



October 15, 2021

OPALCO Board Members (Jeff Struthers, Rick Christmas, Tim Osterman, Vince Dauciunas, Dr. Jerry Whitfield, Brian Silverstein, and Mark Madsen)

Re: Comments on Solar Rates

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Friends and fellow community members,

We appreciate the opportunity to provide comments and perspective on OPALCO's initial proposal on changes to the solar rate structure, both as local business owners and as OPALCO members.

1. **First, it is important to recognize OPALCO's leadership in supporting solar.** There are many examples of utilities nationwide who have chosen short-term profit over long-term community benefits. OPALCO stands out in its effort to focus on sustainable energy:
  - “[Our] *commitment to the utilization of renewable resources and carbon reduction*” (OPALCO Mission Statement)
  - “*We care deeply about our island communities and are dedicated to the protection of our sensitive environs*” (OPALCO Values Statement, Guiding Documents)
  - “*We are dedicated to financial and environmental stewardship through sound governance, management and operating practices.*” (OPALCO Values Statement, 2020 Annual Report)
  - The OPALCO Board has demonstrated an understanding that **hydropower** is **not** an optimum “renewable energy” source:
    - “*OPALCO Board Rescinds Dam Resolution in Favor of Collaboration with Membership*”, (OPALCO Newsroom, 1/24/2020)
  
2. **Second, climate change and Washington's changing energy mix requires significant change.** OPALCO is well aware of some upcoming challenges, but this arena is rapidly changing and dynamic:
  - Clean Energy Transformation Act (CETA): “*OPALCO will meet ~30% of its power needs with local solar + energy storage (battery) projects by 2040.*” [Island Way presentation, January 2021]
  - The Bonneville Power Authority contract expires in 2028 which could dramatically change rates and energy source mix for OPALCO members.
  - Local energy generation and storage will be a huge part of the solution.

- Community solar is becoming much more expensive because of rapidly increasing property prices in San Juan County.
  - *“The total assessed value for San Juan County increased more than **\$946 Million** over last year”.* (San Juan County, 2021, <https://www.sanjuanco.com/1357/Change-of-Value-Notices>).
- Member generators/storage providers are a resource that OPALCO should prioritize more.

### 3. Third, the problem that OPALCO seeks to address is not clear.

- Is the issue a *load management* issue?
  - OPALCO has shared analyses suggesting potential issues when net zero solar members (NZSM) are 50% of total solar members. The assumptions in this analysis deserve additional scrutiny.
    - Rainshadow Solar’s experience is that very few solar members achieve net zero.
    - Many of these OPALCO customers are concurrently adding loads from beneficial electrification (e.g., mini-split heat pumps) and transportation electrification, making net zero even more difficult to achieve.
    - OPALCO’s Integrated Resource Plan (IRP) notes the positive contribution from solar in a changing climate that may not have been captured adequately in the NZSM analysis above:
      - *“But, with climate change...Winters are warming and summers are too. There will be reduced need for winter heat and increased need for summer air conditioning. Snowpack is decreasing, which means less hydro flow in summer, which could mean lower hydro production and higher hydro costs in summer when big cities have increased air conditioning load. Solar can help fill the gap from reduced summer hydro. And, increasing local renewable energy such as solar, wind and tidal helps increase local energy and economic resilience.”* (Page 68)
      - *“There is a rotation of load from winter-peaking to summer-peaking that will unfold over the coming decades.”* (Page 4)
    - Another analysis showed that 90% of annual loads might only require 14kW PV, plus 22kWh battery storage from an example with Massachusetts, which somewhat comparable to Washington in terms of climate, ([Clean Energy Group, 8/19/21](#)) – this scenario is both technologically feasible and being explored by customers today.
- Is the issue a *fairness* issue? OPALCO abides by the [seven cooperative principles](#), including *“members contribute equitably to, and democratically control, the capital of their cooperative.”*
  - OPALCO has noted that solar generators have access to the grid, while benefiting from their investment in rooftop solar to sell back to the grid. The argument is that this may not be a “fair” transaction.
    - These members have invested, on average \$30,000, to produce on-island energy from a completely renewable source.

- These members are also not requiring as much BPA-sourced energy in much of the year that are clearly impacting endangered salmon runs as well as keystone predators like Southern Resident Killer Whales.
    - These member generators are the foundation for incorporating future storage projects that OPALCO could tap as dispatchable assets.
    - These solar generators have been instrumental in **helping OPALCO demonstrate its commitment to locally-sourced, renewable energy generation, without the capital investment being incurred by OPALCO.**
  - It is important to recognize that OPALCO has an established precedent for allocating resources based upon values and future-planning:
    - Social values (“*We are a socially-responsible, member-owned organization*”) – PAL & Energy Assistance Program
    - Changing technology (“*We continually evolve our services, and offer programs to meet the needs of our membership*”) – purchase of Rock Island Communications
    - Environmental values/energy sourcing (“*commitment to the utilization of renewable resources and carbon reduction*”) – net metering & community solar
- Is the issue a *revenue* issue?
  - In 2020, OPALCO’s revenue and kWh purchase was higher than the previous 3 years. Based on OPALCO data, solar generation is not even keeping pace with increased energy demand for all members.
  - OPALCO’s proposed solar rate tariff scenarios example with 2020 solar generators projects a net positive revenue increase of \$25,153 with the new solar tariff, annually. This increase is calculated based upon 315 existing residential member generators (as an example), but it is important to recognize that it will take years to add that many more new residential member generators impacted by a rate change. Alternatively, other revenue generation/cost savings approaches can be taken instead:
    - This level of annual savings could be achieved in a month, by **encouraging or requiring OPALCO members to switch from paying via credit card to bank account**, similar to the efforts that other cooperatives are taking to reduce unnecessary costs for members. Put another way, members paying via credit card and requiring OPALCO to incur credit card processing fees are burdening the entire membership for this convenience, when no-cost alternatives are easily available.
    - **Tier 2 or 3 energy rate tiers could be raised marginally.** In the long-term, this may encourage OPALCO membership to pursue energy efficiency and/or on-site generation and storage that ultimately reduce demand charges from BPA and provide savings to all members.

**4. Fourth, the potential for unintended consequences is great.**

- The proposed change significantly extends the potential payback of solar (or solar + battery) installations by 11% to 31%, depending on the scenario. A recent study reported that case

studies in places **where net metering rollbacks occurred, the rate of solar adoption was reduced or plummeted** (Dutzik et al., 2021). We expect this change to result in:

- Fewer installations to meet renewable, local generation goals set by OPALCO; in fact, this change has the potential to reverse previous goals set by OPALCO.
  - As an example, a key conclusion of OPALCO's IRP was *"Near term focus is on building equity, winning grants, and incentivizing member efficiency, **renewable energy and battery storage programs.**"* (Page 4)
- Solar and storage installations driven by motivation for energy arbitrage/OPALCO avoidance.
  - This opposes projected increased energy use revenue from the proposed rate change, while increasing the cost of a renewable energy system.
  - Members with this motivation may never work with OPALCO for dispatchable resource sharing in the future.
- More off-grid installations that reduce facility charge revenue.
- An exacerbation of social inequity with respect to renewable energy by making locally-generated, renewable energy (and storage) less accessible to many islanders. This is a huge issue, given the affordable housing challenges that San Juan County already faces.
- Direct impacts to clean technology jobs (and supporting businesses, such as freight) in the islands, which has been touted by OPALCO as beneficial for the community to "lift income for working people above the low wage tourist economy" (OPALCO IRP, page 24). Rainshadow Solar employs ten full-time employees who live and work in the county.
- OPALCO is able to consider solar rate changes because OPALCO met Washington's net-metering threshold requirement - this requirement was based upon historical peak demand from 1996 (25 years ago). As a point of reference, the population has nearly doubled between 1990 and 2020, and peak demand has also increased since 1996. The goal of the net-metering threshold (RCW 80.60.005) was to 1) encourage private investment in renewable energy resources; 2) stimulate the economic growth of this state; and 3) enhance the continued diversification of the energy resources used in this state. What happens if the State of Washington increases the net metering threshold for all utilities in the state, to meet Washington's clean energy goals?
- OPALCO may encounter similar challenges as Snohomish PUD did in 2017 with the optics of trying to explain the decision to move to a different solar tariff model. As a result of SnoPUD's experience and the public backlash that ensued, SnoPUD decided to revert to retail net metering which they continue today.

##### **5. Fifth, the proposed change leaves many questions that have yet to be answered.**

- How are legacy systems designated? By meter, by building, by member? Can legacy status be passed on if a death occurs or property sale happens? Can legacy systems be updated?
- How do solar installers estimate the future economics of an install? Will the difference between the buy and sell rates always be the same, or change year-to-year, or month-to-month depending on energy markets?
- How will financing institutions interested in funding projects account for future changes in transactions?

- How was the “environmental value” of \$0.01 determined? This value seems much too low, and we suggest that a literature review should be conducted, as there have been many studies in the past decade evaluating the economic value of environmental benefits and ecosystem services.
- What are the administration and member education costs associated with changing the current tariff to a buy-sell arrangement? Will the net result be revenue positive?
- Have all members been asked about this significant change?
  - How many unique members were able to attend the Solar Town Halls?
  - In 2020, a member survey was given in which 449 members responded. One of the key findings included *“Members are most likely to feel that OPALCO is actively addressing energy conservation/efficiency and renewable energy, although mean ratings for both fall below 4.0<sup>1</sup>. How actively the co-op is addressing the transition away from fossil fuels and electrification of transportation is lower, with mean ratings of 3.76 and 3.50, respectively.”*
  - Also in 2020, a Switch-It-Up survey was given to 33 members. One of the results of that survey was that more than 50% of the respondents were interested in on-bill financing for rooftop solar, the highest score for any option (as a point of comparison, community solar interest was less than 40%).
- What happens when a member pursues significant energy conservation measures that dramatically change consumption (and potentially shift production/consumption percentages)?

**OPALCO should instead focus on key opportunities and greater connectivity to its membership through dispatchable resource agreements, smart grid technologies, and long-term investments that benefit all, including future generations.**

We are happy to continue discussing solutions with you and would be willing to participate on a task force to develop a better approach for any future changes immediately. In the Spring of 2021, OPALCO indicated that there would be a task force to look at solar rates (and that we would be a part of this effort). We had hoped to be a part of an active task force, but this task force never materialized.

Thank you for your time,



Justin Wolfe



Chris Wolfe

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<sup>1</sup> Ratings were reported on a 5-point scale.