

July 24, 2019

To: Oregon Public Utility Commission
From: Jaimes Valdez and Andria Jacob, City of Portland Bureau of Planning and Sustainability
Re: UM 1930 – Draft Community Solar Interconnection Proposal

Chair Decker, Commissioners Bloom and Tawney,

On behalf of the City of Portland and the Portland Clean Energy Community Benefits Fund (PCEF), we thank you for the opportunity to provide input to UM 1930 docket, and the Community Solar implementation process related to interconnection. We are grateful to the Public Utility Commission (PUC) & staff, Energy Solutions, Energy Trust of Oregon, and Community Energy Project for their dedication to launching the program and developing the Program Implementation Manual (PIM). For the Oregon Community Solar Program (CSP) to be successful, we need to address critical issues associated with interconnection, and we appreciate the staff proposal. We do have concerns about some key elements of the staff proposal and offer some alternative paths and reflections.

Background

The framework and local opportunities for community solar are important to the current and future goals of the City of Portland, as well as numerous stakeholders in PCEF. Addressing climate change and reducing carbon emissions is a longstanding policy priority for the City of Portland. In 2017, Portland City Council established a goal to be 100% renewable economy- and community-wide by 2050. As part of that, Council established a goal to be 100% renewable in the electricity sector by 2035. Given that it promises both carbon reduction and equity outcomes, community solar has been a policy and program priority for the City since 2013.

In November 2018, Portland voters approved Measure 26-201, dubbed the Portland Clean Energy Community Benefits Fund, which passed with 65% of the vote. This was a major milestone for a unique coalition and was Oregon's first-ever environmental initiative created and led by people of color. PCEF is a 1% surcharge on large retailers and service providers, with funds to be deployed each year for living-wage jobs and job training in energy efficiency, renewable energy and green infrastructure.

Approximately half of the money will be used for energy projects on homes, schools, and businesses, a quarter will be allocated for job training and apprenticeship programs, and the remainder will focus on green infrastructure and future innovation. The program will prioritize low-income residents and people of color, since those communities are on the front lines of climate change. The fund is anticipated to provide an initial round of funding in mid-2020. Non-profits serving Portlanders are eligible to apply for funding for projects, and a number of organizations have expressed interest in developing community solar projects, utilizing PCEF resources to lower the participation costs and deliver benefits to low-income customers.

For these locally-led community solar projects to become a reality, non-profits and smaller organizations will have to navigate the complex and costly QF processes associated with interconnection, which is a significant barrier. We offer some comments and suggestions of ways that the interconnection process could be changed to accommodate a range of projects, including smaller projects situated adjacent to a customer's load.

Response to Draft Proposal

We applaud the overall goal that PUC Commissioners and Staff put forward to develop a “fair and functional” process for interconnection, to be in place by the end of 2019. From discussions with stakeholders, we certainly agree with the finding that “interconnection under existing SGIP may not be functional due to delays in processing applications and prohibitive costs for generators”. Both the cost and the timing elements of interconnection have added uncertainty and complexity for existing QF applicants, as well as potential CSP Project Managers. This is especially highlighted by the staff evaluation of the Pacific Power (PAC) interconnection history for 74 small generator request since 2015, that “zero have reached commercial operation”. Staff highlighted well the current barriers to QF interconnection, and the frustrating situation that stakeholders and project developers face in engaging with the utility’s process. We support many of the proposed changes, including treating CSP resources as energy resources instead of requiring NRIS, and suggested approaches for cost sharing. Though we will not respond to all sections, we wanted to highlight a few specific concerns and suggestions.

- Transparency and T&D Information

There needs to be greater transparency around where development of solar on the utility system is most beneficial and where infrastructure is adequate to support solar development of different scales (and related upgrade costs). Staff’s suggestion to explore this under UM 2001 is a good approach, and will hopefully yield information useful to solar project developers. Many of the problems associated with interconnection arise from a structural asymmetry of information between utilities, customers and potential community solar developers. In collaboration with utilities and the PUC, public entities like the City of Portland could help inform community groups and non-profits about where community solar is most viable, and assist with mapping and outreach. As noted by staff, the timeline for UM 2000, UM 2001 and UM 2005 is not fast enough to align with the rollout of CSP, and we support additional near-term steps to obtain more insight into the current distribution system and QF que conditions.

- Utility Advantage in CSP

We are concerned that the current draft solutions will help larger projects to some degree, but will be inadequate to address the needs of smaller (less than 360kW, as defined by the administrative CSP guidance) projects, or those intended to serve primarily low-income customers. It will be very difficult for smaller projects, which have fewer financial resources available, to make it through this process. Unless some action is taken, the interconnection pathway proposed will continue to favor only large projects and those developed by utilities. This imbalance of opportunity is made worse by the specifics of the January 31, 2019 memo from the Oregon Department of Justice.

It is clear in the legal memo provided January 31, 2019 that there is at least one way for a Project Manager to avoid QF processes: to be a utility. The OAR 860-088-0140 section discusses unsold or unsubscribed energy when the Project Manager is a utility, and states that : “the electric company may seek Commission approval to recover from all ratepayers the “as available” rate for the project’s unsold and unsubscribed generation”

The nexus of the decision that “an electric company does not have to be a QF in order to participate in the CSP” appears to rest on the transaction of unsubscribed energy generation, and whether it is deemed a retail transaction (under jurisdiction of the PUC) or a wholesale transaction. The fundamental elements of CSP bill credits to customers under “virtual net metering” is designated as a retail sale, and

it is only the unsubscribed/ unsold portion that appears to trigger the wholesale transaction. We encourage reflection on other potential situation with non-utility projects where there is effectively no unsubscribed energy, due to arrangements made with either the site host of the CSP or with the Program Administrator/ Low-Income Facilitator.

- Alternative Solutions

In the staff memo, stakeholders are encouraged to suggest “modifications, additions, or alternative solutions to address the interconnection barriers”. In reflecting on the issue, we suggest that there need to be targeted opportunities for smaller projects and those with additional benefit to low-income customers to be exempted from the QF interconnection process.

Here are two pathways for consideration, where exemption to the QF process may be warranted:

- *Where all unsubscribed generation goes to Low Income Facilitator or the electric company for benefit of low-income residential customers.* The DOJ memo states that effectuating this rule regarding donation is a wholesale transaction, though this brings up additional questions. It is hard to understand the ways in which a donation, presumably with no monetary transaction to the Project Manager, would be considered a PURPA transaction. Indeed, similar to the utility-led exemption, this energy is intended to serve a subset (low-income) of retail customers. We respectfully encourage revisiting of that section, and for the Commission to further explore ways that projects that agree up-front to donate all of their unsubscribed or unsold energy can be exempted from the QF process. This also fits with the legislative directive that the PUC adopt rules that incentivize customers to be owners or subscribers in community solar projects, and meet low income goals.
- *Where all unsubscribed energy is assigned to the site host.* There could be community solar projects where the project is located at a site that has enough electrical load to assign to a significant portion of the generation. According to the program rules, a single entity can hold up to 40% of the capacity of a project. However, a site host could also be structured as a “default customer” for unsubscribed load, where the Project Manager incorporates this element into the site lease and subscription model. In this case, all generation could be considered a retail sale through the CSP bill credit mechanism, and there would not appear to be a nexus with any wholesale transaction.

On behalf of the City of Portland, as well as in the interest of stakeholders that seek to develop locally-led community solar projects using PCEF resources, we urge you to consider an alternate interconnection path for projects where there is additional low-income benefit, and where smaller projects would be structured to avoid any unsubscribed energy transaction.

Many thanks for your consideration, and we look forward to continued engagement in this process.

Sincerely,

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