BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1758

In the Matter of OREGON PUBLIC UTILITY COMMISSION Report to the Legislature on Incentives for Development and use of Solar Photovoltaic Energy Systems Open via House Bill 2941.	Renewable Northwest and NW Energy Coalition's Written Comments on the Commission's Second Draft of Report

I. INTRODUCTION

Renewable Northwest and the NW Energy Coalition (together, the Joint Parties) appreciate the opportunity to comment on the Oregon Public Utility Commission's (the "Commission's") second draft Solar Incentive Report (the "second draft report"). We would also like to acknowledge the work undertaken between the first and second drafts, and the Commission's response to our suggestions. These comments focus on the recommendations made in the second draft report, in particular Recommendation 2, regarding net metering, and Recommendation 3, regarding the Energy Trust of Oregon ("ETO"). We suggest that the Commission's proposed docket discussed in Recommendation 2 following the conclusion of the resource value of solar ("RVOS") investigation (UM 1716) concern itself with examining the costs and benefits of moving away from net metering. Regarding Recommendation 3, we do not find that the analysis in the second draft report makes the case for the proposed change to the remit of the ETO, and it is unclear how the potential sunset of the Residential Energy Tax Credit ("RETC") affects this recommendation.

II. COMMENTS ON PROPOSED COMMISSION RECOMMENDATIONS

Recommendation 1) "If the Legislature wants to capture the full social and economic development benefits of solar PV, it should adopt taxpayer-funded incentive programs."[1]

The Joint Parties welcome the Commission's recommendation that the Legislature "should examine extending the property tax exemption and creating tax-payer supported programs that spur residential and small commercial solar PV developments." As a large range of new clean energy technologies and programs, including solar, continue to evolve and offer a broad range of value for Oregon, the

[1] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 27.

question of how to capture the full social and economic development benefits of solar PV should be addressed in more depth.

Recommendation 2) "Modify the solar net metering program so that the compensation method used is the same as the compensation method used for Oregon's Community Solar under SB 1547".

The Joint Parties do not agree with this recommendation as it stands. Instead, we suggest that such a modification to the net metering program should only take place once an examination of the costs and benefits of such a transition have been evaluated.

Renewable Northwest's comments on the first draft report stressed how premature it would be to move away from net metering to a program in which "a crediting value of the generation energy would occur on the customer's bill" at the resource value of solar rate ("RVOS").[2] However, we welcome the second draft report's proposed addition of a docket after UM 1716 (the "proposed docket") which will "examine the costs and benefits of such a switch in how solar project owners are compensated".[3] Even so, we are concerned with the description of this proposed docket as one that "the Commission plans to open . . . to implement the use of value of solar rates for utility customers with solar generation".[4] This description implies that the point of the proposed docket is to implement the change from net metering and examine the costs and benefits of such a transition. If the primary purpose of the proposed docket is to implement the transition away from net metering—which, for all the reasons Renewable Northwest outlined in comments on the first draft report, would be premature—then the simultaneous examination of the costs and benefits of such a transition is unclear. The Joint Parties recommend that the proposed docket focus on an examination of the costs and benefits of such a transition, and then determine whether or not the switch should take place and under what circumstances.

Recommendation 3) "Target Energy Trust of Oregon's Solar Electric Program to support applications that yield high-value benefits to the utility system or to help bring down the "soft costs" of solar projects".[5]

The Joint Parties do not find that the analysis in the second draft report makes the case for the proposed change to the remit of the ETO, and it is unclear how the potential sunset of the Residential Energy Tax Credit ("RETC") affects this recommendation. Given that the second draft report acknowledges that the ETO is

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[2] (First) Draft Solar Incentives Report p 11
[3] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 28.
[4] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 28.
[5] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 28.

already working towards Recommendation 3, the intent of the Commission's proposal is unclear.

During the discussion of how the legislative factors should be applied, the second draft report states:

> Incentives should yield the greatest market stimulation relative to the amount of investment while minimizing free-ridership. [6]

When discussing the combination of incentive programs in Oregon, the second draft reports also states:

> … many projects may still have gone forward if one or more of the incentives did not exist or if the Solar PV customer had paid a higher share of the costs of the system. We cannot identify the level of 'free ridership' in Oregon's programs.[7]

The Commission raises the issue of free-ridership in the second draft report, but concludes that it "cannot identify" the extent. It is interesting to note that the first draft of the report did not discuss the issue of free-ridership at all. It could be assumed that the addition of the free-ridership discussion was intended to bolster the case for the second draft report's recommendations, in particular the recommendation regarding the ETO's Solar Incentive Program in Recommendation 3. However, the analysis in the second draft report does not seem to support the recommendation as it stands.

Parsing out Recommendation 3, it appears that the Commission is proposing to suggest to the Legislature that ETO's Solar Electric Program target (a) "applications that yield high-value benefits" and (b) "help bring down the 'soft costs' of solar projects". Given that the second draft report acknowledges that the ETO is already working towards both parts of Recommendation 3—(a) and (b)—the intent of the Commission's recommendation is unclear. With regard to "high value" projects, the second draft report notes that:

> In it's 2017-2018 Program Action Plan, the Energy Trust signaled changes…including aligning its strategic focus to support innovative solar projects which provide additional utility benefits.[8]

Furthermore, the second draft report also acknowledges that the "Energy Trust has developed programs aimed at reducing solar soft costs".[9]

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[6] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 26.
[7] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 23.
[8] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 28.
[9] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 18.

In the description of Recommendation 3, the second draft report states that the ETO's "use of public purpose charges should be modified".[10] It is not clear whether the recommendation is proposing an actual partial modification to the ETO's solar program or complete replacement. If the Commission is proposing the latter—that the current program should be completely replaced by one that focuses only on "high value applications to support and improve the utility's electric system" and "to bring down the 'soft costs' of solar generation[11]—it is unclear how this recommended use of the public purpose charge would comport with existing statute. Senate Bill 1149 (1999) states:

> There is established an annual public purpose expenditure standard for electric companies to fund new cost-effective local energy conservation, new market transformation efforts, the above-market costs of new renewable energy resources.[12]

Recommendation 3 does not refer to "above-market costs" so it is not clear how the Commission's proposal to focus on unique benefits and soft costs is in accordance with the legislative requirement that the public purpose expenditure fund "the above market-market costs of new renewable energy resources".[13]

Furthermore, given the absence of a discussion of above-market costs in Recommendation 3, it is not clear the extent to which this proposal is ambivalent regarding the scheduled sunset of the RETC in 2018. If the RETC is not extended, the above market costs will increase considerably, as shown in Figure 7 of the first draft of the report.[14] However, the second draft report is silent on how this would affect Recommendation 3 and whether the ETO should continue with its current program in such a scenario.

The explanation of Recommendation 3 states that the ETO's use of public purpose charges "should be modified to target solar PV applications that provide *unique* benefits to the utility system".[15] The second draft report goes on to explain that:

> High-value applications include—but are not limited to—the selective placement of solar arrays to improve system reliability, provide system services such as voltage regulation, and defer or eliminate the need for system upgrades.[16]

[10] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 28.
[11] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 28.
[12] SB 1149 (1999) §3(1) https://energytrust.org/About/PDF/sb1149.pdf
[13] SB 1149 (1999) §3(1) https://energytrust.org/About/PDF/sb1149.pdf
[14] (First) Draft Solar Incentives Report p 15
[15] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 28.
[16] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 28.

One of the reasons that the benefits described are "unique" is due to the low penetration of distributed generation in Oregon. In order for these benefits to become more ubiquitous, a continued increase in the number of solar systems will be required. The Commission's proposed recommendations for the ETO could make it difficult to achieve such an increase.

With regard to solar providing system benefits, the Joint Parties welcome the part of Recommendation 3 that states, "The Commission will be calling on utilities to identify all such sites in their service area".[17] Such information will be valuable for the Commission's "Investigation to Determine the Resource Value of Solar" (UM 1716) and in " Implementing an Energy Storage Program (UM 1751).

IV. CONCLUSION

The Joint Parties appreciate the opportunity to provide comments on the Commission's second draft report into solar incentives. We suggest that the Commission's proposed docket—discussed in Recommendation 2—following the conclusion of the RVOS investigation in UM 1716 concern itself with examining the costs and benefits of moving away from net metering. Regarding Recommendation 3, we do not find that the analysis in the second draft report makes the case for the proposed change to the remit of the ETO, and it is unclear how the potential sunset of the RETC affects this recommendation.

RESPECTFULLY SUBMITTED this 30th day of September, 2016.

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[17] OPUC, HB 2941 Solar Incentives Report (Second Draft), p 28.