

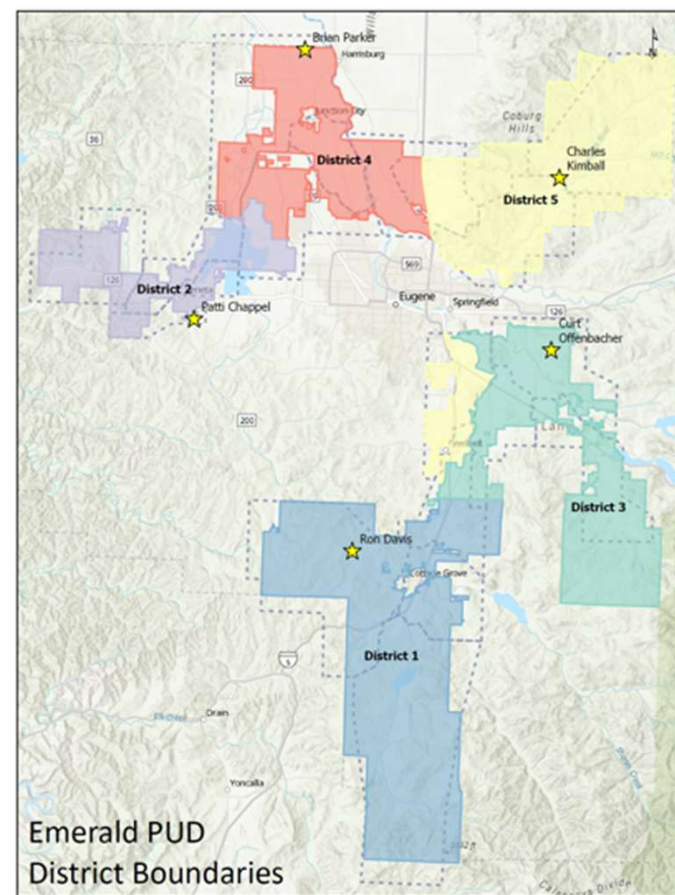
Kyle Roadman, General Manager

HB 2656 Testimony

February 13, 2025

Emerald PUD Profile

- Emerald People's Utility District ("EPUD")
- Consumer owned, not-for-profit electric utility
- Serving most of rural Lane County (area surrounding Eugene-Springfield)
- Replaced the incumbent investor-owned utility (Pacific Power) in 1983
- 40,000 citizens across 572 square miles



EPUD's Solar Program

- To date, we've added nearly 3 MW of installed solar capacity
- This included 267 separate systems, nearly all of them net metered
- Our net metered systems make up 1.73% of our single-hour peak demand
- This far surpasses the state limit of 0.5% and we continue to invest
- Last year we raised our net metering caps based on customer feedback:
 - 75 kW for residential
 - 175 kW for small commercial
 - 400 kW for large commercial



Net Metering Policy

- There is no one size fits all solution in this area
- Growing utilities may value a solar resource more, particularly in the summer
- Flat or declining utilities face much different financial incentives
- We believe in keeping this decision making local
- For us, we engage with our customers to determine the right balance
- **Every utility faces the issue of cross-subsidies between customers because of net metering programs**



Customer Subsidies

- Utilities that do not properly assign fixed and variable costs based on cost of service will create inequities between customers
- This rate design is extremely common in our industry, particularly among investor-owned utilities regulated by the PUC
- Customers that choose to participate in solar or energy efficiency projects will be subsidized by others in this scenario
- Low- and moderate-income customers are less likely to participate in these types of projects, and will therefore be most likely to suffer an unfair cost shift



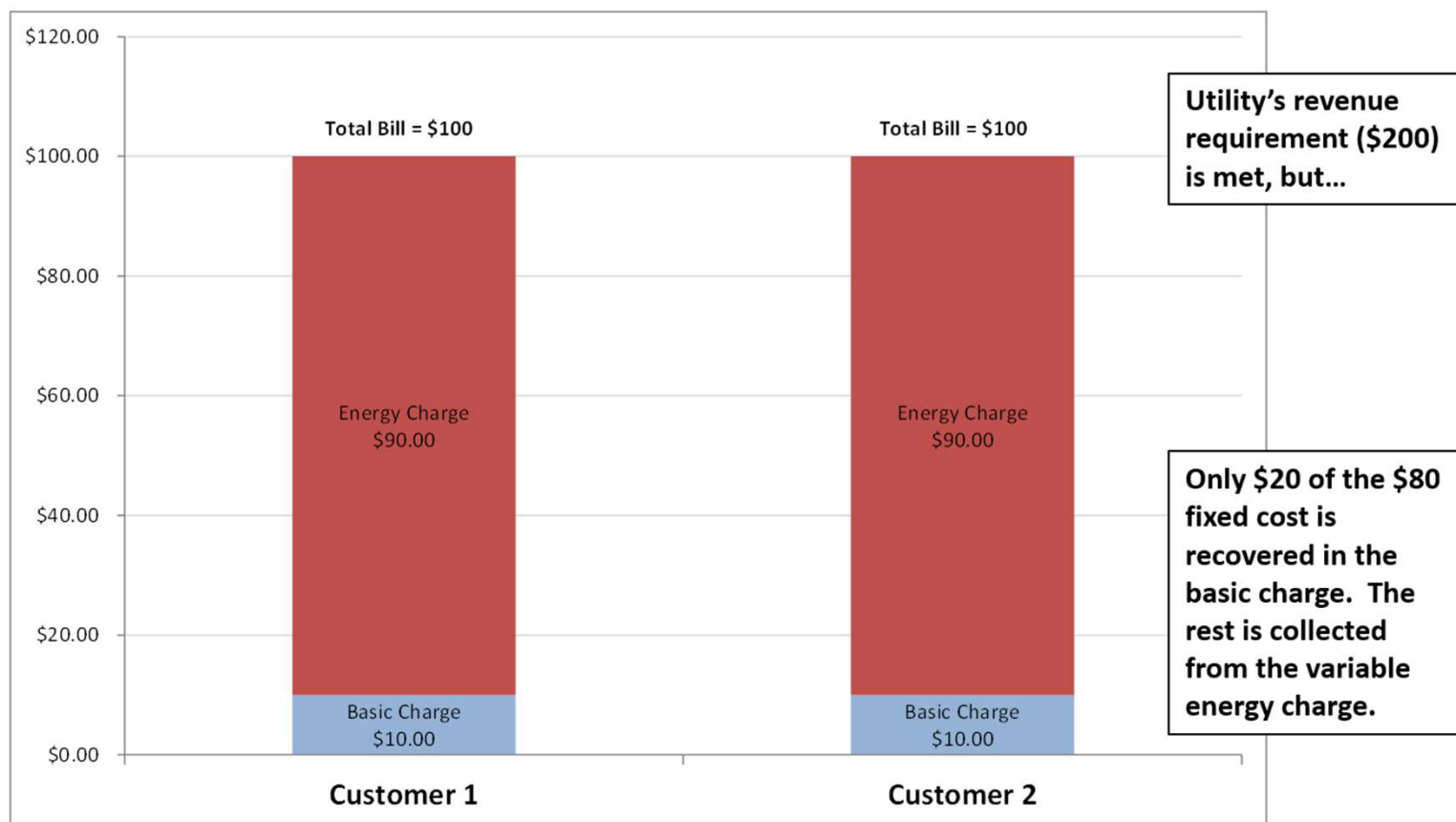
Simple Example: Assumptions

- Utility has two customers, Customer 1 and Customer 2
- Both customers use 1,200 kWh per month
- The utility's revenue requirement is \$200
 - \$80 is fixed cost
 - \$120 is variable cost
- Utility's rates are out of alignment with actual cost of service :

	<u>Rates</u>	<u>Cost of Service</u>
Basic Charge	\$10.00	\$40.00
Energy Charge	\$0.0750	\$0.0500



Monthly Customer Bills – Initial

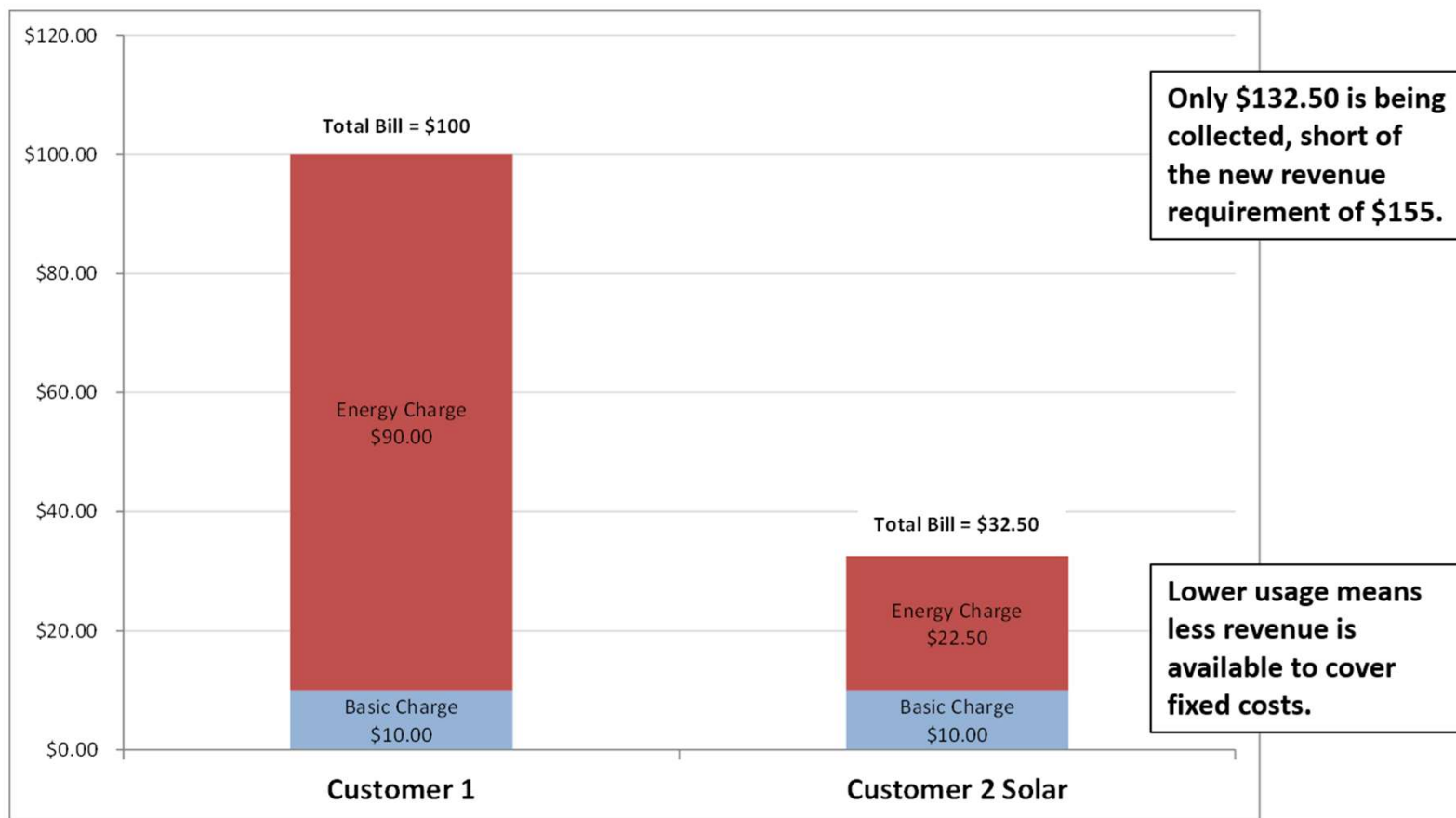


Add a Solar Project

- Now suppose Customer 2 installs a solar array
 - This customer's net usage drops to only 300 kWh per month
- The utility's revenue requirement is now lower (\$155)
 - \$80 is fixed cost
 - \$75 is variable cost
- However, now revenue is not enough to fully cover fixed costs



Monthly Customer Bills – With Solar



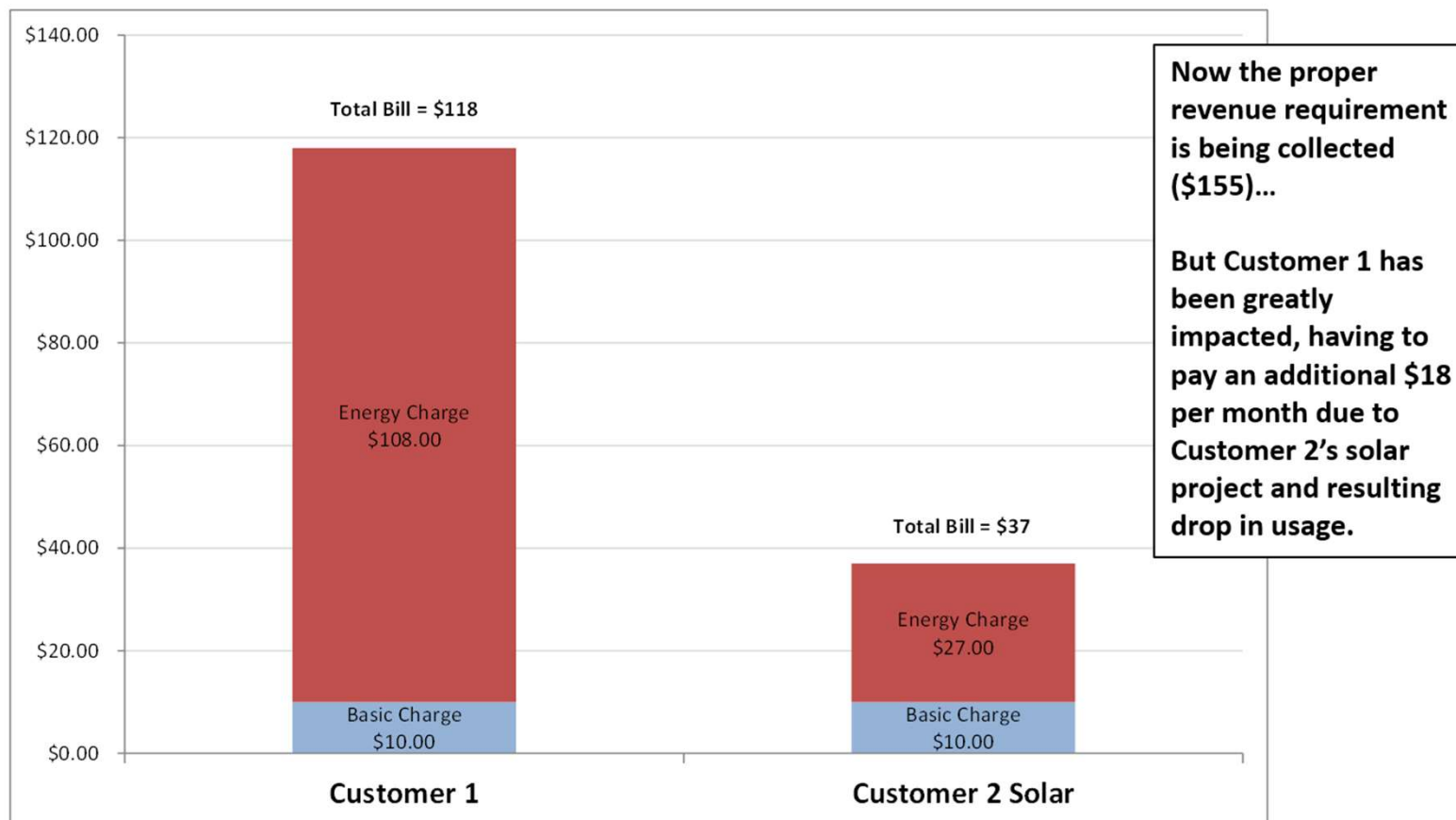
Energy Rate Adjustment Only

- This situation would require a rate increase
 - Necessary to collect the new revenue requirement of \$155
- Assume the increase is applied only to the Energy Rate

	<u>Actual</u>	<u>COSA</u>
Basic Charge	\$10.00	\$40.00
Energy Charge	\$0.0900	\$0.0500



Monthly Bills – With Solar, Net Rates

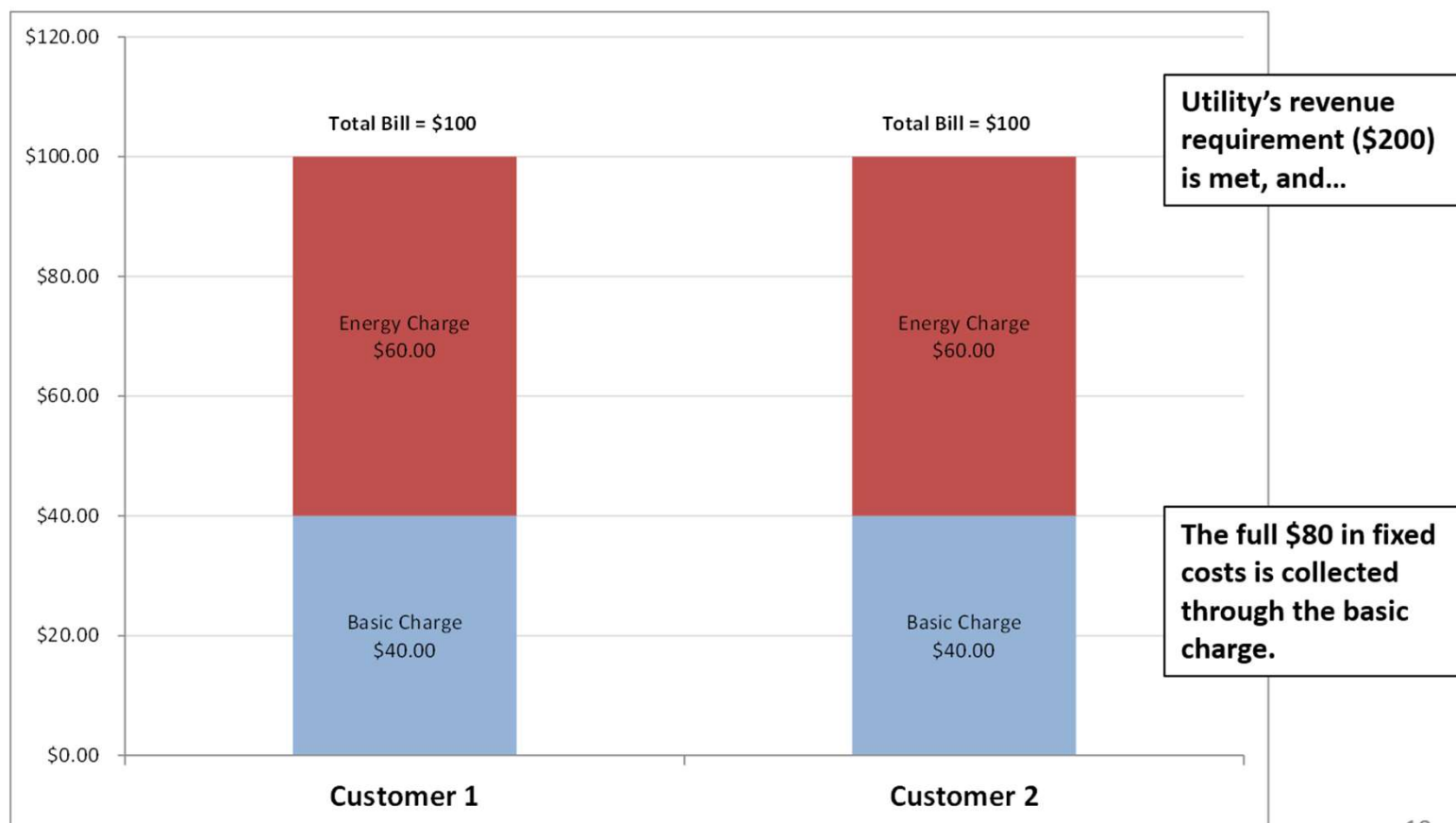


Cost of Service Rates

- Now assume the utility charges according to its cost of service
 - Basic Charge: \$40
 - Energy Charge: \$0.0500
- In this case, the fixed costs of the utility (\$80) are recovered regardless of Customer 2's energy use



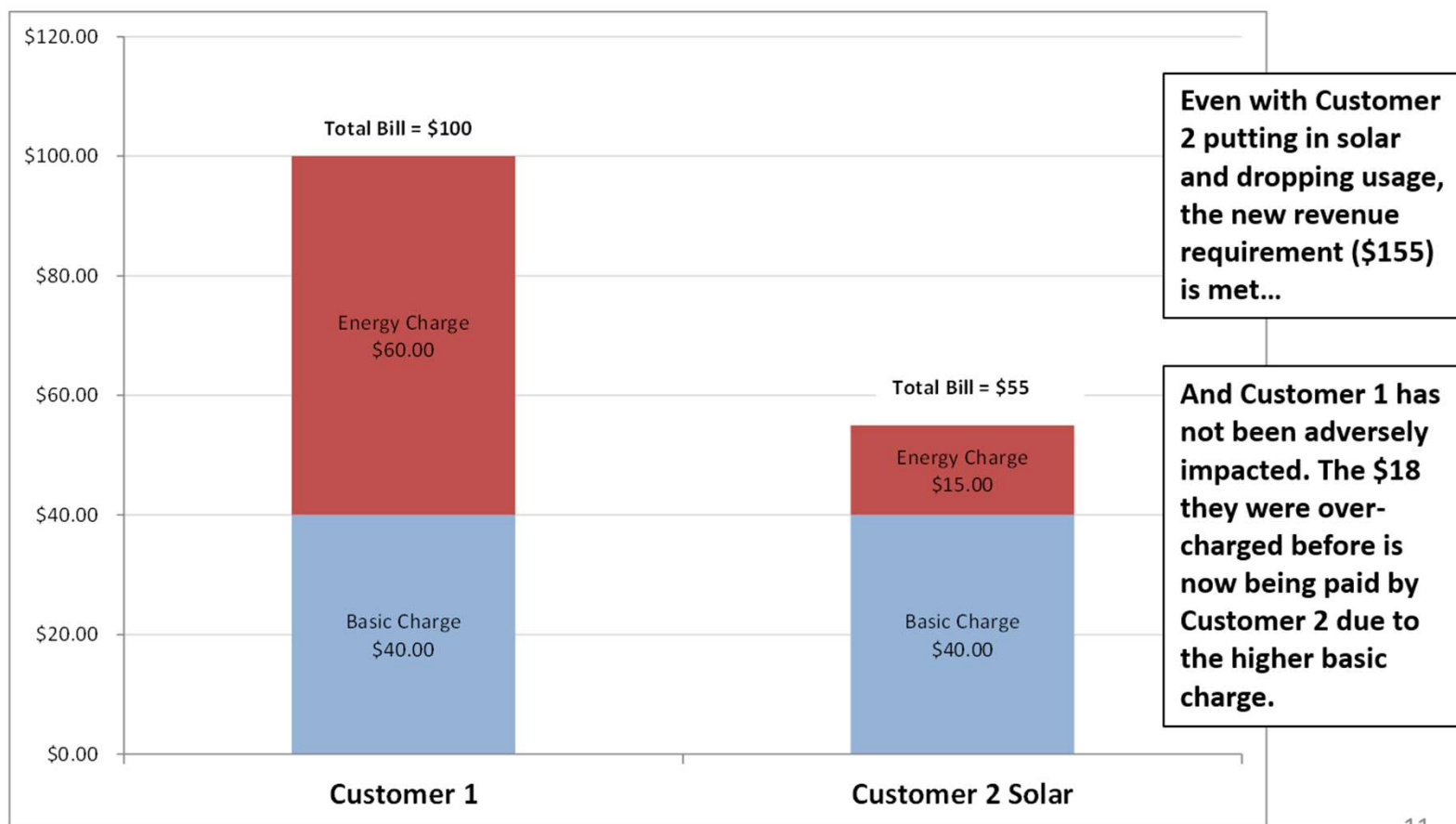
Monthly Bills – Cost of Service Rates



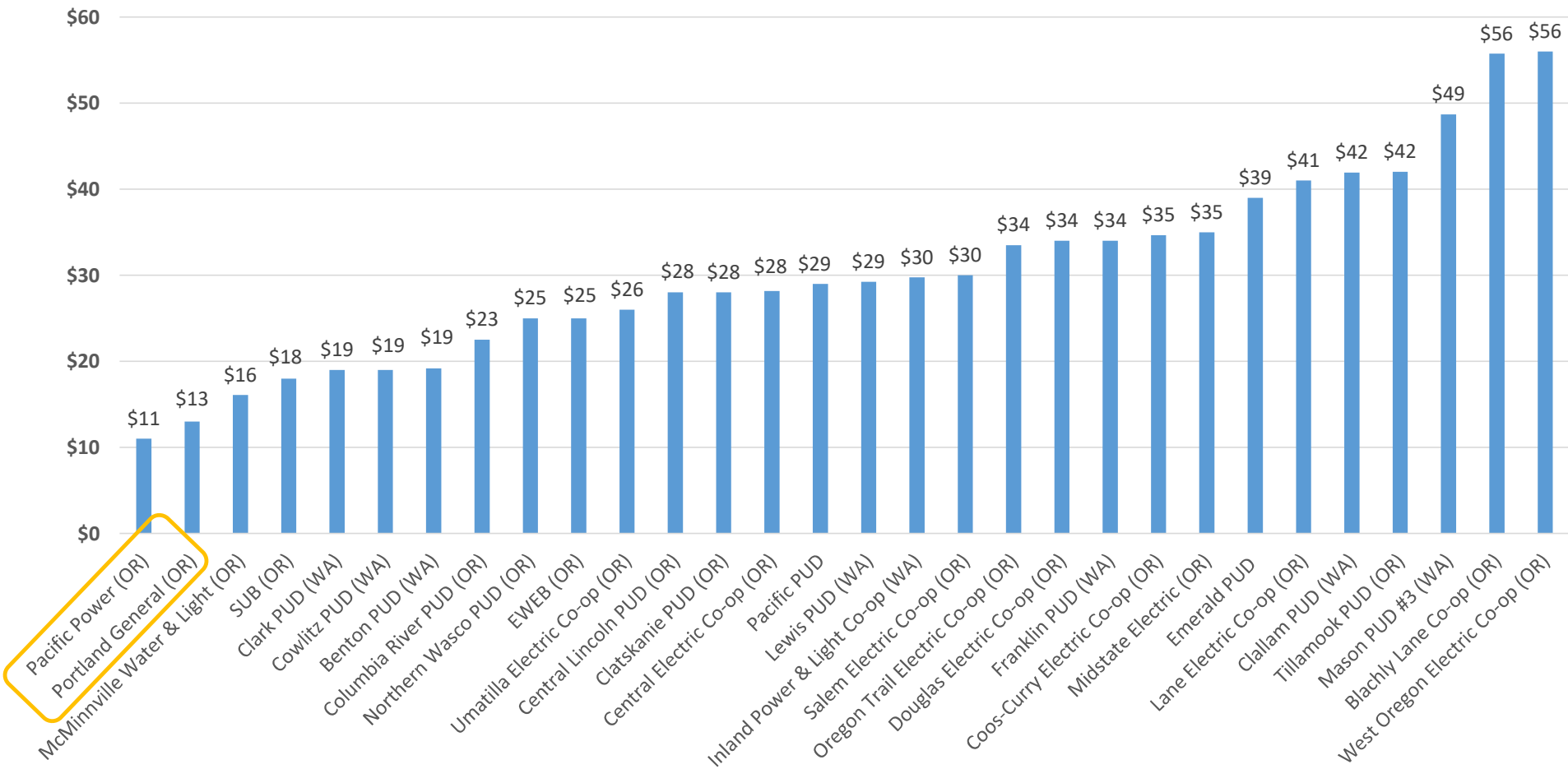
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Cost of Service Rates + Solar



Utility Fixed (Basic) Charges



(As of 10/01/2024)



Key Takeaways

- Individual utilities are in the best position to know how much solar resource, and therefore how much net metering, they might need
- Given industry rate design, increased net metering limits will lead to higher levels of cross-subsidies between customer groups
- These subsidies will be felt more acutely by those least likely to pursue solar panels or energy efficiency upgrades (i.e. *low income customers*)
- Local control is key in allowing utilities to find the right balance here
- Those with better rate designs and growing demand will continue to support net metering, just as we have done at EPUD

