ORDER NO. 18 088

ENTERED MAR 19 2018

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Community Solar Program Implementation.	ORDER

DISPOSITION: STAFF TO PROPOSE INTERIM ALTERNATIVE BILL CREDIT RATE FOR COMMUNITY SOLAR

In this order, we memorialize our decision, made and effective at the March 5, 2018 Special Public Meeting to find good cause to evaluate options for an interim alternative bill rate credit for the Oregon Community Solar program, and to direct Staff to develop alternative bill credit rate proposals for our consideration no later than April 10, 2018.

I. BACKGROUND

In a January 24, 2018 Staff Report, Staff summarized the implementation efforts for the development of Oregon's Community Solar program to date. The report discussed issues related to the application of and finalization of the resource value of solar (RVOS) for Oregon's utilities to our Community Solar program. Staff proposed to issue another report to subsequently evaluate if RVOS rates could be set by July 1, 2018, and to determine if the RVOS bill credit rate would be likely to achieve Community Solar program participation and viability.

We decided at our January 30, 2018 Public Meeting to accelerate consideration of an alternative bill credit rate, and directed Staff to report on bill credit rate issues and RVOS application in this docket in preparation for a Commission workshop, which was scheduled for and held on March 5, 2018.

II. COMMISSION WORKSHOP

At the March 5, 2018 workshop, we heard comments from stakeholders and discussed the development of an alternative bill credit rate for Oregon's Community solar program. We asked Stakeholders to provide comments on two questions:

(1) What rationale and evidence supports your position that an alternate bill credit rate is or is not warranted?

(2) If an alternative bill credit rate is needed, how should the Commission establish that rate?

We received written and oral comments from stakeholders on these questions, and subsequently deliberated.

III. DISCUSSION

We find that there is "good cause" for the development of an interim alternative bill credit rate for Oregon's community solar program. We agree with Staff's analysis, set forth in its February 26, 2018 report, that Senate Bill (SB 1547) Section 22(6)(b) authorizes the Commission to adopt a bill credit rate other than one that reflects the RVOS based on "good cause" and that the phrase "good cause" is a delegative term that requires us to complete a value judgement as to what the legislature itself has intended.[1]

We further find that this good cause determination is founded on timing and value challenges associated with basing the bill credit rate on the RVOS. We conclude that the legislature intended that we develop a Community Solar program in a timely manner, and that the program result in subscription options being made available to customers. We find that these clear legislative objectives may be jeopardized if we do not act in the near term to consider potential options for an interim alternative bill credit rate.

A. Timing

We find that basing the bill credit on the RVOS presents two timing issues. First, as noted by many participants, the development of final RVOS values is not likely to be completed until September 2018, assuming there are no further scheduling delays. In order to facilitate a potential Community Solar program launch in 2018, stakeholders have consistently expressed to us it is important to have bill credit rates established and known as early in the year as possible; ideally, the rates would be established no later than the end of April 2018.

Second, pushing the launch of the Community Solar program out to accommodate the timeline and processes of the RVOS proceeding risks jeopardizing federal tax credit

[1]Staff Report at 5 (Feb 26, 2018).

value associated with the investment tax credit (ITC). These credits will start to step down if projects are not in a construction phase by the end of 2019.[2]

We find that the adoption of an interim alternative bill credit rate will serve to help effectuate a timely launch of Oregon's Community Solar program in 2018. Because further delay in Community Solar programing launch would risk pushing a potential program launch into early 2019 or later, we find there is good cause to consider an interim alternative bill credit rate.

B. Value

We find that it is essential to begin the Community Solar program with a bill credit rate in place that is likely to result in subscriptions being offered to customers while designed to achieve this result at the lowest cost possible to non-participating ratepayers. Stakeholders have generally indicated that the current proposed utility RVOS rates are unlikely to result in any Community Solar subscriptions being made available to the public. While Oregon's Community Solar legislation gives the Commission authority to suspend the Community Solar program for good cause once in place, in order to be faithful to the clear purpose of SB 1547's Community Solar provisions, we must attempt to put in place a program that we consider likely to be effective in providing some opportunity for customers to subscribe to Community Solar projects. Because at this stage, use of the RVOS rates filed in initial testimony by the utilities as a bill credit rate is widely considered unlikely to result in subscription offers being made available to customers, we find that there is good cause based on the current state of RVOS values to develop a record that may lead to adoption of an interim alternative bill credit rate.

C. Process and Considerations for the Development of Interim Alternative Bill Credit Rate Proposals

We find that our intention to consider alternative bill credit rates should not change the nature of this proceeding, due to the timing issues discussed above. Were we to designate this proceeding as a contested case, we would likely draw out the process of developing an alternative bill credit rate, which would effectively defeat part of the purpose of its consideration, which is the need to move forward quickly. Additionally, we note that it is our intention that the long-term bill credit for the Community Solar program shall be RVOS based, and that the RVOS development process continues as a primarily data-driven contested proceeding.

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[2] Order No. 18-042, Appendix A at 29 (Feb 2, 2018). We recognize that timing challenges exist with respect to other elements of the program, as well.

We direct Staff to provide us no less than three alternative bill credit proposals, with various options, through a report filed in this docket no later than April 10, 2018. We request that Staff take the following factors into account in the development of options for us to consider:

1. Transition to an RVOS Based Rate

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.

2. Ensuring That Subscriptions are Made Available in the Program and Minimize Cost Shifting

We consider that our responsibility is to strive to stand up a functioning Community Solar program, which results in active project development and the availability of subscriptions for customers. Though we find it essential that an alternative bill credit proposal be designed in such a manner that it is likely to lead to subscriptions and options for customers, this objective should be achieved at the lowest cost possible to non-participants in order that cost shifting is minimized.

3. Rate Design Based on Project Type

We find that projects that are located nearer to significant load, and projects that are located on distribution feeders, are more likely to provide greater system benefits than projects more distant from load, requiring more costly transmission and distribution upgrades, line losses, and other associated costs. Accordingly, to the extent that an alternative bill credit rate proposal distinguishes among project sizes and locations, it should strive to take into account that the rate may be scaled to provide higher levels of financial support to projects at the distribution level, and lower levels to projects farther from load that provide fewer system benefits.

4. Review of Other Jurisdictions

As outlined in Staff's reports and the comments of stakeholders, other jurisdictions have grappled with the development of Community Solar credit rates. Though Staff should not feel bound by the precedent of other jurisdictions in the development of its options, Staff may wish highlight or base proposals on the rates set by other states. Where data or an example is available to support a proposal, that data or example should be provided.

To assist and help guide Staff's efforts, we offer some general observations about past Commission actions and general proposals, but do not require that Staff specifically adopt them in their recommendations:

- Reverse auction incentive structures could serve as a potential option to facilitate development at low cost using competitive forces.

- An across the board bill credit rate that would facilitate the development of all types of projects may not be appropriate. A lucrative across the board rate could serve to provide unnecessary windfalls to larger, utility scale projects with lower capital and fixed costs, in a misguided effort to ensure that more expensive, more distributed projects are successfully developed. We affirm our intent to adopt a bill credit rate that helps ensure development, but does not provide excess incentives to ensure that development.

- Inherent tension exists in developing a program that encourages development and investment in Community Solar in a manner that creates fairness and equity for customers that do not have access to available net-metering solar opportunities or are low-income, with that of advancing fairness and equity by limiting cost-shifting to non-participants.

- The interim alternative bill credit represents an imperfect temporary solution, and it may be rough and less sophisticated than the permanent bill credit rate methodology due to the fact that we have identified delay as an outcome we wish to avoid. Although we would find a retail rate based solution unsatisfactory for the long term, an interim rate based on the retail rate modified in a manner that could take into account our desire not to over-incent projects with significant economies of scale would be something worthy of consideration, given the simplicity of such a solution and the short time in which we have to adopt an alternative rate.

IV. CONCLUSION

We find that there is good cause to consider the adoption of an interim alternative bill credit rate for Oregon's Community Solar program developed by Staff. We ask Staff and stakeholders to weigh the pros and cons, costs and benefits, and trade-offs of the various approaches in an informational manner. Because of the truncated nature of this decision making process, we request candor and clear, reliable information which can form the basis of our decision.

Finally, we note that the interim alternative bill credit approach we may adopt for Oregon's Community Solar program could produce an effect on non-participants, and that the effect of this program and many other programs that impose costs beyond their system benefit is ultimately cumulative. We ask stakeholders to keep this in mind as they comment on the proposals outlined by Staff, and we ask stakeholders to address in their comments how any proposed alternatives they may wish to advance achieve our four priorities outlined above.

We intend to consider interim alternative bill credit proposals at the April 24, 2018 public meeting.

IV. ORDER

IT IS ORDERED that:

1. Staff develop and present to us no later than April 10, 2018 no less than two alternative bill credit rate proposals consistent with the guidance provided in this order.

2. Interested Stakeholders provide comments on those alternatives in this docket no later than April 17, 2018.

Made, entered, and effective MAR 19 2018

Lisa D. Hardie
Chair

Stephen M. Bloom
Commissioner

Megan W. Decker
Commissioner

PUBLIC UTILITY COMMISSION OF OREGON

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.