

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 15, 2021**

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

DATE: June 7, 2021

TO: Public Utility Commission

FROM: Kacia Brockman

THROUGH: Bryan Conway, JP Batmale, and Sarah Hall **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1930)
Allows new applications to Community Solar interconnection queues to continue for carve-out capacity projects and be paused for general capacity projects.

STAFF RECOMMENDATION:

The Commission should direct Portland General Electric (PGE) and Pacific Power (PAC) to:

- 1) Extend the timeframe during which they will accept applications to their respective Community Solar Program interconnection queues (CSP Queue) through June 15, 2021;
- 2) Beginning June 16, 2021, continue accepting new applications to the CSP Queue only from carve-out-eligible projects up to 360 kW-AC or those managed by a nonprofit or public Project Manager;
- 3) Stop accepting new carve-out-eligible applications to the CSP Queue when the aggregate capacity of carve-out-eligible projects that are operating, or have pending interconnection applications, exceeds 1.5 times the Program's allocated carve-out capacity; and
- 4) Require Project Managers to provide documentation of carve-out eligibility with the interconnection application materials.

DISCUSSION:

Issue

Whether the Commission should allow new applications to the utilities' CSP Queues to continue for carve-out capacity projects and be paused for general capacity projects effective June 16, 2021.

Applicable Rule or Law

ORS 757.386(2)(a) directs the Commission to establish a program that provides electricity customers the opportunity to share the costs and benefits of electricity generated by a community solar energy system.

On June 29, 2017, in Order No. 17-232, the Commission adopted formal rules for the CSP under OAR Division 88 of Chapter 860.

On November 8, 2019, the Commission issued Order No. 19-392, requiring electric companies to establish an interconnection queue exclusively for CSP projects, and to accept new applications into that queue until the end of an 18-month period or until the aggregate capacity of generators with an executed CSP interconnection agreement and CSP pre-certification equals 2.5 percent of the electric company's 2016 system peak load, whichever comes first.¹

Analysis

Background

Order No. 19-392 established time-based and capacity-based criteria for pausing acceptance of new interconnection applications to a utility's CSP Queue:

Unless the Commission chooses to extend the rule, the utility will accept interconnection applications under the CSP rule for 18 months following the rule's adoption or until the aggregate capacity (MWac) of generators with an executed CSP interconnection agreement that have received pre-certification equals the utility's capacity tier (2.5 percent of 2016 system peak load), whichever comes first.²

¹ Order No. 19-392, Appendix A, p. 49. Note that PGE and PAC established CSP Queues, but Idaho Power did not. Instead, Idaho Power applies CSP rules to CSP project interconnection requests, but assigns CSP projects queue positions in the standard interconnection queue. See Idaho Power Advice No. 20-01, dated May 14, 2020.

² *Ibid.*

Staff interprets the time limit in the Commission order to be 18 months following the November 8, 2019, issuance of the Order No. 19-392. Therefore, the time limit was triggered on May 8, 2021.

The capacity limit specified in the Commission order is not yet close to being triggered in either PAC or PGE, as indicated in the table below.

| | PAC (MW) | PGE (MW) |
|--|-----------------|-----------------|
| Aggregate capacity of generators with executed CSP interconnection agreement and pre-certification | 14.6 | 27.8 |
| CSP capacity tier (2.5% of 2016 peak load) | 64.6 | 93.2 |

On March 29, 2021, Staff held a stakeholder workshop to discuss the appropriateness of pausing new applications to the CSP Queue in compliance with the time-based trigger in Order No. 19-392. The workshop was attended by representatives from PGE, PAC, Idaho Power, Renewable Energy Coalition, the CSP Program Administrator, and Staff. At the workshop, Staff presented its proposal, described in the next section, and invited alternative suggestions. No alternatives were suggested, and no consensus was reached in the workshop.

On May 5, 2021, Staff requested written comments on its proposal. Oregon Solar + Storage Industries Association (OSSIA), PGE, and PAC submitted comments.

Staff's Proposal

Staff proposes to allow the time-based limit established by Order No. 19-392 to go into effect on June 16, 2021 (the earliest date after a Commission decision) for general capacity CSP projects, but to create an exception for projects that meet the carve-out capacity eligibility requirements. These consist of projects up to 360 kW-AC or with a nonprofit or public Project Manager.

Under the exception, carve-out-eligible projects would be able to continue to apply for interconnection in the CSP Queue until the aggregate capacity of carve-out-eligible projects that are operating, or have pending CSP interconnection applications, exceeds 1.5 times the carve-out capacity allocated to date for each utility.

Justification for Staff's Proposal

While the capacity-based limit established by the Commission has not yet been triggered, the aggregate capacity of projects that are operating or have pending CSP interconnection applications significantly exceeds the interim capacity currently available in the Program. This aggregate capacity even further exceeds the general

capacity allocation for which the pending projects are eligible, as shown in the table below.

| | PAC (MW) | PGE (MW) |
|---|-----------------|-----------------|
| Aggregate capacity of projects operating or with pending CSP interconnection applications | 70.3 | 59.5 |
| Interim CSP capacity allocated (50% of capacity tier) | 32.3 | 46.6 |
| General capacity allocated (75% of interim) | 24.2 | 34.9 |
| Carve-out capacity allocated (25% of interim) | 8.1 | 11.6 |

The Program capacity that remains available to new CSP project applications is limited to the carve-out capacity, reserved for exclusive use by small and nonprofit-led projects. There is 7.6 MW of carve-out capacity available in PAC territory, and 11.6 MW of carve-out capacity available in PGE territory.

The Commission has not yet made a decision on releasing additional Program capacity. Staff expects to present a proposal for allocating new Program capacity for Commission consideration later this summer. In the meantime, projects in the CSP Queue awaiting the release of new Program capacity may affect the viability of lower-queued projects applying to interconnect to the same feeder. Those lower-queued projects could include CSP carve-out-eligible projects and net-metered projects. If a project fails to secure CSP capacity and withdraws from the CSP Queue, it causes the lower-queued projects to bear the cost of being restudied by the utility.

Projects in the CSP Queue incur costs as they proceed through the interconnection process. If a waitlisted project fails to secure Program capacity, it would need to leave the CSP Queue to restart the interconnection process as a Qualifying Facility (QF), potentially forfeiting its sunk interconnection costs. Several Project Managers with waitlisted projects have expressed concern to the Program Administrator and Staff about interconnection costs being incurred as they await a Commission decision on releasing additional Program capacity. Allowing more projects to apply to the CSP Queue prior to a Commission decision on releasing additional capacity would exacerbate this problem.

Staff's proposed exception for carve-out-eligible projects is needed to fill the unused carve-out capacity in the Program. Staff suggests the utilities accept carve-out-eligible project applications to the CSP Queue until the aggregate capacity of carve-out-eligible projects that are operating or have pending interconnection applications exceeds 1.5 times the allocated carve-out capacity. This would allow for some attrition of carve-out-eligible projects from the CSP Queue. To date, the attrition rate in PAC's CSP Queue has been approximately 30 percent.

The Commission should revisit these proposed criteria for accepting new interconnection applications to the CSP Queues when it makes a decision about releasing additional Program capacity for new CSP projects.

Stakeholder Comments

OSSIA argues that the utilities should continue accepting all new applications to the CSP Queues until the Commission has decided about future Program capacity. OSSIA notes that interconnection challenges are one of the most significant the CSP faces, and that pausing the CSP Queues now may send a negative market signal about the future of the Program. OSSIA acknowledges that projects in the CSP Queue that fail to secure Program capacity must leave the CSP Queue and restart the interconnection process, but argues that Project Managers should be allowed to continue to enter the CSP Queue based on their own assessment of the risks and benefits.

PGE and PAC both support Staff's proposal. PGE notes that project withdrawals from the CSP Queue trigger restudies for lower-queued projects, creating uncertainty.

PAC requests two additional points be included in the Commission's decision.

1. Based on the Commission's order to pause the CSP Queue after 18 months, PAC has not processed the CSP Queue interconnection applications it has received since May 8, 2021. PAC asks the Commission for authorization to process the CSP Queue applications it receives between May 8 and June 15. Beginning on June 16, PAC would only accept new CSP Queue applications from carve-out-eligible projects.
2. PAC asks the Commission to require Project Managers applying for carve-out capacity to provide documentation demonstrating compliance with the Program's nonprofit or public Project Manager eligibility requirements with their CSP interconnection application materials. PAC would not need to make a determination of Program eligibility.

Staff has addressed both of PAC's points in the Staff recommendation to the Commission. PAC's first point appears in the first element of the recommendation – to extend the timeframe during which utilities will accept applications to their respective CSP Queue through June 15, 2021. PAC's second point appears in the fourth element of the recommendation – to require Project Managers to provide documentation of carve-out eligibility with the interconnection application materials.

Conclusion

Staff appreciates the input of OSSIA and the utilities. Staff acknowledges the interconnection challenges that OSSIA notes in its comments. Staff also acknowledges that the Program must facilitate a pipeline of projects in order to successfully subscribe the Program's available capacity. However, Staff disagrees with OSSIA's suggestion that pausing new applications to the CSP Queue will send harmful market signals about the future of the Program. The future hinges on many variables, ranging from sufficient participant enrollment to the manner in which the Commission may release additional capacity for new projects. Staff finds that continuing to allow for significantly more capacity to join the CSP interconnection queue, beyond the capacity available in the Program, creates the potential for harm to Project Managers as they incur interconnection costs for projects awaiting the potential release of additional capacity. Continuing to accept new interconnection applications could also set market expectations for future Program capacity that may not be realized. Staff agrees with PGE that waitlisted projects in queue also provide uncertainty and potential costs for developers of lower-queued projects.

Staff finds that the pipeline of CSP projects in the interconnection queues is sufficiently large to fill the general capacity currently available in the Program, but insufficient to fill the carve-out capacity available. Therefore, the Commission should allow carve-out-eligible projects to continue to apply to the CSP Queues until the carve-out project pipeline is more robust.

The Commission should revisit the proposed criteria for accepting new interconnection applications to the CSP Queues when it makes a decision about releasing additional Program capacity for new CSP projects.

PROPOSED COMMISSION MOTION:

Direct Portland General Electric and Pacific Power to:

- 1) Extend the timeframe during which they will accept applications to their respective CSP Queue through June 15, 2021;
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- 4) Require Project Managers to provide documentation of carve-out eligibility with the interconnection application materials.