NW Energy Coalition
for a clean and affordable energy future

March 1, 2018

Oregon Public Utility Commission
Attn: Caroline Moore
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RE: UM 1930 Community Solar Alternative Bill Credit Rate

The NW Energy Coalition appreciates the hard work that Staff have put into the development of a community solar program through AR 603 and UM 1930. The Coalition is especially appreciative for the willingness from Staff to take feedback from and engage with stakeholders. The Coalition has advocated for the low-income elements of the community solar program since the inception of SB 1547, and we remain concerned with ensuring that program elements are well-designed to support obtaining or exceeding the 10% requirement for low-income participation.

Community solar is an opportunity to expand access to solar for communities and families who have been left out of — or been unable to participate in — the traditional rooftop market. They are unable to contribute to state and municipal renewable energy goals and the transition to a cleaner energy economy, and thus unable to take advantage of the economic benefits and bill savings aspects of solar. In order to ensure that community solar can help bridge these opportunities, the low-income program elements, including a sufficient bill credit rate must help to facilitate low-income participation .

The Coalition offers suggestions, in part in response to Staff's recommendations from February 26, 2017, that will make the case for an alternative bill credit rate (to the one that might be determined from the resource value of solar process) for the first capacity tier of community solar. Comments will briefly address the rationale and good cause for establishing an alternative bill credit rate, the resource value of solar process, and incentivization for subscribers experiencing lower incomes.

Rationale for an alternative bill credit

SB 1547 provides the following direction: the Oregon Public Utility Commission (The Commission) may "adopt a rate for an electric company to use in crediting an owner's or subscriber's electric bill other than" the resource value of solar (RVOS) if there is "good cause to adopt the different rate" (Section 22 6-b). In their comments, Staff defines "good cause" as indicated by the legislature and looks to SB 1547 subsections 22(1)(a) and (2(b) which outline that the Commission must consider: "incentiviz[ing] consumers to be owners and subscribers," "minimiz[ing] the shifting of costs," "protect[ing] owners and subscribers from undue financial hardship]" when "an electric company is the project manager," and "protect[ing] the public interest."[1]

Good Cause

Building off Staff's definition of good cause, we assume that a robust community solar program, and the community and energy benefits that come with it, are in the public interest, Additionally, there are some considerations for what it means to "incentivize consumers" to be "owners and subscribers" of community solar and to address the tension between doing so and "minimi[zing] the shifting of costs." This is of particular importance with regard to low-income ratepayers as they are the ones who are most likely to be hit hardest by any cost-shifting but also have the most to gain from sufficient incentivization of community solar. They are the potential ratepayers who are least likely to be able to afford a premium rate and in most need of cost-savings.

The initial Oregon utility filings for RVOS range from $0.002/kwh-$0.050/kwh and are not sufficient for a community solar program to succeed and attract both financing for projects and potential subscribers. Certainly, these rates will not provide sufficient benefit for subscribers with lower incomes. Staff point to the bill credit rate for Pacific Gas and Electric's community solar program in California as an example of a bill credit rate that is more

[1] Oregon Public Utility Commission (Feb, 26, 2018). Staff Report. (5)

comparable to the initial Oregon-filed RVOS rates.[2] California has seen fewer sign-ups than other states and no development of third-party projects, however, due to the low credit rate and high program costs for both developers and subscribers.[3] Staff's own analysis highlights the difference in program size between Minnesota, which began its program with a bill credit based on retail rates: 271MW of community solar versus only 22MW in California.[4]

In their comments, Staff looked to voluntary green power program rates as justification that Oregon customers are willing to pay a premium for renewable resources. This is a false equivalency for community solar. The willingness of a small subset of ratepayers who can afford to add a small monthly charge for an undetermined period of time cannot be extrapolated to a program with a ten-year subscription requirement that seeks to include subscribers at a variety of income levels. Without data about the incomes of the participants of voluntary green power programs, it is unwise to assume that they represent a broad socioeconomic spectrum; this group is unlikely to include a significant portion of ratepayers with lower incomes. The comparison between voluntary green power programs and community solar is problematic from the perspective of low-income program elements precisely because it comes at a premium.

Southern California Edison (SCE) required a $0.038/kwh premium for residential community solar subscribers in 2017, and Vote Solar calculated that it would add an additional 35% to bills for ratepayers experiencing lower incomes.[5] For families struggling to decide which bills they can afford to pay, this is not feasible. Ratepayers experiencing lower incomes may have the desire to participate but cannot afford to do so. The same may be true if community solar were to come at a premium. GRID Alternatives notes that for customers experiencing lower incomes, "participation in a viable solar project requires no upfront payment and near

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[2] *Id*. (18)
[3] B. Orion (Apr. 18, 2017). "A Roguh Start, Possible Reforms for California's Community Solar Program." < https://www.greentechmedia.com/articles/read/a-rough-start-possible-reforms-for-californias-community-solar-program >
[4] Staff Report. (18)
[5] < https://votesolar.org/usa/california/updates/ca-needs-workable-li-solar-option/ >

term significant economic savings."[6] Staff suggest that incentivization for owners and subscribers need not be financial,[7] but for communities experiencing lower incomes a financially beneficial program is imperative.

With regard to concerns about cost-shifting, good cause suggests that it must be minimized but not eliminated altogether. Further analysis must be completed as to whether the use of volumetric retail rates to determine the community solar bill credit value or some other methodology, separate the RVOS, would lead to significant rate impacts. The Coalition is concerned about the potential rate impacts of any methodology, but is unsatisfied with the back-of-the-envelope calculation made by Staff to determine the long-term, estimated ratepayer-costs of community solar over a 20-year-period.[8] These calculations assume that the difference between using the RVOS as a basis for the bill credit value versus a volumetric retail rate is $338 million over the full period for PGE alone. This number does not help to estimate the rate impacts to specific customer classes nor what potential additional rate changes could be absorbed and at what cost. While $338 million is not an insignificant number, it may well be part of the cost of "incentivizing owners and subscribers" to participate in a successful community solar program and the long-term rate impacts may be spread out sufficiently to keep cost-shifting at a minimum.

RVOS and Timing

At present there are many unknowns in the RVOS process: what the final rates may be, the methodology for translating those rates to a community solar bill credit, and how that timing may interact with the ramp down and expiration of the federal Investment Tax Credit (ITC), as well as other time sensitive financing concerns for projects. The Coalition is not an expert on project development and cannot speak to these specific concerns, but feels that there are enough unknowns to encourage the adoption of at least a temporary alternative bill credit rate

[6] < https://www2.illinois.gov/sites/ipa/Documents/2018ProcurementPlan/2018-LTRenewable-GRID-Alternatives-Comments.pdf >
[7] Staff Report. (20)
[8] *Id*.

methodology that could help ensure that potential community solar projects can achieve maximum financeability.

Staff have noted that the adoption of an alternative bill credit rate could take more time than RVOS[9], and as such, fail to help projects to take advantage of the ITC or other time-sensitive financing opportunities. This does not have to be the case. We encourage the Commission to begin work on an alternative bill credit rate as soon as possible, looking to the methodologies of other states as successful models that could be adapted to the Oregon market. In their report, Staff have already included an excellent analysis of other state bill credit rates and this represents a strong starting place.

Other states also provide examples that suggest the need for an alternative bill credit rate for the first program capacity tier. Colorado and Minnesota both used retail rates to launch their programs and represent the most successful community solar models to date. Even the bill credit rate based on Minnesota's Value of Solar (VOS) is more comparable to current volumetric retail rates in Oregon, and New York has a Market Transition Credit (MTC) which brings the Value of Distributed Energy Resources for community solar projects to the level of the retail rate. Moreover, as previously mentioned, California's program has struggled and demonstrates rates closer to the initial Oregon filings for RVOS.

In their comments, the Bonneville Environmental Foundation (BEF) makes a compelling case that the RVOS methodology is developed through the lens of utility value, whereas a sufficient bill credit rate for a robust community solar program must be viewed through the lens of customer value.[10] This is of particular importance in interpreting the low-income program requirements and requires an additional lens of social and community value. Volumetric retail rates represent customer value through net-metering programs, and ensure maximum bill-savings. Staff have raised the concern that net-metering represents a cost shift that unduly impacts ratepayers. If it is so, it is because a relatively small number of ratepayers can both afford to take advantage of the program and have the adequate conditions under

[9] *Id. (9)*
[10] "RE: UM 1930 Community Solar Implementation, Alternative Bill Credit Comments." (1)

which to do so. Community solar represents an opportunity to extend those benefits to communities who have born the cost of net-metering, and it is essential that bill credit rates for the more accessible and equitable program provide similar benefit. It is not clear whether there is indeed a significant cost shift due to net-metering in Oregon,[11] but if there is, it is not undone by determining a bill credit rate for community solar that provides the program at a premium and ensures that only those who can afford it can participate.

Incentives for Subscribers Experiencing Lower-Incomes

The base bill credit rate need not provide full benefit for subscribers experiencing lower incomes, but it must serve as a sufficient starting point from which to build on adders, or the subsidization of or rate-recovery for low-income subscriptions. In developing the program implementation manual, there must be clear principles that lay out net benefits for subscribers experiencing lower incomes. This should include a minimum threshold for anticipated savings for those families such that energy burden[12] is meaningfully reduced. In Oregon, the average household benefit for energy assistance in 2016 was $533[13] and for households below 200% of the federal poverty level, the average dollar amount by which actual home energy bills exceed affordable home energy bills was $536.[14] The average energy burden (the percentage of income used to pay energy bills) for homes at 50% of the federal poverty line was 23%.[15] If community solar is to be truly accessible and to provide benefit to communities, it must address these disparities. The District of Columbia Solar for All Program: D.C. Act A21-0466, Renewable Portfolio Standard Expansion Amendment Act of 2016requires at least 50% savings compared to standard utility rates for households with lower-incomes.[16] Colorado utility

[11] Staff report. (12). The report cited does not provide a detailed analysis of cost-shifting, but rather posits a cost/benefit flow chart.

[12] The percentage of a household's income that goes toward energy costs

[13] OHCS (June, 2017). "Energy Assistance Quarterly Snapshot [July-June 2017]."
< http://www.oregon.gov/ohcs/ISD/RA/energy/EA-Annual-%20Snapshot-July-1-June-30-2017-Draft.pdf >

[14] Fisher, Sheehan & Colton (April, 2017). "The Home Energy Affordability Gap 2016 (2nd Series):.

[15] *Id*. See also County data: Fisher, Sheehan & Colton (April, 2017). "Oregon 2016 Home Energy Affordability Gap."

[16] Section 216(a): "There is established the Solar for All Program ("Program") to increase the access of seniors, small local businesses, nonprofits, and low-income households in the District to the benefits of solar power. The Program shall reduce by at least 50% the electric bills of at least 100,000 of the District's low-income households with high energy burdens by December 31, 2032."

community solar programs provided a 39-80% effective reduction in rates and provided $130-$590 in utility savings.[17] Both the District of Columbia and Colorado programs represent best practices for bill savings.

In addition to developing an immediate methodology for an alternative bill credit rate for the first program tier of community solar, Staff and stakeholders must work together in order to analyze the potential rate impacts of subsidizing subscriptions for ratepayers with lower incomes and to determine whether it is feasible, advisable and within the authority of the Commission to recover these costs through rates. There is already some precedent for rate recovery for low-income programs in the funding of the Oregon Energy Assistance Program (OEAP) and Energy Conservation Helping Oregonians (ECHO). There may be additional options that could be explored as well, including voluntary ratepayer subsidy programs that function like voluntary green power programs, or adders/low-income specific incentives. Illinois

Conclusion

Staff have a difficult job ahead in determining the bill credit value for Oregon's the first capacity tier of the Oregon community solar program and they have already put in a tremendous amount of work into their analysis. The Coalition sees a workable and timely path forward, one that both provides general program benefit and specific, targeted benefit to ensure or surpass the 10% low-income program requirement, and stands ready to provide input and support to ensure that community solar can move ahead after four long years of work and thrive once the first projects begin development. We are grateful for the opportunity to provide comments on this work and grateful to continue to forage a path forward.

Sincerely,

Oriana Magnera, Outreach and Policy Advocate, NW Energy Coalition

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[17] Colorado Energy Office (Decmber, 2018). "Insights from the Colorado Energy Office Low-Income Community Solar Demonstration Project." (35)