

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 21, 2015

REGULAR X CONSENT _____ EFFECTIVE DATE August 3, 2015

DATE: July 13, 2015

TO: Public Utility Commission

FROM: *CD*
Cindy Dolezel

THROUGH: *J* Jason Eisdorfer and *AA* Aster Adams

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 23/Advice Filing 15-10) Portland General Electric's New Renewable Solar Option for Residential and Small Commercial Customers.

STAFF RECOMMENDATION:

The Commission approve Portland General Electric's (PGE or Company) Advice No. 15-10 with the following additional requirements:

1. General messaging about this option, to be included on educational and marketing materials to customers, will be reviewed and must be approved by Staff before being provided to customers.
2. This tariff is limited to the Steel Bridge project. Future projects would appear before the Commission on a case-by-case basis for review.

DISCUSSION:

PGE proposes a Solar Option tariff (Tariff) under which PGE purchases Renewable Energy Credits (RECs) from a solar Qualifying Facility (QF) to retire on behalf of customers electing service under the Solar Option tariff. Staff has reviewed the proposed Tariff and concludes it is just and reasonable, subject to two additional requirements.

PGE's Renewable Solar option:

Advice Filing No. 15-10 proposes to implement a new portfolio option for PGE's residential and small commercial customers. The option, Renewable Solar, gives customers the option to purchase RECs representing the renewable attributes from a PGE contracted QF solar photovoltaic (PV) system that will sell its energy to PGE.

However, PGE also contemplates owning future solar PV systems for inclusion under this Tariff.

PGE states that the solar offering is:

- intended to support the development of local solar;
- a 100 percent solar product offering, unlike the other portfolio options which are mostly wind;
- 2.9 MW (DC) of solar, developed by company OneEnergy Renewables, on the Steel Bridge project, which is a QF, not yet constructed, with an existing agreement with PGE;
- supported by Energy Trust of Oregon (Energy Trust), through the contribution of an incentive to the project; and
- designed to allow purchases of RECs related to specific amounts of project capacity (kW) instead of energy (kWh).

Energy Trust funds projects based on an assessment of the above market costs associated with a project. In this case Energy Trust’s incentive covered 60 – 70 percent of the above market cost; therefore Energy Trust will take ownership of the same proportion of project RECs on behalf of ratepayers. Under agreement with Energy Trust, the first seven years of RECs will go to the developer, after that 100 percent of RECs will go towards PGE’s Renewable Portfolio Standard (RPS) requirements via Energy Trust. The QF will sell the first seven years of RECs from the project to PGE. PGE will retire these RECs on behalf of customers subscribing to the Renewable Solar Option (See Table 1). PGE’s goal is to enroll 2500 customers per year, there are 2900 shares available. The cost will be \$5 per month or \$60 per year. If fully subscribed, the program will generate \$174,000 per year for seven years. The Company projects that 1 kW of capacity will result in 1,400 kWh per year of output and therefore 1.4 RECs.

Table 1. Timeline of RECs

2015	2016	2017	2018	2019	2020	2021	2022	2023- 2041	
RECs to PGE Solar Shares								RECs to ETO	
Steel Bridge is under contract to deliver all environmental attributes associated with the energy delivered by the Steel Bridge project from Commercial Operation Date (COD) through December 31, 2022 to Portland General Electric for use in PGE’s renewables portfolio program.								Beginning on January 1, 2023, and continuing until twenty five years from COD, Steel Bridge will deliver to the Energy Trust, 100% of the Environmental Attributes Associated with energy produced by the project (approximately 70% of the RECs for the twenty five year term of the agreement). Environmental Attributes delivered to the Energy Trust will be transferred in accordance with the Western Region Electric Generation Information System (WREGIS) to be retired on behalf of PGE customers.	

The \$5 per month customer charge for solar through this program would be used for REC purchase and marketing of the program. The RECs for this project are more expensive than other RECs, but PGE notes that they are below the cost associated with solar in some states but higher than costs associated with wind. RECs from PGE's other voluntary programs are mostly wind.

PGE plans to begin marketing the program in August 2015 upon Commission approval of this Tariff. The project is expected to be on-line and fully interconnected in October 2015 and will be Green-e certified.

If the program is not fully subscribed, PGE intends that the other portfolio programs would purchase the RECs to provide a barrier to the non-renewable customers from the associated costs. PGE expects that up to two thirds of customers that participate in this option would be new non-renewables customers.

Marketing costs of the Solar Option:

- Confidential materials for project financing, marketing costs, development contracts, and marketing research have been submitted and reviewed by Staff.
- PGE learned there is a market opportunity from its Integrated Resource Plan market research, where solar polled well among its customers, and a past report indicated that the market projection was approximately 23,000 customers.
- The assumption is that almost all of the marketing costs are in the first year, after that they will stabilize.
- Marketing costs are associated with activities similar to marketing efforts conducted for other portfolio programs through Green Mountain Energy.
- Some turnover of participants is anticipated within marketing costs.
- PGE will report project performance information to customers via its website.
- At the end of the year, participants will also receive a letter with total production and a comparison of their portion of production ownership to their actual household usage.

Analysis

Staff is concerned with how messaging surrounding these transactions could lead to confusion. The customers need to understand that they are supporting the development of solar projects in Oregon, but that they are not getting energy from this project directly to their homes for use and are not going to receive a "credit" on their energy bill for their purchase.

With this said, Staff recommends that the Commission accept the Tariff subject to the condition that Staff will review and approve the messaging that will be used to educate and market to customers concerning this Tariff.

Staff also notes that this proposed Tariff is open-ended and could be used for future projects, including PGE-owned solar projects. Staff believes that this Tariff should be limited to the Steel Bridge Project because the costs and contract terms for future projects are unknown and this Tariff rate should not apply to projects that are still to be determined. As solar costs decline, financials may look very different in the near future from those underlying the implementation of this Tariff.

Furthermore, Staff notes that the Portfolio Options Committee (POC) is apprehensive about PGE ownership of future solar projects. Staff has addressed this concern about PGE's ownership of future projects by asking the Commission to limit this Tariff to the Steel Bridge Project and review any subsequent projects/tariffs related to this offering on a case-by-case basis.

Staff also notes that OneEnergy Renewables has submitted a letter as part of this filing outlining that without the additional revenue from the RECs, this project would not have moved forward. Staff also notes that although the project has come forward with an existing QF contract, as filed in docket RE 143, the project is considered new and the REC revenue element supported the financing of the deal.

Renewable Northwest (RNW) and the Oregon Department of Energy (ODOE) submitted comments concerning this advice filing and PGE responded to those comments. The comments from RNW and ODOE were generally supportive but recommended that the Commission exercise caution and monitor messaging to assure that customers are not led to believe they are receiving solar energy through a bundled product, or that PGE is retiring bundled RECs on behalf of customers. PGE disagrees and states that the program being offered through this Tariff is bundled and is in fact community solar. *Summary of RNW's June 22, 2015 comments:*

RNW notes, "PGE's Renewable Solar Option represents a positive step forward for REC-only green power purchasing programs in Oregon." RNW then offered a few points of caution:

1. This option does not offer purchasing customers any of the non-environmental benefits of renewable energy, principally, long-term cost stability and risk reduction.
2. The PUC should pay attention to communications to enable further evolution. "At minimum, the PUC should establish parameters for the company and its marketers to adhere to." Either or both could be done in collaboration with the POC."
3. The PUC should ensure that customers are able to understand that their

solar REC purchase will not change their electricity bill, which will reflect the costs of the utility's standard electricity mix plus a premium that supports a portion of the cost of the solar facility. Moreover, the PUC should warn against communications that refer to Renewable Solar as a "bundled" electricity product; although the RECs are generated by a project that delivers energy to PGE's system and the customers are purchasing electricity from PGE's system, purchasers are not specifically receiving or being assigned the energy output from the project.

4. Oregon's PURPA policy has played a role in enabling this evolution of green power purchasing. The Commission should recognize the multi-faceted role that Oregon's PURPA implementation can play in diversifying energy supply and customer energy choices.

Staff reviewed and includes these comments for consideration and will monitor the messaging for the new offering.

Summary of ODOE comments:

1. ODOE commends PGE for its dedication to developing a solar-based, local product for its customers.
2. ODOE "is sensitive to the fact that if the product proposed by PGE in this advice filing is marketed as bundled, customers could have the impression that they are purchasing a virtual net-metering product."
3. The Solar Option gives customers the opportunity to purchase RECs in one kilowatt blocks. While this is wholly appropriate for this new portfolio option,
4. ODOE believes that a definition of "community solar" created by the Commission would be helpful to the company and to customers.

ODOE wants to ensure that customers understand that the ownership structure of this project varies from the above standard community solar definition and states in its letter to the PUC dated June 19, 2015: "A definition of 'community solar' was recently published in a report by the Solar Electric Powers Association (SEPA) entitled 'Expanding Solar Access' as 'a program through which individual members of a community have the opportunity to 'buy in' to a nearby solar installation. As part of the buy-in, customers typically receive a proportional share of the financial or energy output of the system.'" Following this definition, the report conveys, "While often included within the definition of community solar, SEPA considers bulk purchasing or green pricing programs to be separate and distinct offerings with different pricing, participation and program design characteristics."²

¹ODOE's letter from June 19, 2015, to PUC references the definition of Community Solar from Solar Electric Powers Association, Expanding Solar Access Through Utility-led Community Solar,

PGE disagrees with ODOE that the proposed project does not fit within the definition of community solar. PGE's comments offer numerous examples of community solar programs across the country and note that great variation exists. PGE asserts that this variation, in fact, shows that there is no standard definition of community solar. According to PGE, the project fits within the Solar Electric Power Association's definition of community solar discussed by ODOE:

The Solar Electric Power Association has developed a definition of community solar. As ODOE notes in their comments, SEPA's definition is "a program through which individual members of a community have the opportunity to 'buy in' to a nearby solar installation. As part of the buy-in, customers typically receive a proportionate share of the financial or energy output of the system."

PGE believes that the Renewable Solar Option is consistent with this definition. Customers enrolling in the program receive a proportionate share of the energy output of the Steel Bridge project as evidenced by the retirement, on the customer's behalf, an associated renewable energy credit. In addition, once the output of the system has been sold in capacity blocks, no more subscriptions will be available unless and until an additional solar project is identified and built to meet the demand. We will not allow enrollees to exceed the available capacity of the project.

This brings us to an important point: the exception is often the rule when it comes to community solar. The City of Portland, for example, recently offered its "Solar Forward" program, which offered a voluntary, donation-based program that the City described as "community solar," but whose participants received neither renewable energy credit nor energy from their investment. In fact, they received nothing, other than the knowledge that they helped to provide funding for the project.³

PGE also disagrees with RNW's and ODOE's assertions that the product is not bundled, stating:

1. "ORS 469A.005 (3) and (12) defines when renewable energy is bundled or unbundled for purposes of compliance with the Renewable Energy Standard. PGE believes that were we to use the energy from this project to comply with the renewable energy standard, it would qualify as bundled. We purchased the

<http://www.solarelectricpower.org/media/214996/community-solar-report-ver5.pdf>, September 2014.

³ PGE Comments re: Comments of Renewable Northwest and Oregon Department of Energy 2.

energy and the REC from the same project and have delivered the energy to our system.”⁴

2. “As both RNW and ODOE point out per the Green-e standards, if the product a customer receives is “directly sourced from a renewable generator,” it is bundled. The Renewable Solar Option is parallel. It uses a solar facility the production of which is fed directly into the distribution system of PGE and used to serve our customers. As the contract purchaser of the power and the REC, PGE essentially becomes the renewable generator. Thus, the product is bundled. PGE should not be prohibited from using the term bundled merely because there is another definition of the term used when null-power is combined with a REC.”⁵
3. “The Green-e FAQ ⁶ also notes that ‘Renewable energy can be sold to residential, commercial, and wholesale customers as RECs or renewable electricity (where the REC is bundled with the actual electricity), and can be purchased from REC marketers or electric service providers, through utility green pricing programs or a broker, or directly from a generator.’ There is no requirement, expressed in this statement that the energy is directly assigned to the customer.”⁷

Staff agrees with ODOE and RNW that caution with the messaging is important to clearly inform customers the product they are receiving, especially as community solar and other solar programs are emerging. Staff also acknowledges PGE’s experience in marketing and delivering messaging for earlier programs. Accordingly, Staff recommends that the Commission direct that messaging for this offering be reviewed before the initial marketing campaign and again at any point if major changes are to the approved messaging.

Finally, Staff notes the concerns regarding bundled and unbundled RECs and Staff plans to address these larger definitional issues outside of this specific tariff and in the broader context of voluntary renewable customer options for both residential and non-residential customers. For example, these issues have been raised in Docket No. UM 1690, regarding Voluntary Renewable Energy Tariffs (VRETs) for non-residential customers, and may be raised in Docket No. UM 1746, regarding community solar program design, starting in late July 2015.

⁴ PGE Comments re: Comments of Renewable Northwest and Oregon Department of Energy 5.

⁵ PGE Comments re: Comments of Renewable Northwest and Oregon Department of Energy 4.

⁶ The Green-e FAQs, http://www.green-e.org/learn_re_faq.shtml

⁷ PGE Comments re: Comments of Renewable Northwest and Oregon Department of Energy 4.

Staff recommends that the Commission approve the advice filing as presented with the additional requirement that Staff monitor and approve messaging and with the limitation that it only applies to the solar project identified in this advice filing.

PROPOSED COMMISSION MOTION:

PGE's Advice No. 15-10, be approved, effective August 3, 2015, with the following additional requirements:

1. General messaging about this option, to be included on educational and marketing materials to customers, will be reviewed and must be approved by Staff before being provided to customers.
2. This Tariff is limited to the Steel Bridge Project. Future projects would appear before the Commission on a case-by-case basis for review.