August 10, 2016

Via Electronic Filing

Public Utility Commission
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 under House Bill 2941 (2015)
Docket No. UM 1758

Dear Filing Center:

Enclosed for filing in the above-referenced docket are written comments by the Oregon Department of Energy (ODOE) in response to the first draft of the Report to the Legislature as required by House Bill 2941 (2015). Please contact Rob DelMar at (503) 302-7027 if you have any questions.

Thank you for your assistance in this matter.

Sincerely,

Wendy Simons
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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1758

In the Matter of	)	
PUBLIC UTILITY COMMISSION OF OF OREGON,	))	COMMENTS OF THE OREGON DEPARTMENT ENERGY
	)	
Report to the Legislature on Incentives for Development and Use of Solar Photovoltaic Energy Systems, House Bill 2941 (2015)	))))	

Introduction

The Oregon Department of Energy (ODOE, or department) appreciates the opportunity to comment on the Public Utility Commission (PUC) Staff's Draft Report to the Legislature on Incentives for Development and Use of Solar Photovoltaic Energy Systems as required by House Bill 2941 (2015). The UM 1758 docket was opened by the PUC in order to provide a process for producing the report.

ODOE staff has reviewed the draft report, and would like to offer comments on the report's characterization of the solar photovoltaic (PV) market in Oregon and the report's recommendations related to net metering, Energy Trust of Oregon's incentive program, and taxpayer-funded solar PV incentive programs in general.

Solar Market Context

The draft report's characterization of the Oregon solar PV industry as "robust" is premature and seems to be at odds with the statement that it is "well supported," which appears in the same sentence. For example, the combination of the Energy Trust of Oregon (ETO) incentive and the Residential Energy Tax Credit (RETC) still account for half or more of the costs associated with most installed residential solar PV systems. The federal tax credit provides an additional 30 percent of net cost. Because the incentives

are still a significant portion of the total costs, we believe it is more accurate to describe solar as an emerging industry that is still vulnerable to disruptions in the incentive programs.

ODOE agrees that analyzing the effectiveness and efficiency of each incentive is difficult. There is evidence, however, that the combination of financial incentives and net metering policy is required to drive the solar market in Oregon. For example, 95 percent of the net metered capacity installed under the RETC program exists within five utility service territories. Conversely, within the RETC program there are 21 utilities in the state with three or fewer residential solar installations. While demographics and population distribution can help to explain this situation, it is also clear that the current combination of the RETC and federal tax credits in the absence of utility sponsored incentives and annualized net metering is not enough to move the residential solar market in Oregon.

Oregon has realized significant cost reductions in solar PV projects over the last ten years which mirror the national trends represented in the graph on page three of the report. However, Oregon is likely to be one of the last states to reach grid parity for solar PV systems and may therefore require incentive programs of longer duration than many other states to maintain a solar industry. The SunShot goal of $1.00 per watt by 2020 helps to illustrate the continued need for incentives in the Oregon market; even if we meet that goal a typical system installed at $1.00 per watt in the Willamette valley still has about a ten year payback for a consumer at current utility rates in the absence of incentives. While there are new programs implemented in Oregon, including an expansion of the Renewable Portfolio Standard, these policy changes are not likely to have an impact on market conditions for a number of years.

Net Metering

The draft report's proposal to eliminate existing net metering programs for customers with new PV installations and replace them with a "solar metering program" based on the resource value of solar (RVOS) as determined in the UM 1716 docket is premature and could result in a variety of unintended consequences. The draft report does not demonstrate that the existing net metering program currently

results in cost-shifting of transmission and distribution costs at a level that necessitates a change in the program, nor does it adequately evaluate the impact of the proposed change on future installations of new solar PV systems or modifications to existing systems. The future of net metering in Oregon warrants a separate policy discussion with a longer timeline and more opportunity for stakeholder comment than this report allows. This policy discussion should evaluate the need for and timing of any changes to Oregon's net metering program, and consider the pros and cons of a variety of alternative policies in addition to solar metering based on the RVOS.

The proposal in the draft report to replace net metering with a solar metering program based on RVOS is premature because the UM 1716 docket has not yet been completed. The UM 1716 docket consists of two proceedings: a Resource Value of Solar proceeding to be followed by a proceeding to create a cost-shift calculation methodology and determine the amount of cost shifting, if any, from customers in Oregon's net metering program. In other words, there has not yet been a full process to examine the extent of cost shifting, but such a process is planned after the RVOS is determined.

Furthermore the draft report fails to consider how recommendations may affect customers of consumer owned utilities (COUs). There are two major differences in net metering programs offered by COUs and Investor Owned Utilities (IOUs) that may affect the analysis. One major difference is in generator size that qualifies for the program. Most COUs have retained the statutory limit of 25 kilowatts, while under PUC rules, the IOUs allow up to 2 megawatts of onsite generation for non-residential customers. A second major difference is in treatment of excess generation. Many COUs offer "monthly" net metering in which the customer is paid only the utility's avoided cost rates for any excess generation during a monthly billing cycle and no carry-forward is allowed for future months. In addition, the efforts to establish a RVOS are limited to the IOUs; if net metering were eliminated and replaced with a solar metering program as proposed in the draft report, customers in COU territories where a RVOS has not been established may be left with no policy support for interconnection.

Energy Trust of Oregon Solar Incentive Program

The draft report recommends limiting ETO incentives to PV applications that provide unique benefits to utilities or help reduce soft costs, but ETO incentives are still needed to offset above- market costs. While above- market costs are trending downward, the draft notes that the trend depends in part on the availability of incentives (e.g. RETC) that are scheduled to sunset. The scheduled sunset of taxpayer-funded incentives does not seem to be factored into the recommendation to limit ETO incentives. The report's recommendation for a multi-year ramp-down of ETO incentives for above-market costs seems unnecessary given that the ramp-down has already been happening and will naturally occur as above-market costs decline.

Taxpayer Programs

The draft report accurately describes existing taxpayer funded programs and their scheduled sunsets. The draft also recommends that the legislature should adopt taxpayer-funded programs to capture the full social and economic development benefits of solar PV. However, in the context of the other recommendations in the draft report, this recommendation appears to shift the burden of funding above-market costs of solar from ratepayers to taxpayers. While the recommendation for the Legislature to consider taxpayer incentives for solar would benefit Oregonians across the state regardless of utility service territory, taxpayer-funded incentives may be most effective in combination with other statewide policies such as net metering.

Conclusion

The Department appreciates the opportunity to submit these comments on the draft report on solar photovoltaic incentive programs. We look forward to further engagement with the Commission, its staff, and other stakeholders on these issues.

Respectfully submitted August 10, 2016.

Sincerely,

/s/ Rob DelMar

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