Energy Trust of Oregon's Draft 2015–2019 Strategic Plan Guidance

Introduction:

SolarCity Corporation (SolarCity) thanks the Energy Trust of Oregon (ETO) for promoting public participation in its 2015-2019 Strategic Plan and providing the opportunity to submit informal comments. SolarCity operates a warehouse in Portland that has created more than 50 local jobs and has installed nearly 24 MWs of residential and commercial solar PV across the State of Oregon. SolarCity seeks to meet the growing customer demand for solar PV systems and continue to deploy clean energy. Based on its extensive experience in the Oregon renewable energy market, SolarCity suggests several modifications to the strategic plan in order to realize the full benefits of renewable energy for the grid and the ratepayer.

2015-2019 Draft Strategic Plan Feedback:

Question: Is the plan in line with your expectations? If not, please indicate why.

The Renewable Energy Goals Should Be Increased

SolarCity strongly recommends increasing the 2015-2019 renewable energy goals. The current goal under-predicts the renewable energy market potential and would lead to an underutilization of the available budget. By setting a strong renewable energy goal, ETO incentives can significantly contribute to Oregon's renewable energy targets:

- **10 aMWs Under-predicts Current Market Potential:** From 2009-2013, the ETO supported small and mid-scale renewable energy projects generating 15.27 aMW. In 2013 alone, ETO contributed to 2.9 aMW of renewable energy. To scale back the goal below existing demand would send a negative signal to the market and hinder the growth of renewable energy in Oregon. SolarCity strongly recommends that ETO maintain its leadership in supporting renewable energy deployment and increase its renewable energy goal for 2015-2019.
- **Potential Budget is Available:** While the budget is yet to be determined, SB 1149 requires a 3 percent charge, which equals $13 million per year towards renewable funding. Based on the 2013 Annual Report, ETO was able to

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achieve 2.9 aMW of renewable energy deployment while only using about half of the available budget. The proposed goal of 10 aMWs would lead to an underutilization of available funds for renewable energy. SolarCity requests that ETO set a renewable energy deployment goal for 2015-2019 based on **full** utilization of the available budget.

- **Lack of Other Program Support:** The Volumetric Incentive Rate (VIR) was extremely successful and generally will not be available in 2015-2019.[1] As such, there is an opportunity for ETO to take a leadership role in the renewable energy market and establish goals consistent with market potential. When the VIR was operational, vendors could rely on more than one program. With the close of the VIR, the ETO should anticipate higher MW applications, thus supporting the rationale for an increase, not a decline, in the renewable energy target.

Question: Are there additional or different strategies or tactical approaches Energy Trust should consider incorporating to better meet your individual, business or community needs in regard to energy efficiency and renewable energy?

Yes, SolarCity offers the following proposed strategies and tactical approaches for ETO's consideration:

1. **Focus on Project Incentives**

The ETO's renewable incentive program is critical to renewable energy deployment in Oregon. The strategic plan should continue to focus on project incentives in order to leverage private capital. As stated in the strategic plan, the 10 aMW goal reflects a lower numeric goal for installed generation and greater emphasis on technical and market support. SolarCity disagrees with this approach and believes that cost-effective project incentives should remain the primary focus of the ETO. Any ETO efforts should result in increased, not decreased, renewable energy deployment. By providing appropriate incentives, reduction of technical barriers through practice and system deployment will naturally be achieved as customers continue to adopt renewable generation. Each of

[1] We understand there will be a very limited final offer of funding in May 2015.

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our Oregon projects only makes business sense for the customer with the help of programs such as the ETO incentives. If the ETO shifts funds away from project incentives, the result will likely be less renewable energy deployed in Oregon. As indicated by the success of the VIR tariff, if provided with appropriate financial incentives, the market can achieve great progress. Shifting funds away from incentives would significantly hamper Oregon's ability to achieve its 2025 goal of meeting at least 8 percent of retail electrical load from small-scale renewable energy projects. SolarCity strongly recommends continuing to focus on project incentives at this early stage of market development in Oregon.

2. Decrease Incentive Levels Based on Transparent aMW Goal

SolarCity recommends the ETO consider the impact of economies of scale whereby as renewable energy deployment increases, costs will likely decrease and incentives offered through the program should decline based on a clear and transparent step-down incentive program. SolarCity believes establishing a clear step down performance-based incentive program, with declining incentive levels tied to MW installation levels, would help establish a self-sustaining industry, achieve greater deployment at the same program cost, and foster competition. For example, if the 2015-2016 strategic goals is 20 aMW, then each incentive decrease could take place in 5 aMW increments.

3. Shift Focus to Residential Solar Incentives

As noted in the 2013 annual report, ETO reached a significant achievement with 5,000 residential solar system installations representing a key milestone for the ETO, demonstrating the viability of solar throughout Oregon and contributing to a maturing market to support solar in the state. Generally, there should be increased focus on the residential solar sector as part of the ETO's strategic plan. Building off the current success and potential increase in the residential sector, SolarCity believes a level project incentive in Pacific Power and General Electric of $.95/W for residential customers would send a stronger market signal. The current average price of installed residential systems nationally is roughly $4.56/W.[2] At $.95/W the incentive would still only allow for a potential reduction of less than 25% of system cost, but having the higher incentive level in both territories will send a stronger market signal and help realize the full potential of rooftop solar in Oregon. Likewise, with increased deployment

[2] Solar Energy Industries Association (SEIA), U.S. Solar Market Insight: 3rd Quarter 2013 Report

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in Oregon, we expect the industry's average installed cost will continue to decrease, enabling a reduction in incentive levels over time as MW installation levels are achieved.

4. Operational Goals

SolarCity supports the ETO's goal to align internal operations and management to efficiently support ETO's renewable energy goals. Likewise, SolarCity fully supports ETOs goal to engage with market actors to find additional opportunities for providing market assistance and building the pipeline of projects. Creating an efficient, streamlined application process is critical to renewable energy's success in Oregon. Therefore, SolarCity proposes the additional goal of creating a clear, streamlined application process as part of its operational improvements.

5. Long-Term Goals

SolarCity appreciates the establishment of long-term vision and goals. While we appreciate the goal of flexibility, it is critical for an emerging industry to have policy certainty. An incentive program can maintain flexibility in operations to account for market variation, but overarching program structure should not be re-evaluated more frequently than on an annual basis.

Question: Do you have any other comments or suggestions to help Energy Trust be more effective?

Please continue to enable public participation in development of the 2015-2019 Draft Strategic Plan. The ETO's renewable incentive program is critical to renewable energy deployment in Oregon.

Thank you for reviewing these informal comments. If you have any questions, please do not hesitate to contact me at 415-799-6799 or gdufau@solarcity.com.

Sincerely,

Genevieve Dufau
Director, Policy & Electricity Markets

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