COALITION FOR COMMUNITY SOLAR ACCESS

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COMMENTS OF THE COALITION FOR COMMUNITY SOLAR ACCESS
PREPARED FOR AR 603 PUBLIC HEARING ON MAY 22, 2017

Thank you Judge Harper and Commissioner Bloom.

My name is Charlie Coggeshall and I'm a Senior Policy Analyst with Clean Energy Collective. CEC is the nation's leading community solar developer and solutions provider. I live in Portland, OR and I'm also a Board member of OSEIA.

Today I represent the Coalition for Community Solar Access. CCSA is a national business-led trade organization that works to expand access to clean, affordable energy nationwide through community solar. While I speak on behalf of CCSA, the comments made here are extracted from joint comments submitted on May 19 in coordination between CCSA and OSEIA (dubbed the Solar Parties).

We appreciate the opportunity to comment on the proposed rules for the community solar program, under docket number AR 603. We understand the Commission Staff has had a herculean task herding stakeholders and wrestling with the development of rules for an entirely new program in the state. The Staff has done an admirable job getting the rules to where they are today.

That said, there are key aspects of the proposed rules that could have been discussed and debated among the stakeholders at greater length earlier in the stakeholder process, ahead of this formal rule making. In addition to these oral comments, we've submitted lengthy comments detailing issues identified by the Solar Parties as either "critical" or "problematic" that we feel need to be addressed to ensure a successful program in the state.

I won't go through every issue we've raised in the longer comments, but instead summarize a couple overarching concepts that get at the heart of many of our concerns. These include Program Uncertainty; Program Economics; and the Implementation Process and Timeline.

Program Uncertainty

Key aspects that lack certainty in the rules include the credit rate and the certification process. Each of these areas defers to an "implementation" phase for sorting out key details. While at some level we agree that flexibility is wise for making potential adjustments, the rules could establish more clear parameters to help guide that implementation.

Credit rate

There's currently no credit rate established in the proposed rules beyond essentially reiterating the general guidance provided in the legislation. That guidance is to use the resource value of solar (RVOS) – or something reflective of that – as the basis for the program's credit rate. However, the legislation also enables the Commission to adjust this rate if there's "good cause" to do so.

We believe "good cause" is currently justified to the Commission, established by the fact that there is no RVOS available, nor even close to available, to incorporate into the rules. Further, it's important to recognize that we don't even know if the RVOS proceeding alone will produce an appropriate value for community solar projects of varying sizes and locations, or if the conclusion of the RVOS proceeding will simply trigger another process.

We recommend the retail rate be established in Oregon now, as the interim credit rate for any projects coming into the program ahead of the potentially lengthy and complex process of determining a future credit rate. This would be consistent with the treatment customers have received under net metering, and would be a practice extracted from other markets. For example, Massachusetts, Minnesota, and New York all used the retail rate for getting community solar programs off the ground in recent years, with the expectation that a more technical, value or market based rate would be established in the future - of which all three programs are currently implementing.

Certification process

Another critical component of program design which includes a high level of uncertainty in the proposed rules is the certification process.

For example, the proposed rules describe a process whereby projects would need to be built and at least 50% subscribed to become certified in the program. Yet, there is no clear indication that Project Managers will be provided assurance – and a legally binding commitment from the Commission – that their projects are guaranteed participation in the program ahead of making those two most capital intensive investments in a community solar project (building the system and acquiring the customers). This requirement would be synonymous with building a project that does not yet have an interconnection agreement and/or power purchase agreement.

The certification process also includes many steps with vague and uncertain timelines and review criteria, in addition to potentially intrusive requirements associated with contracts between Project Managers and participants.

Each of these steps increases administrative costs and burden for the program and increased uncertainty and delays in project development, all of which results in higher financing costs and thus higher costs to

be passed along to customers and ratepayers. And while we are wholly supportive of consumer protections involving required standard disclosures and assurances that customers are fully aware of the costs, benefits, and risks of their participation, we are opposed to having the details of contract terms and conditions be prescribed by the Commission.

The certification process and associated requirements should be as clear and transparent as possible. Maintaining reasonable thresholds that dissuade speculative developers from applying, but not to the point where legitimate applicants will be unable to finance projects due to lengthy reviews and uncertain expectations.

Program Economics

While the credit rate and certification process are areas of uncertainty in the proposed rules, there are several more clear signals in the proposed rules where program economics are already severely undermined. In particular, limits on customer eligibility and project location, along with preventing financial incentives in the program, are design elements that alone may result in a failed program. Further, these are areas where the proposed rules seem to directly counter the clear intent of the legislation.

Limits on customer eligibility

In particular, the proposed rules limit customer participation to a utility's "contiguous" service territory. Though this was not in the "draft" rules, our understanding is that this will likely kill project development, and therefore opportunities for participation, for large segments of Pacific Power customers.

In essence, a Pacific Power customer living in Northeast Portland could only be able to participate in a project located in Northeast Portland, despite the extremely limited and costly land or rooftop space available for solar development. The higher project development costs coupled with a more limited customer market will result in low interest by developers and little to no opportunity for various pockets of Pacific Power customers to participate in the program.

This level of discrimination would have the exact opposite result intended by the plain language of the legislation, which stated that a community solar project "may be located anywhere in this state[1]," with the clear intent of allowing Project Managers and customers to leverage create solutions to making projects more economical.[2]

Additional discrimination occurs in the proposed rules with regards to limiting a customer's participation to a single project per service territory, essentially preventing large customers – such as municipalities – from fully participating in and supporting the program.

Surely the state won't be viewed as having a successful program if Portland, one of the most environmentally friendly cities in the country – if not world – is limited to only enrolling in 1 MW of one project in the program?

[1] Enrolled Senate Bill 1547. Section 22. Solar Program (Community Solar Projects). 78th Oregon Legislative Assembly, 2016 Session.

[2] Solar resource availability east of the Cascade Range can be ~30% greater relative to that west of the Cascades. (PV Watts)

Aside from deserving full access to the program, these larger customers also play a critical role in reducing financing costs and enabling project development.

And what if this limit undermines opportunities with low-income entities that represent large swaths of the population?

Incentivizing Participation

Finally, the legislation enabling community solar in Oregon made a clear statement that the Commission shall adopt rules that, "at a minimum," "incentivize consumers of electricity" to participate in the program.

Yet, the proposed rules state that these incentives can only be "nonfinancial", despite the law itself not making such a qualification. We're not sure what exactly a "nonfinancial" incentive might be, but our fear is that this critical component of the legislation is being completely undermined by such a prescriptive description.

As demonstrated by surveys throughout the country – including those done here in Oregon – economics are the single greatest factor driving participation in solar development (for both rooftop and community solar projects).[3] A financial incentive may be needed to spur program participation – particularly in its early years. For example, if administrative costs are too burdensome, the credit rate is too low, or there is simply a failure to meet the policy goals to incorporate low-income participation, incentives may be a critical tool and should not be hamstrung at the outset of the program.

Given the uncertainties remaining in the program (i.e., lack of credit rate and unknown administrative costs) it's premature to determine an incentive level or appropriate vehicle, but this uncertainty should also make it clear that we need to keep all options on the table.

Implementation Process and Timeline

If the proposed rules were to be adopted in their current form, there would remain a multitude of important implementation and administrative details that need to be determined, and developers would still be extremely hesitant to make any proactive investment or even speculative scoping of the market given the lack of program details.

This is not all bad, as there are benefits to a deliberate and thoughtful process, and for having some flexibility in program design to be able to accommodate unanticipated issues and/or needed improvements.

However, we need to keep perspective. The legislation passed over a year ago, and major details of the program remain completely open. Developers are concerned this is going to take another 8-12 months at least to see an actual roll out of the program. Compounding this concern, is the fact that there are NO

[3] Shelton Group & Smart Electric Power Alliance. What the Community Solar Customer Wants. Found at: http://utilitysolar.report/. And,
Weaver, A. *Renewable Energy & Community Solar Questionnaire.* Portland State University. April 2017.

timelines or deadlines put into writing with regards to identifying the administrator, developing an implementation manual, establishing a credit rate, and – I assume – approving individual utility tariffs. Timeframes – or really deadlines – are needed to ensure this process does not run on indefinitely. We realize the Commission is busy with several dockets, but that's all the more reason to set due dates, otherwise how can you prioritize your time and resources efficiently and not be vulnerable to kicking the can further down the road?

Further, there are other important variables at play – such as the stepping down of the federal ITC starting in 2020. Not fully leveraging this federal incentive will be a wasted opportunity for the state's program and result in higher costs for participants.

Even more importantly, such a deliberate implementation process needs to create a program that actually works. If fundamental issues are not reasonably addressed – as discussed previously and outlined in our detailed comments - this long undertaking and major program establishment will be for naught. In addition to timelines, the implementation process must continue to provide opportunities for stakeholder input – whether that's through the Solar Advisory Group – or some other mechanism which allows for the Commission to continue leveraging national experience and diverse perspectives in refining important program details.

Conclusion

We're excited for the prospect of a community solar market in Oregon – and by all appearances this is being taken very seriously by Commission and Staff as well. But there needs to be a focus on fundamental aspects that assure its success – namely reasonable value propositions for customers and project development transparency and certainty for the solar industry.

We do not want to follow the path of California on community solar. They spent years in the regulatory process defining a program that has resulted in failure due to poor economics – with a low credit rate – and overly burdensome and risky administrative requirements for participation.

In summary, we want it done, and we want it done quickly. But we are invested in helping with that design and seeing it through, if you let us. Oregon has an opportunity to put community solar on the map – with force – on the West Coast. We believe the legislation gives the Commission sufficient authority to accomplish what's needed and we hope that you will seize this opportunity to ensure the program works for customers and developers alike.

/s/
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