November 2, 2021

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

Re: Energy Round Table – Solar Tariff

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OPALCO Board Members,

We appreciate the opportunity to continue the conversation on OPALCO's proposed changes to the solar tariff. We previously submitted comments on October 15, 2021; and we each provided oral comments at the board meeting on October 21, 2021. We provide below additional information for the board to consider:

1. To justify the proposed solar rate change, some on the OPALCO board and staff have used the example of the non-governmental organization, Natural Resources Defense Council (NRDC) as supporting modifications to net metering in California. **The conclusion that NRDC's position in California applies to the situation we are in here in San Juan County is simply wrong.** To be very clear and to avoid being misquoted, NRDC explicitly states the following in a blog post describing its position on net metering in California:

   *"NRDC supports net metering in establishing and building a market for rooftop solar and has pushed for net metering policies in many states. The issues we address here are a result of the enormous success California has had with rooftop solar and the need for sustainable growth in that market while decarbonizing the entire economy."*

   *"Today, there are approximately 1.2 million rooftop solar installations that amount to 9 gigawatts (GW) of clean energy capacity—about 11 percent of California's total electricity production capacity (80 GW)"*

   OPALCO's website reports that in San Juan County, solar accounts for a mere 1.18% (2019) of the total generation mix. OPALCO also notes that currently, solar members generate approximately 2,860 megawatt-hours (MWh)[1] of solar production, while total energy demand is increasing, on average, 1,000 MWh per year, despite the solar contribution. OPALCO also projects a particularly ambitious forecast, *especially in light of the proposed solar disincentive*,

[1] OPALCO background materials for the roundtable: $300,000 attributed to solar generators equates to $300,000/$0.105/kWh = 2,860,000 kWh annual production/1,100 kWh:kW ≈ 2.6 MW.

for new solar installations (in 2020, there were 57 new interconnections, but this will apparently grow to 100 members annually for 2021, up to 300 members annually in 2030). **This means that solar in San Juan County will not even reach 10% of total electricity production capacity until well after 2030.** We are nowhere near the point where we should begin disincentivizing solar, especially as OPALCO's own goal for renewable energy generation is 30% by 2040.

2. **OPALCO inappropriately characterizes solar generators as "a burden on the rest of the membership".** OPALCO's email communication to members alleges that all members are *subsidizing* solar because solar generators cause OPALCO to lose revenue and assures membership that the OPALCO proposal is "only the first step in making sure all members are paying their fair share for energy". The argument that solar subsidies are bad because other OPALCO members help cover the cost of solar generators is *no different than holding up the most wasteful OPALCO members as being the true unsung heroes for their contribution to revenue generation for OPALCO*. After all, their bill more than covers their cost of service and the remainder is a subsidy for those that don't. Yet we know that this waste is actually NOT what we want as a community.

   In the interest of transparency, we have provided a brief summary of other so-called "subsidies" that all OPALCO members also provide, either in the form of lost revenue or increased costs:

| "Subsidy" | Subsidy Type | Annual Impact |
|---|---|---|
| **Members using Credit Cards for Bill Payment** | Cost incurred | **$585,900 - $930,000** *(2020, up to 3% in fees for $31M in revenues annually for 63% to 100% of members on "autopay")* |
| **Rock Island** | Cost incurred | **~$400,000** *(2018-2019: OPALCO reported a $3/month "dues" assessed on all members for first 2 years of Rock Island (note that OPALCO reports Rock Island is apparently now "self-funding" but financials have not shown the entity is profitable yet)* |
| **Members using Project PAL & Energy Assistance Program** | Cost incurred | **$313,000** *(2020: $155,000 for Project PAL to 646 members and $158,400 for Energy Assistance Program for 356 members)* |
| Members with Rooftop Solar | Revenue loss | **$300,000** *(2020 estimate by OPALCO)* |
| **Members using Energy Efficiency Rebates** (e.g., members who received rebates for heat pumps, appliance swaps, etc.) | Revenue loss & cost incurred *(OPALCO members pay tariffs that go to BPA who sends funds back to OPALCO)* | **$157,100**<br>– *$80,600 (2020, revenue loss from 760,983 kWh for rebate projects)*<br>– *$76,500 (2020, rebates awarded to 51 members)* |
| **Members using EV Charger Rebates or "Free" Public EV Chargers** | Cost incurred *(OPALCO members pay tariffs that go to BPA to send funds back to OPALCO)* | **$19,000** *(2020, rebates awarded to 38 private EV chargers)*<br>**$50,000** *(2020, Bonneville Environmental Foundation grant for EV Happy Deal project)*<br>**$?** *(2020, charger cost and ongoing energy usage for ~6 free public chargers)* |

| "Subsidy" | Subsidy Type | Annual Impact |
|---|---|---|
| **Energy-Efficient Homes** (e.g., well-insulated homes, efficient heating, members who turn off lights) | Revenue loss | **$?** *EPA estimates that up to 11% of total energy costs can be reduced through efficiency improvements.* |
| **Non-Electric Heating Members** (e.g., members who use LPG, woodstove, or other non-electric sources) | Revenue loss | **$?** *Heating loads are the largest energy load in San Juan County at present, and we see many members who continue to use LPG or woodstoves for their primary heat source.* |
| **Seasonal OPALCO Members** *("more than one-third of all homes in San Juan [County]…are vacation homes")* | Revenue loss | **$?** *Low usage means that all OPALCO members step in to cover the cost of grid access.* |
| **Members Living on Outer Islands** *(16 islands including Brown, Center, Obstruction, Henry, Pearl, Crane, Canoe, Decatur, Blakely, Fawn, etc.)* | Cost incurred | **$?** *Additional distribution and maintenance/operation costs for the outer islands (as an example, the recent submarine cable project between San Juan and Lopez cost more than $1,100/foot).* |

OPALCO's recent communication chose to use the word "subsidize" to describe our solar member generators, with the insinuation that a subsidy is a bad thing. The reality is that subsidies exist throughout the OPALCO framework and often for very good reasons. The subsidized assistance programs, PAL and EAP, are incredibly important to help with equity in our community. In 2018, all members began subsidizing Rock Island, presumably because of the potential upside for greater connectivity. All members subsidize the free EV chargers OPALCO has installed throughout the islands that help support decarbonizing the transportation sector and have public health benefits from decreased emissions. All members subsidize the heat pump and EV charger rebates (those Bonneville Environmental Fund grants are funded by rate payers) that can drive changes that reduce greenhouse gas emissions. However, there are examples of subsidies that are arguably less good – incurring significant costs with credit card fees (when no-cost equivalent options are available), for example, or turning a blind eye to the cost burdens of seasonal members who clearly are not paying their share of grid access for their vacation homes. If OPALCO is truly concerned about "fair share", why does OPALCO not focus on these opportunities to reduce cross-subsidization?

With solar, the benefits are clear; support for renewable energy is not only part of the mission of OPALCO, it also is a financially sound investment because on-island generation reduces reliance on transmission from the mainland, it has the real potential to deal with load shifting in a changing climate where summers are hotter (and require air conditioning…easily offset by summer solar production) and winters are milder (with lower heating loads), provides electricity from a truly renewable source that does not impact salmonids and orca whales, and lays the foundation for distributed energy generation and storage in our community. The UN Climate Change Conference (COP26) is being held right now, and it has never been so clear that action is needed now, by everyone.

Solar is a big part of the solution, now and for the future. The so-called "solar subsidy" comes with a tremendous return on investment for all OPALCO members, as well as for society.

3. **OPALCO's proposal to change its approach with rooftop solar leaves out a critical detail.** In the 2020 Annual Report of Accomplishments, OPALCO shares that "if… we still need to develop additional resources to meet the mandates and ensure a reliable and clean power supply, OPALCO will build utility scale renewable projects and/or look for projects in the region to invest in. *These projects will be paid for through borrowing and will affect member rates*." This means that if we do not install on-island renewable energy sources fast enough, OPALCO will charge the members to source renewables off-island.

4. **OPALCO's assumptions and analysis for the proposed change are still not clear.** We previously recommended reconvening the Energy Roundtable for more in-depth focus on this issue; our intent and personal commitment was to a process that we envisioned to be weeks or months long to allow greater understanding of all sides of the solar tariff issue, similar to how the Energy Roundtable had operated in the past. Instead, OPALCO has convened an **hourlong** session today with members to react to materials that OPALCO has prepared. While we applaud the effort by OPALCO to listen to members for this time period, serious stakeholder involvement takes time (beyond an hour for listening; as an example, consider the process employed by the Northwest Ports Clean Air Strategy that involved stakeholders in multiple stages for idea development/ reaction/reformulation over more than two years).

   As an example of why this matters, OPALCO currently projects net margins will be close to $1 million over budget for 2021 and a main reason for that increased margin is higher than expected electricity sales; why has this occurred and what impact does this have on OPALCO's solar tariff proposal? Furthermore, how did OPALCO project solar adoption for the future, given the historic rate of adoption AND incorporating reduced demand from the proposed tariff? With this proposal, how does OPALCO intend to meet the goal to source 30% of total energy demand with renewables by 2040?

For the reasons above (and those previously mentioned in our written and oral comments), **we do NOT support OPALCO's proposed changes to solar tariffs**. The proposed solar tariff change does not support OPALCO's mission and goals, and it will curtail private investment in renewables by increasing the cost of solar. Everyone loses in the long term in this scenario.

Thank you for your time,

Justin Wolfe

Chris Wolfe