Agenda Date: May 28, 2015
Item Number: A1

Docket: UE-150673
Company: Avista Corporation

Staff: Chris McGuire, Regulatory Services

Recommendation

Take no action, thereby allowing the proposed tariff to go into effect by operation of law.

Background

WAC 458-20-273, Renewable energy system cost recovery, authorizes a financial production incentive for qualifying renewable energy systems in Washington State, including for community solar systems. WAC 458-20-273(2)(103)(b) allows community solar installations to be utility owned.[1]

On April 27, 2015, Avista Corporation (Avista or company) filed a revised tariff Schedule 97 with the Washington Utilities and Transportation Commission (commission) which would allow Avista to offer a utility-owned community solar program to its customers in accordance with WAC 458-20-273. This program will be offered to Avista's Washington residential and non-residential electric customers and participation is voluntary. The company requests an effective date of June 1, 2015.

Discussion

WAC 458-20-273 provides for a generous incentive for community-owned solar systems, particularly if the solar modules and inverters are manufactured in Washington State. Specifically, if both solar modules and inverters are manufactured in Washington State, community solar systems receive an incentive rate of $1.08/kWh.[2]

In this filing, Avista proposes to develop six separate 70.5 kilowatt community solar arrays. Each array will consist of 252 panels, each rated at approximately 280 Watts. Avista will contract with Clean Energy Collective[3] to design, build, operate, maintain and administer the system. Avista will retain ownership of the systems as well as the renewable energy credits (RECs) generated from the system.

---

[1] WAC 458-20-273(2)(103) states that a community solar project means… "(b) A utility-owned solar energy system located in Washington State that is capable of generating up to seventy-five kilowatts of electricity and that is voluntarily funded by the utility's ratepayers where, in exchange for their financial support, the utility gives contributors a payment or credit on their utility bill for their share of the value of the electricity generated by the solar energy system."

[2] The production incentive that Avista pays to the solar project sponsors is treated as a one-to-one reduction to the company's Washington State Public Utility Tax obligation.

[3] Clean Energy Collective builds, operates and maintains community-based clean energy facilities. The company is based in Carbondale, Colorado.

Open enrollment to customers is scheduled to begin June 1, 2015, and will close July 17, 2015. A lottery process will be used to select the customers that will participate. Successful applicants will enter into an agreement with Avista for the duration of the Washington incentive program (i.e., through June of 2020). Each participating customer will purchase an interest in the generation output from one or more solar panels. Customers will receive a credit on each monthly bill that will reflect a payment of $0.049 per kWh[4] plus the $1.08 per kWh Washington incentive rate. Each 280 W panel is expected to produce at least 322 kWh per year. At an incentive rate of $1.08 per kWh plus the $0.049 per kWh Avista will pay for the electricity generated, each 280 W panel should generate $364 per year in incentives, or $1,800 over the contracted five year participation period. This compares to the customer up-front cost of $1,400 per panel. The expected simple payback for the investment is 3.85 years.

After June 30, 2020, the right to the energy output for the system will revert to Avista as a generation asset for the remaining life of the system. Participant payments to Avista will be booked as contributions in aid of construction, so Avista will not earn a return on this project. The proposed customer cost of $1,400 per panel is designed to be sufficient to cover one-time up-front costs as well as ongoing costs that will be incurred through the life of the program.

Staff Opinion

Staff believes that Avista is merely providing to its customers an opportunity to benefit from state solar incentives. The up-front cost of $1,400 is reasonable and provides for a simple payback on investment of 3.85 years which is significantly shorter than the five year duration of the program. Non-participants will not be burdened by this project. Rather, non-participants will benefit from the value of RECs generated from the project as well as the electricity generated after June of 2020. All project costs are borne by the voluntary participants, and Avista will not earn a return on this project.

Avista benefits from this project by continuing to integrate solar photovoltaics into its system. The company continues to gather operational data and continues to develop relationships with solar developers, vendors and project administrators. In staff's opinion, this project makes sense economically for all parties. As long as the law provides for solar incentives funded by taxpayers, staff believes there is no reason to reject community solar tariffs such as the one Avista presents here.

Conclusion

Staff recommends that the commission take no action, thereby allowing the proposed tariff to go into effect by operation of law.

[4] $0.049 per kWh is the average of Avista's five-year published Schedule 62 rates. Schedule 62 is the tariff that offers avoided cost payments to small power producers in Avista's service territory.