PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

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VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Attn: Filing Center

Re: UM 1930—PacifiCorp's Comments

PacifiCorp, d/b/a Pacific Power respectfully provides these comments in response to Public Utility Commission of Oregon (Commission) staff's report on Interim Alternative Bill Credit Rate Proposals for the Oregon Community Solar program (CSP).

I. Introduction

In these comments, PacifiCorp seeks to assist the Commission in identifying an Interim Alternative Rate that achieves the Commission's objective of effectuating a 2018 launch for Oregon's CSP, while providing PacifiCorp's Oregon customers with the opportunity to access the benefits of community solar participation and minimizing the overall rate impacts on non-participating customers.

These comments advocate for an Interim Alternative Rate that facilitates initial participation in the CSP while adhering to the principle of insulating PacifiCorp's non-participating customers from the costs associated with the program.

II. Response to Staff's Report

A. The need for an Interim Alternative Rate higher than the Resource Value of Solar (RVOS) is unclear, so the Commission should err on the side of minimizing rate impacts to non-participating customers.

As a threshold matter, PacifiCorp is concerned that all three of the proposed Interim Alternative Rates exceed the value of the energy that a solar facility will produce, resulting in intra-ratepayer subsidies that will be borne by non-participating customers.

In Order No. 18-088, the Commission identified two reasons to pursue an Interim Alternative Rate for the CSP: 1) to facilitate an expeditious program launch; and 2) to value community solar at a rate that encourages participation.[1] PacifiCorp supports the Commission's efforts to adopt an Interim Alternative Rate to facilitate a timely launch of the CSP. PacifiCorp, however, points

[1] Docket No, UM 1930, Order No. 18-088 at 2.

to a lack of compelling data to suggest that the Interim Alternative Rate needs to be higher than its RVOS filing to encourage community solar development.

There is no data in the record to substantiate stakeholder claims that proposed RVOS rates will be unlikely to result in community solar development, beyond the assertions of the stakeholders that have an interest in setting compensation rates that offset their costs. In addition, solar development rates are opaque; stakeholders advocating for an elevated Interim Alternative Rate have not provided transparent cost information associated with developing community solar projects that would warrant a compensation rate higher than the RVOS rate. It may be premature to determine an Interim Alternative Rate that is higher than RVOS without sufficient information surrounding the costs associated with a CSP project.

Consider a solar qualifying facility developer that currently has a project in queue for interconnection. A developer in that position can leverage its position in the interconnection queue to quickly achieve precertification by simply carving off a portion of its existing project and identifying it as a community solar facility. Under this scenario, a developer could receive an elevated profit for bringing a facility online at higher community solar subscription rates that it was already in the process of developing at avoided cost rates. Customers should not bear the risk of compensating developers for profits that may result from an Interim Alternative Rate that is set too high.

Oregon's history with the volumetric incentive rate (VIR) (also known as the Oregon Solar Incentive Program or "feed-in tariff")[2] should serve as a cautionary tale for the Commission in establishing an Interim Alternative Rate. As Staff noted in its February 26, 2018 Report, the Commission adopted an initial VIR based on the business model of the project developer, expressing concern that a low rate would hinder investment and render the program ineffective.[3] This produced a VIR that compensated participants at a rate higher than market value, resulting in a program that rapidly met its capacity targets and rates that required consistent and significant adjustment downwards.[4] PacifiCorp's customers continue to bear the costs associated with compensating VIR participants above market value rates under the VIR program, a dynamic that the Commission should seek to avoid in setting an Interim Alternative Rate.[5]

Based on these concerns, PacifiCorp submits several recommendations. First, the Commission should adopt an Interim Alternative Rate based on the utilities' proposed RVOS values and adjust upward as necessary to facilitate development of the CSP.[6] This will reduce the rate impacts on non-participating customers, while also providing the benefit of better insight into the actual development costs of community solar. Second, to the extent that an approved Interim

[2] ORS 757.365 (2009), as amended by House Bill 3690 (2010).
[3] Docket No. UM 1930, Staff Report, February 26, 2018 at 12–13 (February 26 Staff Report).
[4] *Id.* The VIR was subject to an "automatic rate adjustment mechanism" (ARAM), which adjusted the VIR based on the ratio of adjusted capacity reservation requests to available capacity. Docket No. UM 1452, Order 15-250 at 4.
[5] See also "Oregon's Feed-In Tariff Sells out in 15 Minutes" https://www.greentechmedia.com/articles/read/oregons-feed-in-tariff-sells-out-in-15-minutes.
[6] The adjustment mechanism may be modeled on the ARAM from the VIR program, with adjustments occurring upward as necessary, rather than downward.

Alternative Rate exceeds RVOS, it should include a mechanism that addresses any value misalignment between rates and system cost. For example, the Commission should consider incorporating in its ultimate Interim Alternative Rate structure a trigger for review and a potential step down in rates where the CSP Program Administrator receives a rush of applications for precertification. Third, the Commission should consider defining the interim period with a discrete cap expressed as a percentage of the total program capacity, after which rates should be adjusted down to RVOS. A low interim period cap will limit any cost-shift impacts associated with an elevated Interim Alternative Rate.

Since participation in the CSP is voluntary and the need for an elevated Interim Alternative Rate has not been substantiated by the data on record, the Commission should adopt an approach to setting an Interim Alternative Rate that errs on the side of minimizing rate impacts for non-participating customers.

B. Participant bill savings are not necessary for the success of the CSP.

The success of the CSP is not contingent on bill savings for participating customers.[7] A quick look at PacifiCorp's Blue Sky Renewable Energy program and PGE's Green Future program, with over 200,000 customers combined, demonstrates the strength of the market for renewable energy attributes in Oregon, even at a premium price point as compared to standard rates.[8] National Renewable Energy Laboratory (NREL) suggests that programs offering local solar products may command a price that is higher still.[9]

Therefore, the Commission should not adopt an Interim Alternative Rate that shifts program costs onto non-participating customers in order to motivate community solar participants to make a decision that they likely would have made even with a lower incentive.

C. Staff's proposed Adjusted RVOS Rate can be modified to address PacifiCorp's rate impact concerns.

PacifiCorp recommends that the Commission adopt an Interim Alternative Rate that reflects the value of the energy produced, as calculated in its RVOS filing. However, to the extent that the Commission finds it necessary to adopt an elevated rate, the proposed Adjusted RVOS Rate provides the most workable framework for balancing the Commission's need to adopt a simple rate that incentivizes community solar participation at the lowest possible cost to non-participants.

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[7] Staff has acknowledged as much, noting that "the legislation does not specify that incentivization must be financial and that its market analysis is not sufficient to conclude with certainty that the RVOS credit rate will not incentivize participation." February 26 Staff Report at 20.

[8] PacifiCorp's Blue Sky program charges a usage rate of $0.0105/kWh for renewable energy offsets. PGE's Green Source program (one of its Green Future programs) charges a usage rate of $0.008/kWh for renewable energy offsets. NREL's *Status and Trends in the U.S. Voluntary Green Power Market (2016 Data)* highlights that customer enrollment in green power programs has grown substantially nationwide, with an average price of $0.018/kWh. https://www.nrel.gov/docs/fy18osti/70174.pdf at 10.

[9] *Id.*

1. PacifiCorp does not support the Adjusted RVOS Rate as proposed.

PacifiCorp has two primary concerns about the proposed Adjusted RVOS Rate. First, the Adjusted RVOS Rate will result in cost-shifting due to the fact that it will compensate participants at a rate more than twice the value of the energy produced. The Market Transformation Credit alone is higher than the RVOS rate used as the basis on which the Adjusted RVOS Rate is calculated.

Second, the distribution feeder adder is unnecessary. Including the adder will double-count the transmission and distribution and line loss benefits associated with community solar facilities, because those benefits are calculated as a component of the RVOS rate, and thus already captured in the Adjusted RVOS Rate.[10] Additionally, the complexity and cost of interconnecting at a transmission voltage may be prohibitive at the capacities contemplated, so the vast majority of community solar projects will likely interconnect to a distribution feeder solely by merit of the fact that it is the most economic option. As it is designed, the distribution feeder adder is unlikely to steer development in a manner that promotes locational benefits, instead rewarding developers for decisions that they would likely have made for other reasons.

2. Before adopting the Adjusted RVOS Rate, the Commission should reduce the Market Transformation Credit (MTC), eliminate the distribution feeder adder, and lower the threshold for transition to RVOS rates.

To the extent that the Commission believes it is necessary to subsidize the CSP with an elevated Interim Alternative Rate, the rate should clearly identify the level of the subsidy. The Adjusted RVOS Rate makes the distinction between the energy value and subsidy readily apparent, with the Market Transformation Credit adder included in the rate; as such, PacifiCorp believes it is the best of Staff's three proposed options. PacifiCorp recommends three modifications to the Adjusted RVOS Rate before the Commission adopts it as an Interim Alternative Rate.

First, the Commission should consider reducing the MTC adder amount to minimize the cost shift to non-participating customers associated with the CSP. As recommended above, customers would be best served by a rate that starts low and adjusts upwards to arrive at a point that facilitates development. For example, the Commission could adopt a rate that starts at RVOS plus a $0.02/kWh MTC adder and includes the Market Response mechanism that permits upward adjustments where third-party precertifications are lacking. This structure—starting low and adjusting upward as necessary—best aligns with the Commission's stated goals of facilitating community solar engagement and minimizing cost shift impact on non-participating customers.

Second, based on the concerns expressed above, PacifiCorp recommends that the distribution feeder adder be eliminated from the Adjusted RVOS Rate calculation if the Commission elects to

[10] As evidenced by Staff's citation of the T&D and line loss estimates drawn from PGE's RVOS filing. Docket No. UM 1930, Staff Report, April 10, 2018 at fn 21.

move forward with it as an Interim Alternative Rate.[11] Alternatively, if necessary, the distribution feeder adder amount could be rolled into the MTC adder and reflected as a subsidy that Commission deems necessary to facilitate participation in the CSP.

Third, the Commission should consider adopting a lower Transition Mechanism threshold. Staff's proposal calls for a step-down in the MTC adder at 25 percent of the total CSP capacity tier, and an evaluation of whether to transition to RVOS at 50 percent of the total CSP capacity tier. In order to insulate non-participating customers from excessive rate impacts associated with the CSP, PacifiCorp recommends a 25 percent CSP capacity tier threshold for triggering an evaluation of whether to transition to RVOS.

III. Conclusion

PacifiCorp appreciates the opportunity to provide these comments and looks forward to continuing to actively participate in this proceeding.

Respectfully submitted this 17th day of April, 2018.

Natasha Siores

PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232-2135
Phone: (503) 813-6583

[11] PacifiCorp supports incentivizing solar development in manner that provides locational benefits, but recommends that the issue be resolved in a more accurate and granular fashion in the RVOS dockets.