

Affiliated Tribes of Northwest Indians  
 AirWorks, Inc.  
 Alaska Housing Finance Corporation  
 Alliance to Save Energy  
 Allumia  
 Alternative Energy Resources Organization  
 American Rivers  
 Backbone Campaign  
 Beneficial State Bank  
 BlueGreen Alliance  
 Bonneville Environmental Foundation  
 Byrd Barr Place  
 Citizens' Utility Board of Oregon  
 City of Ashland  
 City of Seattle Office of Sustainability & Environment  
 CleanTech Alliance  
 Climate Solutions  
 Community Action Center of Whitman County  
 Community Action Partnership Assoc. of Idaho  
 Community Action Partnership of Oregon  
 Earth and Spirit Council  
 Earth Ministry  
 Ecova  
 eFormative Options  
 Energy350  
 Energy Savvy  
 Energy Trust of Oregon  
 Environment Oregon  
 Environment Washington  
 EQL Energy  
 Forth  
 Home Performance Guild of Oregon  
 Housing and Comm. Services Agency of Lane Co.  
 Human Resources Council, District XI  
 Idaho Clean Energy Association  
 Idaho Conservation League  
 Idaho Rivers United  
 Interfaith Network for Earth Concerns  
 League of Women Voters Idaho  
 League of Women Voters Oregon  
 League of Women Voters Washington  
 Montana Audubon  
 Montana Environmental Information Center  
 Montana Renewable Energy Association  
 Montana River Action  
 National Center for Appropriate Technology  
 National Grid  
 Natural Resources Defense Council  
 New Buildings Institute  
 Northern Plains Resource Council  
 Northwest EcoBuilding Guild  
 Northwest Energy Efficiency Council  
 NW Natural  
 OneEnergy Renewables  
 Opower  
 Opportunities Industrialization Center of WA  
 Opportunity Council  
 Oregon Energy Fund  
 Oregon Environmental Council  
 Oregon Physicians for Social Responsibility  
 OSEIA  
 Pacific Energy Innovation Association  
 Pacific NW Regional Council of Carpenters  
 Portland Energy Conservation Inc.  
 Portland General Electric  
 Puget Sound Advocates for Retired Action  
 Puget Sound Cooperative Credit Union  
 Puget Sound Energy  
 Renewable Northwest  
 Save Our wild Salmon  
 Seattle City Light  
 Seinerger  
 Sierra Club  
 Sierra Club, Idaho Chapter  
 Sierra Club, Montana Chapter  
 Sierra Club, Washington Chapter  
 Small Business Utility Advocates  
 Smart Grid Northwest  
 Snake River Alliance  
 Solar Installers of Washington  
 Solar Oregon  
 Solar Washington  
 South Central Community Action Partnership  
 Southeast Idaho Community Action Partners  
 Spark Northwest  
 Spokane Neighborhood Action Partners  
 Sustainable Connections  
 The Climate Trust  
 The Energy Project  
 UCONS, LLC  
 Union Of Concerned Scientists  
 United Steelworkers of America, District 12  
 US Green Building Council, Idaho Chapter  
 Washington Environmental Council  
 Washington Local Energy Alliance  
 Washington Physicians for Social Responsibility  
 Washington State Department of Commerce  
 Washington State University Energy Program  
 YMCA Earth Service Corps



April 13, 2018

Oregon Public Utility Commission  
 Attn: Caroline Moore  
 Via email: caroline.f.moore@state.or.us

**RE: UM 1930 Community Solar Alternative Bill Credit Rate**

The NW Energy Coalition is grateful for the opportunity to provide comment on the Staff Report issued April 10, and also to commend Staff for the work they put into such a comprehensive review of potential alternative bill credit rates for Community Solar. In Order No. 18-088, the Commission found good cause to develop an interim alternative bill credit rate. Staff's subsequent report laid out three potential bill credit options. The following document addresses the principles Staff used to make their recommendations, as well as the individual models presented.

**High-Level Recommendations:**

We support the adoption of a bill credit based on the Simple (Residential) Retail Rate with adders that help meet and exceed low-income participation goals. We are in favor of using this interim rate for the full, first capacity tier (160MW) with an opportunity to revisit it at 50% of this threshold (80MW) and assess whether the rate should be adjusted up or down to promote pre-certification, and whether adders or carve-outs are necessary to promote project diversity. Our rationale is that the Simple Retail Rate structure is most conducive to robust, early adoption of Community Solar; it is simple and provides certainty for project development and customer acquisition. Adders could help to ensure a diversity of subscribers and accessibility of the program across utility service territories. At present we are in support of an adder for projects with more than minimum participation of subscribers experiencing lower incomes, but are open to including other adders under program review.

## **Justification for the Simple Retail Rate as an Alternative Bill Credit Model:**

Staff developed their recommendations through the lens of five principles. An ideal bill credit rate would be: simple, accessible, minimize cost-shifting, locational, and transitional. The Coalition appreciates this approach in its clarity and attention to the goals of community solar, and we will make our arguments for the use of the Simple Retail Rate with adders through the same principles. We will also provide alternative interpretations of the principles “accessible” and “minimize[ing] cost-shifting”.

**Simple:** The Coalition agrees with Staff’s assessment that the Simple Retail Rate is both the “most readily available” model and one that is “very simple” in nature.<sup>1</sup> The lack of administrative time and costs necessary to develop this rate is appealing in the transparency and certainty it provides to both project developers and potential subscribers. An overly complicated bill credit model poses consumer protections concerns as it may be difficult for potential subscribers to weigh the costs and benefits of different projects. Moreover, as Staff note in their comments, California, Colorado, Massachusetts, Minnesota, and Rhode Island started their programs with iterations of the retail rate.<sup>2</sup>

**Accessible:** Accessibility is a chief concern for the Coalition, but we were disappointed that Staff only took into account the potential to spur project development rather than whether a given bill credit rate would make Community Solar more viable for a diverse base of subscribers. Staff does acknowledge the following language in Order No. 18-088: “[a] functioning Community Solar program” as one that “results in active project development and the availability of subscriptions for customers.”<sup>3</sup> We view an analysis of accessibility as one that does not stop at considerations for project developers, but explores the ability of a bill credit rate to appeal to a diversity of subscribers. As we have detailed in previous comments, and as has been expressed by many other stakeholders and the Commission, Community Solar creates opportunities for communities who have been unable to take advantage of net-metering.

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<sup>1</sup> Staff Report (April, 2018). (12)

<sup>2</sup> *Ibid.* (7)

<sup>3</sup> *Ibid.* (4)

Viewing accessibility through the lens of subscriber availability and diversity, the Simple Retail Rate is most likely to meet this principle. It is readily available, easily applied, provides transparency to potential subscribers, and is the rate most likely to support participation, especially for subscribers experiencing lower incomes. It is integral that a viable bill credit rate take into account the requirement that 10% of all program generation capacity provide low-income benefit.

Discussion of the low-income elements of Community Solar is largely absent from Staff's comments outside the formulation of adders, and we are unsure whether the Levelized Cost of Energy (LCOE) modeling presented in "Attachment A"<sup>4</sup> takes into account costs associated with meeting the 5% per-project requirement for low-income participation and 5% greater program benefit.<sup>5</sup> Without a better understanding of these embedded costs, it is difficult to say whether any of the proposed bill credit rates will be sufficient to achieve accessibility from the perspective of low-income program elements on both the project- and the subscriber-side. The Simple Retail Rate is already lower than the Levelized Cost of Energy (LCOE) for many parts of the Oregon, but of the three bill credit rates presented, it is the closest to making projects pencil out and the most likely to ensure that Community Solar does not come at a premium for subscribers experiencing lower incomes.

**Minimize Cost-Shifting:** Staff define cost-shifting as the rate impact determined by the difference between a proposed bill credit rate and the real levelized standard Qualifying Facilities (QF) avoided cost rate.<sup>6</sup> They do not, however, suggest a threshold for rate impacts that are within the bounds of minimal cost-shifting and instead point toward the minimum possible cost-shift as an optimal demonstration of this principle. As we have stated in previous comments, we feel the dictate in SB 1547 to "minimize the shifting of costs from the program to ratepayers who do not own or subscribe to a community solar project" (minimizing cost-shifting) must be balanced with

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<sup>4</sup> *Ibid.* (15)

<sup>5</sup> Comprising the 10% inclusionary target specified in SB 1547 (SECTION 22-9(a)) and defined further by Order 17-232 (10-11).

<sup>6</sup> Staff Report. (13)

the “Incentiviz[ation of] consumers of electricity to be owners or subscribers”<sup>7</sup> (accessibility). The Coalition feels that this would be best accomplished if the Commission determined an acceptable threshold for rate impacts that it deems affordable. This will help stakeholders to better understand how Staff intend to weigh the two legislative directives.<sup>8</sup>

In lieu of more clear guidance from the Commission, we turn to comments made by the Citizen’s Utility Board (CUB) during the March 5 UM 1930 Commission hearing: rate impacts should not exceed 1% over twenty years. In its analysis, Staff estimates rate impacts for the Simple Retail Rate of 0.12% for Portland General Electric (PGE), 0.13% for Pacific Power (PAC), and 4.33% for Idaho Power (IPC).<sup>9</sup> PGE and PAC rates would be impacted well below 1%. The Coalition is concerned about the impacts in IPC territory given the relatively small percentage of the first capacity tier that it will occupy and the significant percentage of customers living in IPC territory who are experiencing lower incomes.<sup>10</sup> That said, we agree with Staff’s assessment the Simple Retail Rate represents “a midpoint in value between accessibility and minimizing cost-shifting”<sup>11</sup> and feel that this cost shift is acceptable for most potential Community Solar project development.

**Locational:** The Coalition commends Staff’s attention to the locational elements of a given bill credit model and agree that on its own, the Simple Retail Rate does not address this. When assessing the continued utility of the interim bill credit rate or a step-down to an RVOS-based rate, it may be appropriate to address the locational diversity of projects both in terms of where they are located in the state and their proximity to load served. If there are not sufficient projects west of the Cascades or projects that provide direct community benefit, it may be necessary to set aside a carve out or implement an adder to incentivize a diversity of projects and to ensure that Community Solar access extends across applicable service territory. We support conducting

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<sup>7</sup> Section 22-2(B) and -2(A)

<sup>8</sup> Our understanding of current Staff analysis is that it is comparing a given bill credit rate model to standard qualifying facility (QF) avoided cost rates. This assumption is based on footnote 28 in the Staff Report (12).

<sup>9</sup> *Ibid.* (12)

<sup>10</sup> **The Census estimates that 24.8% of individuals in Malheur County, which encompasses Ontario, the largest city in IPC territory, live below the Federal Poverty Line.**

<sup>11</sup> Staff Report. (7)

a program audit at 50% of the first capacity tier (80 MW) to determine whether either mechanism would be necessary.

**Transitional:** The Simple Retail Rate, as with the other two rates proposed, will require a transition mechanism in order to step down to Resource Value of Solar (RVOS) levels. The Coalition supports Staff's suggestion that 50% of the Capacity Tier (80 MW) is an acceptable threshold at which to assess the readiness of the Community Solar program for a transition to RVOS, although we will stress that it may be necessary to extend the interim bill credit rate for the entire first capacity tier, given the LCOE analysis presented by staff. This flexibility, which promotes accessibility, is important — should it be necessary — while allowing for a step-down should cost-shifting be more of a concern. A rate impact cap could be another alternative transition mechanism, used on its own or in combination with a capacity tier threshold.

Like Staff, the Coalition is concerned that a “gold rush”<sup>12</sup> will be instigated by the trigger of any transition mechanism. This may be mitigated by capacity set aside for smaller projects that lack the economies of scale of large projects, and adders that incentivize projects that are designed to provide more direct low-income benefit.

#### **Justification for Adders to the Simple Retail Rate:**

The Coalition acknowledges that adders decrease the simplicity of a given base rate and will require additional administrative time and cost. They also may contribute to cost-shifting beyond that modeled in the Staff Report. We feel, however, that it may be necessary to include adders in support of accessibility and a diversity of projects and subscribers. The Coalition prefers adders to classifications, as defined in the Staff report<sup>13</sup>, due to the cumulative properties of adders and their ability to minimize the cost-shifting of individual projects. At present we only feel that an adder to increase low-income participation is necessary but would be open to other

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<sup>12</sup> *Ibid.* (10)

<sup>13</sup> *Ibid.* (7-8)

adders that further this goal or help small projects or localized projects to be competitive should there be future program concerns in this regard.

**Low-Income Adder:** The Coalition supports the inclusion of an adder for projects that exceed minimum low-income participation.<sup>15</sup> We are concerned that Community Solar may come at a premium, one that is prohibitive for communities experiencing lower incomes. We hope that program and bill credit design will minimize upfront costs and maximize possible benefit. This is a motivating factor in our support for the Simple Retail Rate; a low-income adder could help to exceed the 10% low-income inclusionary target. It would also increase the likelihood that anchor tenants (those who might subscribe up to the 40% limit of generation capacity for any one entity) would bolster projects with greater participation from subscribers experiencing lower incomes and make those projects more financeable for developers.

**Other Alternative Bill Credit Models:**

**Adjusted Retail Rate:** While the Coalition's proposal of the Simple Retail Rate with adders is similar to the adjusted retail rate, we are concerned that the Adjusted Retail Rate does not take into account low-income participation in its design, merely project size. This does not ensure a diversity of project managers, who may also be discouraged by the use of deductions for both small and large projects. These concerns are further compounded by the market response and reverse auction mechanisms that provide the adjustments to the base rate. Both adjustment factors do not provide sufficient certainty for project managers and the initial tranche of 5% for projects below or equal to a 360kw threshold is too limited. Smaller projects are most in need of financeable bill credit rates and too quick an adjustment may shut out too many potential projects.

Furthermore, the reverse auction mechanism for projects that exceed 360kw will reward more sophisticated bidders who can make projects work with lower bill credit rates. We also have concerns about a race-to-the-bottom approach for pre-certification awards, and as a result,

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<sup>15</sup> *Ibid.* (7)

project development. This may disadvantage projects with more substantial plans for low-income participation or other added costs that will make lower bill credit rates difficult to bid.

**Adjusted RVOS:** The Coalition feels that while the Adjusted RVOS rate meets five out of five Staff principles we agree with the assertion that it is the “least likely to spur active project development relative to other proposed rates”.<sup>16</sup> Even with the adder suggested in these comments, we are concerned that smaller projects and projects west of the Cascades would not be well-supported. Moreover, we do not feel that the current RVOS process is sufficiently resolved in order to base a rate — that is needed immediately — on the currently proposed values.

In summary, we feel that the best course of action in order to lead to an efficient and viable start to the Community Solar program will be to adopt the Simple Retail Rate with an adder to support projects that help exceed low-income goals. We appreciate the work Staff has done to engage stakeholders and look forward to continuing to contribute to the process.

Sincerely,



Oriana Magnera, Outreach and Policy Advocate, NW Energy Coalition

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<sup>16</sup> *Ibid.* “(12)”