ITEM NO. 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 29, 2018

REGULAR X **CONSENT** ___ **EFFECTIVE DATE** **N/A**

DATE: **May 23, 2018**

TO: Public Utility Commission

FROM: Caroline Moore CM

THROUGH: Jason Eisdorfer and JP Batmale JE JPB

SUBJECT: OREGON PUBLIC UTILITY STAFF: (Docket No. UM 1930) Update to Rate Impact Analysis for the Community Solar Program Alternate Interim Bill Credit Rate.

STAFF RECOMMENDATION:

Informational filing – no recommendation.

DISCUSSION:

Issue

This report provides an updated estimated rate impact analysis for the Community Solar Program alternate interim bill credit rate.

Applicable Law

Section 22 of Senate Bill (SB) 1547, effective March 8, 2016, directs the Public Utility Commission of Oregon (Commission) to establish a program that provides electric customers with the opportunity to share the costs and benefits of solar generation (hereinafter referred to as "Community Solar Program", "Program" or "CSP"). Community Solar Program participants bear a portion of the cost to construct and operate a solar facility and receive a bill credit from their electric company for their portion of the solar facility's output.

SB 1547, sec. 22(6)(a) specifies that electric companies shall credit CSP participants for their proportional shares of CSP project generation "in a manner that reflects the resource value of solar" and directs the Commission to determine the resource value of solar energy (RVOS). However, sec. 22(6)(b) provides that the Commission may adopt a rate for an electric company to use in crediting a participant's electric bill that does not reflect the resource value of solar "if the Commission has good cause to adopt the different rate." The legislation also provides the Commission authority to suspend the program for good cause.[1]

On June 29, 2017, the Commission adopted formal rules for Oregon's Community Solar Program through Order No. 17-232. That order adopted Division 88 of Chapter 860 of the Administrative Rules, which includes the following directive to establish the bill credit rate based on the RVOS:

> *Unless otherwise determined by Commission order, the bill credit rate for a project will be based on the resource value of solar applicable to that project at the time of pre-certification and will apply for a term no less than the term of any power purchase agreement entered into pursuant to OAR 860-088-0140(l)(a).*[2]

OAR 860-088-0060 establishes the Program Capacity Tier, which is the amount of total program capacity eligible for projects participating in an electric company's service territory. The Program Capacity Tier for each electric company is equal to 2.5 percent of the electric company's 2016 system peak and the Commission can establish successive capacity tiers.[3]

In Order No. 18-088, the Commission determined there is good cause to develop an interim alternative bill credit rate, due to issues of timing and value associated with the application of RVOS as the initial CSP bill credit rate. At the April 24, 2017 Public Meeting, the Commission adopted the Simple Retail Rate as the interim alternate bill credit rate for the first 25 percent of capacity of the Program Capacity Tier. The Simple Retail Rate (hereinafter referred to as the "interim rate") for each electric company is equal to the electric company's volumtetric standard residential retail rate.

<u>Analysis</u>

Background
At the April 10, 2018 Public Meeting, Staff presented three interim alternative bill credit rate (interim alternative rate) proposals for Commission consideration. In its report, Staff proposed that the Commission evaluate whether to transition to RVOS or continue with the interim alternative rate when 50 percent of the Program Capacity Tier is reached. Staff's report provided an estimated rate impact analysis for each proposed interim alternative rate. The rate impact methodology estimated the incremental cost of applying the alternative interim bill credit rate to 50 percent of the Program Capacity Tier for 20 years, over the cost of applying the standard solar qualifying facility (QF) avoided cost rate for the same capacity and term.

---

[1] Senate Bill 1547, Section 22 (2)(c).
[2] Oregon Administrative Rules 860-088-0170 (1)(a).
[3] Oregon Administrative Rules 860-088-0060 (1) - (3).

This report provides an update to Staff's estimated rate impact analysis to reflect the Commission decision to apply the interim rate for 25 percent of the Program Capacity Tier.

Updated Rate Impacts

The estimated rate impacts represent the incremental cost to ratepayers for purchasing the output from CSP projects at the interim rate, over the cost to purchase the output at the real levelized standard solar QF avoided cost rate. The QF avoided cost rate is the best reflection of both the costs and the value of solar generation currently available, i.e., QF avoided cost represents a break-even point, over which the rate will reflect the generation's costs in excess of the generation's value. Staff notes that RVOS would be a better reflection of the breakeven point if Commission adopted RVOS values were available.

Estimated Rate Impacts - Simple Retail Rate				
	25% of Program Capacity Tier (MW)	**Estimated Bill Credit Rate ($/kWh)**	**Estimated rate impact of interim rate ($)[4]**	**Rate impact as a percentage of revenue requirement[5]**
PGE	23.29	$0.1103	$29,408,312	0.062%
PAC	16.15	$0.1005	$21,294,328	0.065%
IPC	00.82	$0.0880	$1,002,867	0.068%[6]

Conclusion

The Commission adopted the Simple Retail Rate as the interim alternate bill credit rate for the first 25 percent of the Program Capacity Tier. This report provides an updated analysis of the impact to ratepayers of crediting participants at this rate and capacity level over 20 years.

PROPOSED COMMISSION MOTION:

N/A

[4] Staff's estimate assumes that the program is fully subscribed up to the interim Program Capacity Tier (~40.26 MW) for 20 years (the minimum PPA term for CSP projects). Estimated rate impacts are in real 2018 dollars gross over 20 years.
[5] Percentages represent the gross rate impact as a percentage of revenue requirement from 2018 - 2037.
[6] The IPC *Rate impact as a percentage of revenue requirement* estimate reflects a corrected revenue requirement figure. The analysis provided in Staff's April 10, 2018 report utilized a $1,206,447 2018 revenue requirement; this analysis represents a $55,648,472 2018 revenue requirement.