FLEET DEVELOPMENT
ENTERPRISE, OREGON

27 Sept 2019

To: Oregon Public Utility Commission and Staff

From: Fleet Development

Subj: Comments regarding OPUC Staff UM 1930 Policy Proposal dated 13 Sept 2019

Oregon Public Utility Commission and Staff, thank you for the opportunity to comment on the UM 1930 Policy Proposal. It is encouraging to see many of the thoughtful ideas from the stakeholder working groups incorporated into the overall proposal. These inclusions will accelerate the start of this program.

Fleet is a developer of rooftop and community solar projects that serve low/moderate-income (LMI) resident in rent-restricted, federally subsidized multifamily housing throughout Oregon. Our affordable housing expertise is derived from our founders and our affiliated companies who are experts in HUD and USDA Rural Development property rehabilitation and management. We have developed rooftop solar projects on federally subsidized multi-family properties that have overcome the same tenant utility allowance challenges that will affect community solar. Finally, we have completed pre-development on two low-income community solar projects that are anticipating utility interconnection agreements and we have a clear view of the financial challenges facing Oregon community solar projects. Our primary concern, informed by our experience, is ensuring that the community solar program rules and rates will allow inclusion of our LMI tenants and properties.

Low-income accessibility vs. mandatory discount

The Staff proposal defines equitable opportunity for low-income participation as “the net impact of participation must result in a decrease of low-income participant bills…, both month-over-month and over the life of the CSP subscription”. We disagree. The legislation calls for accessibility, not discounts, and one requirement is not bound to the other.

Preliminary financial analysis indicates that an Oregon CSP project will be able to provide little to no subscriber discount if it is to be fiscally solvent (without large grants or incentives). Using baseline assumptions about rates, program fees, and other costs, our proposed PacifiCorp territory project will operate at a loss of $.015/kWh. This projection includes the optimistic assumption of no marketing costs and minimal management expenses because of our ability to leverage internal company assets. This estimate excludes the Staff proposal to eliminate on-bill PA fees for LMI subscribers. We support this LMI on-bill fee elimination proposal, if the cost of the fees is not transposed to the project managers. If the fees are transferred to the project manager, the subscriptions will become more expensive.

Because of the retail rate and capital cost, most Oregon CSPs will struggle to break even after debt and operating payments. Therefore, most subscriptions will have to be marketed at premium prices until solar equipment loans are paid, then the subscription prices may decrease. Providing an immediate discount for 10% of the project subscribers (LMI carve-out) will require higher premiums to be paid by the remaining 90%. This mandate will likely curtail any LMI-dedicated project because the LMI subscribers will become the least preferred customer.

Though we wish it were possible to provide an immediate net benefit to LMI subscribers (tenants), residents in HUD and USDA Rural Development properties already receive a utility allowance stipend that pays for their average annual energy consumption, and a reduction of their energy bill will increase their rent. A mandatory discount would therefore equate to a requirement to provide **“cheaper than free” energy and would ultimately**

<u>result in less access.</u> An LMI discount mandate will dramatically reduce LMI subscriptions availability thus perpetuating the current solar problem whereby only those who can afford solar can get access to solar. If a mandatory discount is imposed in order to make subscriptions attractive to LMI subscribers, then it should be funded by external agency requiring it. In practical terms, reducing affordable housing tenant energy costs below zero is counter to reducing the multifamily housing carbon footprint.

Bill credit linkage to LMI resident electricity usage

We support Staff's proposal regarding the flexibility for hosted LMI subscriptions and the concept that guidelines, rather than prescriptive rules, will be more effective at capturing the different types of LMI subscriber housing and energy scenarios. If an affordable housing manager is the subscriber, the requirement to identify LMI beneficiaries by name and housing unit will be easy to achieve because housing projects are required to maintain rent rolls of qualified LMI tenants. This proposal also works for master metered properties, master-billed properties, and tenant-paid utility properties. We believe these scenarios—not single family LMI residences-- will account for the vast majority of the LMI subscribers filling the mandated 10% carve-out for every CSP.

The Staff also proposed a requirement that 75% of the financial benefit be passed through to tenants. The Staff proposal wisely leaves unstated the mechanism for how this will be accomplished. For tenants receiving federal rent and utility subsidies, passing through a true reduction in total tenant cash outlay is challenging because if utility costs are lowered, rents increase equally. Thus, the financial pass through will be difficult to achieve for this residence population.

1) Furthermore, the 75% financial benefit pass-through requirement assumes that there is a financial benefit to pass through, raising additional questions: If a project breaks even and the net financial benefit is $0 (a likely scenario), is an LMI project still in compliance if it passes through 75% of $0?

2) what is the mechanism for determining the size of the benefit?

The 75% mandate is laudable in theory but likely unachievable in practice. Even assuming that the CSP can set subscription costs to match (not exceed) current housing project utility costs and that these remain constant for 10 years, the property's budget will only be sized to pay utilities at that cost and—because affordable housing projects do not create profit--there will never be a financial benefit to pass through.

In addition, fairly determining "financial benefit" for a CSP project would require an extensive audit process definition and add substantial overhead time and expense to each project. The cost of this oversight could erase any financial benefit.

Given all the issues we have described here, we recommend that the 75% financial benefit passthrough clause be eliminated for program simplicity.

The Staff proposals discussed make a clear and honorable effort to provide exceptional benefits to a low-income subscriber. However, some of the proposals have unintended consequences or are unrealistic. Given the challenging economics for Oregon community solar, our first focus must be to ensure that we have actual sustainable LMI community solar projects.

Sincerely,

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