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VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

RE: UM 1930 – Community Solar Program – PacifiCorp Comments on Staff Proposal to Release Tier 2 Capacity

PacifiCorp d/b/a Pacific Power (PacifiCorp) submits these comments to the Public Utility Commission of Oregon (Commission) to address the policy recommendations regarding the release of a second tier (Tier 2) of Community Solar Program (CSP) capacity, published by Commission Staff in Docket No. UM 1930 on July 16, 2021 (Staff Proposal).

I. Introduction

In these comments, PacifiCorp first urges the Commission to take a step back and consider the original goals of the legislature in enabling the CSP and the context in which Staff offers its current proposal to expand the program. Second, PacifiCorp expresses its specific opposition to Staff's recommendation to enrich the CSP bill credit rate further at the expense of non-participating customers.

II. PacifiCorp urges the Commission to consider the CSP in context.

At the time of its passage in 2016, proponents of SB 1547[1] described the legislation as "[moving] Oregon toward a healthier future with clean energy" in a manner that "strikes a good balance between phasing in clean energy sources for all of Oregon's electricity supply while taking into account the needs of utilities and rate-payers."[2] Five years later, in 2021, the legislature passed HB 2021, adopting clean energy targets for the electric utilities of 80% below baseline greenhouse gas emissions by 2030, 90% below baseline emissions by 2035, and 100% below baseline emissions by 2040.[3]

PacifiCorp urges the Commission to consider the fact that any decision that it makes related to the bill credit rate in 2021 will continue to impact its customers in 2030, the date on which PacifiCorp will have reduced its greenhouse gas emissions by 80% below baseline, and in 2040,

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[1] SB 1547 was the legislation that enabled the CSP, the relevant portion of which is codified at ORS 757.386.
[2] Senate votes to Oregon toward clean energy," Senate Majority Office News Release, March 2, 2016, available at: https://www.oregonlegislature.gov/senatedemocrats/Documents/SB%201547%20Senate%20votes%20to%20move%20Oregon%20toward%20clean%20energy.pdf, quoting Senator Lee Beyer.
[3] HB 2021 was signed into law by Governor Brown on July 19, 2021.

the date on which PacifiCorp will have reduced its greenhouse gas emissions by 100% below baseline. Under the current structure of the CSP and Staff's recommendations, PacifiCorp's customers will be paying 3-4 times the market rate for solar energy for the 20-year term of any power purchase agreements it signs, beyond the date on which these projects will provide any emissions reduction benefits.

PacifiCorp would also urge the Commission to reflect on the emphasis that the legislature placed on balancing the goal of standing up a successful program with that of minimizing impacts to non-participating customers. To that end, the legislature directed the Commission to strike a balance between two competing objectives in establishing the CSP:

A) Incentivize consumers of electricity to be owners and subscribers in the Program; and
B) Minimize the shifting of costs from the program to ratepayers who do not own or subscribe to a community solar project.[4]

The legislature further directed that "an electric company shall credit [a participant's] electric bill for the amount of electricity generated by a community solar project for the [participant] in a manner that reflects the resource value of solar energy," unless the Commission determines that good cause exists to adopt a different bill credit rate. The Commission made that "good cause" determination on March 19, 2018 in Order 18-088, but noted:

> We expect that any alternative bill credit rate we approve in this docket will be temporary. Our intention is to transition to a permanent, RVOS-based bill credit rate methodology as soon as practicable.[5]

In adopting the residential retail-based bill credit rate in Order 18-177, the Commission clarified:

> The Simple Retail rate proposal will result in bill credits that are higher than the utility's published and approved avoided costs. Though we recognize that the values reflected in avoided cost pricing are not the same as those we would seek to incorporate in RVOS values, the fact that the Simple Retail rate proposal will result in bill credits significantly higher than published and approved avoided costs indicates to us that the use of this interim rate should be limited, until such time as we have more information with which to judge its reasonableness.
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> Accordingly, we limit its applicability to 25 percent of the initial capacity tier instead of Staff's 50 percent proposal, or the proposal of some stakeholders to apply it to the full first tier of capacity. Our objective is to balance the need to provide a rate that will result in projects being developed while doing so with the lowest possible shifting of costs to non-participants…[6]

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[4] ORS 757.386(2)(b)(A) and (B).
[5] Docket No. UM 1930, Order No. 18-088 (March 19, 2018) at 4.
[6] Docket No. UM 1930, Order No. 18-177 (May 23, 2018) at 3.

Since that time, the Commission has expanded the applicability of the residential retail-based bill credit rate to 50% of the program capacity (Tier 1).[7]

PacifiCorp believes that the balance between the legislature's competing objectives has been lost.[8] The CSP was designed to be an "opportunity to share the costs and benefits associated with the generation of electricity by the solar photovoltaic energy systems."[9] If the resource value of solar was the benchmark against which impacts to non-participating customers may be measured, then Staff's recommendation to release the Tier 2 CSP capacity at a residential retail-based bill credit rate plus 2% annual escalator has swung dramatically in favor of the objective of the incentivizing CSP participation.

PacifiCorp recommends that the Commission take this opportunity to step back and reevaluate its goals for the CSP and how it will measure success considering the current context in which these decisions are being made.

III. PacifiCorp opposes Staff's recommendation that the Commission adopt a 2% escalator.

PacifiCorp opposes Staff's recommendation to add a 2% annual escalator to the bill credit rate for all Tier 2 projects in the CSP, because the cost to PacifiCorp's customers significantly outweighs the identified benefits, and the objectives listed in support of the proposed escalator can be accomplished through other means.

1) The costs of an escalator outweigh any identified benefits.

By Staff's own calculation, a 2% escalator—in conjunction with the other Staff recommendations—would increase the costs borne by non-participating customers by 19% over the life of the program, to $168.5M.[10] That cost increase would come in the form of elevated energy costs; a 2% escalator added to the 2021 bill credit rate would cause PacifiCorp customers to pay $142.33/MWh for energy in Year 20 of a CSP power purchase agreement, or $118.69/MWh levelized across the term of the power purchase agreement. To put those numbers in perspective, the average solar power purchase agreement signed in US in the first quarter of 2021 cost $31.36/MWh.[11]

Contrast those elevated costs with the project benefits identified in the Staff Proposal of "a slight improvement to the project IRR (less than one percentage point) compared to the IRR for Tier 1 projects, [which] allows for additional costs associated with these program changes that are not

[7] Docket No. UM 1930, Order No. 19-392 (November 8, 2019).
[8] Notably, the Staff Proposal contains no mention of the resource value of solar.
[9] ORS 757.386(1)(a).
[10] Staff Proposal at 9.
[11] Emma Penrod, "LevelTen: Renewable PPA prices maintain upward trend as permitting, interconnection bottlenecks delay new projects", *Utility Dive*, April 21, 2021, available at: https://www.utilitydive.com/news/levelten-renewable-ppa-prices-maintain-upward-trend-as-permitting-interco/598686/.

included in the model, and are not experienced in Tier 1."[12] This projected "slight improvement" is speculative in the absence of a meaningful sample of CSP projects developed to the point of operation.

While the benefits of the proposed escalator appear relatively modest and speculative, the costs to non-participating customers are not. In Order 19-392, the Commission declined to adopt an escalator in Tier 1 of the Program.[13] The same reasoning should be applied for Tier 2.

2) An escalator is not necessary to accomplish Staff's stated objectives.

The Staff Proposal cites three reasons in support of the proposed 2% escalator:

1) ensure that projects are financially viable by offsetting the higher costs and lower revenues that Project Managers will experience as a result of the Tier 2 requirements,
2) bolster residential customer recruitment, and
3) provide more support for carveout capacity projects.[14]

PacifiCorp addresses these three objectives in turn.

First, PacifiCorp does not believe that there is sufficient information to conclude that projects will not be financially viable without additional incentives. As of July 28, 2021, no CSP projects are yet operating in PacifiCorp's service territory, but PacifiCorp's CSP interconnection queue reflects over 69 MW worth of proposed projects—an amount in excess of the capacity available in PacifiCorp's service territory under Tier 1 and proposed Tier 2 combined. Given that these prospective project managers decided to invest in developing their CSP projects to the point of applying for interconnection *before* Staff's recommendation that the Commission adopt a 2% escalator, PacifiCorp challenges the implication that the CSP will not attract sufficient projects to be successful without increased incentives.

Second, PacifiCorp disputes that residential recruitment is suffering because the bill credit rate is not high enough. Residential recruitment challenges that project managers are reporting to date could be appropriately attributed to the long lead time between recruitment and the projected commercial operation of the project, the relative ease of enrolling a single non-residential customer, limited advertisement of the CSP, and the challenges related to recruitment in the COVD-19 environment. None of these challenges recommend the escalation of the bill credit rate as a potential resolution. Rather, adoption of Staff's proposal of a 10% reduction to the non-residential bill credit rate will encourage project managers to focus on residential customer recruitment.

Third, PacifiCorp does not believe that support for carve-out capacity projects requires the adoption of a 2% escalator. PacifiCorp points out that there are resources available to support carve-out eligible project development, including the Energy Trust of Oregon's project development assistance and small-scale community solar installation incentives,[15] the Portland

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[12] Staff Proposal at 9.
[13] Order 19-392 at 3.
[14] Staff Proposal at 7.
[15] "Community Solar," Energy Trust of Oregon, accessed July 29, 2021, https://energytrust.org/community-solar/.

Clean Energy Fund,[16] and the recently adopted community renewable grant program established in HB 2021,[17] among others. PacifiCorp also opposes enriching the bill credit rate for the whole program to reflect the perceived value provided by projects representing 25% of the program capacity. To the extent the Commission believes that the promotion of small and public- or nonprofit-owned projects are an important policy goal of the CSP, PacifiCorp encourages the Commission to identify an alternative means of distinguishing those projects.

Accordingly, PacifiCorp believes that it is inappropriate to compel non-participating customers to pay an additional $26.4M on top of the already-elevated rates for energy delivered by CSP projects to achieve objectives that may be met through alternative means.

IV. Conclusion

PacifiCorp urges the Commission to consider the context in which it is deciding these issues and ensure that its decisions on these matters appropriately weigh its obligation to minimize the shifting of costs to non-participating customers.

Sincerely,

Shelley McCoy

Shelley McCoy
Director, Regulation

[16] "Portland Clean Energy Community Benefits Fund," Portland Bureau of Planning and Sustainability, accessed July 29, 2021, https://www.portland.gov/bps/cleanenergy.
[17] HB 2021, Section 30.