Oregon Solar Energy Industries Association

30 September 2016

Via Electronic Filing

Public Utilities Commission of Oregon
Attn: Filing Center

PUC.FilingCenter@state.or.us

Re: In the Matter of PUBLIC UTILITY COMMISSION OF OREGON,
Report to the Legislature on Incentives for Development and use of Solar Photovoltaic Energy Systems. Open via House Bill 2941.
Docket No. UM 1758

Dear Filing Center:

Enclosed for filing in the above-referenced docket is the Oregon Solar Energy Industries (OSEIA)'s Written Comments in Response to the Second Draft Solar Report. Please contact me if you have any questions.

Thank you for your assistance in this matter.

Sincerely,

Jeff Bissonnette
Executive Director
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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON
UM 1758

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Report to the Legislature on Incentives for Development and use of Solar Photovoltaic Energy Systems. Opened via House Bill 2941.	 Written Comments in Response to Second Draft Solar Report from Oregon Solar Energy Industries Association

The Oregon Solar Energy Industries Association (OSEIA) appreciates the opportunity to offer comments on the second draft of the solar report being developed for the legislature.

As you know, in 2015, the Oregon legislature passed a bill instructing the Oregon Public Utility Commission (PUC) to produce a report that evaluated various solar incentives. This docket was opened as the process to produce that report.

OSEIA is gratified that legislators granted more time to the Commission to conduct a more thorough process in this docket. But even with that extended time, it still does not allow for the full discussion and analysis that the subject matter requires. It is unfortunate that the entire time period that the legislature granted the PUC was not fully utilized. OSEIA is heartened to see additional commitment to more process as part of its recommendations and we'll comment more on that later.

Overall, the tone and content of the second draft of the report has improved. There still remain several items that require feedback and, hopefully, additional adjustment. Overall, our comments will highlight the following themes:

1) Although solar is much stronger today than when many of the solar incentives were established (the main ones being net-metering, RETC and the public purpose funds from ETO), this does not mean that solar is ready to stand on its own.

2) Just because solar is getting cheaper does not mean that incentives aren't as necessary.

3) OSEIA does not believe there are too many overlapping programs that make things confusing for customers.

4) The current incentives are interactive.

The remainder of these comments will be structured to discuss each of these themes. After that discussion, there are several miscellaneous notes that also need mentioning.

Key Themes

Solar's growing strength does not equal ability to stand on its own.

The central incentives that helped solar reach its current levels are: net-metering (created in 1999); public purpose funds (created in 1999) and the RETC (set at its current overall level of $6,000 in 2005). When these incentives were created, solar was barely existent. It is now at a point where it accounts for approximately one percent of Oregon's energy mix. But that is not a penetration rate that indicates a mature industry. In short, although stronger, solar is not self-sustaining. The central incentives have been consistent over the years to allow solar to grow from being a marginal resource to having the potential (again, the potential) to be a significant resource but only if that consistency is maintained for the next several years. How many years? That is the kind of analysis a more thorough Commission process can establish with an extensive examination of data. That is the kind of process OSEIA hopes the PUC can undertake and intends as part of its recommendations. If that is the case, OSEIA urges the Commission to be explicit about that intention.

Solar's decreasing cost does not mean that incentives aren't as necessary.

Solar is getting cheaper but we don't know how fast its costs will continue to drop. The Commission is recommending that public purpose funds be targeted to bringing down soft costs. That's a fine goal but until there are no above-market costs, using ratepayer dollars to reduce soft costs puts the cart before the horse. The Commission has provided no analysis in its report, and to our knowledge has done no analysis, on when it thinks the cost of solar will reach parity with other more traditional forms of energy. The Commission should undertake that kind of in-depth analysis of when the costs of solar will compare to other resources and should frame its recommendation to reflect the need to examine that type of information to determine future action rather than assuming conditions exist without documentation or analysis about potential impacts.

Solar's current incentive structure is not confusing to customers.

Only three programs have been in place for long enough to really drive the development of solar: net-metering, RETC and public purpose funds. The federal tax credit also helps a lot. While the draft report outlines several other incentives and while they are important, they are much more limited in application. So, it is really the three main incentives that have driven the solar market. Installers have developed clear descriptions to consumers about how each incentive can help and customers grasp the descriptions. Again, consistency in the market place is the best tool for consumers otherwise a boom-bust cycle is created which helps neither consumers nor solar businesses.

Solar's current incentives are interactive.

Related to #3 above, solar is not yet at a point where a significant source of support can be removed without detrimental results. The second draft report notes that it is difficult to determine which incentive was really responsible for creating the current solar market. It is difficult because each one has been needed. If anyone incentive had been missing, the growth of solar would have been much slower.

For the next several years, we can expect the industry to contract if one of the sources is removed or diminished without something similar in its place. For example, suggesting doing away with net metering without knowing the resource value of solar is very concerning. We recommend completing the resource value docket and then deciding how to move forward. As has been discussed at the added workshops held since the release of the first draft, even when we have a resource value of solar, it may take some time to determine how best to use it or in what situations it should be applied. The resource value should not be prejudged nor should its' uses before we even have the methodology.

Similarly, simply focusing the public purpose funds on soft costs of solar or placing solar at particular points on the grid while there are still general above-market costs will slow the growth of solar, not increase it. As a third example, if the RETC goes away, there will be greater above-market costs for public purpose funds to try to cover (and they won't likely cover all of them). To date, these incentives have worked together to get solar to its current point. And, again, solar is still not strong enough to stand on its own.

Miscellaneous Notes

The following are points that OSEIA wanted to highlight but didn't really fit in the main themes of our comments. These notes are presented in generally the order the issues appear in the report.

Growth of Solar, page 4

The second draft report says, "the outlook is for solar generation to continue to grow rapidly." The report then cites some projections by both utilities. However, there is no analysis on the effect of growth based on the recommendations made in the report. Will a move away from net metering have an impact on the growth of solar? What impact would a re-focus of public purpose funds have on solar installations? The Commission cannot make the case that solar is growing but just assume that any changes would have no effect on that growth. Better data and analysis is needed before such a definitive statement can be made.

Third-Party Leasing, page 6

The report states that the "growth of solar is also linked to the growth in the third-party leasing model." However, significant changes are underway in that market sector. SolarCity is no longer doing leased installations in Oregon and are just doing straight installs. Additionally, SunRun has significantly reduced its presence in Oregon. First, not knowing about these changes puts the Commission's credibility at risk. Second, because these changes are happening, if the Commission wants to comment on third-party leasing, they should take the changes into account in making predictions about the growth of solar in Oregon.

Renewable Energy in General, page 7

The second draft report notes that increased RPS mandates along with existing hydropower resources "will ensure that renewable energy plays a dominant role in power the homes and businesses of all Oregonians – regardless of what additional incentives are offered to promote solar energy." Respectfully, this comment is not really germane to the topic at hand. This is not a report about renewable energy in general. It is about solar specifically. The question the legislature asked was specifically about solar and how the incentives are impacting its growth. Simply to say there will be plenty of renewable energy no matter what misses the point of the legislature's request. While broad support for renewable energy is helpful to establishing and strengthening a solar market, it does not provide much instructive information about the growth of solar in particular.

Still No Mention of Funds from Voluntary Programs, page 9

The Commission still has a dangling issue in terms of how funds from voluntary programs can be used and if they can be used in conjunction with other funds, such as ETO incentives. Those voluntary funds are not listed in the list of resources available for solar and there is still no resolution to the issues that were part of UM 1020. The uncertainty and lack of resolution around this issue is resulting in projects not moving forward. The Commission could acknowledge that.

Again, OSEIA appreciates the opportunity to offer comments on the second draft of the solar report being developed in response to HB 2941. We look forward to continuing to be involved in the discussions around the report as well as an increasingly in-depth and sophisticated analysis of the ongoing development of solar in Oregon.