



Sunthurst Energy, LLC

Oregon Public Utility Commission

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July 30, 2021

RE: **Docket No. UM 1930 – UM 1930 Tier 2 Staff Recommendations**

Sunthurst Energy, LLC (Sunthurst) would like to thank staff and stakeholders with the opportunity to provide these comments to this program and a very pivotal juncture- the opening of Tier 2 Capacity. Our shared aim is to support a robust Community Solar Program as envisioned by the 2016 Legislature and called for by Participants previously unable to access solar.

Sunthurst is the only Project Manager that attended both UM1930 workshops, who also builds these systems. As such, our experience developing Community Solar and knowledge of market costs, financing, and subscriptions recruitment should give weight to the following input:

Page 3 of Staff's draft proposal states "Staff has relied on a combination of limited project data", and yet in developing Tier 2, the proposal, affirms "PA used the same model that was used during the initial design of the program in 2019 to establish the Tier 1 bill credit rate." PUC's financial assumptions built into the *pro forma* underpin this program, and unfortunately were deeply flawed for Tier 1, which partly explains why no projects without a waiver by this body have been certified to date.

UM1930 Tier 1 pricing was largely based upon industry data from national developers in other markets (Ref. Order 19-392, Appendix A, Pg 33 or 108). They were over-optimistic at inception, and have only become more unrealistic over time. Tier 1 *pro forma* assumptions that may be stale include:

ITC- The Federal Investment Tax Credit that is proved is 30%. The model uses 26%. A correct baseline *pro forma* should compensate bill credit for this delta.

Property Taxes- The *pro forma* imputes the In-lieu Tax rate of \$7,000 per MW/yr. This rate is completely optional for county assessors to accept, yet Tier1 *pro forma* assumes this rate. We now know (as I and OSSIA separately conveyed) this is wrong for at least 50% of the OCS projects. Staff should affirm where the in-lieu rate is be confirmed accepted, as it could be wrong for 100% of projects. *Many* counties are actually taxing OCS projects akin to baseload, carbon-emitting power plants and in one location said to be \$35-40k per year. This correction is imperative.

EPC Cost- The Tier 1 *pro forma* assumed a cost to build a system at \$1.05/w-dc which was unreasonable in 2019. Energy Trust of Oregon's own Oct 2019 Market Summary Report, that has an average commercial system costs of \$2.49w-dc and 3.01w-dc in PacifiCorp and PGE, respectively for Net Metered system. And, we know Net Metering is much lower than OCS systems in their pre-development and interconnection burdens too. Since Order 19-392 in 2019, the COVID epidemic abruptly impacted our national economy and this industry is entangled. In June, 2021, we noted dramatic cost hikes in the OCS Survey to the PA team. Likewise, OSSIA



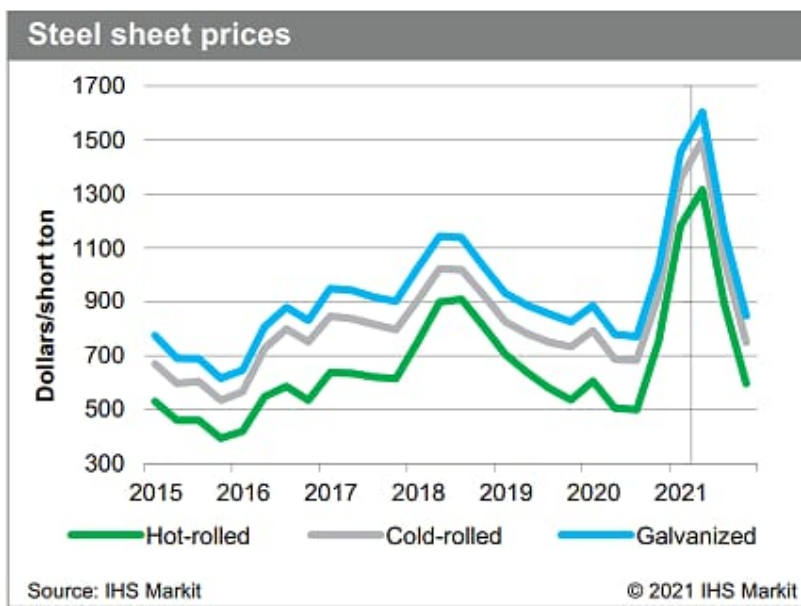
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underscored these same impacts in their June 18, 2021 filing. This information provided is easily verifiable by basic internet research. Yet, given the opportunity, this draft proposal merely states, on Pg 6, “Project Managers report that overall project costs have not decreased since program launch, are not forecasted to decrease in the near term, and that project finances for Tier 1 projects are tight.” This puts the facts too mildly. If there is genuine desire for program success, real honesty is crucial. Here’s some discernable data points

Since its adoption by Order 19-392, the invoked CapEx for solar has skyrocketed.

- 1) Steel is up 300%+! See (Figure 1). **This forecast is actually low.** A leading, domestic racking company confirmed today, Steel Short ton in in Aug 2019 was \$432. It is peaking in Aug 2021 at \$1,840! Repriced system today is 90% more than your Tier 1 model.

Fig. 1- (Source: <https://ihsmarkit.com/solutions/steel-forecast.html>)



- 2) Same is true for Copper and aluminum (wiring) is up 50% (figure 2).

Fig. 2- Bur. of Labor & Statistics (June 21)





3) Solar Panels are up 18-30%, See Figure 3.

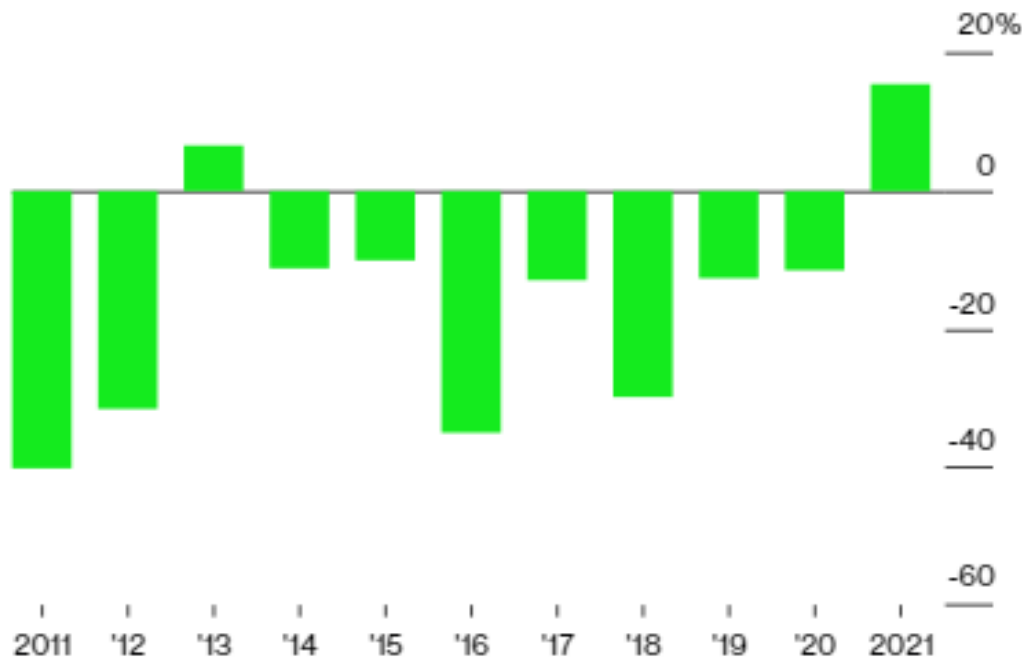
Fig 3. Solar Panels (Source: <https://www.bloomberg.com/news/articles/2021-05-23/solar-power-s-decade-of-falling-costs-is-thrown-into-reverse>)

Bloomberg Green

Solar module prices have risen 18% since the start of the year after falling by 90% over the previous decade. The reversal, fueled by a quadrupling in the cost of the key raw material polysilicon, threatens to delay projects and slow uptake of solar power just as several major governments are finally throwing their weight behind it in an effort to slow climate change.

Rising Costs

Solar panels are getting more expensive for the second time in a decade



Source: PVInsights



- 4) 90% of the Global Solar goods are Imported from outside the United States. Shipping container costs have increased 400%. See- <https://www.wsj.com/articles/container-ship-prices-skyrocket-as-rush-to-move-goods-picks-up-11625482800> We received quote on July 25th that a container of solar panels from Asia is \$23,600. In 2019, it was \$8,000.

Please challenge these number and offer your own data if this is in disagreement. Ultimately, Industry stakeholder can only give feedback. Staff and PUC are free to adopt whatever any Tier 1 *pro forma* assumptions you like. But that will not change real costs developers, including non-profits, pay contractors and suppliers.

Sadly, correcting Tier 1 pricing to actual costs is NOT enough for Tier 2. We have undeniably entered into a monetary inflation period. Inflation, which disproportionately hits low income people more, is at 1.6% in 2021 to date. It's predicted to be 2.0% in 2022 and to continue.

Lastly, we are rapidly receiving news COVID delta cases exponentially increasing with mask mandates returning. In the next 2-12 months we look to sadly be affected by another epidemic. If a publicly traded company ignored these same facts in a shareholders or federal regulated government filing, it might be considered malfeasance. This pause is very damaging to pre-certified projects seeking financing and program woes (for non-waivered projects that could buy and build when industry pushed for launch at the 30% ITC level), will worsen, in all likelihood. Substantial bill credit increases are required; halting further changes and using only incentive approach to achive desired residential participation will cripple this program. This Commission should also be ready to insulate projects from interconnection penalties and queue removal as other means to preserve them until conditions normalize.

At minimum, to current past and current *pro forma* assumptions, we ask that the PUC grant a retroactive adjustment deemed correct for Tier 2, for Tier 1 projects that pass two simple criteria: First, the project did not receive a previously requested "waiver or exception"¹; and second, the project has not opened its clearinghouse to subscribers. Past Project waivers granted by the Commission gave a clear advantage to waiver recipients, permitting them to develop projects with higher tax credits and much lower material costs. As well stated in, <https://edocs.puc.state.or.us/efdocs/HAC/um1930hac155830.pdf>, the long-term integrity of the program is at stake. Granting qualified Tier 1 projects Tier 2 bill a credit increase helps stalled Tier 1 projects by putting them on a level playing field with "helped" Tier 1 projects (those who previously received a waiver). While helped projects could sponsor a recent Tour day to promote the program, the vast majority of non-waivered projects are suffering and in desperate need of equitable relief.

We pray the Staff and Commission will see the circumstance openly and act boldly to meet the charge for a robust program envisioned by Oregonians.

Yours truly,

Dan Hale, Principal
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¹ UM 20-159 and um1930hau17124.