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Public Utility Commission of Oregon
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RE: UM 1930 Reply Comments to April 10, 2018 Staff Report establishing recommendations for the Interim Alternative Bill Credit Mechanism.

Portland General Electric (PGE) would like to thank OPUC Commission Staff (Staff) for outlining an extensive and well thought out analysis framework to help guide the Commissioners to a decision related to establishing an alternative interim bill credit rate until such time that the Resource Value of Solar (RVOS) rate has been established in UM1716.

Reiterating PGE's prior comments and recommendations on 4/2/18, PGE strongly recommends that the Commission start with the initial RVOS rate as the basis for the alternative bill credit. This not only eases the transition to the final RVOS rate but clearly identifies any subsidies and cost shifting that may be associated with an alternate rate.

PGE supports Staff's conclusions that combining the initial RVOS rate with the Market Transition Credit (MTC) is one of the best alternatives for establishing the interim bill credit. Using an MTC adder based on the estimated incentive required for project development, with clear milestones for step downs, appears to be the alternative most likely to achieve the Commission's objective of encouraging project development while minimizing cross-subsidization. As proposed, the MTC adder can be decreased when project milestones are achieved as well as increased if the established goals for CS projects being developed are not being met.

PGE agrees that any interim rate credit should comport with the guiding principles outlined by Staff - that the solution should be simple, accessible, minimize cost shift, locational and transitional.

- Simple: Keep the interim rate tied to RVOS. Each utility has already invested many hours in establishing well-documented RVOS rates. By keeping the interim base rate tied to RVOS, the Commission reinforces the idea that we are moving forward to RVOS and not reverting to residential retail rates that have no relation to value of solar generation.
- Accessible: Using the RVOS as a base rate, combined with an appropriate MTC, should result in active project development. Furthermore, the MTC can be designed to either

increase or decrease the interim bill credit based on developmental milestones established by the Commission. This gives the Commissioners additional control to either "grow or slow" the development of Community Solar projects.

- Minimize Cost Shifting: Using the initial RVOS and MTC will clearly identify any subsidy, which should help to minimize cost shifting.
- Locational: It is not clear how any of the three proposed alternative rates would encourage project development in targeted locations.
- Transitional: Using an interim RVOS rate with an MTC is an effective transitional solution as it references the RVOS rates from the start.

Staff identified PROS/CONS associated with the three recommendations that they are proposing to the Commission; the Simple Retail Rate, the Adjusted Retail Rate and the Adjusted RVOS rate. Reviewing the "Trade-Offs[1]" section of Staff's report, we note that only the "Adjusted Retail Rate" and the "Adjusted RVOS Rate" methods meet all of the five guiding principles outlined above.

We also note that, the Adjusted Retail Rate has additional consequences (CONS) associated with it that we would like to address:

- Adjustments made to the Retail Base Rate will require the establishment of deductions, classifications, a reverse auction process and the process to create a new rate if the initial rate is too low or high.
- The development of the items listed above will increase the administrative costs of the program.
- This method is expected to provide less certainty for Project Managers than the other two proposed rates (one of the main reasons given for establishing a temporary interim bill credit rate was to lower the uncertainty for Project Managers so they could obtain financing ahead of time).

Staff notes in their report that "it is challenging to consider a CSP bill credit rate in isolation of the rate participants will pay to subscribe or own a project." We agree. PGE recommends that the Commission require potential project developers to provide more details regarding development costs, and market research supporting the likely bill credit rate needed to incent customers interested in joining community solar projects. Comparisons to other states should not be the basis for establishing a bill credit rate, nor should we assume that customers will only participate in CS projects if it reduces their utility bill. *Oregon has the most successful voluntary green power programs in the country – over 200,000 customers currently pay a premium for renewable power.*

[1] UM 1930 Staff Recommendations/pg. 12

In closing, PGE would like to point out that other alternatives are still available to the Commission with regard to developing a viable Community Solar program in Oregon. For instance, the Commission could direct the utilities to issue RFPs for CS projects and offer customers innovative options for participation in those projects. This would have the effect of minimizing project development costs, eliminating the additional overhead associated with outside third party and low income administrators and reducing the expenses associated with project developers engaging in long-term programs.

Sincerely,

Robert Macfarlane

Robert Macfarlane
Interim Manager, Pricing & Tariffs

RM: tm