ORDER NO. 21-071

ENTERED Feb 26 2021

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1930

In the Matter of

PUBLIC UTILITY COMMISSION OF OREGON,

Retention of 2020 bill credit rates of the utility Community Solar Program for the remainder of the interim capacity tier or through January 2022.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on February 23, 2021, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

In adopting Staff's recommendation, we approved an extension of the currently applicable residential bill credit rates across all utilities due to factors unique to the initial phase of this program experienced by small community and nonprofit project proposals. Our decision should not be considered as a precedential for the future, continued operation of the Oregon community solar program.

Megan W. Decker
Chair

Letha Tawney
Commissioner

Mark R. Thompson
Commissioner

PUBLIC UTILITY COMMISSION OF OREGON

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. RA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 23, 2021

REGULAR __X__ **CONSENT** ____ **EFFECTIVE DATE** ____N/A____

DATE: February 16, 2021

TO: Public Utility Commission

FROM: Kacia Brockman

THROUGH: Bryan Conway, JP Batmale, and Sarah Hall **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket Nos. UM 1930 and ADV 1230/Advice No. 21-002)
Annual update to utility Community Solar Program bill credit rates.

STAFF RECOMMENDATION:

Decline to adopt new Community Solar Program (CSP or Program) bill credit rates based on 2021 residential base rates and take the following actions:

1) Do not accept the updated residential base rates filed by Portland General Electric (PGE) in UM 1930;
2) Do not accept the updated residential base rates filed by Idaho Power Company (IPC) in UM 1930;
3) Do not accept PacfiCorp's (PAC) Advice No. 21-002, which revises PAC's bill credit rate in Schedule 127 based on PAC's updated residential rates; and
4) Retain the 2020 bill credit rates for the remainder of the interim capacity tier or until January 31, 2022.

DISCUSSION:

Issue

Whether the Commission should adopt new CSP 2021 bill credit rates to reflect the lower residential rates of PGE, PAC, and IPC, or keep the 2020 bill credit rates in effect for the remainder of the interim capacity tier or January 31, 2022, whichever comes first.

Applicable Rule or Law

ORS 757.205 requires public utilities file to all rates, rules, and charges with the Commission.

ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just and reasonable.

ORS 757.386(2)(a) directs the Commission to establish a program that provides electricity customers the opportunity to share the costs and benefits of electricity generated by a community solar energy system.[1]

On June 29, 2017, in Order No. 17-232, the Commission adopted formal rules for the CSP under OAR Division 88 of Chapter 860.

OAR 860-088-0120(4) requires electric companies to obtain Commission approval of any applicable tariffs required by the CSP rules.

Order No. 19-392 established CSP bill credit rates for each utility and requires those rates to be updated annually beginning in 2021.

Analysis

Background
In October 2019, the Commission adopted interim CSP bill credit rates for the Program's interim capacity tier of 82 MW. For each utility, the interim bill credit rate is equal to the utility's residential base rate.[2] A project is eligible for the bill credit rate in effect at the time of project pre-certification and the rate remains fixed for the duration of the project's Power Purchase Agreement (PPA) with the utility. A project's subscribers will be compensated for their subscription's solar generation at the per-kWh bill credit rate, pursuant to the project's PPA.

The Commission ordered the bill credit rate for each utility to be updated annually to reflect the utility's contemporaneous residential retail rate and, as applicable, the utility's latest general rate case.[3] Updated bill credit rates will apply to new projects that are

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[1] ORS 757.386 codifies Section 22 of Senate Bill (SB) 1547, effective March 8, 2016.
[2] The residential base rate is equal to the sum value of the rates for residential basic service, including transmission charges, distribution charges, the first 1,000 kWh energy charges, and system usage charges, but not including any additional adjustments. See Order No. 19-392, p. 22.
[3] Commission Order No. 19-392, issued Nov. 8, 2019, p. 31.

pre-certified after the new rates are adopted by the Commission. The utilities must file their updated residential base rates by January 1 of every year beginning in 2021.[4]

PAC, PGE, and IPC all filed their updated residential base rates in compliance with Order 19-392. At Staff's request, PAC delayed its filing until after new residential rates resulting from PAC's General Rate Case proceedings (Docket No. UE 374) became effective.[5] The table below compares the bill credit rates currently in effect (2020 bill credit rates) to the new bill credit rates that will become effective if the Commission adopts the utilities' updated base rates (updated 2021 bill credit rates). For each utility, the updated 2021 bill credit rates are lower than the current 2020 bill credit rates. For PAC and IPC, the decrease in rates is significant.

Utility	2020 bill credit rates	Updated 2021 bill credit rates	Change
PGE	$0.112340	$0.112240	-0.1%
PAC	$0.097700	$0.092100	-5.7%
IPC	$0.084800	$0.078481	-7.5%

If adopted by the Commission, the updated 2021 bill credit rates will apply to projects that are pre-certified on or after February 24, 2021, the effective date of the new rates, and until the annual update in 2022.

Impact of Updated 2021 Bill Credit Rates

A change in the bill credit rate will affect only projects not yet pre-certified. The table below shows the capacity remaining for projects in both the general capacity allocation and the capacity carve-out designated for small and nonprofit-led projects.[6] The vast majority, 80 percent, of the remaining capacity is in the carve-out. As explained below, there is no capacity remaining in any utility's general allocation for new, large, private-sector project applications. Consequently, small and nonprofit-led projects will be those most affected by a decrease in the bill credit rates.

[4] Commission Order No. 19-392, issued Nov. 8, 2019, p. 81.

[5] PGE filed its updated base rate in Docket No. UM 1930 on December 28, 2020. IPC filed its updated base rate in Docket No. UM 1930 on December 29, 2020. PAC filed its updated base rate and revised CSP tariff, Schedule 127, with the updated bill credit rate in Advice No. 21-002, docketed in ADV 1230, on January 11, 2021.

[6] The Commission established a capacity carve-out equal to 25 percent of each utility's initial capacity tier for small projects up to 360 kW. See Order No. 18-177, p. 3. The Commission later expanded eligibility for the capacity carve-out to projects up to 3 MW that are led by a nonprofit or public Project Manager. See Order No. 19-392, p. 4, 27-28, 85.

Utility	Interim capacity offering (MW)	General capacity allocated (75% of interim) (MW)	General capacity pre-certified (MW)	**General capacity available (MW)**	Carve-out capacity allocation (25% of interim) (MW)	Carve-out capacity pre-certified (MW)	**Carve-out capacity available (MW)**
PGE	46.57	34.93	33.97	**0.96**	11.64	0.04	**11.60**
PAC	32.30	24.22	20.71	**3.51**	8.08	0.49	**7.59**
IPC	3.28	3.28	2.95	**0.33**	-	-	**-**
Total	82.15	62.43	57.63	**4.81**	19.72	0.53	**19.19**

In PGE territory, the general capacity has been exhausted. The program maintains a waitlist of project applications in each utility's territory. The first project on the waitlist in PGE's territory is larger than the 0.96 MW of general capacity available, so no new projects can access the remaining PGE general capacity unless a pre-certified project is canceled and frees up capacity.

On the other hand, nearly all of the almost 12 MW of carve-out capacity remains available. To date, only one 40 kW nonprofit project has applied for PGE carve-out capacity. The 0.1 percent decrease in PGE's bill credit rate is small and will likely have a negligible impact on project economics for carve-out-eligible projects.

In IPC territory, the general capacity has been nearly fully pre-certified and there is no carve-out capacity. At this time, the CSP Program Administrator is not aware of any efforts on the part of potential Project Managers to claim the small amount of general capacity remaining. Thus, even though IPC's bill credit rate decrease is the largest of the three utilities, 7.5 percent, it will likely not have a significant impact on the Program.[7]

PAC territory is where the bill credit decrease will have the largest impact. There is currently 3.5 MW of general capacity remaining and 7.6 MW of carve-out capacity available. The 3.5 MW of general capacity has been requested by projects that recently applied for pre-certification and are being reviewed by the Program Administrator. The program is also maintaining a waitlist of additional projects that have applied for general capacity in PAC territory. To date, three projects have been pre-certified within the PAC carve-out, a 360 kW project serving multifamily affordable housing, a 130 kW project that is non-profit-managed and participant-owned, and 1 MW project that is non-profit-managed and targets low-income households. One additional small project has applied for pre-certification and is currently under review by the Program Administrator. Under the 2020 bill credit rates, the rate of return for projects in PAC territory is lower than in PGE territory due to PAC's lower bill credit rate. The Program Administrator estimates

[7] The Commission exempted IPC from the small project carve-out. See Order No. 19-392, p. 5-6.

that the 5.7 percent decrease in PAC's bill credit rate will further reduce the rate of return for projects by approximately one percentage point.[8] This reduction in rate of return will affect large and small projects alike.

Staff Recommendation
Staff recommends that the Commission not adopt the updated 2021 bill credit rates, and instead keep the 2020 bill credit rates in effect for the remainder of the interim capacity offering or until January 31, 2022, whichever comes first.

Staff makes this recommendation in order not to disadvantage small and nonprofit-led projects. Twenty-five percent of the initial interim capacity in the Program was carved out for exclusive use by small/nonprofit projects with the expectation that those projects would take longer to develop and would have difficulty competing with larger, more experienced developers for capacity. During the Program design, the Commission found that this capacity carve-out may help achieve community solar access goals and test the viability of a residential retail-based bill credit rate for smaller projects.[9] While there is no guarantee that retaining the 2020 bill credit rates will result in small/nonprofit projects fully utilizing the carve-out capacity, the Program is aware of one nonprofit project, which will serve 100 percent low-income participants, that is nearing readiness for pre-certification and several other nonprofit projects in earlier stages of development that would benefit from more time at the same bill credit rate.

Energy Trust of Oregon is also preparing to release an incentive offer for small non-profit community solar projects, which may allow these projects to move towards pre-certification and eventual operations more quickly. The Project Manager reports that a lower PAC bill credit rate will directly reduce the bill savings for participants of these projects, as explained the Stakeholder Feedback section below.

Staff recommends January 31, 2022, as a deadline for the 2020 bill credit rate because it is two years from initial Program launch. Order No. 19-392 states that if the program has not fully subscribed the 82 MW of interim capacity within 2 years of program launch, the Program should pause pre-certification to determine appropriate next steps.[10] Staff

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[8] In the Program Administrator's model, the rate of return for projects in PAC territory decreases from 4.2 to 3.3 percent. While the modeled rate of return may not match that of a specific project, This modelling exercise was intended to understand the change in rate of return posed by a bill credit rate decrease rather than estimate the absolute rate of return of CSP projects in PAC territory, and does not reflect siting or system design decisions that Project Managers may make to improve project return. One Project Manager confirmed that the relative drop is indicative of the impact the decrease in PAC bill credit rate would have on his projects.
[9] Order No. 18-177, p. 4.
[10] Order No. 19-392, p. 31.

suggests that one additional year is a reasonable time to demonstrate whether additional community-based projects in the pipeline may come to fruition.

Staff plans to reconsider the bill credit rate amount and methodology again before recommending that the Commission release additional capacity in the Program. In Order No. 18-177, the Commission stated, "We note that this interim [bill credit] rate will need to incorporate a transition to an RVOS [(Resource Value of Solar)] based value, and that we expect it to serve as an important 'check-in' to review the viability of our program and learning from initial activity."[11] Therefore, this one-year extension of the interim bill credit rate should not be considered precedential to future bill credit rate decisions.

Finally, Staff recommends that the 2020 bill credit rate be extended for all three utilities, not just for PAC. Even though the reductions in the updated 2021 bill credit rates are less consequential in PGE and IPC territories, Staff believes the Program is more understandable by stakeholders when policy decisions are implemented consistently across all utilities, as practicable.

Rate Impact
Extending the 2020 bill credit rate will not increase the utilities' expected revenue requirements for the CSP. The revenue requirements were calculated based on the interim bill credit rates being applied to the full 82 MW interim capacity.[12] The estimated forgone savings to ratepayers in PAC territory could be as high as $100,000 annually.[13] This amount is speculative as it depends on various assumptions, such as project design characteristics and the number of carve-out projects pre-certified by January 2022. This amount is not insubstantial. However, the impacts to ratepayers are diffuse, while the impact to the economics of carve-out projects would be very concentrated and create an even higher hurdle to success, especially for enrollment of low-income customers.

Stakeholder Feedback
The Program Administrator solicited feedback from Project Managers on the impact of a decrease to the bill credit rates in 2021.

- The Program's most active Project Managers estimated that the drop in PAC bill credit rate would reduce a project's rate of return by one percentage point,

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[11] Order No. 18-177, p. 4.
[12] Order No. 19-392, p. 24-27.
[13] Estimate of foregone savings assumes that 11.6 MW of available PAC carve-out capacity is installed and fully subscribed, with generation based on solar resource in Klamath Falls.

confirming the Program Administrator's estimate, and suggested that projects would not be viable except in the highest solar production areas of the state.
- One Project Manager noted a "catch-22" that the lower bill credit rate will result in lower project revenue, which increases the amount of equity required to make the project financeable; but more equity results in lower return on equity, making it more difficult to attract equity investors.
- A nonprofit Project Manager explained that a lower bill credit rate will result in a one-to-one reduction in the energy cost savings to the low-income customers of his project. The project serves 100 percent low-income customers and is funded by impact investors seeking to generate social and environmental benefit. The Project Manager pays the minimum return to investors to maximize savings to customers.

Staff solicited feedback from the utilities on Staff's proposed recommendation to retain 2020 bill credit rates, rather than adopting their updated 2021 bill credit rates.

- PGE, PAC, and IPC all expressed concern that deviating from the rate adjustment methodology previously adopted by the Commission could set a bad precedent.
- PAC stated that it opposes Staff's recommendation. PAC noted that the annual rate update was intended to index future bill credit rates to retail rates during the interim capacity offering, and PAC does not support untethering bill credit rates from retail rates.
- PGE stated that, while it prefers to let the rates adjust with the updated base rates, PGE does not oppose Staff's recommendation. PGE sees the bill credit rate change as non-material for their customers. PGE recommends a 6-month time limit on the 2020 rates, through August 2021, suggesting that 6 months is sufficient time to test developers' interest in the carve-out capacity.
- IPC stated that it does not oppose Staff's recommendation. IPC notes that the initial bill credit rate applies to 100 percent of its initial capacity, unlike PGE and PAC, for which only half of their initial capacity tier was included in the interim capacity offering.
- PGE, PAC, and IPC all supported applying the same bill credit rate policy consistently across all utilities.

Conclusion

Staff and the Commission have strived to balance Program participation and ratepayer cost in the Program design. While the annual bill credit rate update and the small/nonprofit carve-out are both Program design elements adopted by the Commission, Staff suggests that the chance for a successful carve-out in the interim capacity offering is more integral to the Program than the annual rate update. Thus Staff finds that not adopting the proposed 2021 bill credit rates through January 2022 presents the best option to balance the legislature's direction to incentivize participation while minimizing cost-shifting.[14] Staff notes again that retaining the higher 2020 bill credit rates for the remainder of the interim capacity will not change the estimated rate impact of the CSP. Given the greater risk to small/nonprofit projects than benefit to ratepayers, Staff believes the Commission has good cause to retain the 2020 bill credit rates and not adopt the updated 2021 bill credit rates.

Staff appreciates the input of stakeholders and acknowledges the utilities' request that this recommendation not be precedential to future bill credit rate decisions.

PROPOSED COMMISSION MOTION:

Decline to adopt new Community Solar Program bill credit rates based on 2021 residential base rates and take the following actions:

1) Do not accept the updated residential base rates filed by PGE in UM 1930;
2) Do not accept the updated residential base rates filed by IPC in UM 1930; and
3) Do not accept PAC's Advice No. 21-002, which revises PAC's bill credit rate in Schedule 127 based on PAC's updated residential rates; and
4) Retain the 2020 bill credit rates for PGE, IPC, and PAC for the remainder of the interim capacity tier or until January 31, 2022.

[14] *See* SB 1547 Enrolled; Section 22, 2(b)(A) and (B).