



April 17, 2018

Oregon Public Utility Commission
Attn: Caroline Moore
201 High Street SE, St. 100
Salem, OR 97301

RE: UM 1930 Community Solar Implementation, Alternative Bill Credit Comments

Introduction

The Bonneville Environmental Foundation (BEF) appreciates the opportunity to comment on the alternative bill credit evaluation under UM 1930. We are grateful for the pragmatic, diligent, and inclusive manner in which the Commission and Staff have approached program rollout. This is a critical juncture for community solar in Oregon as the entire value proposition for consumers and developers rests on the bill credit rate. We acknowledge that this initial rate may be an imperfect solution but we urge the Commission to err on the side of a marginally higher rate to jump start the market than an overly conservative rate design that stalls program development and casts Oregon and the many stakeholders in this process in a poor light. When coming to a decision on this important topic we call on the Commission to reflect on the primary directive from Senate Bill 1547 to “Incentivize consumers of electricity to be owners or subscribers”.

Capacity Tier

In Order #17232, the Commission has already adopted an initial program capacity tier at 2.5% of each electric company’s 2016 peak load. The reasoning in setting this number was to enable a “sufficient number of projects to absorb the higher administrative costs in the initial years of the program – and to set a capacity limit that serves as a reasonable checkpoint where the program would be evaluated and adjusted before expanding.” As the first tier seems to have already been decided we find it regressive to now suggest smaller tiers to the program. Attempting to parse out the initial capacity tier into smaller and smaller increments inserts more uncertainty into the market and would squeeze out the value for later adopters under the auspices of minimizing cost shifting. In addition, based on the prolonged rollout of the program initially, layering additional complexity after program rollout seems undesirable to both the PUC and solar industry stakeholders.

We view this as an equity argument as well in comparison to net metering, insofar as net metering has not been limited to a MW target and community solar should have the opportunity to reach similar levels of penetration before being restrained.



It is still of note that a transition to an RVOS based rate (not explicitly RVOS) is not a given either at the initial Capacity Tier (160MW) or an initial Capacity Threshold (80MW). The Commission will still be faced with the determination of whether an RVOS based rate still incentivizes participation opposed to the alternative rate we are deciding on now.

Adjustment Factors:

- Adders/Deductions
- Market Transition Credit
- Market Response
- Reverse Auction
- Fixed Step Down

Unfortunately given the timeline the PUC has targeted to rollout the alternative rate, we do not feel like there is enough time to evaluate a more complex program feature such as Market Response, Reverse Auction, or tranche step downs. While these efforts may seek to minimize potential cost shifting, they would adversely affect the simple and accessible guiding principles and potentially draw out the program capacity over far too many years. Given the potential that a base retail rate may not enable projects in PGE territory we are supportive to evaluating adders and deductions within an Adjusted Retail Rate. However, we view the potential in an Adjusted Retail Rate to support projects that have a marginal or lacking value proposition to customers. The Staff provided values under the Adjusted Retail Rate Column result in rates of \$.076/kWh and below which virtually eliminate all of the project's based on ETO's LCOE analysis. It is for this reason we disregard Staff's Options #2 and #3 as they do not result in viable bill credit rates to sustain projects. We urge the Commission to continue to apply the metric of "Does this rate incentivize participation?"

Community Solar Costs (LCOE):

The LCOE analysis from the Energy Trust of Oregon provides a starting point but lacks very important factors that make up large portions of community solar costs. The three factors not included in this LCOE analysis are:

- Customer savings (our target of 10% savings)
- Program administration costs (up to 10% of project costs)
- Low-income subscriptions subsidies (up to 10% subsidized)

The omission of these factors could represent up to 30% of project costs unaccounted for. It has already been established through stakeholder input that customer savings are necessary for the program to be successful. It has also been established that low-income participants should not bear an upfront cost, especially if the Commission intends to enable the 5% program target



outlined previously. The costs should be built into the bill credit rate or addressed through targeted adders.

Rate Impacts

We wish to express thanks to the Commission for navigating the competing goals of incentivizing participation while at the same time minimizing cost shifting. However, we are at a point where quantifying the extent of the potential cost shift is not possible. In addition, the assertion of solar cost shifts is premature at this point with no supporting studies or data. There is a real chance that solar is undervalued relative to natural gas volatility, carbon pricing, and distribution system benefits. Just recently the California Independent System Operator canceled a \$2.5B transmission project largely due to high penetrations of efficiency and distributed solar. <https://bit.ly/2qF8oly>

While Staff attempted to illustrate the potential cost shift, the low off-peak solar QF avoided cost was used which represents the maximum potential cost above solar's potential value. OSEIA and Crossborder Energy submitted RVOS values up to \$.10/kWh which, if adopted, would quell much of the cost shift concern. While not an expert in rates, the prospect of a ~.1% rate increase appears to be of minimal concern. One can tweak the assumptions on maximum bill credit value and minimum solar value and the rate impact will not stray far from this figure. Nearly every other solar incentive program in the country is ratepayer funded and is a necessary component of market transformation. While we can appreciate the effort to minimize cost shifting, we also are sensitive to the fact that continued pressure on the lowest possible bill credit will be detrimental to the value proposition and likelihood of community solar program success.

Guiding Principles:

We wish to provide some brief commentary on the principles outlined by Staff as we agree that some are very important but do not place a high value on others.

1. Simple – this is critical for a prompt and smooth program rollout.
2. Accessible – this is central to the value proposition of the program (i.e. if the rate is not suitable for project development, customers will not have access to community solar)
3. Minimize Cost Shifting – as described below we do not see how this can be quantified at this point in time and based on Staff's provided calculations view a potential rate impact to be minimal.
4. Locational – this element proves to be a complex investigation that may not be suitable to evaluate in the short amount of time we have to adopt an alternative rate. The Commission and Staff have expressed concern about community solar not providing distribution benefits but industry consensus points toward the vast majority of projects 3MW or less being sited on the distribution system.
5. Transitional – this is another element that may not be prudent to address at this point. When the time comes the PUC, Staff, and stakeholders will address an acceptable process to transition to an RVOS based rate. The initial rate does not have to



incorporate special provisions for a future transition. We suggest that the PUC evaluate a transition to RVOS after the initial 2.5% of 2016 Peak Load Capacity Tier has been met.

Recommendations:

- Adopt the retail rate as a base, rate escalates at 2% per year, bill credit is levelized. This is important to provide certainty for developers and financiers. We reaffirm that even if these rates are adopted, they will be some of the lowest in the nation and should not be considered excessive.
 - Approx. \$.134/kWh for PGE
 - Approx. \$.122/kWh for PAC
 - Approx. \$.107/kWh for ID Power
- Proposed Adders:
 - Low income subscriber = add \$.03/kWh, this value is half the Mass SMART adder for low-income subscribers.
 - Small projects (no-colocation) = add \$.02/kWh, this value aligns with the Mass SMART adder for rooftop projects.
 - Solar insolation (PGE territory, coastal) = TBD if no development
- Consider low-income subscriptions, general customer savings, and program administration in any LOCE analyses used to inform a workable bill credit rate.
- We also strongly oppose PGE's statements that low-income customers should see no financial benefit and the presumption they may not want access to solar. Community Energy Project has confirmed through client surveys, they do want it and do care about renewable energy and climate change. Similar programs such as LIHEAP and Weatherization are not restricted to provide no net financial benefit to low-income households. Community solar can have analogous benefits and in fact the enabling legislation had this in mind.
- According to GRID Alternatives, the nation's leading low-income solar company, low-income participants should receive significant savings to participate, which should be set as a program average of at least 50% savings on a low-income customer's utility bill. This can and should be affirmed in the rules or program implementation manual. The low-income facilitator can ensure prospective participants are getting the full value of the intention of this low-income participation target. There is also concern that low-income customers may be charged higher rates if they can have higher bill credits, but this is only an issue if it erodes the value to those participants, which could be overcome by some program structure and oversight.
- Reserve 10% of program capacity for the precertification of small (360kW or less) customer sited projects (i.e. not co-located with larger projects) for the first two program years. Community based organizations, local governments, and other small groups may



be able to access lower debt, land options, and customer acquisition than larger 3rd party developers but will need their place reserved in the program to allow for creative solutions to develop.

- We caution against deductions for projects that appear to have lower LCOE's, as that would discourage tracking systems which can provide more system benefits by expanding production into the shoulder periods of the day.

Conclusion:

The OPUC should not be shy about incentivizing this program. Community solar has tremendous potential to benefit underserved utility customers, provide a more resilient energy system, and provide a multitude of economic benefits to Oregonians. Community solar will be additive, complementary, and expand upon the existing customer renewable programs. The ability to provide broader participation, expanded renewable energy awareness, and customer savings are all very important public benefits.

BEF continues to appreciate the responsiveness and willingness to work with Stakeholders in the implementation of community solar in Oregon. We hope that all parties share the common goal of creating a valuable and functioning program in Oregon. Thank you for your consideration.

A handwritten signature in black ink that reads 'Evan Ramsey'. The signature is fluid and cursive, with the first name 'Evan' and last name 'Ramsey' clearly distinguishable.

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