

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1746

In the Matter of

OREGON PUBLIC UTILITY
COMMISSION

Recommendations for Community Solar
Program Designs and Attributes

COMMENTS OF
PORTLAND GENERAL ELECTRIC
COMPANY

Context

The Oregon legislature passed HB 2941 on June 25, 2015. As a part of this bill, the legislature required the Oregon Public Utility Commission (OPUC) to hold a proceeding, including public comment, and examine a range of community solar programs and attributes to allow individual customers to share in the costs and benefits of solar facilities. The legislation further directs the OPUC to file a report with its recommendations of either a community solar program design or a set of preferred attributes of different community solar program designs by November 1, 2015. The recommended design or attributes are those, in the view of the OPUC, that best balance the resource value benefits, costs and impacts to ratepayers. On July 14, 2015, the OPUC opened Docket No. UM 1746 to hold this proceeding and develop recommendations.

Portland General Electric (PGE) appreciates the Staff work and facilitation that has brought us to this point in the docket. Stakeholders have submitted two rounds of comments (on August 7, 2015 and September 1, 2015) and engaged in two workshops (on August 11, 2015 and September 22, 2015). Staff posted their Draft Recommendations on Program Attributes and Characteristics on September 18, 2015 prior to the second workshop, which was helpful in furthering discussions at the workshop. PGE is pleased to submit these comments; we organize

our comments in the order of Staff's recommendation and choose to only address those attributes that we believe warrant further comment.

Overview of PGE's Perspective

PGE echoes the expressed opinions of stakeholders that to further the goal of significant customer participation in community solar, an evolutionary rather than overly prescriptive approach is best. While Staff's Recommendation contains an attribute by attribute approach, taken as a whole, it can be read as recommending a specific design. That design limits the utility role in community solar to entering a power purchase agreement with the developer that the utility does not negotiate, absorbing developer risk for unsubscribed energy, and serving as the billing agent to both credit the subscriber for energy on the utility bill and charge the subscriber, on behalf of the developer, for the subscription fee.

The limited utility role recommended by Staff's de facto design is at odds with an objective of furthering competitive, cost-effective community solar in Oregon that reaches the most customers possible. The design precludes ownership by two of the utilities that have led the most effective and successful voluntary renewables programs in the country. More PGE customers have chosen renewable energy than have customers of any other electric utility in the United States, resulting in PGE's number one rank by the US Department of Energy's National Renewable Energy Laboratory for several years. This success has come not just from our customers' interests, but from our marketing efforts and connections with our customers.

Given our extensive experience engaging customers in the renewable energy arena, and our involvement as developer, owner, and marketer of renewables, we ask Staff to reconsider its recommendation regarding utility involvement. Reducing utility involvement to that of a billing agent and "risk amelioration entity" places significant burdens on utilities, without any of the

benefits. This does not achieve the “balance” that the legislature was looking for in adopting HB 2941. In addition, given the regulatory protections that are absent with third-party owned projects, utility-owned community solar projects have a greater chance of ensuring that enrolled subscribers receive the value and benefit that they expect.

Staff suggests another utility role may be to recommend optimal sites for developers to locate community solar in the utility service territory. This is a heavy burden for a utility to perform for a system of installing solar that can already, without utility involvement, be accomplished through existing mechanisms. Nevertheless, to the extent that we know and are able, we have and will share data with the public regarding capacity needs. We recently commissioned a solar market research study completed by Black & Veatch, which included a map detailing the best sites for solar in Oregon after considering environmental, transmission, and financial constraints.¹ We also actively work with developers to identify significant barriers to interconnection for sites under consideration and adhere to information requirements in the small generator interconnection rules.

Community Solar Resource’s System Constraints

System Ownership Attribute

Staff recommends limiting utility ownership of community solar projects, if any, to a utility affiliate. Staff’s reasoning is to encourage market competition, avoid stranded asset risk and layers of accounting complexity and oversight. During the workshop, stakeholders expressed concerns about the regulated utility’s ownership due to a perceived monopolistic

¹ See PGE’s 2nd Public Meeting presentation of the 2016 IRP Stakeholder Meetings on July 16, 2015. https://www.portlandgeneral.com/our_company/energy_strategy/resource_planning/docs/2015-07-public-meeting-2.pdf

advantage skewing the competitive marketplace. Because of potential imbedded advantages with customer relationships, staff and systems, stakeholders argue that the Company's involvement would negatively affect the competitive market for community solar development. While stakeholders express this concern on one hand, they seek to utilize the company's same "monopolistic advantage" on the other by leveraging billing systems, people, processes and procurement expertise that have been paid for by all ratepayers, to enable the development of third-party systems. Further, we note that only one stakeholder, Northwest & Intermountain Power Producers Coalition, specifically expressed sentiments against utility ownership prior to the September 22nd workshop. The Joint Renewable Advocates' written comments supported a broad range of ownership options for community solar including utilities.²

Staff and stakeholders suggest that if utilities want to participate, they should form an unregulated affiliate to offer community solar. Staff's rationale is that an affiliate would avoid the complex accounting issues of a utility offering. This reason is not compelling, however, because operation of community solar through an unregulated utility affiliate does not resolve the accounting complexity and regulatory oversight issues identified by Staff. If PGE formed a utility affiliate, it would likely contract with the regulated utility to carry out the community solar development, rather than hire separate staff. Utility affiliate transactions (between the utility and the affiliate) require similar accounting, including the recording of PGE employee time on affiliate projects. The trust and oversight issue suggested by the Northwest Energy Coalition at the workshop ("how do we know employees are recording their time on the project accurately") could be an issue regardless of whether PGE were to develop a community solar project with or without the use of an affiliate. The OPUC has similar authority over affiliate transactions, when

² <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7B191673E1-A287-48A0-9605-E551F50E2890%7D>

the affiliate is contracting with the utility, as utility transactions. There is no added benefit with a utility affiliate; it likely would only increase costs, making community solar choices more expensive to participating customers.

There are rules in place that the regulated utility must abide by that help avoid concerns of harm to competition. *See, e.g.*, OAR 860-038-0560. If PGE were to develop, own, and market a community solar project and program, the PUC would have oversight over all aspects and could direct the process as they believe best suits customers. While these rules would not apply to a third-party developer in Oregon, PGE believes that a regulated utility would be able to develop and own the lowest cost, with the most attractive program characteristics, community solar programs for customers. While lowest cost may not always be the most important consideration to every subscriber, it is likely important for many of them. Subscribers should have the option of obtaining such a product from their trusted energy partner, PGE.

If the regulated utility were included among eligible developers and owners of community solar projects, there could be a process similar to the Request For Proposals (RFP) process for a supply-side resource acquisition stemming from the utility's Integrated Resource Plan (IRP). Community solar project bids would be solicited and the utility would submit a bid in the RFP along with other developers. In the IRP context, principles of least cost and least risk govern bid selection. In the community solar context, these or other principles could apply. Or the utility could develop a larger scale project with others developing projects at a smaller scale. The process does not guarantee or advantage the utility; in recent RFPs, for the Tucannon Wind Farm and Port Westward 2 generation plants, PGE's benchmark proposal was not selected. There is national precedent for using an RFP process for utility owned community solar. Central Hudson Gas & Electric, an IOU in New York, used an RFP process in September 2014 for a

community solar project.³ With respect to these concepts, the program could start with a pilot and allow community solar to evolve.

Regarding the stranded asset risk, in Staff's model, the utility is already the backstop for the unsubscribed energy from the project. Though the utility would only have to pay an as-available market rate, the fact that the energy would be a forced take obligation regardless of whether the utility is energy-sufficient or deficient, shifts risk and cost from the developer to the utility, placing a portion of the stranded asset risk on the utility. That market rate is paid for by all customers of the utility. This outcome is no different than if the utility owned the project and found it undersubscribed.

System Location Attribute

PGE is not opposed to Staff's recommendation that the location of a community solar system remain flexible. We also appreciate Staff's clarification that for community solar projects located outside of the utility's distribution system, the developer bears the cost of wheeling the energy onto the utility's distribution system.

System Size Attribute

The capacity of community solar should be flexible. Rather than have the OPUC set an initial capacity standard, we believe the capacity of the program should be determined based on customer demand for it. Customer demand and interest could be determined through a pilot.

Eligibility/Limitations

Customer Type Attribute

Staff recommends that customer eligibility for a community solar program be limited to residential and small commercial customers. While PGE understands the rationale of excluding

³ <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7B191673E1-A287-48A0-9605-E551F50E2890%7D>

larger, nonresidential customers since they may participate in direct access or a voluntary renewable tariff (if permitted in Oregon), we suggest flexibility on limits to customer eligibility to maximize customer participation. Again, PGE encourages an evolutionary and flexible approach in identifying attributes for community solar in Oregon. Being too prescriptive could limit the number of community solar offerings to customers, and thus limit participation.

Special Carve-Outs Attribute

PGE believes in equitable access for all customers to community solar. PGE agrees with Staff that carve-outs are an appropriate policy issue for the legislature.

Subscription Size Attribute

PGE agrees with Staff's recommendation that a customer's subscription size be no more than their average annual load and donating excess generation to low-income customers. We note that there could be complexities in calculating the average annual load for a customer who is a renter, given that they may not have enough baseline data at their current residence. We note that there could be complexities in moving a subscription. For example, if a customer moves from a large apartment to a small one, would this customer have to reduce her/his subscription size? We also note that depending on the first subscription month and the size of the subscription, there could be issues with some subscribers donating larger amounts at the end of the year.

Contract Terms

Contract Length Attribute

PGE understands Staff's rationale for requiring community solar programs to offer at least 1-year and life of system contracts. However, we recommend against calling out specific terms in the report to the legislature. If the program becomes too prescriptive, it may limit

customer participation in community solar. In addition, consideration should be given to the effect of certain contract terms on customers' abilities to use potential Energy Trust of Oregon incentives and Residential Energy Tax Credits, (if so provided by the legislature).

Subscription Pricing

Calculation Method Attribute and Structure of the Arrangement

The subscription price should be determined between the community solar system developer and the participating customer. We do not support billing the subscription, on behalf of third-party developers, on the utility bill. The utility has no connection with the contract between subscriber and third-party developer. The third-party developer solely obtains the benefits of setting and collecting subscriptions from participating customers, and the subscription price is unrelated to the benefits obtained by the utility: the energy and the associated renewable attribute. In this transaction, the utility pays the developer for the system's unsubscribed output minus a nominal administrative billing fee, and also credits the participating customer's bill for their portion of the subscribed bundled energy at the then tariffed rate. This limited role makes sense. What if a dispute developed between the subscriber and the developer and the subscriber stopped paying their utility bill because of the dispute? How would the utility credit payments from the customer should they choose to pay their bill, but not their subscription price? Fundamentally, because it is a contract issue between the developer and customer, the utility should not be inserted to perform a collections role with respect to the contract terms.

Oversight Attribute/"Power Pool"

PGE commends Staff for their work on proposing the idea of a central "project pool" for screening potential community solar projects and match making to interested subscribers. We

note, however, that it creates complexity in administering community solar that does not serve the ultimate objective of maximizing participation in community solar projects in Oregon.

While we appreciate Staff's focus on providing consumer protection to prospective and subscribing community solar customers, review of marketing materials by the POC does not provide the protection desired. The POC has a limited role, set forth in rule, to recommend portfolio options to the OPUC. It is not a regulatory body and is advisory in nature. It would have no authority over the third-party developers. Staff is not recommending that the OPUC exert authority over third-party developers. Thus there is no consequence for a developer refusing to listen to the POC's recommendations. At best, were there an issue, the POC could forward materials to the Oregon Department of Justice and hope they take action. Given Staff and others' concerns for consumer protection, the best way to assure that marketing materials and information are not deceptive or misleading, is to allow the utility to develop, own and market community solar since the OPUC has regulatory authority over the utility

Bill Credits

Rate Attribute and Renewable Energy Credits (REC)

PGE agrees with Staff that crediting participating customers for their portion of the subscribed energy at the retail rate is not appropriate. Until the methodology in Docket No. UM 1716 is finalized and a resource value of solar (RVOS) is determined, the rate credited to participating customers should be informed by the RVOS as defined in in ORS 757.360(5), 757.365(4) and OAR 860-084-0370 to serve as the interim bill credit rate until the RVOS is determined in UM 1716.

In addition, we understand that Staff's recommended arrangement has the utility paying a rate informed by the RVOS, which may include the renewable attributes of the energy. The

renewable energy credits (RECs), under this arrangement, would pass from the subscriber to the utility for the utility to retire on behalf of all customers for RPS compliance. We question whether the subscriber could then claim the benefits of solar energy (as described in the proposed definition of community solar) since solar energy includes both the energy component and the RECs. If the RECs are retained by or retired on behalf of a participating customer, then including the environmental attributes in the bill credit rate, informed by the RVOS, would be inappropriate.

Risk and Cost-Shift Minimization Attribute

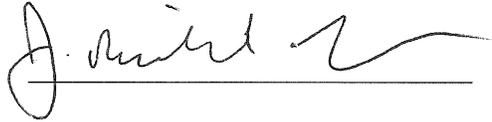
PGE agrees with what Staff has recommended. Additionally, we call attention to Staff's recommended utility risk mitigation role in providing the backstop for unsubscribed energy. Staff's model has the utility guaranteeing the purchase of the unsubscribed portion of a community solar system's output. Though the utility would only have to pay an as-available market rate, the fact that purchasing the energy would be a forced obligation, regardless of whether the utility is in an energy-sufficiency or deficiency period, saddles a portion of stranded asset risk onto all customers (including nonparticipating customers) of the utility.

Thank you for the opportunity to comment. We appreciate Staff's openness to considering alternate views and options for developing community solar in Oregon.

DATED this 25th day of September, 2015

Respectfully Submitted,

PORTLAND GENERAL ELECTRIC COMPANY

A handwritten signature in black ink, appearing to read "J. Richard George", written over a horizontal line.

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