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The Community Renewable Energy Association's Testimony in Support of HB 3055A
Senate Energy and Environment Committee
April 27, 2023

Chair Sollman, Vice-Chair Findley and Members of the Senate Energy and Environment Committee:

CREA appreciates this opportunity to testify in support of HB 3055A on behalf of the Community Renewable Energy Association (CREA). CREA is an ORS 190 intergovernmental association. Members include counties, irrigation districts, councils of government, project developers, for-profit businesses and non-profit organizations. CREA supports business and local economic opportunities through renewable energy development in a competitive environment. CREA has brought this bill forward for your consideration to help spur more small-scale renewable energy development within the state boundaries to ensure the benefits of the development remain in Oregon.

There are two parts to HB 3055A -

1. It raises the "standard rate" threshold cap for solar from 3 MW to 10 MW, to align with wind, hydro and other renewable energy types.
2. It requires the Oregon Public Utility Commission (OPUC) to act on creating a path for the development of small-scale solar project paired with storage (like a battery) so that the solar energy can be shared more consistently to the grid.

If a farmer, landowner, or small developer wishes to build out a renewable energy project on their property, it is likely that they would decide to develop a project that would be eligible under the Public Utility Regulatory Policies Act (PURPA) because of the benefits of being a Qualifying Facility (QF) under the PURPA laws. Benefits include being able to utilize a standard contract and not having to negotiate with a large utility and being able to secure a set "avoided cost" rate for many years which enables project owners to secure financing for the development. The benefits exist to encourage the small facilities to be developed by helping them reduce costs and achieve financial viability. Small, local renewable energy projects are beneficial for their communities, bringing good-paying jobs, providing another potential money generator for otherwise unusable land, and the projects pay taxes or fees to counties that support their public services.

We've introduced this bill to help small solar projects between 3-10 megawatts (MW) get off the ground and be on the same playing field as other renewables – like hydro & wind. The bill would allow solar facilities between 3-10MW to get an avoided cost rate for a 15-year agreement, which is currently only available to QF solar projects under 3MW.

According to ODOE's Small Scale Renewable study (2022), "Avoided cost is the amount the utility would pay if the utility were procuring comparable power by building its own resource to generate the power, by entering a long-term contract for power in the competitive market, or by buying the power in wholesale markets. Avoided cost rates are therefore intended to be cost-neutral to ratepayers." However, the utilities repeatedly claim, with limited evidence, that PURPA increases costs to its ratepayers because it requires them to pay long-term contracts at the "avoided cost" rate. Since the OPUC, sets the avoided cost rate to be the least cost the utility would pay to produce that power themselves or buy it elsewhere, we have a hard time understanding why this would impact rates at all. CREA believes that a significant motivation for the IOUs opposition is that PURPA projects is that they do not provide the almost guaranteed rate of return of about 9% for their shareholders, unlike projects owned by the utilities. Stated simply we believe the utilities' opposition is also about protecting shareholders.

We know that there have been claims that the cost of these PURPA QF projects is higher than the market rate. The "market" is not a good comparison, because that refers to short term power markets, which are constantly in flux, not long-term power purchase agreements (PPAs), like the solar contracts relevant to this bill. Short term markets fluctuate up and down. Singling out one or two years as a comparison does not give the full picture and should instead be compared with long-term agreements. When there are shortages, the short-term markets have higher prices and the price paid in long term contract is better.

Even if the claim that it is more expensive to ratepayers is to be believed, other factors should be considered beyond cost to ratepayers, as there are several residual benefits to building small renewable energy projects locally. If renewable energy facilities only get built in other states, like Wyoming and Montana, Oregon will lose out on many benefits that include:

1. Good-paying jobs to build, maintain, and run the facilities,
2. Tax revenue or fee-in-lieu-of-taxes for local governments to use on behalf of their communities,
3. Significant economic impact, recently ECO Northwest found that renewable energy development in the state could add $15 billion to Oregon's economy by 2040, and
4. Building locally allows for greater resilience opportunities with power sourced from close by.

It is worth noting that this bill will have limited impact as only a small amount of solar QFs are likely to be able to benefit from the change to raise the standard rate threshold to 10MW. Most solar projects being built these days are far larger than 10MW, with many over 100MW, and this bill does not impact any other renewable energy sources, only solar.

You've heard that some would rather leave this to the PUC. We recognize the PUC is addressing the solar plus storage issue and have confirmed with the agency that this bill will not negatively impact their current proceeding. We think this bill is still important to pass because it ensures the PUC will have to act on creating a path forward for small-scale solar projects to be paired with battery storage, not just consider it. Storage is key for the future of renewables, making them more consistent energy source for the grid. More and more wind, solar and hydro projects are looking to add storage as a component to help allow the emissions-free power produced to be stored when needed or desired.

We hear that the PUC will consider the issue to move solar back to 10MW threshold during Phase 1 of UM 2000 later this year. However, we are not sure they will act to make that change, especially since

just this year (2023) they decided to codify the 3 MW solar cap in rules (in AR 631). CREA believes solar should immediately go back to having parity with the other small-scale renewables like hydro and wind at 10MW. This is a policy decision and that is why it is being brought before the legislature by proponents who want to see small-scale renewable energy projects built in Oregon.

Simply put our public sector members wish to see the economic benefits renewable energy can bring their communities. We want to see those benefits fairly stay in Oregon. Our developer members hope to develop here. This bill will help the development of small solar facilities under 10MW locally and create a way for small facilities to have solar and storage together in one contract.

Thank you for your time and consideration. Please reach out if you have any questions.

Sincerely,

Mike McArthur
Executive Director
Community Renewable Energy Association
https://www.community-renewables.org/