

## **Informational Hearing on Community Solar – Briefing Memo June 11, 2019**

### **What is the objective and justification for this hearing?**

The objective of this hearing is to provide legislators with an overview of Oregon's first state-wide community solar program, and its associated implementation. The enabling legislation was passed three years ago and we're now on the cusp of addressing critical issues that could alter the fate of the program. The legislature deserves an update on the status of the program, and to be made aware of the hopes, challenges, and opportunities before us. The panelists for this hearing represent a handful of key stakeholders invested in the program's design and outcome. The sharing of different perspectives will not only educate the legislature, but also help inform and facilitate constructive stakeholder engagement going forward.

### **What is community solar, and why do we want it?**

Community solar allows individuals and businesses to subscribe to or own a portion of a solar system located anywhere in their service territory, and in turn receive credits on their bill associated with their share of generation. Successful programs in other markets have demonstrated the advantages of community solar, including: expanding access to clean energy programs for all types of customers (regardless of property ownership status or income level); leveraging economies of scale to reduce project costs and increase performance; and, supporting economic development and revenue streams across numerous sectors ranging from construction and customer engagement jobs to public tax revenue.

### **How did Oregon's program get established and where is it now?**

Community solar, as an established policy and program, has been under development for over four years in Oregon (\*see timeline on reverse side of this page). In the course of that time, there have been two legislative bills passed and several regulatory processes. We are now on the cusp of addressing the remaining details of the program and hopefully enabling a late 2019 launch. The anticipation and hope for a successful program has drawn a wide range of stakeholders, from clean energy and community organizations to consumer and low-income advocates. The enabling legislation and regulations provide promise that the diverse interests and benefits can be met, however, there are program elements and market barriers which threaten to undermine the prospect for a successful program. We're at a pinnacle moment of the implementation process to alter the direction and outcome of the program in a significant and positive manner.

### **What are notable challenges threatening the success of the program?**

There is a "perfect storm" of issues in Oregon, ranging from potential program design flaws to more external market barriers. For the program, high uncertainty and risk in project economics coupled with potentially limited participation opportunities (due to minimized capacity allocation) thwarts market confidence and investment. Compounding those issues are updated land-use rules which widely prevent development of new projects in PGE territory and also impact Pacific Power territory. Further, capacity constraints in Pacific Power's territory have essentially halted any new projects from moving forward in their interconnection queue.

### **What are the solutions and/or opportunities to address these issues?**

The PUC and PUC Staff have indicated an acknowledgement of the challenges mentioned above, and a willingness and initial effort to pursue investigations – with stakeholder engagement – into addressing these issues over the summer. A partial solution that's been floated by industry and some advocates is to release more program capacity at a known and workable rate, to reduce the risk and uncertainty of investing in the market and spread out program administrative costs. That said, additional solutions are needed to ensure a successful program across utility territories.

## Community Solar in Oregon Timeline & Key Events To-Date (June 11, 2019)

### 2015

- **June:** HB 2941 signed into law by Governor
  - PUC must produce community solar program design recommendations
- **October:** PUC submits recommendation to legislature

### 2016

- **April:** SB 1547 signed into law by Governor
  - PUC must establish regulations by July 1, 2017
  - Credit rate “reflects” RVOS unless “good cause” to use something different
  - Rules must “incentivize consumers of electricity to be owners or subscribers”
  - Rules must minimize shifting of costs from program to ratepayers
  - Requires 10% of program to serve low-income customers

### 2017

- **June:** Regulations established under ORS Chapter 860, Division 088
  - “Initial capacity tier” is 2.5% of each utility’s peak load (~160 MW aggregate)
  - Projects limited to 3 MW in size
  - 50% of project capacity reserved for residential/small commercial customers
  - Program will be facilitated by a “Program Administrator” (PA)
  - “Program Implementation Manual” to be developed to clarify rules
- **Oct.-Dec.:** Stakeholder-driven Subgroups produce recommendations/considerations
  - Concern flagged on incompatibility of timing and value of the RVOS process

### 2018

- **January:** Stakeholders speak at PUC Public Meeting to flag RVOS concerns
- **March:** PUC establishes “good cause” for alternative credit rate (Order 18-088)
  - “good cause determination is founded on timing and value challenges” re: RVOS
    - “legislature intended” program be developed in a “timely manner”
    - “help effectuate a timely launch ... in 2018”
    - “proposed utility RVOS rates are unlikely to result in ... subscriptions”
    - “essential” to launch program with rate “that is likely to result in subscriptions” at the “lowest cost possible”
- **April:** PUC adopts “alternative” credit rate (Order 18-177)
  - “Volumetric residential retail rate” established for initial capacity allocation
  - 25% of initial capacity tier (~40 MW aggregate)
    - 25% of that set aside for projects up to 360 kW in size
- **April:** Department of Administrative Services (DAS) issues RFP for PA
- **July-Dec.:** Subgroups resume work to produce PIM recommendations/considerations
- **August:** Program Administrator team selected (Energy Solutions (prime), ETO (sub), and Community Energy Project (sub). Enters “contracting” period with DAS

### 2019

- **January:** PUC adopts RVOS methodologies for utilities (Phase 2 completed)
- **February:** Solar industry and advocates raise concern with PUC regarding ongoing delays, and the risk, uncertainty, and development challenges in the market
- **March:**
  - RVOS calculations filed (similar to 2017 draft calcs., ~5¢/kWh)
  - Program Administrator makes public debut at PUC meeting
    - Lays out very high-level draft timeline for launch to occur by Nov. '19
- **Apr.-Oct.:** Timeframe for addressing design/policy details and stakeholder engagement
- **Nov./Dec.:** *Program launch?*