

that would take effect twenty-four months after the launch of Pre-Certification if the Program did not have 80 megawatts (MW) of capacity subscribed and billing.

On September 27, 2021, the Commission issued Order No. 21-317, which approved the release of the remainder of the initial capacity tier and additional Program policy changes.

On February 10, 2022, the Commission issued Order No. 22-037, which approved ending the CSP Pre-Certification pause to resume Pre-Certification of all remaining Program capacity. Order No. 22-037 also required reinstating the pause on January 22, 2024, to determine appropriate steps if the amount of CSP capacity subscribed and billing is not sufficient to recover the Program's ongoing costs.

Analysis

Background

In Order No. 19-392, issued on November 8, 2019, the Commission adopted Staff's recommendations, with modifications, for several CSP policies impacting Program costs, including the interim tier, the bill credit rate, and Program Administration fees.¹ The Commission adopted a capacity and task-based transition between CSP start-up and ongoing costs, which required ratepayers to backfill any Program costs until the CSP reached the 80 MW transition threshold. The Commission also adopted an automatic pause on project Pre-Certification if the Program has not reached 80 MW of subscribed and billing capacity twenty-four months following Pre-Certification launch.

The automatic pause on Pre-Certification reflects the Commission's intent to balance the development of a viable Program while following the statutory directive to minimize cost-shifting to non-participants.² The pause serves as a potential mechanism to minimize subsidization of the CSP by ratepayers should the fees paid by participants not cover ongoing Program costs, and as an opportunity for Staff and the Commission to consider Program changes if needed.

In Order No. 21-317, issued on September 27, 2021, the Commission released the remaining 79 MW of initial tier capacity, bringing total Program capacity to 161 MW.³ Following a brief automatic pause on project Pre-Certification in January 2022, Commission Order No. 22-037, issued on February 10, 2022, adopted Staff's recommendation to reset the pause to January 22, 2024, to account for the challenges Projects faced from the COVID-19 pandemic.⁴ The Commission directed the Program to resume Pre-Certification and reset the pause for January 22, 2024, if the amount of CSP capacity subscribed and billing then was not sufficient to recover the Program's

¹ Order No. 19-392. <https://apps.puc.state.or.us/orders/2019ords/19-392.pdf>.

² See ORS 757.386(2)(b)(B) and (7)(d). https://www.oregonlegislature.gov/bills_laws/ors/ors757.html.

³ See Order No. 21-317. <https://apps.puc.state.or.us/orders/2021ords/21-317.pdf>.

⁴ Order No. 22-037. <https://apps.puc.state.or.us/orders/2022ords/22-037.pdf>.

ongoing costs. Since January 2022, the Program has pre-certified an additional 62.7 MW of Program capacity. Staff indicated at that time it expected this additional pre-certified capacity would permit the Program to support its ongoing costs within an additional twenty-four months.

Current Program Capacity and Financial Status

As of January 1, 2024, 29.2 MW of Program capacity is operating and billing in Portland General Electric (PGE), PacifiCorp (PAC), and Idaho Power (IPC) service areas, as shown in Table 1 below. An additional 5.2 MW of capacity has been Certified and is scheduled to become operational by Q2 of 2024. The Program has 87.5 MW of pre-certified capacity and 39.2 MW of unallocated capacity, of which 36.7 MW is reserved for carve-out-eligible projects. Of 161 MW of capacity in the CSP, 29.1 MW of capacity is currently online and billing. Because capacity online and billing falls below the 80 MW cost transition threshold, ratepayers are still backfilling CSP costs.

Table 1: CSP Program Capacity on January 1, 2024

Utility Service Area	Capacity Type	Total Program Capacity (MW-AC)	Unallocated Capacity	Pre-Certified Capacity	Certified Non-Operational Capacity	Online & Billing Capacity
PGE	Regular Market	69.9	2.0	41.2	0	26.7
	Carve-Out	23.3	23.0	0.3	0	0
PAC	Regular Market	48.5	0.2	41.7	5.2	1.4
	Carve-Out	16.2	13.8	1.4	0	1.0
IPC	Regular Market	3.3	0.3	3.0	0	0
All	Regular Market	121.6	2.5	85.8	5.2	28.1
	Carve-out	39.4	36.7	1.7	0	1.0

From December 1, 2022, through November 30, 2023, CSP Program Administration costs were \$3,017,382. During this time, fee revenue from participants (\$184,383) and Certified projects (\$38,991) together represented approximately 7.4 percent of these costs. For the most recent month invoiced, November 2023, Program Administration costs were \$236,880.25 and Program revenue totaled \$15,734.64. This is approximately six percent of program administration costs. While not comprehensive, this initial analysis clearly indicates that ongoing costs are not being recovered by Program revenue, and that ratepayers are subsidizing at least 92 percent of Program costs.

Drivers of CSP Project Delays

Many pre-certified projects experienced delays because of the COVID-19 pandemic. Projects were further delayed by a U.S. Department of Commerce investigation into imported solar panels that was launched in 2022. Many projects have also experienced delays related to permit approvals, seasonal construction limitations, approval of

necessary grants, and disputes with utilities. Staff finds CSP projects have experienced a range of external challenges that explain much of the delays in pre-certified capacity coming online and billing to date.

Many projects have also cited delays related to interconnection in PAC and PGE service areas. Projects in PAC territory especially have experienced longer and more frequent interconnection delays. Staff notes that there is currently 26.7 MW of capacity operating and billing in PGE's service area, but only 2.4 MW in PAC's. Staff is focused on mitigating additional interconnection-related delays, and closely monitoring and addressing comments submitted by stakeholders, Project Managers (PM), and PAC in Docket Nos. UM 1930 and UM 2177. The Program Administrator (PA) has also begun requiring more specific information from projects when indicating interconnection is a source of CSP project delays. Staff hosted a well-attended public workshop in November 2023 on CSP interconnection in PAC service area, with presentations by PAC and stakeholders. Recognizing the harm to all aspects of the Program because of these delays in 2024, Staff and the PA will implement a public-facing information system addressing interconnection-related delays that increases transparency and accountability for both projects and utilities.

Staff also finds that current operating Program capacity is not sufficient to recover ongoing costs because of a lack of development of the Program carve-out capacity. To date just 1 MW of the 39.4 MW carve-out capacity is operational and billing, with only an additional 1.7 MW pre-certified. Staff continues to work with the PA and stakeholders to understand barriers and solutions for additional development of CSP carve-out capacity.

Staff Recommendations and Next Steps

Staff recommends that the Commission extend Pre-Certification for thirty-six months for the following reasons:

- Support for Anticipated Carve-Out-Eligible Projects: Staff is aware of as many as ten carve-out eligible projects representing approximately 8.3 MW that PMs indicate may seek Pre-Certification for in Q1 of 2024. Staff is also aware of an additional 1.5 MW of carve-out eligible project that may seek Pre-Certification before Q3 of 2024, and an additional six carve-out-eligible projects representing 7 MW that that may seek Pre-Certification before Q1 of 2025. Staff finds the extension of Pre-Certification as proposed would mitigate the impact a pause would have on the development of remaining carve-out capacity and the positive reputation of the Program.

As stated previously in this memo, Staff recognizes that the automatic pause is the result of development and interconnection delays experienced by already Pre-Certified projects. However, Staff does not find that the inability of these projects to timely energize and generate revenue because of these delays should prevent additional projects from being admitted to the Program. In fact, Staff finds

that the development of remaining carve-out capacity is essential for the Program to meet the financial requirements that otherwise trigger the pause.

- Leverage by Federal Solar for All Grant: In June 2023, the U.S. Environmental Protection Agency (EPA) released a \$7 billion *Solar for All* Notice of Funding Opportunity to expand the number of low-income (LI) and disadvantaged communities primed for residential solar investment. Oregon Department of Energy (ODOE) jointly applied with Energy Trust of Oregon (Energy Trust) and Bonneville Environmental Foundation on a grant application, submitted to EPA in October 2023. The application proposes \$24.5 million for dedicated support to CSP carve-out projects through funding to Energy Trust, which would provide financial and technical assistance for CSP projects that reserve at least fifty percent of capacity for LI participants.

Energy Trust anticipates offering financial assistance to several larger developer-led projects, as well as financial and technical assistance to a similar number of smaller CSP projects that would also be community-led. Staff finds the extension of Pre-Certification as proposed would facilitate leveraging this funding and support, which could be a critical catalyst for developing the Program's remaining 36.7 MW of unallocated carve-out capacity. The possible *Solar for All* funding aligns well with CSP program goals. EPA anticipates award decisions in Spring 2024 with award agreements in place by July 1, 2024.

Staff's recommendation to extend Pre-Certification for thirty-six months applies to all remaining Program capacity. This includes 2.5 MW of regular market capacity, and any additional capacity that may become available if a pre-certified project leaves the Program. In doing so, the extension will provide all PMs with the needed certainty to continue developing projects that are essential for achieving Program financial goals.

To support this extension and to better understand the financial prospects for the Program, Staff will complete Program financial analysis no later than June 30, 2024, and present to the Commission. In Order Nos. 19-392 and 22-037 the Commission directed Staff to pause Pre-Certification and conduct a financial analysis to determine next steps if the amount of CSP capacity subscribed and billing is not sufficient to recover the Program's ongoing costs. Staff plans to do so again. The scope of Staff's analysis will include the following sources of costs and revenue that directly impact ratepayers:

1. Program administration costs,
2. Utility administration costs,
3. The incremental cost of subscribed energy,
4. Application fees paid by CSP projects,
5. Program Administration fees paid by participants, and
6. Program subsidization by ratepayers.

Staff analysis will include revisiting cost and revenue estimates at Program launch and compare to actual costs and revenues, both to-date as well as through the projected life of the Program.

Staff's recommendation to extend Pre-Certification for thirty-six months would provide adequate time for additional financial and policy analysis and Commission decisions regarding Program design changes. Any major program changes would require extensive stakeholder engagement. While Staff anticipates this process could be completed in fewer than thirty-six months, its recommendation ensures that an additional decision by the Commission on permitting Pre-Certification will not be needed in the near term.

Stakeholder and Utility Feedback

In December 2023 Staff and the PA engaged with PMs about the potential impact of the pause. In addition to learning of several carve-out-eligible projects that anticipate seeking Pre-Certification in the program in 2024, PMs expressed significant concern about a prolonged pause. PMs are concerned that a prolonged pause would threaten the viability of their projects, including their relationships with community and financial partners. PMs also communicated that a prolonged pause would have a negative impact on the Program's reputation and the likelihood of additional projects seeking Pre-Certification in the future.

Staff also met in December with PGE, PAC, and IPC to discuss their perspectives on the pause. The utilities did not express concern about the pause being put in place or indicate a preference for the pause to remain in place until determination of next steps. Staff indicated to PGE and PAC that the pause should have no impact on their continued administration of their CSP interconnection queues.

Conclusion

Staff remains concerned about and focused on pre-certified project development and interconnection delays that are impacting Program goals of minimizing cost-shifting to ratepayers. Staff is also focused on supporting the development of remaining Program capacity and in particular carve-out capacity that may receive significant support from the *Solar for All* grant. Staff finds its recommendation appropriately balances these goals with the intent of the Program's automatic pause. Staff recommends extending Pre-Certification for thirty-six months. Staff will also present a Program financial analysis by June 30, 2024, which will allow the Commission adequate time to consider changes to CSP as needed.

PROPOSED COMMISSION MOTION:

Extend Community Solar Program Pre-Certification of projects for thirty-six months.