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September 30, 2019

VIA ELECTRONIC FILING

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

Attn: Filing Center

Re: UM 1930—Joint Comments on Staff's September 13, 2019 Draft Policy Proposal

PacifiCorp d/b/a Pacific Power (PacifiCorp) submits for filing with the Public Utility Commission of Oregon the Joint Comments of PacifiCorp and Portland General Electric on Staff's September 13, 2019 Draft Policy Proposal.

Informal questions concerning this filing may be directed to Cathie Allen, Regulatory Affairs Manager at (503) 813-5934.

Sincerely,

Etta Lockey
Vice President, Regulation

UM 1930

PGE and PacifiCorp Joint Comments to September 13, 2019 Policy Memo

I. Introduction

In accordance with the revised schedule provided by Staff on September 13, 2019, PacifiCorp d/b/a Pacific Power (PacifiCorp) and Portland General Electric Company (PGE) (together, Joint Utilities) submit these initial comments to the Public Utility Commission of Oregon (Commission) addressing issues raised in Commission Staff's UM 1930 Draft Policy Proposal (Draft Policy Memo). The Joint Utilities appreciate the considered analysis of these policy issues by Commission Staff, the Program Administrator (PA), and the Low-income Facilitator (LIF). However, the Joint Utilities disagree with the proposals in the Policy Memo regarding bill credits, incorporating an escalator added to the residential retail rate, tripling the initial capacity tier, and the declared need to guarantee bill savings to ensure program participation. The Joint Utilities oppose these changes because, among other things, they are contrary to statute and constitute substantial cost shifting to non-participating utility customers. Further, the Joint Utilities note that the Commission reached a decision on a number of these issues just one year ago in Order No. 18-177.[1] That decision reflected robust stakeholder participation through workshops and written comments that the Commission weighed in reaching its findings. Circumstances have not changed substantially since the Commission adopted Order 18-177 in May 2018 to warrant such significant amendments to the Community Solar Program (CSP) implementation rules.

The Policy Memo proposes parity for consumers that have not been able to access solar customer generation opportunities and incentives as the overarching objective of the CSP, but the proposals included in the Policy Memo are focused solely on aligning the financial benefits for CSP participants with those for net metering customers, while ignoring the upfront costs, risks and ongoing responsibilities that owners of solar generation facilities bear. The Joint Utilities believe that the enabling legislation is intended to allow for a CSP that provides energy choice for consumers through the ability to directly support resources, while more appropriately allocating the costs and benefits of those resources.

The Joint Utilities support a well-designed program that encourages participation of all our customers, especially our low-income customers; however, this must be weighed against the impacts to all non-participating customers. As proposed in the Draft Policy Memo, non-participating customers of the Joint Utilities would experience $199 million in additional costs compared to the policies that the Commission described and adopted in Order 18-177. As a result, Commission Staff should consider modifications to their policy proposals in preparing final recommendations due to the Commission on October 4, 2019. If the recommendations included in the Draft Policy Memo remain unchanged, the Commission should reject the proposals regarding the escalation of bill credits, tripling the initial capacity tier, and program participation measures.

[1] Docket No. UM 1930, Order No. 18-177 dated May 23, 2018.

II. Discussion

A. Proposed Bill Credit Rate

The Draft Policy Memo recommends that the interim bill credit be a base rate, set at the simple retail rate that the Commission approved in Order No. 18-177, plus a two percent annual escalator. This proposed bill credit rate plus escalator is improper as it is contrary to statute and prior Commission guidance, and not adequately supported in the record.

In ORS §757.386(1)(a), "Community solar project' is defined as one or more solar photovoltaic energy systems that provide owners and subscribers the opportunity to share the costs and benefits associated with the generation of electricity by the solar photovoltaic energy systems." However, in citing "concerns that Project Managers will struggle to secure financing unless the bill credit rate is incentivized so that it's a guaranteed savings product for all participants," Staff ignored the statutory definition to conclude that "the CSP's focus [is] on providing financial benefits for all participants."[2] This focus on creating a program that results in a savings product for all participants is contrary to the legislature's stated intent that a community solar project is to provide participants the opportunity to share the *costs* of solar generating systems as well as the benefits.

Any CSP costs not borne by participants will be shifted to nonparticipating customers, including costs arising from a bill credit rate that does not reflect the value of the energy delivered. The legislature provided guidance on this issue in the CSP enabling legislation, directing the Commission to adopt rules that strike the appropriate balance of two competing objectives. The statute directs the Commission to adopt rules that both "incentivize consumers of electricity to be owners and subscribers" and "minimize the shifting of costs from the program to ratepayers who do not own or subscribe to a community solar project."[3] The Commission acknowledged these legislative directives in Order 18-177, stating that its "objective is to balance the need to provide a rate that will result in projects being developed while doing so with the lowest possible shifting of costs to non-participants."[4]

In the Draft Policy Memo, Staff proposes a bill credit rate plus escalator that inappropriately incentivizes CSP participation without consideration of the directive to minimize cost shifting. Staff does this without providing a clear demonstration—including input from and evidence available to all stakeholders—that Project Managers will be unable to finance projects without "a guaranteed savings product for all participants." The Commission has already identified a reasoned approach to determining whether an elevated bill credit rate for CSP participants is warranted: adopt a bill credit rate with limited application to an interim capacity tier and refine it, if necessary, through an iterative approach as the program evolves and more is known, with subsequent tiers.

The legislature's guidance for the bill credit rate directed that, unless good cause is shown, "an electric company shall credit an owner's or subscriber's electric bill for the amount

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[2] Policy Memo at 9.
[3] ORS §757.386(2)(b)(A) and (B).
[4] Order 18-177 at 3.

of electricity generated by a community solar project for the owner or subscriber in a manner that reflects the resource value of solar energy."[5] The Commission found good cause to adopt an interim bill credit rate in Order 18-088, but noted that, while an elevated bill credit rate may be necessary to stand up the CSP and ensure that community solar subscription options are made available to customers, "this objective should be achieved at the lowest cost possible to non-participants in order that cost shifting is minimized."[6] In that same Order, the Commission called a bill credit rate based on retail rates "unsatisfactory for the long term,"[7] and clarified its expectation that the interim bill credit rate would be a temporary solution until a "permanent, [resource value of solar (RVOS)]-based bill credit rate methodology" is practicable.[8]

Since Order 18-177 was issued, the Commission adopted final RVOS methodologies and utilities have filed their RVOS values. Acknowledging that the Commission did find good cause to adopt a bill credit rate that exceeds the RVOS,[9] the Joint Utilities point out that the rates Staff propose in the Policy Memo are more than double the utilities' currently filed RVOS rates—229% and 264% of RVOS for PacifiCorp and PGE respectively.[10] Establishing a bill credit rate that diverges so substantially from the RVOS, on which the bill credit rate is supposed to be based, in order to offer participating customers a guaranteed savings product is an inappropriate balancing of the statutory objectives and interpretation of Commission guidance.

The tables below compare the simple retail rate approved in Order 18-177 as calculated by Staff in the Draft Policy Memo, the bill credit rate plus escalator proposed for Joint Utilities in the Draft Policy Memo and the Joint Utilities' recently filed RVOS rates.

Table 1: Comparison of Rates for PacifiCorp	
Source of Rate	**Rate**
Simple Retail Rate	$0.0977/kilowatt hour (kWh)
Bill Credit Rate with Escalator – Policy Memo	$0.1136/kWh*
Filed RVOS Rate	$0.04964/kWh**
* levelized across the 20 year applicable term	
** does not include administrative costs and environmental compliance values	

[5] "Resource value of solar energy" is also referred to as RVOS in these comments.
[6] Order 18-088 at 4.
[7] *Id* at 5.
[8] *Id* at 4.
[9] Order 18-088.
[10] *See* Tables 1 and 2 below.

Table 2: Comparison of Rates for PGE	
Source of Rate	**Rate**
Simple Retail Rate	$0.1123/kWh
Bill Credit Rate with Escalator – Policy Memo	$0.1309/kWh*
Filed RVOS Rate	$0.04954/kWh**
* levelized across the 20 year applicable term	
** does not include administrative costs and environmental compliance values	

As shown in the above tables, for PacifiCorp and PGE, the bill credit rate with escalator is higher by approximately 16 percent and 17 percent, respectively, than the simple retail rate adopted by the Commission in Order 18-177 and calculated by Staff in the Draft Policy Memo. Staff does not offer sufficient justification for its recommendation that the Commission adopt bill credit rates that are 16 percent and 17 percent *higher* than the rates that the Commission has already recognized as "significantly higher" than the published and approved avoided cost rates,[11] and that are more than double the Joint Utilities' recently filed RVOS rates.[12]

B. Expansion of the interim capacity tier

In its Draft Policy Memo, Staff recommends that, rather than adhering to the Commission's original order and apply the retail bill credit rate to the first 25 percent of a utility's initial capacity tier, the proposed bill credit rate plus escalator be expanded to 75 percent of the initial capacity tier. This proposed expansion of the interim capacity tier creates substantial cost shift concerns and fundamentally changes one of the foundational elements that underpin the Joint Utilities' proposed CSP interconnection approach.

1. Cost shift concerns

Staff's proposed interim capacity tier expansion creates cost shifting concerns by further raising the bill credit rate beyond levels previously contemplated and tripling the program capacity to which it applies.

The Commission's previous guidance suggests that the interim capacity tier was initially adopted at the 25 percent level to provide an opportunity to develop learnings while limiting the risk of cost shifting to non-participating customers. In Order 18-177, the Commission examined alternative options for the size of an interim capacity tier, and ultimately decided to "limit its applicability to 25 percent of the initial capacity tier instead of Staff's 50 percent proposal, or the proposal of some stakeholders to apply it to the full first tier of capacity."[13] In so ordering, the

[11] Order 18-177 at 3, ("The Simple Retail rate proposal will result in bill credits that are higher than the utility's published and approved avoided costs. Though we recognize that the values reflected in avoided cost pricing are not the same as those we would seek to incorporate in RVOS values, the fact that the Simple Retail rate proposal will result in bill credits significantly higher than published and approved avoided costs indicates to us that the use of this interim rate should be limited, until such time as we have more information with which to judge its reasonableness.")
[12] See Commission Order No. 19-021 for PacifiCorp RVOS values, and Commission Order No. 19-023 for PGE's RVOS values.
[13] Order 18-177 at 3.

Commission cited the need to establish policies that lead to the development of community solar projects, while simultaneously causing the lowest possible cost impacts to non-participating customers.[14] These cost shift concerns led the Commission to clarify that the "use of this interim rate should be limited, until such time as we have more information with which to judge its reasonableness."[15] The Commission identified that 25 percent capacity level as "effectively creating a pilot program within our Community Solar program, which we can use to develop learnings that will aide in the finalization of future bill credit rate determinations."[16]

Staff's proposed expansion of the interim capacity tier abandons the Commission's reasoned approach and ignores the statutory directive in ORS §757.386(2)(b)(B) to minimize the shifting of costs from the program to non-participating customers. Expanding the interim capacity tier to 75 percent of the initial program capacity would lock in approximately 120 megawatts (MW) worth of energy purchases at a bill credit rate that would result in a substantial cost shift to non-participating customers (and significantly exceeds the recently filed RVOS rates on which the legislature intended the bill credit rate to be based). The proposed bill credit rate plus escalator and interim capacity tier expansion policies would cause $73.8 million and $125.2 million of additional costs to be shifted onto PacifiCorp's and PGE customers respectively as compared to the retail rates adopted by the Commission in Order 18-177 and calculated by Staff in the Policy Memo.

Staff appears to use "concerns that Project Managers will struggle to secure financing unless the bill credit rate is incentivized so that it's a guaranteed savings product for all participants" to support its assertion that "the CSP's focus [is] on providing financial benefits for all participants."[17] However, the Draft Policy Memo neither provides any evidence that those concerns are warranted, nor establishes that the inability of some unknown number of prospective Project Managers to secure financing will hinder the successful development of community solar projects. This is an inappropriate basis on which to obligate non-participating customers to tens of millions of dollars' worth of additional costs.

Staff also appears to support its proposals to raise the bill credit rate and expand the interim capacity tier by citing the need to cover program administration costs within an artificially created deadline. In the discussion regarding administrative fees, the Draft Policy Memo proposes a transition between startup costs and ongoing administrative costs where all utility customers are responsible for any shortfall in administrative fee collections. This transition deadline is set at 24 months following the launch of the precertification window. This 24-month deadline for transitioning off of customer support for administrative costs is then used to justify the selection of the elevated bill credit rate and the expanded 120 MW interim capacity tier. The basic reasoning is that the bill credit rate must be sufficiently high to eliminate Project

[14] *Id.*
[15] *Id.*
[16] *Id* at 4.
[17] Policy Memo at 9.

Manager risk by guaranteeing customer participation, and the interim capacity tier must be large enough that a total of 80 MWs is installed at this 24-month transition deadline.[18]

While the Joint Utilities appreciate the concerns expressed in the Draft Policy Memo and goal to minimize long-term administrative cost subsidies to the program, raising the compensation rate and expanding the interim capacity dramatically increases non-participating customer costs over the program. As suggested above, the impact of the retail rate plus two percent escalator and the expanded interim capacity tier on PacifiCorp's customers is approximately $24.6 million per 40 MW block, or $73.8 million for the full 120 MWs of the expanded interim capacity tier. The impact to PGE's customers is approximately $41.7 million per 40 MW block, or $125.2 million for the full 120 MWs of the expanded interim capacity tier. This compares to the administrative maximum cost of approximately $2.3 million annually shared across the utilities, or $920,000 for PacifiCorp and $1.3 million for PGE. In short, this proposal costs ratepayers $199 million between the Joint Utilities in hopes of saving customers an ever-shrinking portion of $2.3 million annually. This result is not reasonable. A simple solution is to allow projects to develop naturally and conduct the proposed administrative cost review at 24 months, rather than drive to an elevated capacity target. Based on the information collected, the Commission can then decide how to move forward.

2. Relationship to Joint Utilities' interconnection proposal

Finally, in response to a Staff Memo issued in June 2019 regarding the interconnection of CSP to utility systems, PacifiCorp, PGE, and Idaho Power Company (IPC) proposed a streamlined interconnection process to relieve perceived barriers to CSP project interconnection. Over the course of the summer of 2019, through comments and workshops, PacifiCorp, PGE, and IPC engaged in good faith discussions regarding an interconnection proposal that would facilitate connecting community solar projects. One of the key bases of these negotiations was the application of the proposed interconnection policies to the limited-scale interim capacity tier.[19] The 25 percent interim capacity tier, which the Commission identified as "effectively creating a pilot program within our Community Solar program," serves as a natural framework in which the Joint Utilities' can gather information about the uncertain impacts of their proposed interconnection policies.

For PacifiCorp, the impact of Staff's proposed interim capacity tier expansion would be to increase capacity of interconnecting projects from 16 MW to 48 MWs, tripling the amount of community solar that would be able to connect to PacifiCorp's system with uncertain cost impacts. For PGE, the impact of this proposal would be to increase the interim tier capacity from 23 MW to 69 MWs, tripling the amount of community solar that would be able to connect to PGE's system with uncertain costs. This, in the Joint Utilities' view, is not the same program. Given these uncertainties, PacifiCorp and PGE would not be comfortable applying their proposed interconnection policies to Staff's proposed 75 percent interim capacity tier.

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[18] *See* Policy Memo at page 24.

[19] See the joint proposal and comments by PacifiCorp, PGE and Idaho Power provided on August 16, 2019 and September 13, 2019.

C. PGE-only Section: Guaranteed Low-Income Participant Savings of 20 Percent to 50 Percent can be achieved without cost-shifting to non-participants

The Draft Policy Memo describes the efforts undertaken to ensure that low-income subscriptions are designed so that participants do not experience a net increase in utility bills due to their participation in the program. Staff's recommendation is to guarantee at least 20 percent subscription savings to low-income participants with a goal of 50 percent subscription savings. Staff's recommendation is based on the assumption that Community Solar program managers would be able to provide such savings and still earn a minimum 8 percent internal rate of return if the Commission adopted Staff's proposal to expand the interim capacity tier and adopt an escalated bill credit based on the retail rate. While PGE is not opposed to providing low-income participants with bill savings, PGE believes that those savings should be subsidized by other community solar participants that are not low-income through higher subscription fees rather than utility non-participating customers. Staff's proposed approach to guarantee savings requires the Commission to adopt the escalated bill credit proposal which will cause significant cost shifting onto all non-participant customers, including low-income. As such, PGE is supportive of removing barriers for low-income customer participation[20] and support more dialogue to develop a variety of ways to ensure low-income participation and savings whilst complying with the statutory intent to minimize cost-shifting to non-participants.

III. Conclusion

The Joint Utilities appreciate the diligent efforts of Staff, the PA and the LIF to address pending issues so that community solar may be launched with success in Oregon. However, Staff's proposal does not reflect the balance that the statute requires, accepting $199 million in cost impacts on non-participating customers in favor of guaranteed bill savings for participants and the elimination of Project Manager risks. PacifiCorp and PGE disagree with that trade-off and the basis for it. The Joint Utilities have concerns regarding Staff's proposed bill credit rate, expansion of the interim capacity tier, and guaranteed participant savings. Staff's recommendations on these issues are contrary to statute and previous Commission guidance, and will shift substantial costs to the Joint Utilities' non-participating customers. PacifiCorp and PGE recommend that Staff reconsider its proposals to reflect the Joint Utilities' concerns. If the Policy Memo remains unchanged, the Joint Utilities recommend that the Commission reject these recommendations and instead implement CSP based on the Commission's previous guidance in Order 18-177. After gaining experience in the CSP roll out, the Commission can revisit these issues as needed and base any changes on information learned and stakeholder input.

[20] Historically, issues like credit scores, bill payment history, exit fees, and up-from fees with long paybacks have represented barriers for low-income customers to access renewable energy program.