



10 August 2016

*Via Electronic Filing*

Public Utilities Commission of Oregon  
Attn: Filing Center

PUC.FilingCenter@state.or.us

Re: In the Matter of PUBLIC UTILITY COMMISSION OF OREGON,  
Report to the Legislature on Incentives for Development and use of Solar Photovoltaic Energy  
Systems. Open via House Bill 2941.

**Docket No. UM 1758**

Dear Filing Center:

Enclosed for filing in the above-referenced docket is the Oregon Solar Energy Industries  
(OSEIA)'s Written Comments in Response to the First Draft Solar Report. Please contact me if  
you have any questions.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in black ink that reads "Jeff Bissonnette". The signature is written in a cursive style with a large, sweeping flourish at the end.

Jeff Bissonnette  
Executive Director  
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503-516-1636

**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

**UM 1716**

In the Matter of		
PUBLIC UTILITY COMMISSION		Written Comments in Response to
OF OREGON,		First Draft Solar Report from Oregon
Report to the Legislature on Incentives for		Solar Energy Industries Association
Development and use of Solar Photovoltaic		
Energy Systems. Open via House Bill 2941.		

The Oregon Solar Energy Industries Association (OSEIA) appreciates the opportunity to offer comments on the first draft of the solar report being developed for the legislature.

In 2015, the Oregon legislature passed a bill instructing the Oregon Public Utility Commission (PUC) to produce a report that evaluated various solar incentives. This docket was opened as the process to produce that report. OSEIA regrets that the process has been significantly below the Commission’s usual standard of excellent public process and the draft product reflects that poor process.

OSEIA staff has reviewed the draft report and will structure these comments in the same order as they arise in the draft report. Overall, these comments will underscore the following themes:

- 1) The draft report characterizes the solar industry as “well-supported” and “relatively robust,” saying that the “relative maturity” of the industry should be recognized. But the draft report does not define what the PUC means by a “robust” industry. While it’s true the solar industry is growing and solar costs are coming down, it is also true that even small changes in the current support structure could lead to a significant contraction of the industry with a loss of employees and likely failure of some solar businesses with subsequent opportunity costs to the utility system and its customers.
- 2) The draft report often references the amount of solar capacity that has been installed in the state – approximately 80,000 kilowatts in the service territories of Portland General Electric, Pacific Power and Idaho Power. However, that is only 80 megawatts, a very small amount of the overall loads of the various utilities. That is not a thriving industry; that is still an emerging industry.

- 3) The draft report outlines 10 current programs and 3 programs that have yet to be implemented that would fall under the purview of the study requested by the legislature. But recommendations are not provided on new or amended programs. There is also no analysis on programs that are currently undergoing review by the legislature. Lastly, there is no discussion on federal incentive programs.

This left three items to be included in the draft report: net metering, Energy Trust of Oregon solar incentives and a general examination of state taxpayer incentives. That is not the basis for a comprehensive report. The report's value is further lessened when one realizes that both net metering and Energy Trust incentives are inextricably linked to the Resource Value of Solar and the Residential Energy Tax Credit (RETC), two items that were eliminated from discussion because they are ongoing issues.

We will now review specific issues throughout the report.

### **Discussion of Hydropower**

On page 2, the draft report provides some brief context within which the draft is being developed. One issue that is raised is that of hydropower. While hydro is certainly a renewable resource, only a certain amount is able to be used to comply with the Renewable Portfolio Standard, which is touched on in a footnote but should be more fully highlighted. Also, and more importantly, while it is factual to say that hydropower currently generates “approximately 40 percent of the electricity used in the state,” more information is needed to provide a full analysis. For instance, Portland General Electric only has 18 percent of its load met by hydropower resources<sup>1</sup> while Pacific Power only has 8.3 percent of its load served by hydropower.<sup>2</sup> Of course, many of the consumer-owned utilities are served largely by hydropower from the Bonneville Power Administration system

If the Commission is suggesting that the presence of hydropower should play a role in determining impacts of solar incentives, then using a state load is not helpful but the more precise utility-by-utility examination is more appropriate to fully examine the presence of renewable resources on various systems.

### **Defining a “Well-Supported” and “Robust” Solar Industry**

The solar is described alternately as “well-supported” and “relatively robust” (page 2) and as having “relative maturity.” (page 4) But nowhere is there a discussion about what those phrases mean. How is the Commission defining a “robust” industry? What does “well-supported” mean? “Relative” to what? To simply say that there is more solar now than there was when the original Residential Energy Tax Credit (RETC) was established or when Senate Bill 1149 was adopted in

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<sup>1</sup> <https://www.portlandgeneral.com/our-company/energy-strategy/how-we-generate-electricity>

<sup>2</sup> <https://www.pacificpower.net/ya/po/otou/fsei.html>

1999 is a false comparison. There was very little solar at those times and just because there is more now does not automatically infer a “robust” industry. If the Commission chooses to use that kind of characterization, it must provide a much fuller description of what is meant by these terms.

Lastly, also on page 2, there is a sentence that reads: “The reality that solar, along with wind, has become less expensive is a strong economic incentive in and of itself to solar development, lessening the need for additional financial incentives.” There are many unsubstantiated assumptions in that statement. First, it is not accurate to equate solar and wind. Wind is a much more well-developed industry and solar is simply not at the same level of development. Even a utility executive was recently quoted as saying that “solar is today where wind was seven or eight years ago.”<sup>3</sup> Second, just because something is “less expensive” does not necessarily mean that there is a “strong economic incentive” to buy it. In the case of solar, it is still above market and still needs incentives. Does it need as much in incentives as it did even a few years ago? No, but the sentence seems to suggest (and is re-enforced later in the draft report) that a “lessened need” equates to “no need.” The draft report needs to provide much more data to support its assumptions, both here and throughout.

### **Principles for Evaluation**

The draft report outlines two key principles, found on page 5. They read (in an edited fashion):

- Ratepayers should not subsidize solar PV...where there are no above-market costs. Owners of solar PV...should receive compensation that reflects the value of solar to the utility systems and ratepayers.
- Subsidies and incentives aimed at social and economic development benefits should be funded by...taxpayers rather than a narrow class of utility ratepayers.

OSEIA actually agrees with these two principles. We suggest that the two principles be applied throughout the report. Instead, they seem to be left here and largely forgotten for the remainder of the draft report because recommendations made later seem to ignore these principles.

### **Programs Reviewed and Recommendations Made**

On page 6, the Commission lists 10 current programs and 3 future programs that are designed to promote solar installation (as well as other renewables for most). OSEIA discounts the listed expired programs. The Commission forgot to list two additional incentives that are also used to promote renewables, including solar. The first is the funding from the voluntary renewable energy programs. The use of these funds is currently being discussed within UM 1020. The

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<sup>3</sup> <http://www.eastoregonian.com/eo/local-news/20160804/wyden-tours-solar-array-at-national-guard-armory-in-pendleton>

second is the small-scale renewable energy mandate included in SB 1547 (discussed on page 2 but left out here).

The draft report then goes on to eliminate most of these items from consideration, either because they are part of ongoing processes, because they are federal programs or consideration or because they are new or amended programs. This left three items that the Commission chose to discuss: net metering, Energy Trust solar incentives and a general discussion of taxpayer incentives.

Most concerning, the Commission chose to make recommendations on net metering and ratepayer incentives while acknowledging that integral components of any discussion of these items are still in process. While OSEIA would engage in a review of net metering, we cannot enter that conversation without the establishment of the resource value of solar. Otherwise, we cannot understand the trade-offs with an alternate system. Conversely, there is a possibility that any cost-shifts between customers, a key concern according to the writing on page 11, may not actually exist if the resource value outweighs any costs to other customers (indeed, as the draft report notes in passing in footnote on page 10, the cost-shift might actually flow from non-solar to solar customers). While the draft report provides what could happen under various resource value scenarios, that really does not add to the discussion. In short, any recommendation on net metering is premature until the resource value of solar methodology is actually completed.

In a related note, regarding the discussion about cost allocation on page 10, the draft report has this sentence: “Customers that offset a portion of their monthly usage by producing their own energy end up purchasing less energy from the utility and therefore pay less of the utilities’ fixed costs directly.” This sentiment could be equally applied to energy efficiency if we slightly re-write the sentence: “Customers that (reduce) a portion of their monthly usage...end up purchasing less energy from the utility and therefore pay less of the utilities’ fixed costs directly.” We have reduced energy usage through efficiency by many multiplies of solar capacity. But we have no worries raised about the cost-shift that might result. To be clear, OSEIA is in no way suggesting that efficiency efforts should be weakened. In fact, efficiency investments should be continued and expanded. Our point is simply that any cost-shifting at the current level of solar installation is minute. Long-term dangers of potential cost-shifting will be better evaluated after the resource value of solar is established.

Regarding the ratepayer incentives, the draft report notes a couple of times (pages 9 and 13) that Energy Trust has helped to expand solar capacity by “more than 83,000 kW.” While the draft report appears to characterize that number as an enormous amount of energy, moving the decimals appropriately shows that this equates to 80 megawatts. This is a tiny amount of energy as compared to the overall loads of Portland General Electric and Pacific Power. To be sure, every little bit helps but this falls far short of a purported “robust” industry.

The draft report then goes on to recommend a reduction in ratepayer incentives and an eventual phase-out. In fact, the Energy Trust regularly reduces its incentives to reflect changes in above-

market costs. But the great unknown at this point is what will happen to the taxpayer incentives, particularly RETC. If RETC is extended (it is currently scheduled to sunset at the end of 2017) at similar levels as today, that will suggest fewer above-market costs. However, if RETC is not extended, the above-market costs will be significantly great. Figure 7 on page 15 of the draft report shows this impact. The draft report suggests that a transition period would “send a clear market signal” and would reduce “market uncertainty.” Again, as with the net metering recommendation, the recommendation on ratepayer incentives is premature. We must know what the legislature is going to do with RETC before we make decisions about ratepayer incentives. Any projection of a transition period without this information actually creates more market uncertainty, not less.

### **Analyzing Combined Effects of Programs**

Starting on page 7, the draft report attempts to discuss how to determine the impact of individual programs on overall solar growth. The draft report states, “There is no quantitative way to determine which program had the great impact or was the reason a project occurred.” OSEIA is of two minds on this statement. First, to date, all of the incentives have been required to push solar to its current status. Remove one incentive and the growth of solar would likely have been slowed significantly.

Going forward, however, we believe it is too easy to simply throw up our hands and say there’s no way to tell individual impact. It is worth some effort to find a way to determine if one incentive has more impact than another. We will note that a “quick and dirty” way to determine differences is comparing solar installations in Energy Trust service territory to a consumer-owned utility service territory where there is no ratepayer incentive. A better process would provide opportunities to delve into this important issue.

### **Conclusion**

As we noted at the start of these comments, the process that produced the draft report was an unusually poor one and not up to the general standards of the Commission. A process that had only two workshops (and one very sparsely attended) held months apart before a draft report was issued for comments is unworthy of the assignment given the Commission by the legislature.

The legislature asked for a comprehensive report to drive a substantive discussion on solar policy in the 2017 session. The draft report fails to deliver. If the Commission would indulge us, here’s what OSEIA suggests what the PUC’s report should say:

*“The energy world has changed significantly since the legislature asked for a report on solar incentives and programs in 2015. We have an ongoing docket to establish a Resource Value of Solar methodology and that will provide the foundation of many aspects of solar policy in the future. That docket will be completed by the third quarter of 2017.*”

*Second, the Legislature drastically changed the policy landscape with the passage of SB 1547 in February 2016, removing coal from Oregon's system and increasing the Renewable Energy Standard for Oregon's two largest utilities. That same bill also created a new community solar program and the rules will be adopted by July 1, 2017. We need more time to determine how all of those policy changes will affect solar going forward.*

*Lastly, the Residential Energy Tax Credit, the solar property tax exemption, the renewable energy development grant program and several other clean energy incentives are due to expire at the end of 2017. Unless we know the action that the Legislature will take on these programs and whether or if they will be extended, we cannot tell you how ratepayer incentives will be impacted and how the overall solar industry will be impacted by any actions taken.*

*We respectfully request that you ask us for this analysis again in a 2017 bill and we can provide you with the full analysis you need and deserve."*

OSEIA does appreciate the opportunity to offer these comments. We hope that after the workshop on August 15 and a second draft report, we will have the chance to engage in a process that will allow us and all parties to participate in a more robust conversation around the future of the solar industry and the incentives that still impact the industry so significantly.