



14 Oct 2019

To: Oregon Public Utility Commission and Staff

From: Fleet Development

Subj: Comments regarding OPUC Staff UM 1930 Policy Proposal dated 4 Oct 2019

Thank you to the PUC Staff for your tremendous effort on the UM 1930 Policy Proposal submitted on 4 Oct. We understand the complexity of the information and the difficulty in generating compromises acceptable to all. We appreciate the numerous opportunities for comment provided to the general public and stakeholders, and the consideration given to our company's input.

Fleet Development, as a developer of projects proposed to be 100% LMI subscribers, concurs with the majority of proposals in the Staff's 4 October UM 1930 Policy Proposal. Unfortunately, financial modeling shows that mandating a 20% discount for most projects and specifically for 100% LMI projects will reduce the amount of LMI subscriptions available, negating the intent of the legislation's LMI carve out.

Low-income solar access vs. mandatory discount: Financial viability will dictate program success

Financial modeling shows that only the largest projects, or those projects that have access to low-cost capital and grants, will be financially viable with the interim retail rates and proposed program fees. We calculated the effects of these variables for an 860-kW PacifiCorp territory project. This project has the lowest proposed interconnection cost of any project under 10 MW in Oregon PAC territory.

This project will require a large grant or fee deferrals to be solvent, even before LMI discounts are applied. Additional discounts or higher project costs will jeopardize this project. To make this project work, we would have to source only 10% of the subscriptions from LMI participants (approximately 22 LMI families), even though we could provide solar energy access to a much larger percentage (up to 220 LMI families).

We urge the Staff to weigh the impact of socioeconomically desirable but financially infeasible program fees and mandated discounts (which in most cases will not provide net cash savings to subsidized residents) against the practical need to provide a financial framework that will allow real community solar projects to come to fruition.

Sincerely,

Ryan Sheehy
Fleet Development
200 E. Main St
Enterprise, OR 97828

Appendix A

Below is an overview of cash flow for the referenced 860kW project in Oregon PAC's service area.

| Green Hill Comm Solar (860kW) Rough Pro Forma Year 1 Financials | Financially Viable Scenario -No LMI discount, no PA fee -\$250k project grant | Non-LMI Scenario -no LMI discount -\$1.50/kW PA fee | Desired Scenario -100% LMI @20% discount -No PA fee |
|---|---|---|---|
| PPA Revenue (1) | \$111,611 | \$111,611 | \$88,085 |
| Operating & Business Expenses (2) | -\$26,806 | -\$39,155 | -\$23,675 |
| Debt service (3) | -\$81,673 | -\$103,166 | -\$103,166 |
| Solar Entity Cash Flow | \$3,132 | -\$30,710 | -\$38,756 |

1. Based on proposed retail rate, less \$0.005/kWh util fee

| | | | |
|---------------------------|-----|-----|----------|
| \$ Impact of LMI discount | N/A | N/A | \$23,526 |
|---------------------------|-----|-----|----------|

2. O&M, Prog Admin fee, prop. taxes, insurance, accounting, proj. mgmt, etc.

| | | | |
|----------------------------|----------|-----|----------|
| \$ impact of waived PA fee | \$15,480 | N/A | \$15,480 |
|----------------------------|----------|-----|----------|

3. 20 year loan @ 6%; assumes ~40-45% capital from Tax Equity investment and ~30% of developer fee deferred.

Preliminary estimates; highly dependent upon unvalidated hard and soft cost estimates and capital financing.