

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1758

In the Matter of)	
)	
PUBLIC UTILITY COMMISSION OF)	COMMENTS OF
OREGON)	THE CITIZENS' UTILITY BOARD
)	OF OREGON
Report to the Legislature on Incentives for)	
Development and Use of Solar Photovoltaic)	
Energy Systems)	
_____)	

I. Introduction

The Citizens' Utility Board of Oregon ("CUB") appreciates the opportunity to file comments in this matter. CUB recognizes the challenges the Oregon Public Utility Commission ("OPUC") faces in preparing a report on Incentives for Development and Use of Solar Photovoltaic Energy Systems, as required by House Bill 2941 and adopted by the Legislature in 2015, due to significant subsequent actions taken during the 2016 legislative session. These dynamics are discussed in the draft report, and CUB suggests reframing all of that information, so that the report provides a status update summarizing key questions under discussion in other venues. These include the review of the Oregon Department of Energy (ODOE) tax credit programs, as well as new dockets, such as UM 1716, that were launched after the adoption of the current report requirement in 2015. This approach would result in a comprehensive report with an informative discussion of

issues and concerns regarding solar energy development and incentive policy options, even if it cannot be as conclusive as originally envisioned.

CUB is concerned about the draft report's approach. There, the OPUC focused on a narrow range of topics with premature policy recommendations, which were made in advance of essential information that will be available from other dockets or informed by legislative policy decisions (i.e. ODOE tax credits). Our comments focus on the draft report's premature recommendation to eliminate solar net metering, and they follow with suggestions about discussions to include in the report to enhance its usefulness to the Legislature.

CUB believes that changes to net metering--including its possible replacement with the "Solar Metering Program" discussed in the draft report--merit consideration, but only after the completion of UM 1716 and input from stakeholders.

II. Prejudging Net Metering.

The draft report makes the following recommendations:

- 1. Eliminate the net metering program for new customers.***
- 2. Replace it with a Solar Metering Program that values the energy a customer generates using the using the location and utility specific RVOS.***
- 3. Grandfather in existing net metering customers, unless they increase the size of their unit.***

CUB is surprised that these policy decisions have been predetermined in the draft report, with minimal input from parties in advance of completion of UM 1716. CUB believes that a thorough vetting of these issues is impracticable, before the OPUC has made a determination on the resource value of solar ("RVOS") in UM 1716.

III. Issues that Should Be Considered When Examining the Future of Net Metering

The draft report assumes that there is a need to move away from net metering to end cost shifts and subsidies. However, at this time those cost shifts and subsidies have not been determined. For that reason, CUB believes that the report should provide a well-rounded discussion of all dynamics of this issue, without making unfounded assumptions and recommendations. CUB believes that the following issues need to be considered when determining the future of net metering.

A. The Size of Cost Shifts or Subsidies

The draft report provides an example where the RVOS is either 8 cents/kwh or 10 cents/kwh and the variable charge is 9 cents/kwh. This leaves a potential cost shift of 1 cent/kwh. But the ability to identify the RVOS with strict precision is questionable, because it includes forecasts regarding when a utility needs a capital investment in generation over the next twenty years, and what that capital investment will cost. Therefore, if the RVOS is found to be near the variable charges on the bill, the OPUC may want to consider retaining net metering. This option should be discussed in the report.

B. The Direction of Cost Shifts and Subsidies

The draft report offers an example where the RVOS is 10 cents/kwh and the variable charge is 9 cents/kwh. The draft report's conclusion is that this means there is a cost shift to the solar generating customer, since that customer is providing power worth 10 cents but only being compensated at a rate of 9 cents.

CUB is not sure that this example represents a significant cost shift, or requires that remaining customers increase the rate they pay the solar generator. First, the success of net metering does not suggest that compensation is too low. Second, the solar generator receives benefits beyond the compensation from other customers—such as cash flow benefits of reduced electric bills, increased home value, reduction in personal carbon emissions, and possible federal tax benefits. Because power is traditionally acquired at the least cost, even when that is below resource value, CUB does not believe that finding a RVOS above variable charges requires ending net metering.

CUB recommends that the discussion in the report recognize the option of retaining net metering, if the RVOS is greater than variable charges.

C. Net Metering is Simple and Easy to Understand

The report should also identify the advantages of encouraging simplicity for individual consumers. Net metering has been around for several years and seems to be widely understood. This point merits inclusion in the report. The RVOS based on locational value will likely be more complicated. The report should identify the likely potential for customer confusion. Indeed, one option that should be discussed in the report is that the simplicity of net metering could be enough of an advantage that it should be retained, if the RVOS is near the variable rate.

Another point to include in the report is that net metering exists in both the investor-owned and public utility sectors. The OPUC is currently examining the RVOS for investor-owned utilities, but not for public utilities. The report should discuss the potential for confusion when publically-owned utilities use a net metering approach,

while investor-owned utilities use the Solar Metering method that is prematurely recommended in the draft report.

D. A Consensus on RVOS is Unlikely

The draft report states:

The Commission anticipates that it will adopt a methodology for determining RVOS later in 2016 and expects that by early 2017, a separate RVOS will be established for each investor-owned utility.¹

CUB believes that this is a very challenging timeline. It is clear that there are significant differences between parties regarding the appropriate inputs for the RVOS, and concerns that some of the distribution locational information will not be available. So far, the big disagreements in the RVOS docket have not yet been exposed, but they will become apparent. This may make affect the timeline that the draft report suggests.

Even more important to include in the report, from CUB's perspective, is the fact that that there will likely be wide disagreement on the RVOS. Much like determining the Return on Equity (ROE), the OPUC will probably have to apply judgment and settle the methodological disagreements among the parties. Like ROE, it may be that there is a reasonable range of outcomes and while we can determine a specific value, we can also identify a reasonable range..

E. Design of Solar Metering Program

The draft report seems to have already determined the design of a Solar Metering Program to replace net metering:

To address the potential for cost shifts in the NEM Program, the Commission recommends a "Solar Metering Program" that values energy generated by a customer and used to offset the electricity delivered to the customer using the location and utility specific RVOS. Rather than netting

¹ UM 1758 Draft Report, page 12-13.

generation against consumption and applying the netted value to the utility's volumetric rates, as is currently done as in the NEM program, a crediting value of the generation energy would occur on the customer's bill. A solar metering customer would be charged the volumetric retail rate for energy delivered to the customer. However, the customer would be allowed to offset the charges with the value of the energy the customer generates.²

This recommendation seems to contemplate charging the customer for the full value of electricity the customer consumes at the retail rate, and it offsets that value with the value of customer-generated energy at the RVOS.

While it is acceptable to discuss a specific Solar Metering Program in the report, it should be accompanied with a discussion of the approach's pros and cons, since it is likely to be very controversial. The report should also recognize that there are other approaches likely to be proposed. Many customers either already adding solar capacity, or interested in doing so, would likely find this approach to be unfair and unreasonable. From a customer perspective, three things are happening when solar is installed:

- (1) Solar is produced by the customer and used by that same customer without the need for utilizing the grid.
- (2) There are periods of time where there is solar generated in excess of the customer's direct, immediate needs. This generation must use the utility grid.
- (3) There is the electricity consumed by the customer that is in excess of the solar generation which requires use of the utility's grid and its power supply.

If we value the solar electricity generated at 8 cents, but value the electricity consumed at 9 cents, and apply this to the first element above, customers will experience a 1 cent/kwh charge for solar power they are generating and consuming on their premises. This scenario has proven controversial in other states. Consumers who grow

² UM 1758, Draft Report, page 11.

their own tomatoes or brew their own beer inherently purchase fewer of these products at a store, without paying a surcharge to the store that sells tomatoes and beer. Because of this, there will likely be proposals that only address the latter two elements: 1) power put on the grid and 2) power taken from the grid. The report should not prejudge the design elements of a potential Solar Metering Program. Instead, it should provide some context and discussion of alternatives that could be considered.

IV. Conclusion

CUB recommends taking a different approach than that discussed in the draft report. CUB believes that a more comprehensive report—one that includes the pros and cons of a range of options, and a discussion of why any present recommendation from the OPUC has limited utility, given 2016 legislative activity and the need to complete the UM 1716 RVOS and other dockets—would be much more helpful to the Legislature. Rather than prejudge the outcome of future proceedings, the report should discuss some of the issues that will need to be resolved, before an adequate inquiry into the incentives and use of PV systems can be completed.

Dated this 10th day of August, 2016

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bob Jenks", written in a cursive style.

Bob Jenks,
CUB Executive Director