



October 21, 2021

Justin Wolfe – Oral Comments to OPALCO Board

I hope we can all agree that increasing the cost of solar via increasing the payback time will reduce the number of solar installations in San Juan County. Agreement on this basic economic principle is fundamental to the discussion. There are examples from utilities in other states to support this conclusion.

OPALCO's comments in the Board packet in response to our letter make it clear that the primary goal for the solar rate change is financial stability. I would ask the question, is a reduced pace for solar installation worth the miniscule increase in revenue for OPALCO?

- OPALCO's own analysis shows that the increased revenue from the proposed rate change would be roughly \$25k annually after the interconnection of 315 new residential member generators. \$25k annually is a very small number for OPALCO, but just as important, is the number 315. It took us 21 years to get to 315 residential member generators. How long will it take us to get another 315 residential member generators, taking into account this proposed solar rate adjustment? The implication here is that the increased revenue will be far less than \$25k annually in the near future. \$25k by the way, is less than 0.08% of OPALCO's annual revenues. Less than a tenth of a percent. And that is after 315 new residential member generators are added, which will take years. (September Board Meeting)
- Our analysis, done by simply plugging in the proposed solar rate schedule into our financial model that we've been using for years indicates an 11% increase in payback time if the delta between the buy and sell rate remains the same as electricity rates increase and a 25-31% increase in payback if the sell rate remains fixed while the electricity rate continues to increase. Hopefully, we can all agree that this reduction in economic benefit will reduce the pace of solar installations.
- OPALCO's Integrated Resource Plan repeatedly highlights the importance of on island generation from renewable resources and a Board Member stated earlier this year in a Board Meeting that we, as a community, need to install solar as fast as we can or we will have rolling blackouts in the future. A Senior Staff Member has stated that OPALCO is anticipating a doubling of electricity demand in the next 20-30 years and that it is not clear there will be enough power generated on the mainland to bring to the islands.
- The 2021 OPALCO Budget Report indicates that KWhs purchased are expected to increase in

- future years. This suggests that the expected pace of solar installations will not even keep up with increases in demand. That report was created last November and presumably did not include the impacts of the proposed solar rate adjustment. (Page 21)
- If financial stability is the goal, I would urge OPALCO's Board to take on other more meaningful
- measures and put to rest this proposed change that will have minimal positive impact on revenue, while having significant negative impact on the pace of solar installations and a negative impact on the view of OPALCO as supporters of renewable energy, on island generation, and resiliency.
- If financial stability is the goal then let's not forget that OPALCO chose to hold electricity rates constant for 2021. Whereas the average annual rate increase over the past decade has been close to 5%. A 5% increase in rates for 2021, in line with previous annual increases, would have increased OPALCO's net margin by roughly 1.5 million dollars. \$1.5 million dollars. That would put the 2021 net margin right in the middle of margins for the previous 4 years. I don't think I have to tell you how significant that decision was. Even a minimal 1% increase would have increased margins by over \$300k. And here we are discussing a significant change that would eventually increase revenues by a mere \$25k a year.
- In conclusion, the first discussion item in today's Board Packet highlights the need to decarbonize our energy production and the challenge to doing that due to the need for land and transmission. It is not lost on me that rooftop solar aggressively addresses decarbonization while avoiding the need for land and additional transmission. This is something not even Community Solar can claim.

Thank you for your time.