solar program beginning after the conclusion of UM 1716. However, we are concerned that waiting to launch this community solar program until the end of UM 1716 could affect both this community solar program and UM 1716.

Waiting until the completion of UM 1716 could unnecessarily delay the beginning of this community solar program or lead to a less accurate resource value of solar ("RVOS") methodology. Two years after UM 1716 began, Phase 1 of Investigation No. 1 has not yet been concluded. We understand that identifying an RVOS methodology that provides the best estimate of the RVOS requires careful attention, and we commend Staff for its thoughtful work in UM 1716. Selecting an RVOS methodology that accomplishes the Commission's goals will take considerable time, and Renewable Northwest encourages the Commission not to sacrifice granularity in the RVOS for the sake of expediency. However, given the approaching decrease of the federal Investment Tax Credit, Renewable Northwest encourages a near term launch of Oregon's community solar program. Therefore, we encourage the Commission to remain open to

adopting an interim rate if needed to launch this community solar program before completion of UM 1716.

C. Process Uncertainty

Renewable Northwest suggests that the Commission clarify in its final rules that the program's Implementation Manual will address several of the current sources of uncertainty in the pre-certification and certification process. For example, the unknown timeline and unclear requirements for projects to move from pre-certification to final certification are major sources of uncertainty in the Proposed Rules. Project developers need at least a rough understanding of the requirements and timeline to achieve pre-certification and certification before committing the time and financial resources necessary for the processes. From conversations with Staff, we understand that Staff envisions these requirements and timelines will be specified in the program Implementation Manual. To reduce sources of ambiguity in the final rules, Renewable Northwest respectfully encourages the Commission to clarify in the final rules that the Implementation Manual will describe and explain pre-certification and certification requirements.

1. Process for Pre-Certification

Renewable Northwest encourages the Commission to clarify in the final rules that the requirements for pre-certification will be fully described and explained in the Implementation Manual. Specific requirements for pre-certification would give potential developers of CSPs a clear sense of what steps they need to follow, reducing uncertainty and ambiguity in the process. Under the Proposed Rules, to achieve pre-certification, a project manager must submit an application including, but not limited to:

- project location;
- project permitting;
- project overview;
- a plan for project end of useful life;
- interconnection documentation;
- customer subscription plan; and
- a plan for meeting the low-income participation requirement.

Renewable Northwest encourages the Commission to clarify in the final rules that the Implementation Manual will specify what documentation is required for pre-certification.

Renewable Northwest also encourages the Commission to clarify in the final rules that sufficient information about the queue of pre-certified projects will remain transparent and publicly available. Under the Proposed Rules, the program administrator must maintain confidential

queues of pre-certified projects. While we agree that certain elements can and should remain confidential (i.e. the identity of the owners of a pre-certified project), some information must remain available to prospective CSP developers deciding whether to invest in starting the pre-certification process (i.e. project size, location, timeline for development, and phase in the review process). This transparency will allow prospective CSP developers to determine, among other things, if there is sufficient capacity available in the capacity tier for them to proceed with early-stage project exploration and development.

Finally, Renewable Northwest encourages the Commission to clarify in the final rules that the Implementation Manual will specify the timeline for pre-certification. Under the Proposed Rules, an application would be sent to the Commission for approval after the third-party administrator reviews it. However, there is no clarity in the Proposed Rules regarding how long the approval process could take from submission to the third-party administrator to Commission pre-certification approval. We encourage the Commission to address this source of uncertainty by clarifying in the final rules that the Implementation Manual will provide clarity with regards to the timeline for pre-certification.

2. Process for Final Certification

Renewable Northwest encourages the Commission to clarify in its final rules that the Implementation Manual will include a timeline for final certification. Under the Proposed Rules, projects may retain pre-certification for 18 months. However, the Proposed Rules do not specify the timeline for review of an application for final certification. Clarity with regards to that timeline will be important for project managers and participants alike. For example, project managers will need a sense of when a project will be certified in order to obtain financing. Similarly, prospective participants will need to know when to expect to begin receiving bill credits in order to determine whether and when to sign up to a project. From conversations with Staff, we understand that they envision that the timeline for final certification of projects will be outlined in the Implementation Manual. We encourage the Commission to clarify in its final rules one of the Implementation Manual will address such a timeline.

Renewable Northwest also recommends that the Commission clarify in its final rules that the Implementation Manual will clearly list all the criteria for final certification. The Proposed Rules list some requirements for final certification¹, but are otherwise unclear as to any additional certification requirements. Before committing time and financial resources to start the pre-certification process, project developers will need to know the steps necessary successfully launch a CSP. As a result, we recommend complete clarity regarding the requirements for

¹ Proposed OAR 860-088-0160(1) (“Once a project manager can demonstrate compliance with the low-income participation requirement and show that at least 50 percent of the nameplate capacity of a project is either owned or subscribed by participants, the Commission will conduct a final certification review and certify projects that satisfy all certification requirements.”)

certification. Our conversations with Staff indicate that they envision project certification requirements will be part of the Implementation Manual. We encourage the Commission to clarify in its final rules that the Implementation Manual will clearly outline all requirements for final certification.

III. Power Purchase Agreement

Renewable Northwest supports compensating CSPs for unsubscribed or unsold generation through a PURPA framework and considers the rate of compensation for that generation a sufficient incentive for fully selling or subscribing a project. Under the proposed OAR 860-088-0120(2), “[t]he conditions and pricing for the qualified unsubscribed or unsold generation will be those for generation sold on an ‘as available’ basis.” Generation sold on an as-available basis receives “day-ahead non-firm market index rate for on-peak and off-peak energy based on the appropriate market index and market hub(s).”² We understand that development of Qualifying Facilities (“QFs”) under PURPA seldom, if ever, occurs for projects that would receive rates on an “as available” basis. In fact, our experience in PURPA proceedings indicates that variable market-based rates are a disincentive to QF development.

We respectfully encourage the Commission to exclude OAR 860-088-0120(3) from the Final Rules because rates on an “as available” basis already sufficiently incentivize project managers to seek full participation in their CSPs. Under OAR 860-088-0120(3), a project would have to reach 50% participation to be compensated for any unsubscribed or unsold generation, and could only be compensated for up to 10% of project output. We recognize Staff’s concern with establishing adequate incentives for project managers to seek full participation and not simply disguise a expect to make the project work with the rates for unsubscribed/unsold output. However, the rate of compensation for unsubscribed/unsold generation in the Proposed Rules is likely sufficient to address Staff’s concern because it is generally lower than rates under a regular QF power purchase agreement. Hence, a project developer without the intention of subscribing the project would be better off under PURPA. Besides, financially penalizing projects working to reach full participation is unnecessarily punitive and creates a duplicative incentive for full participation while worsening the financial proposition for developing a CSP. As a result, we suggest that the Commission not adopt the proposed OAR 860-088-0120(3).

If the Commission decides to retain limits on the compensation for unsubscribed or unsold power in the final rules, we encourage the Commission to minimize the potential financial impact on projects. One alternative mechanism could be a phased approach whereby a CSP could be initially compensated for 100% of its unsubscribed or unsold power during its first six months of operation. That portion would decrease until the project would only be able to receive

² UM 1129, Order No. 07-360 at 14 (Aug. 20, 2017).

compensation for the portion of unsubscribed on unsold generation as contemplated by proposed OAR 860-088-0120(3). Another alternative is to increase the 10 percent cap in OAR 860-088-0120(3). We encourage the Commission to consider these or other alternative approaches to eliminate unnecessary financial challenges in getting CSPs off the ground.

We also encourage the Commission to consider a different framework for the use of the value of generation for which project managers are not compensated. Under proposed OAR 860-088-0120(4), the value of unsubscribed or unsold generation for which project managers receive no compensation is donated to the project's respective utility for use in programs that satisfy proposed OAR 860-088-170(2). We appreciate Staff's recognition of the need for specifying a use for those funds. However, we are concerned that donating these funds to the utility will preclude non-utility parties' ability to develop CSPs that satisfy proposed OAR 860-088-170(2). As a result, we encourage the Commission to amend OAR 860-088-120(4) so that those funds are not donated to the utility but are instead available for utility and non-utility parties looking to develop projects that satisfy OAR 860-088-170(2), perhaps through facilitation by the low-income community manager. Finally, we recommend that the Commission consider allowing project managers to use at least a portion of those funds to fund their own project's obligations under OAR 860-088170(1).

IV. Utility Participation

Renewable Northwest encourages the Commission to address utility CSP participation in the final rules in a manner that leads to a competitive community solar market. We thank Staff for recognizing the need to address utility participation by including proposed OAR 860-088-0140(3). However, OAR 860-088-0140(3) does not address the many market advantages that utilities are likely to enjoy as participants in the CSP market.

In establishing parameters for utility participation in this program, Renewable Northwest encourages the Commission to rely on Staff's recommendations about utility participation in UM 1746. We agree with Staff's conclusions in that report regarding utility participation. Requiring utilities to participate through an affiliate is the fairest way to structure the program to maximize benefits to participants and nonparticipants alike. Staff made the case for utility participation through an affiliate in its October 12, 2015 Staff Report in UM 1746. According to Staff's analysis, having the utility participate through an affiliate offers the following benefits:

- Avoids layers of accounting complexity and increased PUC workload/oversight when the regulated utility owns the resource - the regulated utility would need to separate accounts for existing customer rate base and associated return on investments from subscriber community solar accounts and

associated return on investments. While the regulated utility may have experience in separating accounts in other areas of their business, Staff believes that there may be greater administrative ease and efficiency in limiting the regulated utility's transaction to potential power costs of paying for any unsubscribed [Community Solar Resource ("CSR")] generation.

- Even with separate accounting for a regulated utility-owned CSR, the regulated utility has the benefit of economies of scale in administration and the marginal administrative cost for overhead may be attributed to all ratepayers. The regulated utility may not be able to fully separate indirect support through internal resources, like HR staff and IT support, from those used in non-CSR matters. Without complete transparency and accountability, invariably a non-CSR subscribing ratepayer will subsidize the work done by the regulated utility to own the CSR. This could worsen as a CSR program grows.
- Not allowing regulated utility-owned CSRs avoids risk of stranded assets when the regulated utility owns the resource - what if all subscribers back out in 10 years? How does the regulated utility fully recoup their costs without cost to all ratepayers? Staff is reluctant to encourage large regulated utility investments that are not recoverable because it could be risky and undermine business; if the regulated utility's credit rating drops, then all ratepayers could be impacted due to higher costs.
- Not allowing regulated utility-owned CSRs encourages market competition, because the regulated utility has a strong market advantage (lower risk because of captive customer base, easier to borrow due to lower cost of capital, customer information records, etc.) unless operating through an affiliate. Third parties may be deterred from competing with regulated utilities, resulting in fewer choices for customers.
- Ratepayers already have access to renewable energy through the regulated utility's existing voluntary program participation in Clean Wind, Green Source, Green Future Solar, and Blue Sky as well through the general rate base of renewables to meet the Renewable Portfolio Standard (RPS) and solar energy to meet the solar capacity standard
- Low cost system development can be encouraged through program design attributes such as transparency of subscription price on an open market to encourage competition and drive down costs.³

³ UM 1746 Staff Report Oct. 12, 2015 <http://edocs.puc.state.or.us/efdocs/HAU/um1746hau144932.pdf>

If the Commission decides not to require utilities to manage projects through an affiliate, Renewable Northwest recommends that the Commission include in its final rules strict parameters to ensure fair and transparent competition in the community solar market. Competition in the community solar market will serve the interest of participants and nonparticipants alike, likely bringing down project costs and leading to innovative approaches. Even the perception that utility market advantages lead to an uneven playing field is likely to chill competition. Hence, we encourage the Commission to address built-in advantages, including existing customer data, unique marketing channels, as well as internal control of the interconnection process.

If the Commission elects not to include parameters for utility participation in its final rules, Renewable Northwest respectfully requests that the Commission specify in its final rules that it will address utility market advantages. The Commission could do so “Review of mechanisms to address utility market advantages” under the topics that it will address under proposed OAR 860-088-0140.

Additionally, Renewable Northwest respectfully recommends that the Commission apply to utility project managers restrictions on compensation for unsubscribed/unsold power that mirror those for third-party project managers under the final version of OAR 860-088-0120. Under proposed OAR 860-088-0040(3)(d), utility project managers cannot recover the value of generation associated with more than ten percent of the project’s nameplate capacity. However, additional restrictions that apply to non-utility project managers should also apply to utility project managers. For example, the rates and conditions of compensation to utility project managers for unsubscribed/unsold power should mirror those for non-utility project managers.⁴ Similarly, the utility should also be held to the 50% subscription/ownership threshold.⁵ Ensuring equal treatment of all project managers with regards to compensation for unsubscribed/unsold generation will help to level the playing field and reduce additional layers of utility market advantage.

V. Project Qualifications and Program Level Requirements

Renewable Northwest is concerned that the project qualifications and program level requirements in the Proposed Rules are overly restrictive and may lead to inequitable limitations on customer participation. In this section, we propose a less restrictive framework.

⁴ Proposed OAR 860-088-0120(2)

⁵ Proposed OAR 860-088-0120(3)

A. Customer Participation

Renewable Northwest encourages the Commission to loosen the Proposed Rules' restrictions on customer participation. Under the Proposed Rules, customers can only participate in one CSP per utility, and can only subscribe to or own up to 40% of the project. Staff clarified at the April 13, 2017 workshop that it understands that a "customer" is based on utility treatment of customer accounts. Under this definition, larger entities with multiple meters or locations would count as one customer, effectively limiting maximum participation for the business to 900 kW total in a utility's service territory. Hence, the Proposed Rules would place a more stringent restriction on the ability of large customers to participate in CSPs compared to their ability to participate in net metering (i.e. net metering is capped at 2 MW).

Community solar should give large customers the opportunity to access solar projects at least to the same extent as if they were participating in net metering. As a result, we encourage the Commission to structure this community solar program in a way that offers more meaningful opportunities for all customers, including large customers, to access solar. As described below, allowing broader participation by large customers could make CSPs more feasible and therefore could help improve smaller and low-income customers' access to community solar.

We encourage the Commission to address inequitable restrictions on solar access to customers unable or disinclined to install rooftop solar by:

- (1) defining "customer" as a single meter, or group of aggregated meters, like in net metering;
- (2) allowing customers to participate in multiple CSPs within a utility's service territory; and/or
- (3) increasing the level of participation allowed for a single customer to 50% of a CSP.

We also seek clarity on proposed OAR 860-088-0080(1)(b) and what it means for an entity to "be affiliated" with a participant of a CSP.

In addition to addressing the equity concerns described above, structuring the program in a way that offers more meaningful opportunities for large customers to participate would benefit the program as a whole. Allowing large customers to subscribe to a larger portion of a project increases the likelihood that large customers can act as "anchor tenants." Having an anchor tenant could decrease participation costs for other customers by, for example, allowing a project developer to secure better financing terms given the decreased risk profile of the project. Allowing large customers to serve as anchor tenants also opens up the possibility of large customers donating money or energy to help a project reach its 5% low-income participation requirement. Given the additional project requirement in proposed OAR 860-088-0060(7) that 50 percent of the nameplate capacity of every CSP be reserved for residential and small commercial customers, there are already sufficient restrictions in place to ensure that no one customer dominates the capacity of a CSP.

B. Capacity Tier

Renewable Northwest respectfully requests that the final rules address the treatment of projects that apply for pre-certification once the capacity tier has been filled (especially if the Commission retains the transparent queue addressed in Section II). We recommend that a transparent waiting list be created, such that if a pre-certified project drops out—making capacity in the tier available—there is a known order of projects that are eligible to fill the capacity gap.

C. Co-location

Renewable Northwest suggests that the Commission amend the proposed definition of “co-location” in its final rules to make it less restrictive of financing options for CSPs. We appreciate Staff’s edits to proposed OAR 860-088-0130(2) addressing co-location and excluding tax equity partners from the definition. However, we worry that including common debt and equity partners in the definition would severely restrict prospective project managers’ options at the time of securing financing. Options for co-location language without the same potential for being overly restrictive include FERC’s approach under PURPA or a definition of “common owner” that focuses on control over the entity.

Renewable Northwest also encourages the Commission to further clarify in the final rules the mechanics of the co-location restrictions in a way that avoids being overly restrictive. Given that under the Proposed Rule projects must be located in the same contiguous service territory of a customer, we are concerned that the 5-mile radius may not be feasible for some potential projects that could serve Portland customers of Portland General Electric or Pacific Power. For example, if a project manager has multiple projects in Portland, where does the 5-mile radius begin and end? We encourage the Commission to amend the co-location requirements to avoid making them overly restrictive.

VI. Restrictions on Project Selection for Customers

Renewable Northwest recommends that future revisions of the rules reduce restrictions on a customer’s ability to choose a CSP. Under the Proposed Rules, customers are only able to participate in CSPs that are located in the contiguous service territory of their utility. Removing this restriction would provide customers the option of participating in a CSP located in an area of high solar insolation, and therefore a potential higher solar resource value. While such a benefit could be offset by other costs introduced owing to distance and wheeling, the market should be given the flexibility to explore that option.

Renewable Northwest questions the viability of a community solar program that restricts customer participation to projects in their contiguous service territory given the location of the

largest populations in Oregon. The Portland metro area is the most populated in the state, and therefore does not have the same open land found in less populated areas. Much of the open, available land in Portland General Electric's service territory falls within fertile farming regions with strict land use laws. Given the 12-acre limit on solar projects on high-value farmland, Renewable Northwest struggles to see how sufficient projects large enough to make the economies of scale work to customers' benefit could be developed to address customer demand.

Given the co-location concerns we raised above, we also question how these projects (again, likely below 3 MW) could be developed on rooftops in Portland. The Proposed Rules' restriction to customers' ability to select projects would likely lead to smaller, more expensive projects that could fail to fully address latent solar demand in the most dense communities in the state. Similarly, restricting participation to the "same contiguous service territory" may also impact opportunities for community solar access for rural communities in Eastern Oregon. While the solar resource is better, and more land is available, the customers are fewer and demand may not be sufficient to fill the project capacity. This could lead to more expensive projects for the customers that enroll and financials that do not pencil out for developers.

VII. Risk of Undercompensating Community Solar Participants

Renewable Northwest is concerned that the interaction between language in the Proposed Rules and the potential outcome of the RVOS investigation could lead to bill credit rates that undercompensate community solar participants. Under Proposed Rule 860-088-0210(2), utilities are to include forecasts of market potential for community solar projects when assessing load-resource balances. We support that subsection of the Proposed Rules because accurately anticipating the resources in a utility's system is crucial to the utility ultimately identifying a lowest cost and lowest risk procurement plan. However, we are concerned that the interaction between the RVOS methodology and anticipating community solar projects in load-resource balance assessments could result in undercompensating community solar participants.

The RVOS methodology that emerges from UM 1716 could lead to bill credit rates that undercompensate community solar participants. Under the Commission's latest straw proposal in Phase 1 of Investigation 1 of UM 1716, the Generation Capacity element of the proposed RVOS methodology would rely on the integrated resource plan (IRP) resource balance year (or sufficiency/deficiency demarcation).⁶ Relying on the IRP resource sufficiency/deficiency demarcation that is partly driven by the inclusion of forecasts on market potential for CSPs could lead to an inaccurate estimate of "Generation Capacity" due to circularity in the valuation process. For example, if the utility anticipates a certain number of MW of CSPs in its IRP, the utility's resource deficiency year would be pushed out as a result of those CSPs. A later resource

⁶ UM 1716, Order No. 17-085 at 3-4 (Mar 06, 2017)

deficiency year would result in a lower value of Generation Capacity and therefore in a lower RVOS, which could decrease the likelihood that the forecasted community solar MW materialize, in turn leading to the utility becoming deficient earlier.⁷ In summary, this circularity in the valuation process could result in the undercompensation of community solar participants.

Renewable Northwest encourages the Commission to address the risk that circularity in the valuation process results in undercompensating community solar participants. As Dr. Michael O'Brien highlighted in his testimony on behalf of Renewable Northwest and other organizations in UM 1716, to provide the best available estimate of this element, the methodology must address the circularity concern outlined above.⁸ To address that circularity, "any solar resources whose compensation is tied to the RVOS should be excluded from the utility's forecast of the resource-balance-year."⁹ The Commission could address this circularity issue by clarifying in the final rules that CSPs should be excluded from the utility's forecast of the resource-balance year for the purpose of determining the bill credit rate for CSPs. Preferably, the Commission could address the issue in the RVOS docket. Regardless of the forum, we respectfully suggest that the Commission address the circularity issue and the potential for undercompensation of community solar participants.

VIII. Positive Program Design Features

Renewable Northwest would like to commend Staff for a number of program design features in the Proposed Rules that, along with our recommendations above, provide a strong foundation for this community solar program. We encourage the Commission to maintain these features as it considers the rules.

A. Program Design

Renewable Northwest supports having a third party administer the program because such an independent entity could likely administer a more efficient and fair program than market participants. We also strongly support Staff's decision to design the program using a net metering framework. Such a framework better comports with the direction in SB 1547 that the Commission adopt rules that incentivize consumer participation¹⁰ because it addresses potential legal and policy considerations while creating a simple and familiar program for participants.

Renewable Northwest also commends Staff for its updated definition of nameplate capacity, reflecting AC capacity. Similarly, we appreciate the updated initial program capacity tier in

⁷ UM 1716, TASC/200 Gilfenbaum/5-6

⁸ UM 1716, RNW, OSEIA, NWECA, NW SEED/300 O'Brien/6-7

⁹ UM 1716, Staff/400 Olson/15.

¹⁰ S.B. 1547, Section 22(2)(b)(A)

proposed OAR 860-088-0060(2)(a), which can lead to a more robust community solar program that allows for innovative approaches to development and marketing in the initial roll-out of the program.

B. Bill Credit Rate

Renewable Northwest commends Staff for recognizing in the Proposed Rules that more than one bill credit rate may be appropriate for this program. In various proceedings, the Commission has expressed an interest in recognizing the locational value that different solar systems may provide, and in incentivizing the deployment of solar resources with a high resource value. Bill credit rate design in this program would be an ideal opportunity for the Commission to achieve that goal.

Renewable Northwest also strongly supports the language in the Proposed Rules fixing the bill credit rate for a project at the time of project pre-certification and establishing a predictable schedule for updates to the bill credit rate across the program. These two program design features would provide a key source of certainty for CSP participants and developers alike. We encourage the Commission to maintain these two program design features in the final rules, as they would provide a component of the certainty needed for this program to be viable.

C. Community Solar Program Interaction with Existing Policies and Processes

Renewable Northwest commends Staff for addressing the interactions between the CSP, the utilities' IRPs, and Oregon's Renewable Portfolio Standard ("RPS"). We support Staff's proposed treatment of the electricity served by CSPs for the purpose of calculating a utility's RPS compliance obligation for a given year.

Finally, the interactions between the community solar program and other renewable energy programs and policies are a key concern of Renewable Northwest, and we appreciate and support Staff's efforts to address them. Renewable Northwest supports the language in proposed OAR 860-088-0200 regarding renewable energy credits associated with participants' CSP generation. This language would ensure that participants in CSPs are actually consuming additional renewable energy, as is usually the expectation in voluntary green power programs. Without this language, the CSPs could be generating RECs potentially for utilities to use for their mandated compliance with Oregon's, or another state's, RPS.

Eliminating this language would mean that the CSPs would not be providing any additional clean energy beyond what is already required under existing law. In addition, the CSP participants' energy mix would then reflect the brown power mix of the hosting utility. The language in proposed OAR 860-088-0200 is key to the integrity of any community solar program in which the participants expect their voluntary participation to lead to additional renewable energy

projects being developed and in which the participants wish to claim that their power is coming from a renewable energy source.

Furthermore, given the Proposed Rules' treatment of CSP generation for the purpose of determining a utility's RPS compliance obligations,¹¹ the issue of REC treatment becomes key to the integrity of the RPS and Oregon's energy goals.¹² Consider 100 aMW of hypothetical utility load subject to a future 25% RPS requirement: 25 aMW would be the RPS requirement. If, for example, 10 aMW of electricity is delivered to CSP participants, the utility's post-CSP RPS requirement would become 22.5 aMW (25% of 90 aMW). If the RECs are retired on behalf of the CSP participants, the total amount of renewable energy generated would be 32.5 aMW (22.5 aMW plus 10 aMW). However, if the RECs were made available to the utility to comply with the RPS, the total amount of clean energy would not exceed the utility's 22.5 aMW requirement. Thus, without the language in proposed OAR 860-088-0200 regarding RECs, the anticipated amount of renewable generation in Oregon could decrease, a result that would run counter to the intent of voluntary renewable programs generally. For these reasons, we again commend Staff for their careful attention to REC treatment.

IX. Community Solar and the Evolving Electricity Sector

Renewable Northwest encourages the Commission to consider this community solar program in the context of the rapid transformation that the electricity sector is undergoing. Drivers of such rapid transformation include technology advances; the adoption of policies intended to lower the electricity sector's carbon footprint; and changes in customer preferences, as evidenced by increasing demands for access to renewable resources, investing in customer-sited generation or storage, and using electricity more efficiently. We encourage the Commission to consider this community solar program as part of that wave of transformation in the Oregon electricity sector.

Renewable Northwest encourages the Commission to also consider actions outside of this rulemaking that can help the regulatory structure better respond to an electricity sector that is becoming more intricate as it moves away from reliance on centrally located generation. For example, we encourage the Commission to consider adopting distribution system plans ("DSPs"). As Staff recognized in its Proposed Rules, more than one bill credit rate may be appropriate to recognize the different locational values of solar systems. DSPs would be an important tool to help achieve that goal. We also have encouraged--and continue to encourage--the Commission to consider changes to its regulatory approach. Renewable Northwest

¹¹ Proposed OAR 860-088-0200(1) ("Megawatt hours of electricity that are delivered to participants by the electric company and offset by project generation under the community solar program will not be counted as electricity sold by the electric company for purposes of calculating the amount of electricity sold to retail electricity consumers for purposes of calculating the electric company's renewable portfolio standard under ORS 469A.052.")

¹² Proposed OAR 860-088-0200, "RPS and RECs"

appreciates and supports Staff's recognition of the importance of discussing how the regulatory approach should adapt to a changing electricity sector.¹³ We look forward to contributing to Commission discussions on DSPs and on potential changes to the regulatory approach in response to Oregon's evolving electricity sector.

X. Conclusion

Renewable Northwest is grateful to the Commission for this opportunity to comment on the AR 603 Community Solar Program Proposed Rules. We appreciate the complicated and thorough work undertaken by Staff in crafting the Proposed Rules for this new and important program. We also commend Staff for its responsiveness throughout this process. Renewable Northwest respectfully requests changes that would minimize uncertainty for participants and project managers, and includes suggestions aimed at increasing equitable access and participation in CSPs. We make these recommendations to build on the strong foundation put forward by Staff, and with the goal of contributing to the design of a thriving community solar program for Oregon. Renewable Northwest believes that these suggestions are necessary to provide a clear and flexible pathway for project development and participation, using market competition and creativity to deliver a successful community solar program. We look forward to additional opportunities to provide feedback and comments on the proposed program.

Respectfully submitted this 19th day of May, 2017.

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¹³ LC 66, Staff's Initial Comments at 33-38 (Jan 24, 2017); AR 600/UM 1776, Competitive Bidding Scoping Memo at 15-16 (May 8, 2017).